



POSaBIT Systems Corporation

Unaudited Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 2022 and 2021
(expressed in United States Dollars)

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of POSaBIT Systems Corporation (the “Company”) have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the three and six months ended June 30, 2022 and 2021 have not been reviewed by the Company's auditors.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

"Ryan Hamlin"

Ryan Hamlin
President and Chief Executive Officer

August 24, 2022

"Stephen M. Gledhill"

Stephen M. Gledhill
Chief Financial Officer

August 24, 2022

POSaBIT Systems Corporation
 Unaudited Interim Consolidated Statements of Financial Position
 (Expressed in United States Dollars)



	June 30, 2022	December 31, 2021
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,745,296	4,418,788
Funds held in trust (note 4)	3,473,983	-
Sales taxes recoverable	801	943
Receivables (note 5)	2,601,961	2,331,519
Due from related parties (note 13)	1,330	-
Digital assets	-	16,502
Inventories (note 6)	695,556	678,853
Prepaid expenses	251,024	118,627
Total current assets	8,769,951	7,565,232
Other asset (note 7)	120,000	120,000
Equipment, net (note 8)	328,888	218,543
Total assets	9,218,839	7,903,775
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	4,810,346	5,453,138
Accrued liabilities	690,733	420,821
Total current liabilities	5,501,079	5,873,959
Convertible debt (note 9)	151,433	86,412
Derivative liability (note 9)	4,278,744	10,602,448
Government loan (note 10)	48,032	48,098
Total liabilities	9,979,288	16,610,917
Shareholders' deficiency		
Share capital (note 11.2)	20,049,936	17,564,928
Warrants reserve (note 11.3)	1,636,323	292,622
Contributed surplus (note 11.4)	2,410,206	1,238,683
Deficit	(25,525,628)	(25,435,728)
Currency translation reserve	668,714	(2,367,647)
Total shareholders' deficiency	(760,449)	(8,707,142)
Total liabilities and shareholders' deficiency	9,218,839	7,903,775

Approved for filing by the Board of Directors, August 24, 2022.

Subsequent events (note 21)	"Don Tringali"	(Director)
	"Mike Apker"	(Director)

POSaBIT Systems Corporation

 Unaudited Interim Consolidated Statements of Comprehensive Loss
 (Expressed in United States Dollars)


	3 months ended		6 months ended	
	June 30, 2022	June 30, 2021 (note 2.4)	June 30, 2022	June 30, 2021 (note 2.4)
	\$	\$	\$	\$
REVENUE (note 15)	8,229,936	4,958,332	14,589,669	8,504,675
COST OF SALES				
Processing fees	5,474,968	2,996,558	9,643,302	4,930,825
Software license fees	58,755	206,487	92,378	448,398
Inventory impairment	325	(26,316)	325	39,230
Hardware cost of sales	135,090	47,286	297,689	81,356
Sales labour and commissions	598,890	418,719	1,067,100	789,551
Total cost of sales	6,268,028	3,642,734	11,100,794	6,289,359
Gross margin	1,961,908	1,315,598	3,488,875	2,215,316
OPERATING EXPENSES				
Administrative (note 17)	2,010,685	834,939	4,060,054	1,398,574
Amortization and depreciation	56,299	53,094	113,769	127,246
Forex	2,743,539	(206,858)	3,063,741	(99,702)
Investor relations and public reporting	9,172	5,666	14,159	6,850
Marketing	39,090	59,686	131,362	120,390
Professional fees	563,717	208,083	935,618	381,504
Share-based compensation (note 11.4)	511,604	139,828	1,171,523	196,286
Total operating expenses	5,934,046	1,094,439	9,490,226	2,131,148
Operating income (loss)	(3,972,138)	221,559	(6,001,351)	84,167
OTHER EXPENSES				
Change in expected credit losses	(2,942)	(7,406)	(949)	1,230
Change in fair value of digital assets	(2,467)	(1,843)	(5,513)	308
Change in fair value of derivative liability (note 9)	4,686,054	(1,038,498)	6,323,703	(1,360,879)
Interest expense	(62,028)	(51,647)	(113,703)	(106,509)
Loss on disposal of assets	(715)	-	(715)	(1,301)
Transaction cost (note 16)	(265,910)	-	(291,372)	(9,331)
Total other expenses	4,351,992	(1,099,394)	5,911,451	(1,476,482)
Income (loss)	379,854	(878,235)	(89,900)	(1,392,315)
Basic and diluted income (loss) per common share	0.00	(0.01)	(0.00)	(0.01)
Basic and diluted weighted average number of common shares outstanding	132,044,667	109,215,033	131,974,048	105,849,091

