POSaBIT Systems Corporation

Consolidated Financial Statements
Years Ended December 31, 2021 and 2020
(expressed in United States Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
POSaBIT Systems Corporation
Ontario, Canada

Opinion

We have audited the consolidated financial statements of POSaBIT System Corporation and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2021, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in deficiency and consolidated statements of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("CAS") and the auditing standards generally accepted in the United States of America ("US GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada and the United States of America, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those finance statements on May 5, 2021.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing these financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to a 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 to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with CAS and US GAAS 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 consolidated financial statements.

As part of an audit in accordance with CAS and US GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Armanino LLP

Armanino[LLP]
Certified Public Accountants
Bellevue, Washington, United States of America

April 27, 2022

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

	2021	2020
	$	$
ASSETS		
Current assets		
Cash	**4,418,788**	977,654
Sales taxes recoverable	**943**	316
Receivables *(note 5)*	**2,331,519**	1,895,018
Due from sale of discontinued operations *(note 16)*	**-**	65,000
Due from related parties *(note 17)*	**-**	196,626
Digital assets	**16,502**	3,870
Inventories *(note 6)*	**678,853**	74,727
Prepaid expenses and deposits	**118,627**	128,629
Total current assets	**7,565,232**	3,341,840
Other asset *(note 7)*	**120,000**	120,000
Right-of-use asset *(note 8)*	**-**	25,398
Equipment *(note 9)*	**218,543**	178,371
Intangible assets *(note 10)*	**-**	20,110
Total assets	**7,903,775**	3,685,719
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	**5,453,138**	4,993,205
Accrued liabilities	**420,821**	358,558
Notes payable *(note 12)*	**-**	200,000
Lease liability *(note 11)*	**-**	26,414
Total current liabilities	**5,873,959**	5,578,177
Government loan *(note 14)*	**48,098**	45,380
Derivative liability *(note 13)*	**10,602,448**	1,026,676
Convertible notes *(note 13)*	**86,412**	92,469
Total liabilities	**16,610,917**	6,742,702
Shareholders' deficiency		
Common shares *(note 15)*	**17,564,928**	11,198,735
Contributed surplus *(note 15)*	**1,238,683**	489,638
Warrant reserve *(note 15)*	**292,622**	360,016
Deficit	**(25,435,728)**	(14,885,305)
Currency translation reserve	**(2,367,647)**	(220,067)
Total shareholders' deficiency	**(8,707,142)**	(3,056,983)
Total liabilities and shareholders' deficiency	**7,903,775**	3,685,719

Approved for filing by the Board of Directors, April 27, 2022.

"Mike Apker" (Director) *"Don Tringali"* (Director)

POSaBIT Systems Corporation
Consolidated Statements of Loss
Years ended December 31,
(Expressed in United States Dollars)

	2021	2020 *(note 2.1)*
	$	$
REVENUE *(note 19)*		
Payment Services	**18,589,736**	7,530,902
POS services	**2,712,013**	291,830
Total revenue	**21,301,749**	7,822,732
COST OF SALES		
Processing fees	**13,436,872**	4,143,021
Software license fees	**171,961**	799,732
Impairment of inventory	**104,693**	108,610
Hardware cost of sales	**252,527**	58,380
Sales labour and commissions	**1,576,499**	977,925
Total cost of sales	**15,542,552**	6,087,668
Gross margin	**5,759,197**	1,735,064
OPERATING EXPENSES		
Administrative *(note 21)*	**5,601,560**	1,708,910
Amortization and depreciation *(notes 8, 9 and 10)*	**245,046**	349,935
Foreign exchange gain	**(2,076,501)**	(227,519)
Investor relations and public reporting	**26,912**	23,071
Marketing	**268,190**	178,441
Professional fees	**1,059,679**	382,934
Share-based compensation *(note 15.5)*	**763,792**	132,025
Total operating expenses	**5,888,678**	2,547,797
OTHER INCOME (EXPENSES)		
Change in fair value of digital assets	**12,632**	(1,613)
Change in expected credit losses *(note 5)*	**309**	(57,179)
Change in fair value of derivative liability *(note 13)*	**(9,736,678)**	(77,688)
Finance costs	**(173,737)**	(178,670)
Government assistance *(note 14)*	**-**	119,465
Loss on disposal of DoubleBeam assets	**-**	(55,000)
Loss on related-party loans *(note 17)*	**(219,379)**	-
Loss on disposal of assets	**(1,301)**	(1,903)
One-time processor penalty	**(200,000)**	-
Transaction costs *(note 20)*	**(118,072)**	(82,299)
Total other expenses	**(10,436,226)**	(334,887)
Loss	**(10,565,707)**	(1,147,620)
Loss from discontinued operations *(note 16)*	**-**	(103,681)
Net loss	**(10,565,707)**	(1,251,301)
Basic and diluted loss per common share – continued operations	**(0.09)**	(0.01)
Basic and diluted loss per common share – discontinued operations	**-**	(0.00)
Basic and diluted weighted average number of common shares outstanding	**116,346,410**	96,633,022

