POSaBIT Systems Corporation

Consolidated Financial Statements
Years Ended December 31, 2020 and 2019
(expressed in United States Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of POSaBIT Systems Corporation

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, 2020 and 2019, and the consolidated statements of loss, comprehensive loss, changes in equity (deficiency) and cash flows for the years 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, 2020 and 2019, and its financial performance and its cash flows for the years 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 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.

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

Responsibilities of Management and Those Charged with Governance for the 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

May 5, 2021

POSaBIT Systems Corporation
Consolidated Statements of Financial Position
As at December 31,
(Expressed in United States Dollars)

	2020	2019
	$	$
ASSETS		
Current assets		
Cash	**977,654**	404,444
Sales taxes recoverable	**316**	1,436
Receivables *(notes 7)*	**1,895,018**	460,843
Due from sale of discontinued operations *(note 20)*	**65,000**	-
Due from related parties *(note 21)*	**196,626**	113,368
Digital assets *(note 6)*	**3,870**	5,483
Inventories *(note 8)*	**74,727**	38,925
Prepaid expenses and deposits	**128,629**	216,270
Total current assets	**3,341,840**	1,240,769
Other asset *(note 9)*	**120,000**	120,000
Right-of-use asset *(note 10)*	**25,398**	22,042
Equipment *(note 11)*	**178,371**	98,745
Intangible assets *(note 12)*	**20,110**	216,312
Customer lists *(note 12)*	**-**	13,333
Goodwill *(note 13)*	**-**	311,000
Total assets	**3,685,719**	2,022,201
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	**4,993,205**	3,186,604
Accrued liabilities	**358,558**	126,713
Due to related parties *(note 21)*	**-**	35,000
Notes payable *(note 16)*	**200,000**	-
Lease liability *(note 14)*	**26,414**	24,301
Total current liabilities	**5,578,177**	3,372,618
Government loan *(note 18)*	**45,380**	-
Derivative liability *(note 17)*	**1,026,676**	-
Notes payable *(note 16)*	**-**	400,000
Convertible debentures *(note 17)*	**92,469**	-
Total liabilities	**6,742,702**	3,772,618
Shareholders' deficiency		
Share capital *(note 19)*	**11,198,735**	11,198,735
Warrants *(note 19)*	**360,016**	370,689
Contributed surplus *(note 19)*	**489,638**	464,957
Deficit	**(14,885,305)**	(13,752,021)
Currency translation reserve	**(220,067)**	(32,777)
Total shareholders' deficiency	**(3,056,983)**	(1,750,417)
Total liabilities and shareholders' deficiency	**3,685,719**	2,022,201

Subsequent events *(note 31)*
Approved for filing by the Board of Directors, May 5, 2021.

"Mike Apker" (Director) *"Ryan Hamlin"* (Director)

(Expressed in United States Dollars)

	2020	2019
	$	$
REVENUE *(note 23)*		
Processing services	**7,822,732**	3,440,100
Total revenue	**7,822,732**	3,440,100
COST OF SALES		
Processing fees	**4,143,021**	1,935,005
Software license fees	**799,732**	388,061
Impairment of inventory	**108,611**	22,171
Hardware cost of sales	**780,766**	191,156
Sales labour and commissions	**255,538**	607,075
Total cost of sales	**6,087,668**	3,143,468
Gross margin	**1,735,064**	296,632
OPERATING EXPENSES		
Administrative *(note 25)*	**1,708,910**	2,233,237
Amortization and depreciation *(notes 10, 11 and 12)*	**349,935**	301,418
Foreign exchange gain	**(227,519)**	(2,958)
Investor relations and public reporting	**23,071**	29,791
Marketing	**178,441**	350,097
Professional fees	**382,934**	411,873
Research and development	**-**	337,345
Share-based compensation *(note 19)*	**132,025**	161,046
Transaction costs *(notes 5.1(a) and 24)*	**82,299**	1,726,659
Total operating expenses	**2,630,096**	5,548,508
OTHER INCOME (EXPENSES)		
Change in fair value of digital assets	**(1,613)**	1,158
Change in expected credit losses *(note 7)*	**(57,179)**	21,880
Change in fair value of derivative liability *(note 17)*	**(77,688)**	-
Finance costs	**(178,670)**	(68,071)
Loss on disposal of DoubleBeam assets	**(55,000)**	-
Government assistance *(note 18)*	**119,465**	
Loss on disposal of assets	**(1,903)**	(2,154)
Total other expenses	**(252,588)**	(47,187)
Loss	**(1,147,620)**	(5,299,063)
Loss from discontinued operations *(note 20)*	**(103,681)**	(212,027)
Net loss	**(1,251,301)**	(5,511,090)
Basic and diluted loss per common share – continued operations	**(0.01)**	(0.07)
Basic and diluted loss per common share – discontinued operations	**(0.00)**	(0.00)
Basic and diluted weighted average number of common shares outstanding	**96,633,022**	78,732,074