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

POSaBIT Systems CorporationUnaudited Interim Consolidated Statements of Comprehensive Loss
(Expressed in United States Dollars)

	3 months ended		6 months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Net loss	379,854	(878,232)	(89,900)	(1,392,314)
Other comprehensive loss:				
Item that may not be reclassified to net loss -				
Foreign translation adjustment of parent	2,719,008	(188,648)	3,036,361	(84,044)
Comprehensive loss	2,719,008	(1,066,880)	2,946,461	(1,476,358)

The accompanying notes are an integral part of these unaudited interim
consolidated financial statements

POSaBIT System Corporation

Unaudited Interim Consolidated Statement of Changes in Deficiency

(Expressed in United States Dollars)



	Common shares		Shares to be issued	Contributed surplus	Warrant reserve	Currency translation reserve	Deficiency	Total
	Number	Amount						
		\$	\$	\$	\$	\$	\$	\$
December 31, 2020	97,252,825	11,198,735	-	489,638	360,018	(220,067)	(14,885,305)	(3,056,981)
Shares issued for cash	11,029,565	2,000,000	-	-	-	-	-	2,000,000
Fair value of issued warrants	-	(222,690)	-	-	222,690	-	-	-
Shares issued on conversion of debt	741,016	70,000	-	-	-	-	-	70,000
Agent warrants issued	-	-	-	-	9,331	-	-	9,331
Exercise of warrants	442,058	91,009	661,993	-	-	-	-	753,002
Fair value of exercised warrants	-	11,668	72,362	-	(84,030)	-	-	-
Exercise of agents warrants	78,972	9,356	-	-	-	-	-	9,356
Fair value of exercised agent warrants	-	2,604	-	-	(2,604)	-	-	-
Exercise of options	11,102	1,176	-	-	-	-	-	1,176
Fair value of exercised options	-	51	-	(51)	-	-	-	-
Share-based compensation	-	-	-	196,286	-	-	-	196,286
Loss	-	-	-	-	-	(84,044)	(1,392,315)	(1,476,359)
June 30, 2021	109,555,538	13,161,909	734,355	685,873	505,405	(304,111)	(16,277,620)	(1,494,189)
Fair value of issued warrants	-	(179,390)	-	-	179,390	-	-	-
Shares issued on conversion of debt	1,623,672	155,000	-	-	-	-	-	155,000
Exercise of warrants	20,024,869	3,855,298	(661,993)	-	-	-	-	3,193,305
Fair value of exercised warrants	-	441,161	(72,362)	-	(368,799)	-	-	-
Expiry of warrants	-	-	-	-	(15,049)	-	15,049	-
Exercise of agent warrants	478,566	85,094	-	-	-	-	-	85,094
Fair value of exercised agent warrants	-	6,475	-	-	(6,475)	-	-	-
Fair value of advisory warrants on converted debt	-	-	-	-	(1,848)	-	-	(1,848)
Exercise of options	220,000	24,920	-	-	-	-	-	24,920
Expiry of options	-	-	-	(235)	-	-	235	-
Fair value of exercised options	-	14,461	-	(14,461)	-	-	-	-
Share-based compensation	-	-	-	567,506	-	-	-	567,506
Loss	-	-	-	-	-	(2,063,536)	(9,173,392)	(11,236,928)
December 31, 2021	131,902,645	17,564,928	-	1,238,683	292,624	(2,367,647)	(25,435,728)	(8,707,140)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

POSaBIT System Corporation

Unaudited Interim Consolidated Statement of Changes in Deficiency

(Expressed in United States Dollars)

