POSaBIT Systems Corporation

Consolidated Financial Statements
Years Ended December 31, 2022 and 2021
(expressed in United States Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
POSaBIT Systems Corporation
Kirkland, Washington

Opinion

We have audited the consolidated financial statements of POSaBIT Systems Corporation and its subsidiaries (the "Company"), which comprise the consolidated statement of financial position as at the periods ended December 31, 2022 and 2021 and the consolidated statements of comprehensive income (loss) changes in shareholders' equity (deficiency) and cash flows for the years 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 positions of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS" or "IAS").

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.

Key Audit Matter

The key audit matter communicated below is a matter that, in our professional judgment, was of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

We have determined the matter described below to be the key audit matter to be communicated in our auditor's report.

Revenue Recognition – Identifying and Evaluating Contractual Terms and Conditions for License and Support Revenue

Description of the matter

We call attention to Note 4 of the consolidated financial statements, whereby the Company describes their policies by which revenue is recognized from contracts with customers for license and support revenue. Revenue is recognized in accordance with IFRS 15, *Contracts with Customers*, and when, or as performance obligations are satisfied by the Company. As disclosed by management, judgment is applied in identifying and evaluating contractual terms and conditions that impact the identification of performance obligations, determination and allocation of the transaction price, and the pattern of revenue recognition.

Why the matter is a key audit matter

The principal considerations for our determination that performing procedures relating to revenue recognition, specifically identifying and evaluating contractual terms and conditions for license and support revenue, is a critical audit matter include significant judgment by management in identifying and evaluating contractual terms and conditions that impact the identification of performance obligations, the determination and allocation of transaction price and pattern of recognition, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate managements conclusion over this matter.

How the matter was addressed

The primary procedures we performed to address this key audit matter included the following:

- We obtained management's representation for the recognition of the contract under IFRS and evaluated the reasonableness management's analysis and conclusions reached.
- We evaluated the reasonableness of management's identification of performance obligations within the contract.
- We evaluated the reasonableness of management's estimate of stand-alone selling prices for each performance obligation.
- We evaluated the reasonableness of management's methodology and calculation of the allocation of standalone selling price among the performance obligations.
- We tested the mathematical accuracy of management's calculations of revenue and the associated timing of recognizing the related revenue subject to any constraints in the consolidated financial statements.

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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements, or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated. We obtained Management's Discussion and Analysis as at 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 consolidated 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.

From the matters communicated with those charged with governance, we determined those matters were of the most significance in the audit of the finance statements in the current periods and therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or, when, in extremely rare circumstances, we determine that a matter should not be communication in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Armanino LLP

/s/ Armanino LLP
Certified Public Accountants
Bellevue, Washington, United States of America

April 27, 2023

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

	2022	2021 *(note 2.4)*
	$	$
ASSETS		
Current assets		
Cash	**3,076,240**	4,418,788
Sales taxes recoverable	**2,492**	943
Receivables *(note 5)*	**2,745,121**	2,331,519
Current portion of contract asset *(note 10)*	**780,000**	-
Digital assets	**-**	16,502
Inventories *(note 6)*	**464,066**	678,853
Prepaid expenses and deposits *(note 7)*	**522,498**	118,627
Total current assets	**7,590,417**	7,565,232
Other asset *(note 8)*	**120,000**	120,000
Equipment *(note 9)*	**102,473**	91,788
Revenue-generating equipment *(note 9)*	**171,484**	126,755
Contract asset, net of current portion *(note 10)*	**10,012,500**	-
Total assets	**17,996,874**	7,903,775
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable	**1,430,295**	5,453,138
Income taxes payable *(note 23)*	**404,135**	-
Accrued liabilities *(note 11)*	**1,029,931**	420,821
Total current liabilities	**2,864,361**	5,873,959
Government loan *(note 12)*	**48,034**	48,098
Derivative liability *(note 13)*	**6,596,078**	10,602,448
Convertible notes *(note 13)*	**265,379**	86,412
Total liabilities	**9,773,852**	16,610,917
Shareholders' equity (deficiency)		
Common shares *(note 14.2)*	**20,069,158**	17,564,928
Contributed surplus *(note 14.4)*	**3,443,880**	1,238,683
Warrant reserve *(note 14.3)*	**1,725,064**	292,622
Deficit	**(17,372,125)**	(25,435,728)
Currency translation reserve	**357,045**	(2,367,647)
Total shareholders' equity (deficiency)	**8,223,022**	(8,707,142)
Total liabilities and shareholders' equity (deficiency)	**17,996,874**	7,903,775

Subsequent events *(note 25)*
Commitments and litigation *(note 22)*

Approved for filing by the Board of Directors, April 27, 2023.