(Expressed in United States Dollars)

Year ended December 31,	2020	2019
	$	$
Net loss	**(1,251,301)**	(5,511,090)
Other comprehensive loss:		
Items that may not be reclassified to net loss		
Foreign translation adjustment on parent	**(187,290)**	(32,777)
	(187,290)	(32,777)
Comprehensive loss	**(1,438,591)**	(5,543,867)

POSaBIT System Corporation

Consolidated Statement of Changes in Equity (Deficiency)

(Expressed in United States Dollars)

	Common shares		Shares to	Preferred shares		Contributed	Warrants		Currency translation	
	Number	Amount	be issued	Number	Amount	surplus	reserve	Deficit	reserve	Total
		$	$		$	$	$	$	$	$
January 1, 2019	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)

	Common shares			Preferred shares					Currency	
	Number *(note 5.1(b)(ii))*	Amount	Shares to be issued	Number	Amount	Contributed surplus	Warrants	Deficit	translation reserve	Total
		$	$		$	$	$	$	$	$
December 31, 2019	94,228,182	11,198,735	-	-	-	464,957	370,689	(13,752,021)	(32,777)	(1,750,417)
Additional shares issued pertaining to the Merger *(note 19.2)*	**3,024,643**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Expiry of broker warrants	**-**	**-**	**-**	**-**	**-**	**-**	**(10,673)**	**10,673**	**-**	**-**
Expiry of options	**-**	**-**	**-**	**-**	**-**	**(107,344)**	**-**	**107,344**	**-**	**-**
Share-based compensation	**-**	**-**	**-**	**-**	**-**	**132,025**	**-**	**-**	**-**	**132.025**
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,251,301)**	**-**	**(1,251,301)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(187,290)**	**(187,290)**
December 31, 2020	**97,252,825**	**11,198,735**	**-**	**-**	**-**	**489,638**	**360,016**	**(14,885,305)**	**(220,067)**	**(3,056,983)**

(Expressed in United States Dollars)