(Expressed in United States Dollars)

Year ended December 31,	2021	2020
	$	$
Net loss	**(10,565,707)**	(1,251,301)
Other comprehensive loss:		
Items that may not be reclassified to net loss		
Foreign translation adjustment on parent	**(2,147,580)**	(187,290)
	(2,147,580)	(187,290)
Comprehensive loss	**(12,713,287)**	(1,438,591)

(Expressed in United States Dollars)

	Common shares Number	Common shares Amount	Contributed surplus	Warrant reserve	Deficit	Currency 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 15.2.19)*	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)
Shares issued for cash	**11,029,565**	**2,000,000**	**-**	**-**	**-**	**-**	**2,000,000**
Shares issued on conversion of debt	**2,364,688**	**225,000**	**-**	**-**	**-**	**-**	**225,000**
Warrants issued	**-**	**(402,080)**	**-**	**402,080**	**-**	**-**	**-**
Advisory warrants issued	**-**	**-**	**-**	**9,331**	**-**	**-**	**9,331**
Exercise of warrants	**20,466,927**	**3,946,307**	**-**	**-**	**-**	**-**	**3,946,307**
Fair value of exercised warrants	**-**	**452,829**	**-**	**(452,829)**	**-**	**-**	**-**
Fair value of advisory warrants for converted debt	**-**	**-**	**-**	**(1,848)**	**-**	**-**	**(1,848)**
Expiry of warrants	**-**	**-**	**-**	**(15,049)**	**15,049**	**-**	**-**
Exercise of agent warrants	**557,538**	**94,450**	**-**	**-**	**-**	**-**	**94,450**
Fair value of agent warrants	**-**	**9,079**	**-**	**(9,079)**	**-**	**-**	**-**
Exercise of options	**231,102**	**26,096**	**-**	**-**	**-**	**-**	**26,096**
Fair value of exercised options	**-**	**14,512**	**(14,512)**	**-**	**-**	**-**	**-**
Expiry of options	**-**	**-**	**(235)**	**-**	**235**	**-**	**-**
Share-based compensation	**-**	**-**	**763,792**	**-**	**-**	**-**	**763,792**
Net loss	**-**	**-**	**-**	**-**	**(10,565,707)**	**-**	**(10,565,707)**
Other comprehensive loss	**-**	**-**	**-**	**-**	**-**	**(2,147,580)**	**(2,147,580)**
December 31, 2021	**131,902,645**	**17,564,928**	**1,238,683**	**292,622**	**(25,435,728)**	**(2,367,647)**	**(8,707,142)**

POSaBIT Systems Corporation
Consolidated Statements of Cash Flows
For the year ended December 31,
(Expressed in United States Dollars)