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

(Expressed in United States Dollars)

	2022	2021 *(note 2.4)*
	$	$
REVENUE *(note 18)*	**49,772,117**	21,301,749
COST OF SALES		
Processing fees	**23,603,652**	13,436,872
Software license fees	**313,597**	171,961
Impairment of inventory	**137,097**	104,693
Hardware cost of sales	**749,301**	397,602
Sales labour and commissions	**2,402,773**	1,576,499
Total cost of sales	**27,206,420**	15,687,627
GROSS MARGIN	**22,565,697**	5,614,122
OPERATING EXPENSES		
Administrative *(note 20)*	**9,903,766**	5,601,560
Depreciation *(note 9)*	**36,647**	99,971
Foreign exchange gain	**2,790,849**	(2,076,501)
Investor relations and public reporting	**88,806**	26,912
Marketing	**337,232**	268,190
Professional fees	**2,024,166**	1,059,679
Share-based compensation *(note 14.4)*	**2,229,402**	763,792
Total operating expenses	**17,410,868**	5,743,603
OTHER INCOME (EXPENSES)		
Change in fair value of digital assets	**(5,513)**	12,632
Change in expected credit losses *(notes 4.7.1 and 5)*	**20,697**	309
Change in fair value of derivative liability *(note 13)*	**4,006,369**	(9,736,678)
Finance costs	**(275,042)**	(173,737)
Interest income *(note 10)*	**148,143**	-
Loss on related-party loans	**-**	(219,379)
Loss on disposal of assets	**(62,484)**	(1,301)
One-time processor penalty	**-**	(200,000)
Transaction costs *(note 19)*	**(519,261)**	(118,072)
Total other income (expenses)	**3,312,909**	(10,436,226)
EARNINGS (LOSS) PRIOR TO INCOME TAXES	**8,467,738**	(10,565,707)
Income taxes *(note 23)*	**(404,135)**	-
EARNINGS (LOSS)	**8,063,603**	(10,565,707)
Basic earnings (loss) per common share *(notes 4.1 & 15)*	**0.06**	(0.09)
Diluted net earnings (loss) per common share *(notes 4.1 & 15)*	**0.06**	(0.09)
Weighted average number of common shares outstanding - basic *(notes 4.1 & 15)*	**135,434,137**	116,346,410
Weighted average number of common shares outstanding – fully diluted *(notes 4.1 & 15)*	**145,025,696**	116,346,410

(Expressed in United States Dollars)

Year ended December 31,	2022	2021
	$	$
EARNINGS (LOSS)	**8,063,603**	(10,565,707)
Other comprehensive income (loss):		
Items that may not be reclassified to net loss		
Foreign translation adjustment on parent	**2,724,692**	(2,147,580)
	2,724,692	(2,147,580)
COMPREHENSIVE INCOME (LOSS)	**10,788,295**	(12,713,287)

POSaBIT System Corporation
Consolidated Statement of Changes in Equity (Deficiency)
(Expressed in United States Dollars)

	Common shares Number	Common shares Amount	Contributed surplus	Warrant reserve	Deficit	Currency translation reserve	Total
		$	$	$	$	$	$
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
Loss	-	-	-	-	(10,565,707)	-	(10,565,707)
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)
Shares issued for cash	**5,861,941**	**3,665,740**	**-**	**-**	**-**	**-**	**3,665,740**
Warrants issued	**-**	**(1,492,754)**	**-**	**1,492,754**	**-**	**-**	**-**
Warrants exercised	**871,708**	**186,876**	**-**	**-**	**-**	**-**	**186,676**
Fair value of exercised warrants	**-**	**60,312**	**-**	**(60,312)**	**-**	**-**	**-**
Agent warrants exercised	**344,719**	**30,183**	**-**	**-**	**-**	**-**	**30,183**
Options exercised	**834,375**	**29,668**	**-**	**-**	**-**	**-**	**29,668**
Fair value of exercised options	**-**	**24,205**	**(24,205)**	**-**	**-**	**-**	**-**
Share-based compensation	**-**	**-**	**2,229,402**	**-**	**-**	**-**	**2,229,402**
Earnings	**-**	**-**	**-**	**-**	**8,063,603**	**-**	**8,063,603**
Comprehensive income	**-**	**-**	**-**	**-**	**-**	**2,724,692**	**2,724,692**
December 31, 2022	**139,815,388**	**20,069,158**	**3,443,880**	**1,725,064**	**(17,132,125)**	**357,045**	**8,223,022**