	2020	2019
OPERATING ACTIVITIES	**$**	$
Net loss	**(1,251,301)**	(5,511,090)
Adjustment for non-cash items		
Amortization and depreciation	**349,935**	317,530
Change in fair value of digital assets	**1,613**	(1,158)
Change in fair value of derivative liability	**77,688**	-
Change in expected credit losses	**57,179**	(12,844)
Foreign exchange gain	**(176,911)**	(32,963)
Loss on disposal of discontinued operations	**55,000**	-
Loss on disposal of assets	**1,903**	3,103
IAS 20 SBA loan adjustment	**(109,465)**	-
Impairment of receivables	**-**	2,520
Impairment of goodwill	**57,458**	200,000
Interest accretion on convertible notes and SBA loan	**14,149**	-
Interest accretion, right-of-use assets	**4,207**	6,587
Non-cash transaction costs	**25,741**	1,466,842
Share based compensation	**132,025**	161,046
Working capital changes in operating assets and liabilities *(note 27.1)*	**574,354**	101,836
Net cash used for operating activities	**(186,425)**	(3,298,590)
INVESTING ACTIVITIES		
Cash acquired on completion of Transaction	**-**	77,589
Purchase of equipment	**(175,932)**	(106,933)
Net cash used for investing activities	**(175,932)**	(29,344)
FINANCING ACTIVITIES		
Exercise of options	**-**	29,913
Exercise of warrants	**-**	1,086
Issuance of convertible debt	**1,040,000**	-
Issuance costs	**(7,893)**	-
Proceeds from forward sale of cash receipts	**175,000**	-
Proceeds from issuance of common shares (net of costs)	**-**	1,438,293
Proceeds from issuance (repayment) of notes payable	**(200,000)**	200,000
Proceeds from sale of DoubleBeam	**150,000**	-
Proceeds from SBA loan	**150,000**	-
Repayment of forward sales proceeds	**(175,000)**	-
Repayments to related parties	**(118,258)**	(67,619)
Repayment of lease liabilities	**(78,282)**	(70,448)
Net cash provided from financing activities	**935,567**	1,531,225
Net change in cash during the year	**573,210**	(1,796,709)
Change in restricted cash	-	767,246
Cash, beginning of year	**404,444**	1,433,907
Cash, end of year	**977,654**	404,444

Cash flows from discontinued operations ***(note 20)***

Supplemental cash flow information ***(note 27)***

1. NATURE OF OPERATIONS AND GOING CONCERN

POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**"), was incorporated on June 12, 2017, pursuant to the *Business Corporations Act* (British Columbia). On April 5, 2019, the Company completed the reverse acquisition of POSaBIT, Inc. ("POSaBIT US"), a private company incorporated under the laws of the State of Washington, by way of a triangular merger (the "Transaction" or "Merger") (note 5 (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 its inception that have been funded through both operating and financing activities.

As at December 31, 2020, the Company has a reported working capital deficit of $2,236,337 (2019 – $2,131,849) and has shareholders' deficiency $3,056,983 (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 likely need to raise additional capital during the next twelve months (see note 31.2 on subsequent equity raise) and possibly beyond to support current operations and planned development and expansion activities. 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 May 5, 2021.

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. ("**POSaBIT US**") (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.

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.

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.

IFRS 16 – Leases ("**IFRS 16**") – In May 2020, the IASB amended IFRS 16, Leases, to include a practical expedient which permits lessees not to assess whether rent concessions that occur as a direct consequence of the COVID19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications. In addition, the amendment to IFRS 16 provides specific disclosure requirements regarding COVID-19 related rent concessions. The amendments are effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted. The Company did not receive any rent concession during the year ended December 31, 2020. The adoption of these amendments did not have a material impact on the Company's consolidated financial statements but may impact future periods if the Company receives additional rent concessions.

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, 2020 and 2019, the Company's diluted loss per share does not include the effect of stock options, warrants, and convertible debentures 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 Convertible debentures

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

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

4.4 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.

4.5 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.

4.6 Equity

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

4.7 Financial instruments

4.7.1 Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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, due from sale of discontinued operations 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.

Business model assessment

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

Contractual cash flow assessment

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

Impairment of financial assets

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

Derecognition of financial assets

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

4.7.2 Financial liabilities

Recognition and initial measurement

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

Derecognition of financial liabilities

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

4.7.3 Fair value hierarchy

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

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

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

Level 3 - Unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.
If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

4.8 Impairment of non-financial assets

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

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

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

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

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

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

4.9 Functional and presentation currency

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

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

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

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

4.10 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.

4.11 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 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.

4.12 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.

4.13 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.

4.14 Leases

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

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

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

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

The lease liability is subsequently measured by:

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

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.
The right-of-use asset is initially measured at cost, which comprises the following:

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

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

4.15 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.

4.16 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.

4.17 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.

4.18 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.