	2021	*2020*
OPERATING ACTIVITIES	**$**	$
Net loss	**(10,565,707)**	(1,251,301)
Adjustment for non-cash items		
Amortization and depreciation	**245,046**	349,935
Change in fair value of digital assets	**(12,632)**	1,610
Change in fair value of derivative liability	**9,736,678**	77,688
Change in expected credit losses	**(309)**	57,179
Foreign exchange gain	**(2,147,580)**	(176,911)
Loss on disposal of discontinued operations	**-**	55,000
Loss on disposal of assets	**1,301**	1,903
IAS 20 SBA loan adjustment	**-**	(109,465)
Impairment of goodwill	**-**	57,458
Interest accretion on convertible notes and SBA loan	**64,756**	14,149
Interest accretion, right-of-use assets	**395**	4,207
Loss on related party loan *(note 17)*	**219,379**	-
Non-cash transaction costs	**9,331**	25,741
Share based compensation	**763,792**	132,025
Working capital changes in operating assets and liabilities *(note 22.1)*	**(508,747)**	630,914
Net cash used for operating activities	**(2,194,297)**	(129,868)
INVESTING ACTIVITIES		
Purchase of equipment	**(241,012)**	(175,932)
Net cash used for investing activities	**(241,012)**	(175,932)
FINANCING ACTIVITIES		
Exercise of options	**26,096**	-
Exercise of warrants	**4,040,757**	-
Issuance of common shares for cash	**2,000,000**	-
Issuance of convertible debt (net of issue costs of $64,450)	**-**	975,550
Proceeds from forward sale of cash receipts	**-**	175,000
Proceeds from issuance (repayment) of notes payable	**(200,000)**	(200,000)
Proceeds from sale of DoubleBeam	**65,000**	150,000
Proceeds from Government loan	**-**	150,000
Repayment of forward sales proceeds	**-**	(175,000)
Repayments to related parties	**(22,753)**	(118,258)
Repayment of lease liabilities *(note 11)*	**(26,809)**	(78,282)
Repayment of Government loan *(note 14)*	**(5,848)**	-
Net cash provided from financing activities	**5,876,443**	879,010
Net change in cash during the year	**3,441,134**	573,210
Cash, beginning of year	**977,654**	404,444
Cash, end of year	**4,418,788**	977,654

Cash flows from discontinued operations *(note 16)*

Supplemental cash flow information *(note 22)*

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company's head office is located at 11915 124th Avenue, Kirkland, Washington 98034. 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, 2021, the Company has a reported working capital of $1,691,273 (2020 – deficit of $2,236,337) and has shareholders' deficiency of $8,707,142 (2020 – $3,056,983). 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 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**").

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

The Consolidated Financial Statements were approved and authorized for issuance by the Board on April 27, 2022.

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, 2021. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

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

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, 2023, 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.

IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use ("**IAS 16**"). The Standard was amended in 2020 to provide for the costs of testing whether a product is functioning properly in accordance with management's expectations and the disclosure of those costs. An entity shall apply the amendments for annual reporting periods on or after January 1, 2022, with early adoption permitted. The Company has not yet adopted this amendment and is currently assessing the effects on its consolidated financial statements.

IAS 37 – Provisions contingent liabilities and contingent assets ("**IAS 37**"). The Standard was amended in May 2020 to expand on the definition of onerous contracts and the costs to be included in fulfilling a contract. An entity shall apply the amendments for annual reporting periods on or after January 1, 2022, with early adoption permitted. The Company has not yet adopted this amendment and is currently assessing the effects on its consolidated financial statements.

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.

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 notes

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

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

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

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

4.7 Financial instruments

4.7.1 Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

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 (2020) and due from related parties (2020).

- 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.

- 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, lease liabilities (2020), notes payable (2020), 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 Income taxes

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

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

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

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

Estimates

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

4.11 Intangible assets

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

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

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

4.12 Inventory

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

4.13 Leases

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.

4.14 Provisions

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

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

4.15 Related-party transactions

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

4.16 Revenue recognition

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

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

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

Costs to obtain or fulfill a contract

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

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

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

4.17 Share-based payments

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

4.18 Significant accounting estimates and judgements

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

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

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

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

Significant accounting estimates include:

i. the valuation of receivables,

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

iii. the valuation of share-based payments, and

iv. the valuation of deferred income assets / liabilities.