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

	2022	2021 *(note 2.4)*
OPERATING ACTIVITIES	**$**	$
Earnings (loss)	**8,063,603**	(10,565,707)
Adjustment for non-cash items		
Amortization on intangible assets	**-**	20,112
Depreciation *(note 9)*	**36,647**	60,704
Depreciation on revenue-generating equipment *(note 9)*	**176,129**	143,500
Depreciation on right-of-use assets	**-**	25,396
Inventory impairment	**137,097**	-
Change in fair value of digital assets	**5,513**	(12,632)
Change in fair value of derivative liability *(note 13)*	**(4,006,370)**	9,736,678
Change in expected credit losses	**(20,697)**	(309)
Foreign exchange gain	**2,724,692**	(2,147,580)
Loss on disposal of assets	**62,484**	1,301
Interest accretion on convertible notes and SBA loan	**187,675**	64,756
Interest accretion, right-of-use assets	**-**	395
Loss on related party loan	**-**	219,379
Non-cash transaction costs	**-**	9,331
Share based compensation	**2,229,402**	763,792
Change in non-current portion of contract asset	**(10,012,500)**	-
Working capital changes in operating assets and liabilities *(note 21.1)*	**(4,903,384)**	(508,747)
Cash provided from (used for) operating activities	**(4,915,574)**	(2,189,595)
INVESTING ACTIVITIES		
Purchase of equipment	**(48,042)**	(126,974)
Purchase of revenue-generating equipment	**(282,627)**	(118,704)
Repayment of lease liabilities	**-**	(26,809)
Cash used for investing activities	**(330,669)**	(272,487)
FINANCING ACTIVITIES		
Exercise of options	**29,668**	26,096
Exercise of warrants	**217,059**	4,040,757
Issuance of common shares for cash	**3,665,740**	2,000,000
Repayment of notes payable	**-**	(200,000)
Proceeds from sale of DoubleBeam	**-**	65,000
Repayments to related parties	**-**	(22,753)
Repayment of Government loan *(note 12)*	**(8,772)**	(5,848)
Cash (used for) provided from financing activities	**3,903,695**	5,903,252
Change in cash during the year	**(1,342,548)**	3,441,134
Cash, beginning of year	**4,418,788**	977,654
Cash, end of year	**3,076,240**	4,418,788

Supplemental cash flow information *(note 21)*

1. NATURE OF OPERATIONS

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 its business now primarily involves point-of-sale arrangements designed to offer merchants and consumers an easy way to sell and 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 NE, Kirkland, Washington 98034. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

The Consolidated Financial Statements were approved and authorized for issuance by the Board on April 27, 2023.

2.2 Basis of consolidation

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

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases.

2.3 Basis of presentation and measurement

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

2.4 Reclassifications

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Earnings (loss) per common share – basic and fully-diluted

The basic earnings (loss) per common share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted net earnings (loss) per common share reflects the potential dilution of common-share equivalents (the "**Potentially Dilutive Instruments**"), such as outstanding stock options, share purchase warrants, restricted share units and convertible debt 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. In certain circumstances, basic earnings (loss) per common share may also be adjusted for the effect of assumed conversion of the Potentially Dilutive Instruments.

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

In the comparative period, the Company purchased 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. Digital assets 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. When the Company holds digital assets, it revalues the 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.

As at December 31, 2022, the Company has no digital assets and no longer trades in digital assets.

4.5 Equipment and Revenue-generating equipment

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 an estimated five-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.

Revenue-generating equipment

The Company records depreciation on its revenue-generating equipment under hardware cost of sales to more accurately estimate the cost of this equipment over time. This payment-processing equipment is rented to customers. Revenue-generating equipment is amortized on a straight-line basis over an estimated two-year useful life.

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

All recognized financials assets are 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 ("**SPPI**") are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of receivables and contract asset.

- 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 meet the SPPI test, 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, or non-trading assets that do not meet the SPPI test, 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. The Company's cash is classified as financial assets mandatorily measured at fair value through profit or loss.

- 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 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, SBA loan and convertible notes. The Company has classified its derivative liabilities as financial liabilities measured at fair value through profit or loss.

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. During the years ended December 31, 2022 and 2021, there was $nil impairments recorded against the Company's non-financial assets.

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

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

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

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

Income tax estimates

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

4.11 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.

4.12 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.

IFRS 16 provides an exemption to the lease treatment above for short-term and low-value leases, which may be expensed and not capitalized. A short-term lease is defined as a lease with a term of twelve months or less and that does not contain a purchase option. Although IFRS does not impose a discrete amount to define a low-value lease, the guidance provides that the underlying asset may not be dependent on, or highly-interrelated with, other leased assets.

Other than a short-term lease costs included in administration costs (note 20), the Company has no leases.

4.13 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.

4.14 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.