	Common shares		Shares to be issued	Contributed surplus	Warrant reserve	Currency translation reserve	Deficiency	Total
	Number	Amount						
		\$	\$	\$	\$	\$	\$	\$
December 31, 2021	131,902,645	17,564,928	-	1,238,683	292,624	(2,367,647)	(25,435,728)	(8,707,140)
Shares issued for cash	5,861,941	3,665,740	-	-	-	-	-	3,665,740
Fair value of issued warrants	-	(1,404,011)	-	-	1,404,011	-	-	-
Exercise of warrants	600,063	162,967	-	-	-	-	-	162,967
Fair value of exercised warrants	-	60,312	-	-	(60,312)	-	-	-
Share-based compensation	-	-	-	1,171,523	-	-	-	1,171,523
Comprehensive loss	-	-	-	-	-	3,036,361	(89,900)	2,946,461
June 30, 2022	138,364,649	13,161,909	-	2,410,206	1,636,323	668,714	(25,525,628)	(760,449)

The accompanying notes are an integral part of these unaudited interim consolidated financial statements



	2022	2021
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(89,900)	(1,392,315)
Adjustment for non-cash items:		
Amortization and depreciation	113,769	127,246
Change in expected credit losses	949	(1,230)
Change in fair value of derivative liability	(6,323,704)	1,360,879
Change in fair value of digital assets	5,513	(308)
Forex	3,036,361	(84,044)
Interest accretion	69,341	42,859
Loss on disposal of assets	715	1,301
Stock based compensation	1,171,523	196,286
Transaction costs (note 16)	-	9,331
Working capital changes in operating assets and liabilities (note 19.1)	(782,240)	1,286,880
Net cash provided from (used for) operating activities	(2,797,673)	1,546,885
INVESTING ACTIVITIES		
Purchase of equipment (net of disposal proceeds)	(224,827)	(151,638)
Net cash used for investing activities	(224,827)	(151,638)
FINANCING ACTIVITIES		
Exercise of options	-	1,176
Exercise of warrants	162,967	762,358
Issuance of common shares for cash	3,665,740	2,000,000
Proceeds from sale of discontinued operations	-	65,000
Repayment of lease liabilities	-	(26,808)
Repayment of note payable	-	(200,000)
Repayments to related parties	(1,330)	(20,673)
Repayments of government loan	(4,386)	(1,463)
Net cash provided by financing activities	3,822,991	2,579,590
Net increase in cash and cash equivalents during the period	800,491	3,974,837
Change in funds held in trust (note 4)	(3,473,983)	-
Cash and cash equivalents, beginning of year	4,418,788	977,954
Cash and cash equivalents, end of period	1,745,296	4,952,491

Supplemental cash flow information (note 19.2)

POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Expressed in United States Dollars)

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 is now primarily engaged in the business of providing point-of-sale solutions to consumers seeking 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 Ave. NE, Kirkland, Washington 98034. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

These interim consolidated financial statements (the “**Financial Statements**”) have been prepared on the assumption that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. The Company has incurred losses and has had negative cash flows from operations from its inception that have been funded through both operating and financing activities.

As at June 30, 2022, the Company has working capital of \$3,268,872 (December 31, 2021 – \$1,691,273) and has a shareholders’ deficiency of \$760,449 (December 31, 2021 – \$8,707,142). These factors indicate the existence of uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. The Company may 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, including comparatives, have been prepared in accordance with *International Accounting Standards (“IAS”) 34* ‘Interim Financial Reporting’ using accounting policies consistent with the IFRS issued by the International Accounting Standards Board (“**IASB**”) and Interpretations of the International Financial Reporting Interpretations Committee (“**IFRIC**”).

The Financial Statements were approved and authorized for issuance by the Board on August 24, 2022.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Expressed in United States Dollars)

2.2 Basis of presentation and measurement

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

2.3 Basis of consolidation

The Financial Statements consolidate the accounts of the Company and its wholly-owned subsidiary, POSaBIT US, Inc. (the “**Subsidiary**”).

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. A subsidiary is an entity 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.

2.4 Reclassifications

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

3. ADOPTION OF NEW 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, 2022. 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. 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.

The Company has adopted the following standards that came into effect for accounting periods commencing on or after January 1, 2022.

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



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For the three and six months ended June 30, 2022 and 2021

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early adoption permitted. At present, the standard does not affect the Company's reporting requirements.

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. At present, the standard does not affect the Company's reporting requirements.

4. FUNDS HELD IN TRUST

At the reporting date, net proceeds from the completed financing and warrant exercise (*notes 11.2.1 and 11.2.2*) were held by the Company's legal counsel. Subsequent to the reporting date, these funds were received by the Company (*note 21*).