Significant accounting judgments include:

i. the classification of financial assets and financial liabilities,

ii. the evaluation of the Company's ability to continue as a going concern,

iii. The determination of whether an acquisition constitutes a business combination or an acquisition of assets, and

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

(Expressed in United States Dollars)

5. RECEIVABLES

	December 31, 2021	December 31, 2020
	$	$
Receivables	**2,358,705**	1,921,568
Allowance for expected credit losses	**(27,186)**	(26,550)
	2,331,519	1,895,018

The receivables are generally on terms due within 30 days.

For the year ended December 31, 2021, the Company recognized changes in expected credit losses of a recovery of $309 (2020 – $57,179).

6. INVENTORIES

	December 31, 2021	December 31, 2020
	$	$
Finished goods - hardware	**678,853**	74,727

7. OTHER ASSET

The other asset of $120,000 is a surety bond provided by Philadelphia Insurance and required to meet the continuing obligations of the Money Transfer Licence (Washington State) issued on September 24, 2018.

8. RIGHT-OF-USE ASSET

The Company has recognized a right-of-use asset for its office premises with a corresponding lease liability (note 11), 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, 2019	22,042
Additions	76,188
Depreciation	(72,832)
Balance December 31, 2020	25,398
Depreciation	**(25,398)**
Balance December 31, 2021	**-**

In April 2021, the Company leased new premises and entered into a 1-year lease. Pursuant to IFRS 16, leases with a term of 12 months or less and which do not include an option to purchase the underlying asset, my be optionally exempted from the accounting treatment pursuant to IFRS 16 and the Company has elected this optional exemption in its accounting for the new lease.

(Expressed in United States Dollars)

For the year December 31, 2021, the Company incurred $27,700 (2020 - $nil) in short-term lease costs and zero in low-value lease costs.

9. EQUIPMENT, NET

Cost	
	$
December 31, 2019	140,397
Additions	175,932
Disposals	(20,232)
December 31, 2020	296,097
Additions	**241,012**
Disposals	**(4,284)**
December 31, 2021	**532,825**

Accumulated Depreciation	
	$
December 31, 2019	41,652
Depreciation	**93,898**
Disposals	(17,824)
December 31, 2020	**117,726**
Depreciation	**199,538**
Disposals	**(2,982)**
December 31, 2021	**314,282**

Net Book Value	
December 31, 2020	178,371
December 31, 2021	**218,543**

10. 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, 2019	793,192
Disposals	(50,000)
December 31, 2020 and **December 31, 2021**	**743,192**

(Expressed in United States Dollars)

Accumulated amortization	
	$
December 31, 2019	576,880
Amortization	188,425
Disposals	(42,223)
December 31, 2020	723,082
Amortization	**20,110**
December 31, 2021	**743,192**
Net Book Value	
December 31, 2020	20,110
December 31, 2021	**-**

11. LEASE LIABILITY

The Company has recognized a right-of-use asset (note 8) 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, December 31, 2019	24,301
Additions	76,188
Interest expense	4,207
Lease payments	(78,282)
Balance December 31, 2020	26,414
Interest expense	**394**
Lease payments	**(26,808)**
Balance December 31, 2021	**-**

12. 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 accrued interest at 18% per annum, with interest payable on a quarterly basis. Note 2 can be repaid in full at any time. Note 2 originally matured on September 30, 2020, but the expiry was extended to December 31, 2021. On March 31, 2021, Note 2, including accrued interest, was repaid in full. For the year ended December 31, 2021, interest expense of $8,979 (2020 - $33,040) 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 accrued interest at 18% per annum, with interest payable on a quarterly basis. Note 1 can be repaid in full at any time. Note 1 originally matured on September 30, 2020, but the expiry date was extended to December 31, 2020. On November 4, 2020, Note 1, including accrued interest, was repaid in full. For the year ended December 31, 2021, interest expense of $nil (2020 - $33,435) has been recorded.