4.15 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 revenue from its POS services through software subscription fees, set-up and installation fees, hardware related equipment rental fees, sale proceeds from the sale of hardware related equipment, ("**Software sales**"), and License royalties and support fees, ("License fees") per licensing agreement. Revenue from its payments services business is recognized from transaction and non-cash adjustment fees when merchant customers use the Company's system. Revenue is recognized from set-up and installation fees and sale of hardware equipment when installation of equipment at the merchant is complete.

If the Company enters into a contract that has payment terms that differ from the timing of revenue recognition, the Company will assess whether the transaction price includes a significant financing component. The Company has elected the practical expedient that permits an entity to not adjust for the effects of a significant financing component if the Company expects that at the contract inception, the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service, will be one year or less. For those contracts in which the period exceeds the one-year threshold, this assessment, as well as the quantitative estimate of the financing component and its relative significance, requires judgment. The Company estimates the significant financing component provided to its customers with extended payment terms by determining the present value of the future payments.

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. The Company had no contract acquisition costs as at December 31, 2022 or 2021.

4.16 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.

(Expressed in United States Dollars)

4.17 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 valuation of convertible notes,
iii. the valuation of share-based payments,
iv. the valuation of deferred income assets / liabilities, and
v. the estimation of useful lives of equipment.

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 the functional currency of the Company and subsidiaries, and
iv. the determination of the revenue recognition pattern of License fees and Software sales.
v. the allocation of the transaction price to each distinct performance obligations.

5 RECEIVABLES

	December 31, 2022	December 31, 2021
	$	$
Trade receivables	**348,459**	254,716
Receivables due from processors	**2,402,206**	2,103,044
Allowance for expected credit losses	**(5,544)**	(26,241)
	2,745,121	2,331,519

(Expressed in United States Dollars)

The trade receivables are generally on terms due within 30 days.

For the year ended December 31, 2022, the Company recognized changes in expected credit recoveries of $20,697 (2021 – $309).

6 INVENTORIES

A continuity of the Company's inventory of finished goods, follows:

	$
Balance, December 31, 2020	74,727
Purchases	973,041
Sold or rented	(264,222)
Impaired	(104,693)
Balance, December 31, 2021	678,853
Purchases	**589,339**
Sold or rented	**(667,029)**
Impaired	**(137,097)**
Balance, December 31, 2022	**464,066**

7 PREPAIDS EXPENSES AND DEPOSITS

	December 31, 2022	December 31, 2021 *(note 2.4)*
	$	$
Administrative	173,096	47,820
Insurance	154,986	17,092
Investor relations and public reporting	79,162	15,667
Marketing	40,543	9,000
Professional fees	40,000	10,000
Software sales	30,492	14,829
	518,279	114,408
Deposits	**4,219**	4,219
	522,498	118,627

8 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.

(Expressed in United States Dollars)

9 EQUIPMENT AND REVENUE GENERATING EQUIPMENT

Cost	Equipment *(note 2.4)*	Revenue Generating Equipment *(note 2.4)*	Total
	$	$	$
December 31, 2020	43,278	252,819	296,097
Additions	122,308	118,704	241,012
Disposals	(4,284)	-	(4,284)
December 31, 2021	161,302	371,523	532,825
Additions	**48,043**	**282,627**	**330,669**
Disposals	**(7,338)**	**(83,769)**	**(91,107)**
December 31, 2022	**202,007**	**570,381**	**772,388**

Accumulated Depreciation			
	$	$	$
December 31, 2020	16,458	101,268	117,726
Depreciation and hardware cost of sales	54,463	145,075	199,538
Disposals	(1,406)	(1,576)	(2,982)
December 31, 2021	69,515	244,767	314,282
Depreciation and hardware cost of sales	**36,647**	**176,130**	**212,777**
Disposals	**(6,630)**	**(22,000)**	**(28,630)**
December 31, 2022	**99,532**	**398,897**	**498,429**

Net Book Value			
	$	$	$
December 31, 2021	91,788	126,755	218,545
December 31, 2022	**102,473**	**171,484**	**273,957**

10 CONTRACT ASSET

The Company's contract asset is represented by the portion of a software licensing agreement (the "**License Agreement**") with a large *Cannabis* technology company ("**Licensee**"), where payment extends for greater than one year. Pursuant to the License Agreement, the Licensee will make the following payments to the Company:

(Expressed in United States Dollars)

	Payment Timing	Amount
		$
Signing fee	On signing	300,000
Support fee	On signing	200,000
Year 1 license fee	On signing	3,900,000
Year 2 license fee	Monthly, commencing on August 31, 2023	4,650,000
Year 3 license fee	Monthly, commencing on August 31, 2024	5,400,000
Year 4 license fee	Monthly, commencing on August 31, 2025	6,150,000
		20,600,000

The Company determined, based on the nature of the license and an analysis of its performance obligations, that the licensing component represents a right of use arrangement. Accordingly, pursuant to IFRS 15, the Company determined that $14,548,750 of the transaction price is recognized at inception with the remaining $6,180,000 recognized over the life of the agreement.