5. RECEIVABLES

	June 30, 2022	December 31, 2021
	\$	\$
Receivables	2,629,151	2,358,705
Allowance for expected credit losses	(27,189)	(27,186)
	2,601,961	2,331,519

The receivables are generally on terms due within 30 days.

The Company adopted IFRS 9 on January 1, 2018. For the three and six months ended June 30, 2022, the Company recognized changes in expected credit losses of \$(2,942) (2021 - \$(7,406)) and \$(949) (2021 - \$1,230), respectively.

6. INVENTORIES

	June 30, 2022	December 31, 2021
	\$	\$
Finished goods	695,556	678,853
	695,556	678,853

7. OTHER ASSET

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

8. EQUIPMENT, net**Cost**

	\$
December 31, 2020	296,097



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Expressed in United States Dollars)

Additions	241,012
Disposed	(4,284)
December 31, 2021	532,825
Additions	224,827
Disposed	(7,339)
June 30, 2022	750,313

Accumulated Depreciation

December 31, 2020	117,726
Depreciation	199,538
Disposed	(2,982)
December 31, 2021	314,282
Depreciation	113,769
Disposed	(6,626)
June 30, 2022	421,425

Net Book Value

December 31, 2021	218,543
June 30, 2022	328,888

9. CONVERTIBLE 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 agent warrants (each an "**Agent Warrant**"), each with an exercise price of C\$0.12 and maturity date of November 13, 2022.

As the conversion price is set at C\$0.12 per share it is a function of the US to Canadian dollar exchange rate and 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-



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Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

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market at each reporting date. During the three and six months ended June 30, 2022, \$37,040 (2021 - \$20,020) and \$65,021 (2021 - \$38,291), respectively of interest accretion on the Convertible Notes was recorded in the consolidated statements of loss.

During the three and six months ended June 30, 2022, \$nil (2021 – \$20,000) and \$nil (2021 - \$70,000), respectively in face-value of the Convertible Notes was converted.

As at June 30, 2022, the Company revalued the derivative liability at \$4,278,744 and for the three and six months ended June 30, 2022, recorded a gain of \$4,686,054 (2021 – loss of \$1,038,498) and \$6,323,703 (2021 – loss of \$1,360,879), respectively in the consolidated statements of loss.

10. GOVERNMENT LOAN

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

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the SBA Loan at \$40,535, using a discount rate of 18%, which was the estimated rate for a similar loan without the reduced-interest component. The difference of \$109,465 will be accreted to the loan liability over the 30-year term of the SBA Loan and offset to other income on the statements of loss and comprehensive loss. For the three and six months ended June 30, 2022, the Company recorded interest accretion on the SBA Loan of \$2,171 (2021 - \$2,163) and \$4,320 (2021 - \$4,173), respectively in the consolidated statements of loss.

11. SHARE CAPITAL

Common shares

11.1 Authorized

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

11.2 Issued and outstanding

2022

- 11.2.1 In June 2022, 600,063 warrants were exercised, raising proceeds of \$162,967. The fair value of the exercised warrants of \$60,312 was transferred from warrant reserve to share capital.
- 11.2.2 In June 2022, the Company completed a private placement consisting of 5,861,941 units (each a “**Unit**”), raising gross proceeds of \$3,665,740. Each Unit consists of 1 common share and 0.75 warrants (each full warrant, a “**Warrant**”). A total of 4,396,456 Warrants were issued, with each Warrant exercisable for 3 years at a price of C\$1.00. The relative fair value of the Warrants was estimated at \$1,404,011 using the Black-Scholes option pricing model with the following assumptions:



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Notes to the Unaudited Interim Consolidated Financial Statements

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(Expressed in United States Dollars)

estimated life of 3 years, risk-free interest rate of 3.8%, cumulative volatility of 167.14%, dividends of \$0.00 and an underlying share price of C\$0.65. There were no financing costs of the private placement.