4.19 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. ACQUISITION

Transaction with Foreshore

On April 5, 2019, the Company completed the reverse acquisition of POSaBIT US by way of a triangular merger (the "**Transaction**"). The Transaction constituted a reverse take-over ("RTO") of Foreshore Exploration Partners Corp. ("**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 has been 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 22)	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 subsidiary and the RTO acquirer), including the equity interests the POSaBIT issued to affect the Transaction. Accordingly, the equity structure of Foreshore (the legal parent and the RTO acquiree) is restated using the exchange ratio established in the Transaction to reflect the number of shares of POSaBIT issued in the RTO.

(Expressed in United States Dollars)

6. DIGITAL ASSETS

Digital assets consist of Bitcoin and Litecoin.

7. RECEIVABLES

	December 31, 2020	December 31, 2019
	$	$
Receivables	**1,921,568**	470,448
Impairment of receivables	**-**	(2,520)
Allowance for expected credit losses	**(26,550)**	(7,085)
	1,895,018	460,843

The receivables are generally on terms due within 30 days.

For the year ended December 31, 2020, the Company recognized changes in expected credit losses of $57,179 (2019 – recovery of $24,400).

8. INVENTORIES

	December 31, 2020	December 31, 2019
	$	$
Finished goods - hardware	**74,727**	38,925

9. 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.

10. 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, December 31, 2018	-
Additions	88,162
Depreciation	(66,120)
Balance December 31, 2019	22,042
Additions	**76,188**
Depreciation	**(72,832)**
Balance December 31, 2020	**25,398**

(Expressed in United States Dollars)

11. EQUIPMENT, NET

Cost	
	$
December 31, 2018	37,419
Additions	106,933
Disposals	(3,955)
December 31, 2019	140,397
Additions	**175,932**
Disposals	**(20,232)**
December 31, 2020	**296,097**

Accumulated Depreciation	
	$
December 31, 2018	11,000
Depreciation	**31,501**
Disposals	(849)
December 31, 2019	41,652
Depreciation	**93,898**
Disposals	**(17,824)**
December 31, 2020	**117,726**

Net Book Value	
December 31, 2019	98,745
December 31, 2020	**178,371**

12. INTANGIBLE ASSETS, NET

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, 2018 and 2019	793,192
Disposals	(50,000)
December 31, 2020	**743,192**

(Expressed in United States Dollars)

Accumulated amortization	
	$
December 31, 2018	383,639
Amortization	193,241
December 31, 2019	576,880
Amortization	**188,425**
Disposals	**(42,223)**
December 31, 2020	**723,082**

Net Book Value	
December 31, 2019	216,312
December 31, 2020	**20,110**

Customer List

Cost	
	$
December 31, 2018 and December 31, 2019	40,000
Disposed	**(40,000)**
December 31, 2020	**-**

Accumulated Amortization	
December 31, 2010	-
Amortization	26,667
December 31, 2019	26,667
Amortization	**5,000**
Disposed	**(31,667)**
December 31, 2020	**-**

Net Book Value	
December 31, 2019	13,333
December 31, 2020	**-**

13. GOODWILL

During the year ended December 31, 2018, the Company recognized goodwill of $511,000 pursuant to the acquisition of DoubleBeam.

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)

In May 2020, the Company completed the sale of DoubleBeam and the goodwill was impaired to $nil (note 20).

14. LEASE LIABILITY

The Company has recognized a right-of-use asset (note 10) 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
Additions	**76,188**
Interest expense	**4,207**
Lease payments	**(78,282)**
Balance December 31, 2020	**26,414**

	$
Lease liability	
Current portion	26,414
Non-current portion	-
Total lease liability	26,414

At December 31, 2020, the Company is committed to minimum lease payments as follows:

	$
Lease commitment	
Less than one year	26,808
Total undiscounted lease liabilities	26,808
Amount representing implicit interest	(394)
Lease liability	26,414

(Expressed in United States Dollars)

15. FUTURE SALES AGREEMENTS

During the year ended December 31, 2020, the Company entered into agreements (the "**Agreements**") wherein, it agreed to repay amounts advanced by third parties from future cash receipts over a fixed period, terminating prior to December 31, 2020.