The arrangement includes a significant financing component as a result of the extended payment terms and determined the present value of the future payments using the discount rate at inception of 2.8%, resulting in a contract asset of $10,792,500. The discount amount of $826,906 will be accreted to interest income over the term of the agreement.

During the year ended December 31, 2022, $148,143 (2021 - $nil) of interest income was accreted and has been recorded in the consolidated statements of income (loss).

A continuity of the Company's License Contract asset follows:

	$
Balance, December 31, 2021	-
License fees recognized at inception	14,548,750
Less: amount billed	(4,400,000)
Contract asset at inception	10,148,750
Add: accreted to revenue	643,750
Balance, December 31, 2022	**10,792,500**
Less: Current portion	**(780,000)**
Balance, December 31, 2022	**10,012,500**

(Expressed in United States Dollars)

11 ACCRUED LIABILITIES

	December 31, 2022	December 31, 2021
	$	$
Administrative	88,714	565
Cost of sales	681,349	256,589
Finance	24,651	24,650
Investor relations and public reporting	250	250
Professional fees	150,794	138,767
Salaries and wages	84,173	-
	1,029,931	420,821

12 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, 2022, the Company recorded interest accretion on the SBA Loan of $8,708 (2021 - $8,567) in the consolidated statements of loss.

13 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-market at each reporting date. During the year ended December 31, 2022, $178,967 (2021 - $56,189), of interest accretion on the Convertible Notes was recorded in the consolidated statements of loss.

During the year ended December 31, 2022, $nil (2021 – $225,000) in face-value of the Convertible Notes was converted. As at December 31, 2022, the face value of outstanding convertible notes is $790,000 (2021 - $915,000).

As at December 31, 2022, the Company revalued the derivative liability at $6,596,078 (2021 - $10,602,448) and for the year ended December 31, 2022, recorded a gain of $4,006,369 (2021 – loss of $9,736,678) in the consolidated statements of loss. The following inputs were used in the revaluation of the derivative liability as at December 31, 2022: Risk-free rate of 4.72%, expected life of 1 year, exercise price of $0.09, volatility of 1065.26%, dividend yield of 0% and share price of $0.75. As at December 31, 2021: Risk-free rate of 0.92%, expected life of 1 year, exercise price of $0.09, volatility of 29.01%, dividend yield of 0% and share price of $1.33.

14 SHARE CAPITAL

Common and preferred shares

14.5 Authorized

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

14.6 Issued and outstanding

Year ended December 31, 2022

14.6.1 In December 2022, 190,152 warrants were exercised, raising proceeds of $16,600.

14.6.2 In November 2022, 371,883 warrants and finder warrants were exercised, raising proceeds of $32,533.

14.6.3 In October 2022, 834,375 options were exercised, raising proceeds of $29,668.

14.6.4 In August 2022, 54,329 warrants were exercised, raising proceeds of $4,959.

14.6.5 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.

14.6.6 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: 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. The Warrants have been recorded in warrant reserves on consolidated statements of financial position.

Year ended December 31, 2021

14.6.7 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.

14.6.8 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.

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

14.6.10 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.

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

14.6.12 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.

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

14.6.14 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.

14.6.15 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.

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

14.6.17 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.

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

14.6.19 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.

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

14.6.21 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.

14.6.22 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.

14.6.23 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. The Warrants have been recorded in warrant reserves on consolidated statements of financial position.

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

14.7 Warrants

For the year ended December 31, 2022

As disclosed in note 14.2.1, 190,152 warrants were exercised.

As disclosed in note 14.2.2, 27,164 warrants and 344,719 finder warrants were exercised.

As disclosed in note 14.2.4, 54,329 warrants were exercised.

As disclosed in note 14.2.5, 600,063 warrants were exercised.

As disclosed in note 14.2.6, the Company issued 4,396,456 Warrants. The relative fair value of $1,404,011 was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions: estimated useful 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.

For the year ended December 31, 2021

In addition to the 4,000,419 warrants issued in February 2021 *(note 14.2.23)*, in February 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.

(Expressed in United States Dollars)

A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price
		$
Outstanding at 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
Balance at December 31, 2021	6,601,681	C0.27
Issued	**4,396,456**	**C1.00**
Exercised	**(1,216,427)**	**C0.23**
Balance at December 31, 2022	**9,781,710**	**C0.61**

The outstanding issued warrants balance as at December 31, 2022 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price
			$
February 22, 2024	Warrants	3,400,356	C0.35
June 29, 2025	Warrants	4,396,456	C1.00
November 13, 2025	Warrants	1,820,027	C0.12
July 10, 2027	Warrants	164,871	0.14
Balance at December 31, 2022		**9,781,710**	**C0.61**

14.8 Incentive securities and contributed surplus

POSaBIT has an incentive plan (the "**Plan**") pursuant to which options and Restricted Stock Units ("**RSU's**") 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 RSUs and to increase the number of available options and RSUs to 26,610,000. As at December 31, 2022, the Company had 6,279,488 (2021 – 9,053,138) options and RSUs available for issuance.