2021

Year ended December 31, 2021

- 11.2.3 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.
- 11.2.4 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.
- 11.2.5 In November 2021, \$10,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 103,366 common shares.
- 11.2.6 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.
- 11.2.7 In October 2021, \$95,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 996,398 common shares.
- 11.2.8 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.
- 11.2.9 In September 2021, \$10,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 105,616 common shares.
- 11.2.10 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.
- 11.2.11 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.
- 11.2.12 In August 2021, \$15,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 156,500 common shares.
- 11.2.13 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.
- 11.2.14 In July 2021, \$25,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 261,791 common shares.
- 11.2.15 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.



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- 11.2.16 In May 2021, \$20,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 210,516 common shares.
- 11.2.17 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.
- 11.2.18 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.
- 11.2.19 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.
- 11.2.20 In January 2021, \$50,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 530,500 common shares.

11.3 Warrants

2022

As disclosed in note 11.2.2, the Company issued 4,396,456 Warrants.

2021

In addition to the 4,000,419 warrants issued in February 2021 (*note 11.2.19*), 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.

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 \$9,331 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 136.47%, dividends of \$0.00 and an underlying share price of C\$0.175. In addition to the 4,000,419 Warrants issued in February 2021, 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 \$9,331 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 136.47%, dividends of \$0.00 and an underlying share price of C\$0.175.



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A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price \$
December 31, 2020	23,930,727	C0.23
Issued	4,125,419	C0.35
Exercised	(21,024,465)	C0.24
Expired	(430,000)	C0.30
December 31, 2021	6,601,681	C0.23
Issued	4,396,456	C0.34
Exercised	(600,063)	C0.35
June 30, 2022	10,398,074	C0.28

The outstanding issued warrants balance as at June 30, 2022 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	3,400,356	C0.35
November 13, 2025	Warrants	2,091,672	C0.12
July 10, 2027	Warrants	164,871	0.14
June 29, 2025	Warrants	4,396,456	C1.00
June 30, 2023		10,398,074	C0.28

11.4 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 allowed 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 June 30, 2022, the Company had 7,436,863 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:



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	Number of options	Weighted average exercise price
		\$
December 31, 2020	11,592,969	0.06
Granted	6,222,047	C0.78
Cancelled	(231,102)	C0.14
Expired	(27,052)	C0.13
December 31, 2021 and June 30, 2022	17,556,862	0.24
Exercisable, as at June 30, 2022	11,533,123	0.10

For the three and six months ended June 30, 2022, the Company recognized share-based compensation expense of \$511,604 (2021 - \$139,828) and \$1,067,100 (2021 - \$196,286), respectively.

The options outstanding and exercisable as at June 30, 2022 are comprised of the following items:

Date of expiry	Number of options outstanding	Exercise price	Weighted average remaining life (years)
March 4, 2026	2,635,356	0.0285	4.7
May 9, 2027	2,630,972	0.0285	5.9
January 9, 2028	1,383,167	0.0285	6.5
May 9, 2028	35,079	0.0684	6.9
October 4, 2029	943,187	C0.15	8.3
October 1, 2030	3,953,606	C0.095	9.3
March 10, 2031	744,400	C0.275	9.7
May 26, 2031	2,090,000	C0.315	9.9
Outstanding	14,416,267		7.6
Exercisable	8,938,846		6.6

12. 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. Compensation paid or payable to key management is detailed below:



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	3 months ended		6 months ended	
	June 30		June 30	
	2022	2021	2022	2021
	\$	\$	\$	\$
Executive Compensation to key managers	288,120	245,500	569,424	467,500
Licence Fees to PlaceFull Inc.	-	30,000	-	60,000
Totals	288,120	275,500	569,424	527,500

13. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Included in operating expenses for the three-month period ended March 31, 2021, are licence fees paid to PlaceFull Inc., a company in which the CEO at the time owned significant shareholdings. In December 2021, the CEO sold his ownership interest in Placefull, and the Company signed a new license for the use of Placefull's software. This agreement ended any further transaction licence payments between Placefull and POSaBIT.

14. 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 June 30, 2022, the Company's financial instruments consist of cash, funds held in trust, receivables, due from related parties, accounts payable, accrued liabilities and derivative liability. The fair values of cash, funds held in trust, receivables, due from related parties, accounts payable and accrued 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 and 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



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

The Company believes that its receivables balance is fully collectable. As of June 30, 2022, \$2,601,961 (December 31, 2021 – \$2,331,519) 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 June 30, 2022 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 the Convertible Notes which have interest and repayment terms.