	$
Balance, December 31, 2018 and 2019	-
Discounted proceeds received by the Company	170,855
Interest	71,145
Payments made to December 31, 2020	(242,000)
Balance, December 31, 2020	**-**

16. NOTES 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 originally matured on September 30, 2020, but the expiry dated has been extended to December 31, 2021. For the year ended December 31, 2020, interest expense of $33,040 (2019 - $23,671), 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 originally matured on September 30, 2020, but the expiry date was extended to December 31, 2020. Prior to the reporting period end date, Note 1, including accrued interest, was repaid in full. For the year ended December 31, 2020, interest expense of $33,435 (2019 - $35,605), has been recorded.

	December 31, 2020	**December 31, 2019**
	$	**$**
Balance, beginning of year	200,000	400,000
Repayment	(200,000)	-
Balance, end of year	**200,000**	**400,000**
Note 1 due in December 2020	-	200,000
Note 2 due in December 2021	200,000	200,000
	200,000	**400,000**

17. CONVERIBLE DEBENTURES

During the year ended December 31, 2020, the Company completed a non-brokered financing of $1,040,000 (the "**Financing**"), by way of issuance of convertible notes (the "**Convertible Notes**"). The Convertible Notes carry an interest rate of 12.0% per annum, payable on a calendar- quarterly basis and have a maturity date of December 31, 2023. At any time prior to December 1, 2023, at the election of the holder, outstanding principal of the Convertible Notes may be converted into common shares of the Company at CDN$0.12 per common share.

In connection with the Financing, the Company incurred cash issue costs of $64,450 and issued 5,650,233 common-share purchase warrants (each a "**Warrant**"), each with an exercise price of C$0.12 and maturity date of November 13, 2025 and 349,608 finder warrants (each a "**Finder Warrant**"), each with an exercise price of C$0.12 and maturity date of November 13, 2022.

As the conversion price is a function of the market price on the date of conversion, a variable number of shares will be issued on conversion, resulting in a derivative liability. On initial recognition, first the derivative liability of $948,988 was recognized, with the residual value of $91,012 allocated to the debt component. The fair value of the Finder Warrants of $25,741 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate of 0.33%, expected life of 1 year, exercise price of $0.09, volatility of 237%, dividend yield of 0% and share price of $0.11. $7,893 of the fair value of the Finder Warrants and the cash costs of the issuance were deducted from the host liability with the residual value of $82,299 being recorded as finance cost in profit and loss.

The residual value is then accreted back to the face value of the Convertible Notes over the term of the loan and the derivative liability is marked-to-market at each reporting date.

Total interest accretion for the Convertible Notes for the year ended December 31, 2020 of $9,350 (2019 - $nil) has been recorded in the consolidated statements of loss. As at December 31, 2020, the Company revalued the derivative liability and recorded a loss of $77,688 (2019 - $nil) in the consolidated statements of loss.

18. GOVERNMENT LOAN

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

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

During the year ended December 31, 2020, the Company received $10,000 advance grant from the government that is not required to be repaid.

19. SHARE CAPITAL

Common and preferred shares

19.1 Authorized

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

19.2 Issued and outstanding

Year ended December 31, 2020

In March 2020, the Company issued 3,024,643 common shares to POSaBIT US shareholders that had not originally received the exchange ratio upon conversion of their shares to Company shares, pursuant to the Transaction (note 5).

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 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.

(Expressed in United States Dollars)

(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.

19.3 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.

Total	April 5, 2021*	October 5, 2021	April 5, 2022
9,195,315	3,065,105	3,065,105	3,065,105

As of December 31, 2020, 9,195,315 shares are held in escrow.

*Released subsequent to the reporting date (note 31.4).