(Expressed in United States Dollars)

	December 31, 2021	**December 31, 2020**
	$	**$**
Balance, beginning of year	200,000	400,000
Repayment	(200,000)	(200,000)
Balance, end of year	**-**	200,00
Note 1 due in December 2020	-	-
Note 2 due in December 2021	-	200,000
	-	200,000

13. CONVERIBLE NOTES AND DERIVATIVE LIABILITY

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 US to Canadian dollar exchange rate and share 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 (the "**Initial Derivative Liability**") of $948,988 was recognized, with the residual value of $91,012 allocated to the debt component (the "**Host Liability**"). 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. The fair value of the Finder Warrants and cash costs of $64,450 was split on the same bases as the Initial Derivative Liability and the Host Liability with $7,893 deducted from the Host Liability and $83,119 being recorded as finance cost in the consolidated statements of loss.

The residual value is then accreted back to the face value of the Convertible Notes over the term of the loan with adjustments made for any conversions and the derivative liability is marked-to-market at each reporting date. During the year ended December 31, 2021, $56,189 (2020 - $9,350) of interest accretion on the Convertible Notes was recorded in the consolidated statements of loss.

During the year ended December 31, 2021, $225,000 (2020 - $nil) in face-value of the Convertible Notes was converted resulting in the issuance of 2,364,687 common shares (notes 15.2.3, 15.2.5, 15.2.7, 15.2.10, 15.2.12 and 15.2.14).

As at December 31, 2021, the Company revalued the derivative liability at $10,602,448 and for the year ended December 31, 2021, recorded a loss of $9,736,678 (2020 - $77,688) in the consolidated statements of loss.

14. 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. For the year ended December 31, 2021, the Company recorded interest accretion on the SBA Loan of $8,567 (2020 - $4,799) in the consolidated statements of loss.

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

15. SHARE CAPITAL

Common and preferred shares

15.1 Authorized

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

15.2 Issued and outstanding

Year ended December 31, 2021

15.2.1 In December 2021, 8,769 warrants were exercised, raising proceeds of $1,250. The fair value of the exercised warrants of $1,250 was transferred from warrant reserve to share capital.

15.2.2 In November 2021, 985,609 warrants and advisory warrants were exercised, raising proceeds of $105,164. The fair value of the exercised warrants and advisory warrants of $9,331 was transferred from warrant reserve to share capital.

15.2.3 In November 2021, $10,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 103,366 common shares.

15.2.4 In October 2021, 1,965,110 warrants and agent warrants were exercised, raising proceeds of $364,515. The fair value of the exercised warrants and agent warrants exercised of $33,886 was transferred from warrant reserve to share capital.

15.2.5 In October 2021, $95,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 996,398 common shares.

15.2.6 In September 2021, 820,456 warrants were exercised raising proceeds of $103,009. The fair value of the exercised warrants of $5,510 was transferred from warrant reserve to share capital.

15.2.7 In September 2021, $10,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 105,616 common shares.

15.2.8 In August 2021, 5,531,694 warrants were exercised raising proceeds of $939,864. The fair value of the exercised warrants of $90,447 was transferred from warrant reserve to share capital.

15.2.9 In August 2021, 220,000 options were exercised raising proceeds of $24,920. The fair value of the exercised options of $14,461 was transferred from contributed surplus to share capital.

15.2.10 In August 2021, $15,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 156,500 common shares.

15.2.11 In July 2021, 7,908,797 warrants were exercised raising proceeds of $1,794,597. The fair value of the exercised warrants of $232,646 was transferred from warrant reserve to share capital.

15.2.12 In July 2021, $25,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 261,791 common shares.

15.2.13 In June 2021, 3,616,400 warrants were exercised raising proceeds of $742,654. The fair value of the exercised warrants of $84,083 was transferred from warrant reserve to share capital.

15.2.14 In May 2021, $20,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 210,516 common shares.

15.2.15 In May 2021, 108,658 warrants, 4,889 finder warrants and 11,102 options were exercised raising total proceeds of $11,190. The combined fair value of $51 was transferred from contributed surplus to share capital.

15.2.16 In March 2021, 74,083 finder warrants were exercised raising proceeds of $13,423. The fair value of the exercised finder warrants of $3,246 was transferred from warrant reserve to share capital.