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as its loans bear fixed rates 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 6 months ended June 30, 2022 and year ended December 31, 2021.

There are no external capital management requirements or covenants as at June 30, 2022 and December 31, 2021.

15. 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).

15.1 Payment Services

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



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*(Expressed in United States Dollars)***Non-cash assessment fees** - Charges to the end consumer for each transaction.**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.**Set-up fees** - Installation fees to each merchant.**Rental fees** – Fees charged to merchants for the rental of hardware.**15.2 POS Services**

POS Services comprise the following revenue generating transaction services:

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

The Company generated the following revenues for the 3 and 6 months ended June 30, 2022 and 2021:

	3 months ended		6 months ended	
	June 30, 2022	June 30, 2021 <i>(note 2.4)</i>	June 30, 2022	June 30, 2020 <i>(note 2.4)</i>
	\$	\$	\$	\$
Payment services	7,827,487	5,127,248	13,991,174	8,163,489
POS Services	402,449	(168,916)*	598,495	341,186
Total revenue	8,229,936	4,958,332	14,589,669	8,504,675

*The credit is a result of reallocations made between payment services and POS services to reflect the current reporting classifications.

16. TRANSACTION COSTS

The Company incurred the following transaction costs:

	3 months ended		6 months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Issuance of advisor warrants <i>(note 11.3)</i>	-	-	-	9,331
Legal and advisory fees	136,910	-	162,372	-
Shareholder settlement	129,000	-	129,000	-
	265,910	-	291,372	9,331



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*(Expressed in United States Dollars)***17. ADMINISTRATIVE COSTS**

The Company incurred the following administrative costs:

	3 months ended		6 months ended	
	June 30, 2022	June 30, 2021 <i>(note 2.4)</i>	June 30, 2022	June 30, 2021 <i>(note 2.4)</i>
	\$	\$	\$	\$
General	466,767	171,850	869,047	324,526
Meals and entertainment	12,630	6,329	21,673	7,898
Rent	15,588	10,879	30,231	10,879
Salaries and wages	1,459,288	628,684	3,039,672	1,033,574
Travel	56,412	17,197	99,431	21,697
Total administrative costs	2,010,685	834,939	4,060,054	1,398,574

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, may 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.

18. 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.

19. ADDITIONAL CASH FLOW INFORMATION**19.1 Working capital changes in operating assets and liabilities:**

Six months ended June 30,	2022	2021
	\$	\$
Digital assets	10,990	-
Inventory	(16,703)	(334,400)
Prepaid expenses	(132,397)	82,015
Receivables	(271,391)	(439,779)
Accounts payable and accrued liabilities	(372,881)	1,978,765
Sales taxes recoverable	142	278
Working capital changes in operating assets and liabilities	(782,240)	1,286,879



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19.2 Supplemental cash flow information

Six months ended June 30,	2022	2021
	\$	\$
<i>Non-cash financing activities:</i>		
Conversion of convertible debt	-	70,000
<i>Cash interest paid</i>	48,402	63,650

20. SEGMENTED INFORMATION**20.1 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 reported in the Consolidated Financial Statements.

20.2 Geographic segments

The Company's sole geographic segment is the United States of America. As such, its geographic segment information is the same as that reported in the Consolidated Financial Statements.

21. SUBSEQUENT EVENTS**21.1 Options and RSUs issued**

In July 2022, 1,255,000 options and 361,275 RSUs were issued. The options have an exercise price of C\$0.63 and expire on July 1, 2032. The RSUs vest 25% on each of July 1, 2023 through July 1, 2026.

21.2 Financing and warrant proceeds

In July 2022, funds held in trust at the end of the reporting period, were received by the Company.

21.3 Software licensing agreement

On August 23, 2022, the Company announced the effectiveness of a licensing agreement for its point-of-sale software. Under the agreement, the Company is guaranteed the payment of \$20,000,000 USD over four years. The fee will be a monthly royalty paid per point-of-sale device deployed by the Licensee or its affiliates during the applicable month, subject to a minimum royalty monthly payment of between \$325,000 USD to \$512,500 USD for the first four years of the term. In accordance with the License Agreement, the Licensee has prepaid the aggregate minimum royalty fees for the first year of the term, which are equal to \$3,900,000 USD as well as a one-time fee of \$500,000 USD.