(Expressed in United States Dollars)

19.4 Warrants

A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price
		$
Outstanding at December 31, 2018, December 31, 2019	17,930,886	C0.26
Issued during 2020	**5,992,883**	**C0.12**
	23,930,727	**C0.23**

The outstanding issued warrants balance as at December 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 *(note 31.1)*	Finder warrants	209,999	C0.20
October 31, 2021	Warrants	11,178,000	C0.25
November 1, 2021	Finder warrants	342,650	C0.25
November 13, 2025	Warrants	5,650,233	C0.12
November 13, 2024	Finder warrants	349,608	C0.12
July 10, 2027	Warrants	173,640	US0.14
		23,930,727	**C0.3**

19.5 Stock options and 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 December 31, 2020, the Company had 5,017,031 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, 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

(Expressed in United States Dollars)

Granted to Foreshore option holders pursuant to the Transaction (note 5 (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
Granted	**3,956,895**	**0.07**
Cancelled	**(1,661,895)**	**-**
Forfeited	**(3,492,525)**	**(0.19)**
Outstanding as at December 31, 2020	**11,592,969**	**0.06**
Exercisable as at December 31, 2020	**7,400,022**	**0.05**

During the year ended December 31, 2020, the Company granted 3,956,895 options to employees and management of the Company. Of the options granted, 1,661,895 options were reissued to the holders of the options that were cancelled during the year.

For the year ended December 31, 2020, the Company recognized share-based compensation expense of $132,025 (2019 - $161,046). The share-based compensation was estimated using the Black-Scholes Option Pricing Model assuming a risk-free interest rate of 1.56% per annum, an expected life of options of 10 years, an expected volatility of 237% and no expected dividends.

The options outstanding and exercisable as at December 31, 2020 is comprised of the following:

Date of expiry	Number of options outstanding	Exercise price	Weighted average remaining life (years)
January 9, 2022	1,208,270	0.05	1.0
May 9, 2022	35,080	0.40	1.3
December 5, 2025	2,635,358	0.01	4.9
March 4, 2026	2,630,973	0.05	5.2
January 9, 2028	175,398	0.05	7.0
March 28, 2028	1,613,662	C$0.095	7.3
August 8, 2028	35,074	C$0.095	7.6
October 4, 2029	13,154	C$0.095	8.8
October 17, 2029	951,000	C$0.15	8.8
October 1, 2030	2,295,000	C$0.095	9.8
Outstanding	**11,592,969**		**6.2**
Exercisable	**7,400,022**		**6.2**

(Expressed in United States Dollars)

20. DISCONTINUED OPERATIONS

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 (the "**Closing**"), 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, $150,000 having been received as on closing date and $120,000 to be received in one final payment (the "**Final Payment**") 180 days after closing, subject to certain conditions (the "**Conditions**"). Subsequent to the reporting date, the Company reached an agreement with the purchaser to a reduction of $55,000 (the "**Reduction**") to meet the Conditions. The Reduction has been reflected in the receivable due from the purchaser and offset to the loss on sale.

The disposition of DoubleBeam led to the classification of the DoubleBeam assets and liabilities as held for sale in March 2020. With the closing of the sale, the Company completed an impairment analysis regarding the goodwill and intangible assets associated with the DoubleBeam purchase, which resulting in an impairment loss of $57,458 in profit or loss.

	May 22, 2020
	$
Equipment, net	348
Intangible assets, net	7,777
Customer list, net	8,333
Goodwill, net	253,542
Assets sold	270,000
Proceeds of sale (net of the Reduction)	215,000
Loss on sale of DoubleBeam assets	**55,000**

As at December 31, 2020, the Company has received $150,000 of the total proceeds and the remainder was received subsequent to December 31, 2020.

The following is a summary of the financial performance and cash flow information of discontinued operations:

	Year ended	
	December 31, 2020	December 31, 2019
	$	$
Revenue		
Digital processing services	**164,133**	735,123
Processing fees	**24,806**	70,562
Software license fees	**19,926**	86,791
Hardware cost of sales	**64,696**	241,244
Sales labour and commissions	**20,000**	35,114
Cost of sales	**129,428**	433,711
Gross Margin	**34,705**	301,412
Administrative *(note 25)*	**54,447**	256,252

(Expressed in United States Dollars)