15.2.17 In February 2021, the Company completed a private placement consisting of 11,029,565 units (each a "**Unit**"), raising gross proceeds of $2,000,000. Each Unit consists of 1 common share and 0.3627 warrants (each full warrant, a "Warrant"). A total of 4,000,419 Warrants were issued, with each Warrant exercisable for 3 years at a price of C$0.35. The fair value of the Warrants was estimated at $406,740 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 0.30%, cumulative volatility of 81.91%, dividends of $0.00 and an underlying share price of C$0.275. There were no financing costs of the private placement.

(Expressed in United States Dollars)

15.2.18 In January 2021, $50,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 530,500 common shares.

Year ended December 31, 2020

15.2.19 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.

15.3 Escrowed securities

Subject to the policies of the CSE, 3,065,105 common shares of the Company are subject to escrow provisions with release after the reporting date. On April 5, 2022, these shares were released from escrow.

As of December 31, 2021, 3,065,105 shares are held in escrow.

15.4 Warrants

In addition to the 4,000,419 warrants issued in February 2021 *(note 15.2.17)*, in January 2021, the Company issued 125,000 advisory warrants (each, an "**Advisor Warrant**"). Each Advisor Warrant is exercisable for a period of 2 years at an exercise price of C$0.12. The fair value of the Advisor Warrants was estimated at $4,671 using the Black-Scholes option pricing model with the following assumptions: estimated life of 2 years, risk-free interest rate of 0.15%, cumulative volatility of 84.95%, dividends of $0.00 and an underlying share price of C$0.175.

A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price
		$
Outstanding at December 31, 2019	17,930,886	C0.26
Issued during 2020 *(note 14)*	5,999,841	C0.12
Balance at December 31, 2020	23,930,727	C0.23
Issued during 2021 *(notes 12.2.17 and 16.4)*	**4,125,419**	**C0.35**
Exercised	**(21,024,465)**	**C0.24**
Expired	**(430,000)**	**C0.30**
December 31, 2021	**6,601,681**	**C0.27**

The outstanding issued warrants balance as at December 31, 2021 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price
			$
November 13, 2022	Finder warrants	344,719	C0.12
February 22, 2024	Warrants	4,000,419	C0.35
November 13, 2025	Warrants	2,091,672	C0.12

(Expressed in United States Dollars)

July 10, 2027	Warrants	164,871	0.14
December 31, 2021		**6,601,681**	**C0.28**

15.5 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. During the year ended December 31, 2021, the Company received approval from the CSE to also issue Restricted Stock Units ("**RSU**") and to increase the number of available options and RSUs to 26,610,000. As at December 31, 2021, the Company had 9,053,138 options or RSUs 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, 2019	12,790,494	0.10
Granted	3,956,895	0.07
Cancelled	(1,661,895)	0.23
Forfeit	(3,492,525)	0.19
Outstanding as at December 31, 2020	11,592,969	0.06
Issued	**6,222,047**	**C0.78**
Exercised	**(231,102)**	**C0.14**
Expired	**(27,052)**	**C0.13**
Outstanding as at December 31, 2021	**17,556,862**	**0.24**
Exercisable, as at December 31, 2021	**10,241,057**	**0.06**

For the year ended December 31, 2021, the Company recognized share-based compensation expense of $763,792 (2020 - $132,025).

The options and RSUs outstanding and exercisable as at December 31, 2021 are comprised of the following items:

Date of expiry	**Security**	**Number of options outstanding**	**Exercise price**	**Weighted average remaining life (years)**
January 1, 2026	RSUs	367,647	1.01	4.0
March 4, 2026	Options	2,635,356	0.028	4.2

(Expressed in United States Dollars)

Date of expiry	Security	Number of options outstanding	Exercise price	Weighted average remaining life (years)
May 9, 2027	Options	2,630,972	0.029	5.4
January 9, 2028	Options	1,383,667	0.029	6.0
May 9, 2028	Options	35,079	0.068	6.4
October 4, 2029	Options	726,000	C0.15	7.8
October 1, 2030	Options	3,923,741	C0.095	8.8
March 10, 2031	Options	744,400	C0.275	9.2
May 26, 2031	Options	2,090,000	C0.315	9.4
July 21, 2031	Options	445,000	C0.45	9.6
September 24, 2031	Options	1,200,000	C1.23	9.7
December 15, 2031	Options	1,375,000	C1.31	10.0
Outstanding		**17,556,862**	**0.24**	**7.5**
Exercisable		**10,241,057**	**0.06**	**6.3**

16. 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 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 the consolidated statements of 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	215,000
Loss on sale of DoubleBeam assets	**55,000**

As at December 31, 2020, the Company had received $150,000 of the total proceeds and the remainder was received 2021.