(Expressed in United States Dollars)

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

	Number of options	Weighted average exercise price (per option)
		$
December 31, 2020	11,592,969	C0.08
Granted	5,854,400	C0.74
Cancelled	(231,102)	C0.14
Expired	(27,052)	C0.13
December 31, 2021	17,189,215	C0.31
Granted	**2,746,750**	**C0.69**
Exercised	**(834,375)**	**C0.04**
December 31, 2022	**19,101,590**	**C0.38**
Exercisable, as at December 31, 2022	**11,955,951**	**C0.17**

The Black-Scholes option pricing model was used to estimate the fair value of the issued options.

- The weighted average assumptions used for the options issued in 2022, were as follows: risk-free interest rate of 3.17%; expected volatility of 237.17%; expected life of 10 years; expected dividends of $nil and common share price of C$0.69. The grant-date fair value of these options is 2022 is $1,436,663.

- The weighted average assumptions used for the options issued in 2021, were as follows: risk-free interest rate of 1.41%; expected volatility of 237.17%; expected life of 10.0 years; expected dividends of $nil and common share price of C$0.772. The grant-date fair value of the options issued in 2021 is $3,573,084.

The options outstanding and exercisable as at December 31, 2022 are comprised of the following items:

Date of expiry	Number of options outstanding	Exercise price (per option)	Weighted average remaining life (years)
March 4, 2026	1,835,356	0.0379	3.2
May 9, 2027	2,630,972	0.0380	4.4
January 9, 2028	1,383,667	0.0380	5.0
May 9, 2028	35,079	0.0911	5.4
October 4, 2029	726,000	C0.150	6.8
October 1, 2030	3,923,741	C0.095	7.8
March 10, 2031	710,025	C0.275	8.2

(Expressed in United States Dollars)

Date of expiry	Number of options outstanding	Exercise price (per option)	Weighted average remaining life (years)
May 26, 2031	2,090,000	C0.315	8.4
July 21, 2031	445,000	C0.450	8.6
September 24, 2031	1,200,000	C1.230	8.7
December 15, 2031	1,375,000	C1.310	9.0
July 1, 2032	1,255,000	C0.630	9.5
November 15, 2032	1,241,750	C0.670	9.9
December 21, 2032	250,000	C1.070	10.0
Outstanding	**19,101,590**	**C0.349**	**7.0**
Exercisable	**11,955,951**	**C0.173**	**6.1**

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

	Number of RSUs	Weighted average grant-date fair value (per RSU)
		$
December 31, 2020	-	-
Granted	367,647	C1.310
December 31, 2021	367,647	C1.310
Granted	**861,275**	**C0.800**
December 31, 2022	**1,228,922**	**C0.930**

The RSUs outstanding as at December 31, 2022 are comprised of the following items:

Date of expiry	Number of RSUs outstanding	Weighted average grant-date fair value	Weighted average remaining life until vesting (years)
December 31, 2023	400,000	C1.070	1.0
January 1, 2026	367,647	C1.310	3.0
July 21, 2026	461,275	C0.630	3.5
Outstanding	**1,228,922**	**C0.977**	**2.7**

The Company estimated the fair value of the issued RSUs using the underlying share price (adjusted to US dollars) on date of issuance of the specific RSU. The grant-date fair value of the RSUs issued during 2022 is $567,659 (2021 - $374,824)

(Expressed in United States Dollars)

For the year ended December 31, 2022, the Company recognized share-based compensation expense for both options and RSUs of $2,229,402 (2021 - $763,792).

15 BASIC AND DILUTED NET EARNINGS PER COMMON SHARE

	2022	2021
	$	$
Earnings (loss)	**8,063,603**	(10,565,707)
Dilutive effect of convertible securities	**71,883**	0
Diluted net earnings (loss)	**8,135,486**	(10,565,707)

	2022	2021
	#	#
Weighted average common shares outstanding	**135,434,137**	116,346,410
Dilutive effect of equity-based compensation	**384,227**	0
Dilutive effect of certain other liabilities	**9,198,633**	0
Diluted weighted average common shares outstanding	**145,0016,997**	116,346,410

	2022	2021
	$	$
Basic earnings (loss) per common share	**0.06**	(0.09)
Diluted net earnings (loss) per common share	**0.06**	(0.09)

16 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 in the year ended December 31, 2021 are licence fees of $101,000, paid to PlaceFull Inc., ("**Placefull**") a company in which the CEO owned significant shareholdings. 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. The Company no longer has any ongoing economic activity with Placefull, and the CEO of the Company no longer has any ownership or economic interest in Placefull. As a result, for 2022, Placefull is not a related party of the Company.