	Year ended December 31, 2020	December 31, 2019
	$	$
Amortization and depreciation	**10,220**	16,111
Marketing expense	**48**	23
Professional fees	**-**	28,548
Operating costs	**64,715**	300,934
Change in expected credit losses	**(16,213)**	(11,556)
Loss on disposal of assets	**-**	(949)
Impairment of goodwill and customer lists	**(57,458)**	(200,000)
Other expenses	**(73,671)**	(212,505)
Loss from discontinued operations	**(103,681)**	(212,027)
Loss per share from discontinued operations	**(0.00)**	(0.00)
Cash provided from (used for) discontinued operations	**(42,663)**	13,315
Cash used for discontinued investing activities	**-**	(16,672)

21. RELATED PARTY TRANSACTIONS

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

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:

	Year ended December 31	
	2020	2019
	$	$
Executive Compensation to key managers	**594,000**	460,487
Licence Fees to PlaceFull Inc.	**120,000**	120,000
Rent to PlaceFull Inc.	**12,290**	13,738
Interest on loans	**2,121**	3,282
Totals	**728,411**	597,507

At December 31, 2020, Placefull Inc. owes the Company $196,626 (December 31, 2019 - $113,368). These loans are unsecured, interest free and due on demand.

At December 31, 2019, the Company owed directors with which it has entered into loan agreements (the "**Employee Loans**"), $35,000. During 2020, the Employee Loans were repaid in full.

22. 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, 2020, the Company's financial instruments consist of cash and cash equivalents, receivables, due from related parties, due from sale of discontinued operations, accounts payable and accrued liabilities, derivative liabilities, and note payable and for the comparative year, due to related parties. The fair values of cash and cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liability, and lease liabilities approximate their carrying values due to the relatively short-term to maturity nature. The Company classifies its derivative liability at fair value through profit or loss.

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.

As of December 31, 2020, $1,895,018 (2019 – $467,928) in receivables was outstanding. The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. As at December 31, 2020 the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses are nominal.

The Company maintains bank deposits with reputable financial institutions.

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

b) Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. 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 and convertible debentures bear 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 years ended December 31, 2020 and 2019. There are no external capital management requirements or covenants as at December 31, 2020 and December 31, 2019.

23. 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).

23.1 Payment Services

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

Convenience fees - Charges to the end consumer for each 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.

23.2 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, 2020 and 2019 (net of revenues from discontinued operations):

(Expressed in United States Dollars)

	2020	2019
	$	$
Continuing operations:		
Payment services		
Convenience fees	**5,708,447**	2,528,160
Set-up fees	**22,789**	20,025
Subscription fees	**28,578**	32,730
Transaction fees	**1,771,088**	703,428
	7,530,902	3,284,343
POS Services	**291,830**	155,757
Total revenue, continuing operations	**7,822,732**	3,440,100

	2020	2019
	$	$
Discontinued operations:		
Payment services		
Set-up fees	**1,335**	-
Subscription fees	**124,932**	424,288
Transaction fees	**8,441**	11,448
	134,708	435,736
POS services	**29,425**	299,387
Total revenue, discontinued operations (note 20)	**164,133**	735,123
Total revenue	**7,986,865**	4,175,223

24. TRANSACTION COSTS

The Company incurred the following transaction costs:

	2020	2019
	$	$
Foreshore cost of listing *(note 5.1 (a))*	**-**	1,508,198
Foreshore audit expenses	**-**	83,597
Foreshore legal expenses	**-**	134,864
Issuance of convertible debentures *(note 17)*	**82,299**	-
	82,299	1,726,659

(Expressed in United States Dollars)

25. ADMINISTRATIVE COSTS

The Company incurred the following administrative costs:

Year ended December 31,	2020	2019
	$	$
Continuing operations:		
General	**378,764**	334,825
Meals and entertainment	**12,823**	50,941
Rent	**-**	2,125
Salaries and wages	**1,292,772**	1,680,404
Travel	**24,551**	164,942
	1,708,910	2,233,237
***Discontinued operations** (note 20):*		
General	**5,647**	59,840
Meals and entertainment	**-**	1,844
Salaries and wages	**43,944**	181,652
Travel	**4,856**	12,916
	54,447	256,252
Total administrative costs	**1,763,357**	2,489,489

26. 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.