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

(Expressed in United States Dollars)

	Year ended December 31, 2021	2020
	$	$
Digital processing services	-	164,133
Processing fees	-	24,806
Software license fees	-	19,926
Hardware cost of sales	-	64,696
Sales labour and commissions	-	20,000
Cost of sales	-	129,428
Gross Margin	-	34,705
Administrative	-	54,447
Amortization and depreciation	-	10,220
Marketing expense	-	48
Operating costs	-	64,715
Change in expected credit losses	-	(16,213)
Impairment of goodwill and customer lists	-	(57,458)
Other expenses	-	(73,671)
Loss from discontinued operations	-	(103,681)
Loss per share from discontinued operations	-	(0.00)
Cash used for discontinued operations	-	(42,663)
Cash used for discontinued investing activities	-	-

17. 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., ("**Placefull**") a company in which the CEO owns significant shareholdings. In December of 2021 the Company signed a new perpetual license for the use of Placefull's software, this agreement ended any further transaction between Placefull and POSaBIT.

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

(Expressed in United States Dollars)

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	
	2021	2020
	$	$
Executive Compensation to key managers	**997,602**	594,000
Licence Fees to PlaceFull Inc.	**101,000**	120,000
Excise tax paid to PlaceFull Inc.	**-**	12,290
Interest on loans	**-**	2,121
Totals	**1,098,602**	728,411

At December 31, 2020, Placefull owes the Company $nil (December 31, 2020 - $196,626) (the "**Placefull Loan**"). The loan was unsecured, interest free and due on demand.

In December 2021, the Company amended the Master Reseller Agreement with Placefull (the "**Amendment**"). The Amendment provided that no further royalty payments would be due by the Company to Placefull. The consideration provided by the Company to Placefull for this amendment was the forgiveness of the Placefull Loan.

18. FINANCIAL RISK MANAGEMENT

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

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

At December 31, 2021, the Company's financial instruments consist of cash, receivables, accounts payable, derivative liabilities. Financial instruments for the comparative period also included due from sale of discontinued operation, due from related parties, note payable, due to related parties and lease labilities. The fair values of cash, accounts receivable, accounts payable 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, 2021, $2,331,519 (2020 – $1,895,018) 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, 2021 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 has no liquidity risk as at December 31, 2021 as the Note 2 was repaid during the year..

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as the convertible notes bear a fixed rate of interest.

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' deficiency as capital.

To maintain or adjust the capital structure, the Company may issue new shares to the shareholders, draw upon existing credit facilities or sell assets. There are no changes in the Company's capital management policies for the years ended December 31, 2021 and 2020. There are no external capital management requirements or covenants as at December 31, 2021 and December 31, 2020, other than those imposed through ongoing listing requirements of the CSE.

19. REVENUE

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

19.1 Payment Services

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

Convenience fees - Charges to the 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.

(Expressed in United States Dollars)

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

19.2 POS Services

POS Services comprise the following revenue generating transaction services:

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

The Company generated the following revenues for the years ended December 31, 2021 and 2020 (net of revenues from discontinued operations):

	2021	2020
	$	$
Continuing operations:		
Payment services		
Convenience fees	**13,203,293**	5,708,447
Set-up fees	**36,550**	22,789
Subscription fees	**-**	28,578
Transaction fees	**5,349,893**	1,771,088
	18,589,736	7,530,902
POS Services	**2,712,013**	291,830
Total revenue, continuing operations	**21,301,749**	7,822,732