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.

(Expressed in United States Dollars)

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

	Year ended December 31 **2022**	2021
	$	$
Executive compensation to key managers	**1,417,408**	997,602
Share-based compensation to key managers	**757,688**	495,353
Licence Fees to PlaceFull Inc.	**-**	101,000
Total	**2,175,096**	1,593,955

17 FINANCIAL RISK MANAGEMENT

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

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

At December 31, 2022, the Company's financial instruments consist of cash, receivables, license contract, accounts payable and derivative liabilities. The fair values of cash, accounts receivable and accounts payable approximate their carrying values due to the relatively short-term to maturity.

The Company classifies its license contract at amortized cost.

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, liquidity risk, interest-rate risk, capital management risk and foreign exchange 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, 2022, $2,745,121 (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 December 31, 2022 the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses for all but one, are nominal. For one processor, the Company is party to a lawsuit (note 22.2) but cannot reasonably estimate the outcome or the financial implications of that outcome.

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, 2022.

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 management risk

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, 2022 and 2021. There are no external capital management requirements or covenants as at December 31, 2022 and December 31, 2021, other than those imposed through ongoing listing requirements of the CSE.

e) Foreign exchange risk

The Company's operations are mainly completed in US dollars. However, the Company is a Canadian public company and therefore has transactions denominated in the Canadian dollar. As well, it has raised capital in Canadian dollars. As such, the Company is susceptible to changes in foreign exchange rates, mainly for translation of Canadian-dollar denominated borrowings, derivative liabilities, trade payables and operating expenses.

18 REVENUE

POSaBIT has 2 main revenue streams: Payment Services and POS Services. The POSaBIT Payments Services generate revenue via setup costs, hardware costs, transaction fees and non-cash adjustment fees. POSaBIT POS generates revenue through a traditional software-as-a-service subscription model (pay per terminal/console on a monthly, or yearly basis) as well as through the licensing of its proprietary software, for which it collects royalties.

18.5 Payment Services

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

Non-cash adjustment fees - Charges to the end consumer for each transaction that is not at the discounted cash price.

(Expressed in United States Dollars)

Transaction fees - Each debit charge to the merchant is variable based on contracted percent of transaction fee, paid 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.

18.6 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.

Set-up fees - Installation fees per location.

Rental fees - Fees charged to merchants for the rental of hardware.

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

License fees -License fees per licensing agreement.

Support services - Fees charged for stand and deliver support over term of licensing agreement.

The Company generated the following revenues for the years ended December 31, 2022 and 2021:

	2022	2021
	$	$
Payment services	**33,719,748**	18,589,736
POS Services	**16,052,369**	2,712,013
	49,772,117	21,301,749

19 TRANSACTION COSTS

The Company incurred the following transaction costs:

	2022	2021
	$	$
Legal and advisory fees	**352,141**	108,741
Software integration	**167,120**	-
Exercise of advisory warrants issued with convertible notes	**-**	9,331
	519,261	118,072

(Expressed in United States Dollars)

20 ADMINISTRATIVE COSTS

The Company incurred the following administrative costs:

Year ended December 31,	**2022**	2021
	$	$
General	**1,933,646**	1,492,817
Meals and entertainment	**81,099**	65,014
Rent	**61,407**	27,700
Salaries and wages	**7,541,620**	3,916,068
Travel	**285,994**	99,961
Total administrative costs	**9,903,766**	5,601,560

In April 2021, the Company leased new premises and entered into a one-year lease. The leased premises started on a month-to-month basis in April 2022. Pursuant to IFRS 16, leases with a term of twelve 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 lease.

21 ADDITIONAL CASH FLOW INFORMATION

21.1 Working capital changes in operating assets and liabilities

	Years ended December 31,	
	2022	2021
	$	$
Sales taxes recoverable	**(1,549)**	(627)
Receivables	**(392,905)**	(436,192)
Change in current portion of contract asset	**(780,000)**	-
Digital currencies	**10,990**	-
Inventory	**77,690**	(604,126)
Prepaid expenses	**(403,871)**	10,002
Income taxes payable	**404,135**	-
Accounts payable and accrued liabilities	**(3,413,739)**	522,196
Working capital changes in operating assets and liabilities	**(4,499,249)**	508,747

21.2 Supplemental cash flow information

	Years ended December 31,	
	2022	2021
	$	$
Cash interest paid	**96,221**	117,354
Non-cash financing activities (conversion of convertible notes)	**-**	225,000

(Expressed in United States Dollars)

22 COMMITMENTS AND LITIGATION

22.1 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.