27. ADDITIONAL CASH FLOW INFORMATION

27.1 Working capital changes in operating assets and liabilities

	Years ended December 31,	
	2020	2019
	$	$
Sales taxes recoverable	**1,120**	(1,436)
Receivables	**(1,491,354)**	171,525
Inventory	**(35,802)**	(5,473)
Prepaid expenses	**87,641**	(169,306)
Accounts payable and accrued liabilities	**2,069,306**	106,526
Working capital changes in operating assets and liabilities	**630,911**	101,836

27.2 Supplemental cash flow information

	Years ended December 31,	
	2020	2019
	$	$
Cash interest paid	**160,541**	61,485

(Expressed in United States Dollars)

28. 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.

29. INCOME TAXES

29.1 Income taxes

The reconciliation of the combined Canadian federal income tax rate of 26.5% (2019 – 26.5%) to the effective tax rate is as follows:

	2020	2019
	$	$
Loss before recovery of income taxes	**(1,251,301)**	(5,511,090)
Expected income tax recovery	**(331,595)**	(1,460,439)
Tax rate changes and other adjustments	**-**	194,022
Share based compensation and non-deductible expenses	**173,472**	495,385
Change in tax benefits not recognized	**158,123**	771,032
Income tax (recovery) expense	**-**	-

29.2 Deferred tax

The following table summarizes the components of deferred tax:

	2020	2019
	$	$
Deferred tax assets		
Non-capital losses	**1,503,622**	1,364,500
Capital assets	**104,140**	91,386
Share issue costs	**16,436**	22,609
Valuation allowance	**(1,624,198)**	(1,478,495)
Income tax (recovery) expense	**-**	-

29.3 Tax loss carry-forwards

As at December 31, 2020, the Company had non-capital loss carry-forwards of approximately $365,000 (2019 - $320,000) that may be used to offset future taxable income and will expire in 2040 for use in Canada. The Company also has US net operating losses of approximately $2,590,000 (2019 - $1,950,000) that expire between 2037-2038 and $4,670,000 (2019 - $4,670,000) that may be carried forward indefinitely to offset future taxable income.

(Expressed in United States Dollars)

30. 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.

Geographic segments

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

As at December 31,	**2020**	2019
	$	$
Non-current assets:		
Canada	**-**	-
United States	**343,879**	781,432
	343,879	781,432

Years ended December 31,	**2020**	2019
	$	$
Revenue from continuing operations:		
Canada	**-**	-
United States	**7,822,732**	3,440,100
	7,822,732	3,440,100
Revenue from discontinued operations (notes 20 and 23):		
Canada	**-**	-
United States	**164,133**	735,123
	164,133	735,123
Total revenues	**7,986,865**	4,175,223

31. SUBSEQUENT EVENTS

31.1 Exercise of finder warrants

In March 2021, 74,083 finder warrants with an exercise price of $0.12 (C$0.15) each, were exercised, raising proceeds of $8,890.

31.2 Unit private placement

In February 2021, 11,029,565 units (a "**Unit**") were issued raising $2,000,000. Each Unit consists of 1 common share and 0.3627 common share purchase warrants (each whole warrant, a "**Warrant**"). Each Warrant is exercisable into one common share at C$0.35 for a period of 3 years after issuance.

31.3 Conversion of note

In January 2021, a convertible note with principal amount of $50,000, was converted and the Company issued 530,500 common shares at $0.094 (C$0.12) each.

31.4 Release of escrowed securities

On April 5, 2021, 3,065,105 common shares were released from escrow.

31.5 Sale of DoubleBeam

On March 17, 2021, the Company received the outstanding Final Payment of $65,000 regarding the sale of its discontinued operations.

31.6 Issuance of options

On March 15, 2021, the Company granted 744,400 stock options to participants of the Company. The stock options are exercisable into common shares of the Company at an exercise price of C$0.275 per share over the next 10 years.

31.7 Repayment of note payable

On March 15, 2021, principal and all accrued interest on the Note 2 (note 16), was repaid.