	2021	2020
	$	$
Discontinued operations:		
Payment services		
Set-up fees	**-**	1,335
Subscription fees	**-**	124,932
Transaction fees	**-**	8,441
	-	134,708
POS services	**-**	29,425
Total revenue, discontinued operations *(note 16)*	**-**	164,133
Total revenue	**21,301,749**	7,986,865

20. TRANSACTION COSTS

The Company incurred the following transaction costs:

	2021	2020
	$	$
Legal and advisory fees	**108,741**	-
Issuance of convertible notes *(note 13)*	**-**	82,299
Exercise of advisory warrants issued with convertible notes	**9,331**	-

(Expressed in United States Dollars)

	118,072	82,299

21. ADMINISTRATIVE COSTS

The Company incurred the following administrative costs:

Year ended December 31,	**2021**	2020
	$	$
Continuing operations:		
General	**1,492,817**	378,764
Meals and entertainment	**65,014**	12,823
Rent *(note 8)*	**27,700**	-
Salaries and wages	**3,916,068**	1,292,772
Travel	**99,961**	24,551
	5,601,560	1,708,910
Discontinued operations (note 16):		
General	**-**	5,647
Meals and entertainment	**-**	-
Salaries and wages	**-**	43,944
Travel	**-**	4,856
	-	54,447
Total administrative costs	**5,601,560**	1,763,357

22. ADDITIONAL CASH FLOW INFORMATION

22.1 Working capital changes in operating assets and liabilities

	Years ended December 31,	
	2021	2020
	$	$
Sales taxes recoverable	**(627)**	1,120
Receivables	**(436,192)**	(1,491,354)
Inventory	**(604,126)**	(35,802)
Prepaid expenses	**10,002**	87,641
Accounts payable and accrued liabilities	**522,196**	2,069,309
Working capital changes in operating assets and liabilities	**(508,747)**	630,914

22.2 Supplemental cash flow information

	Years ended December 31,	
	2021	2020
	$	$
Cash interest paid	**117,354**	160,541

(Expressed in United States Dollars)

23. COMMITMENTS

Software Licence

In December 2021, the Company and Placefull amended the Master Reseller Agreement. The Amendment provided that no further royalty payments would be due by the Company to Placefull in exchange for forgiveness of the Placefull Loan *(note 17)*.

24. INCOME TAXES

24.1 Income taxes

The reconciliation of the combined Canadian federal income tax rate of 26.5% (2020 – 26.5%) to the effective tax rate is as follows:

	2021	2020
	$	$
Loss before recovery of income taxes	**(10,565,707)**	**(1,251,301)**
Expected income tax recovery	**(2,799,910)**	**(331,595)**
Tax rate changes and other adjustments	**42,040**	**-**
Share based compensation and non-deductible expenses	**220,530**	**173,472**
Unrealized foreign exchange	**(773,420)**	**-**
Change in tax benefits not recognized	**3,310,760**	**158,123**
Income tax (recovery) expense	**-**	-

24.2 Deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2021	2020
	$	$
Deferred tax assets		
Capital assets	**26,870**	**104,140**
Convertible debt	**2,616,570**	**-**
Operating losses carried forward	**2,840,480**	**1,503,622**
Share issuance costs	**16,750**	**16,436**
Other	**3,400**	-
Valuation allowance	**5,524,070**	1,624,198

24.3 Tax loss carry-forwards

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

Share issuance costs will be fully amortized in 2024

(Expressed in United States Dollars)

The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian operating tax losses expire as follows:

Year	Canada	United States
	$	$
2036	-	1,000,260
2037	27,710	919,390
2038	62,510	-
2039	261,180	-
2040	44,930	-
2041	1,352,330	-
indefinite	-	9,302,870
	1,748,660	**11,222,520**

25. 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,	**2021**	2020
	$	$
Non-current assets:		
Canada	**-**	-
United States	**338,543**	348,879
	338,543	348,879

Years ended December 31,	**2021**	2020
	$	$
Revenue from continuing operations:		
Canada	**-**	-
United States	**21,301,749**	7,822,732
	21,301,749	7,822,732

Revenue from discontinued operations (note 16):		
Canada	**-**	-
United States	**-**	164,133
	-	164,133
Total revenues	**21,301,749**	7,996,865