22.2 Litigation

The Company is, from time to time, involved in various claims and legal proceedings. The Company has been served with two statements of claims, both regarding contractual dispute between the Company and vendor. In August 2022, the Company was served with a statement of claim filed in Florida State court and in December 2022, the Company was served with a statement of claim filed in Washington District Court.

The Company has a receivable and payable recorded on the balance and has not been adjusted as the estimated outcome for either case is unavailable. The Company cannot reasonably predict the likelihood or outcome of the claim. The Company does not believe that adverse decisions regarding any settlement or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

23 INCOME TAXES

23.1 Income taxes

The reconciliation of the combined Canadian federal income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

	2022	2021
	$	$
Income (loss) before recovery of income taxes	**8,467,738**	**(10,565,707)**
Expected income tax (recovery) expense	**2,243,950**	**(2,799,910)**
Tax rate changes and other adjustments	**(483,170)**	**42,040**
Share based compensation and non-deductible expenses	**603,520**	**220,530**
Unrealized foreign exchange	**736,560**	**(773,420)**
Change in tax benefits not recognized	**(2,699,730)**	**3,310,760**
Income tax (recovery) expense	**404,130**	**-**

23.2 Deferred tax

The following table summarizes the components of deferred tax:

	2022	2021
	$	$
Deferred tax assets		
Capital assets	**-**	115,497
Convertible notes	**6,046,460**	9,873,860
Operating losses carried forward - Canada	**2,513,277**	12,971,173

(Expressed in United States Dollars)

	2022	2021
	$	$
Operating losses carried forward – United States	**2,105,080**	-
Share issue costs	**37,260**	63,196
Other	**160,030**	14,710
Valuation allowance	**10,862,107**	23,038,436

23.3 Tax loss carry-forwards

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

Share issuance costs will be fully amortized in 2024.

The remaining deductible temporary differences may be carried forward indefinitely.

Deferred tax assets have not been recognized in respect of these items because if 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	-	-
2037	27,710	-
2038	62,510	-
2039	261,180	-
2040	44,930	-
2041	1,352,330	-
2042	764,620	
indefinite	-	2,105,080
	2,513,280	**2,105,080**

24 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,	2022	2021
	$	$
Non-current assets:		

Canada	**-**	-
United States	**15,043,957**	338,543
	15,043,957	338,543

Years ended December 31,	**2022**	2021
	$	$
Revenue:		
Canada	**-**	-
United States	**49,772,117**	21,301,749
	49,772,117	21,301,749

25 SUBSEQUENT EVENTS

25.1 Private placement

In January 2023, the Company completed a private placement consisting of 4,533,333 units (each a "**Unit**"), raising gross proceeds of $3,000,000. Each Unit consists of 1 common share and 0.95 warrants (each full warrant, a "**Warrant**"). A total of 4,306,666 Warrants were issued, with each Warrant exercisable for 3 years at a price of C$1.25.

25.2 Warrant exercises

In January 2023, 105,238 warrants were exercised, raising proceeds of $14,996.

In February 2023, 81,494 warrants were exercise, raising proceeds of $7,256.

25.3 Conversion

In January 2023, $25,000 of the Convertible Notes were converted and 279,687 common shares were issued.

25.4 Termination of Acquisition

On January 27, 2023, the Company signed a securities purchase agreement with Akerna Corp for all the outstanding securities of Akerna Ample Exchange Inc and membership interest in MJ Freeway. LLC. It was anticipated that the transaction would close in late Q2, 2023. On April 5, 2023, the Company received notice from Akerna Corp that they believed an offer received from another buyer was likely to result in a superior offer and was terminating the Company's securities purchase agreement.

25.5 Acquisition (business combination)

On April 3, 2023, the Company announced it had acquired certain assets from Hypur Inc. (the "**Acquisition**"), effective April 1, 2023, in a cash and equity transaction, valued at up to $7.5 million.

The Acquisition will be accounted for pursuant to *IFRS 3* Business Combinations. The fair value of the assets and liabilities as of the date of these financials has not yet been determined. The Company has engaged an independent third-party valuation service to complete the purchase price allocation with an expected completion date of June 30, 2023

25.6 Credit facility

On March 30, 2023(“closing date”), the Company entered into a credit agreement whereby it may drawdown up to $8 million. Interest on the drawdowns is 10% from the date of drawdown until the second anniversary after closing and 12% thereafter. The maturity date of the facility is the third anniversary of the closing date. In March 2023, the Company made an initial drawdown of $3 million.