



POSaBIT Systems Corporation

Consolidated Financial Statements
Years Ended December 31, 2023 and 2022 (*restated*)
(expressed in United States Dollars)



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Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of POSaBIT Systems Corporation

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 December 31, 2023, and the consolidated statement of earnings (loss), consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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 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.

Emphasis of matter

We draw attention to Note 29 to the consolidated financial statements, which explains that certain comparative information presented as at and for the year ended December 31, 2022 has been restated. Our opinion is not modified in respect of this matter.

Other matter

The consolidated financial statements of the Company for the year ended December 31, 2022, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on April 27, 2023.

As part of our audit of the consolidated financial statements for the year ended December 31, 2023, we also audited the adjustments applied to restate certain comparative information presented. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the financial statements as at and for the year ended December 31, 2022. Accordingly, we do not express an opinion or any other form of assurance on those consolidated financial statements taken as a whole.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a loss and had negative cash flows from operations during the year ended December 31, 2023. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p><i>Contract asset</i></p> <p>As described in Note 12, the contract asset is derived from revenue from a contract with a customer with a significant financing component. The present value of this financial asset was determined using a discount rate that would be reflected in a separate financing transaction between the Company and its customer at contract inception. Management determined the discount rate using by referencing current industry, economic, and comparable company information.</p> <p>We determined this matter to be a key audit issue due to the significant estimate and judgement involved in determination of the discount rate and the contract asset's sensitivity to this rate.</p> | <p>In this regard, our audit procedures included:</p> <ul style="list-style-type: none"> - Assessed the reasonableness of management's estimation process by gaining an understanding of management's process to recognize and measure revenue, and by assessing key assumptions. - Involved our valuation specialists to assist in evaluating the appropriateness of discount rates used in management's estimates. - Assessed the appropriateness of the disclosures relating to the assumptions used in the revenue estimation calculations included in the notes to the consolidated financial statements. |

Acquisition of Hypur Inc.

The Company purchased certain assets of Hypur Inc. (the “acquisition”). The Company issued consideration of \$7,479,723. See Note 5.

The acquisition is a complex accounting matter and highly judgmental due to the significant estimation required in order to identify and value all intangible assets acquired, the resulting goodwill recognized, and all consideration conveyed. The fair value of these items may be significantly different from the historical cost which had been previously recorded by the acquired business. Certain acquired intangible assets and goodwill may not have previously met the recognition criteria under accounting standards.

The acquisition accounting was a key audit matter given its financial significance to the Company and because significant judgment is involved in assigning fair value to the assets and liabilities acquired and the equity instruments issued by the Company.

In this regard, our audit procedures included:

- Reviewed the acquisition agreement to determine the terms of the transaction and consider if the transaction qualifies as a business combination per IFRS 3.
- Evaluated the appropriateness of criteria used by management to identify and recognize intangible assets
- Evaluated the appropriateness of assumptions and models used in estimating fair value of the identified intangible assets and goodwill
- Reviewed management’s expert’s report that included the methodology and assumptions used and assessing those inputs to be reasonable, testing management’s process for determining the fair value of consideration in the form of the acquisition related contingent considerations and accuracy of the underlying data used in the fair value calculation.
- Involved our valuation specialists to assess the mathematical accuracy and appropriateness of the valuation methodology and the various inputs.
- Evaluated the adequacy of the disclosures made in Note 5 in light of the requirements of IFRS.

Impairment of goodwill and intangible assets

During the year ended December 31, 2023 the Company has fully impaired the goodwill and intangible assets.

As disclosed in Note 10 and 11 to the consolidated financial statements, as at December 31, 2023 the carrying value of goodwill and intangible assets was nil.

In this regard, our audit procedures included:

- Discussed indicators of impairment with management.
- Involved our valuation specialists to evaluate management’s expert’s calculation and supporting documents on the recoverable amount of the intangible assets and the

Management has made a number of key assumptions and assertions to support their assessment of the carrying value of goodwill and other intangible assets. The key assumptions include growth rates, discount rates applied and the forecast performance based on management's view of future business prospects.

We identified the impairment assessment of goodwill and other intangible assets as a key audit matter due to the significant level of management judgement required to be exercised in determining the assumptions adopted in the impairment assessments, which can be inherently uncertain and could be subject to management bias.

Other information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, 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 the consolidated financial statements in accordance with IFRS, 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 the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

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

appropriateness of the valuation model selected and the appropriateness of inputs used, to determine the impairment.

- Tested inputs used in the valuation model using the Company's historical data.
- Evaluated management's disclosure in the notes to the consolidated financial statements of significant judgments in relation to this matter.

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 Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 Canadian generally accepted auditing standards, we exercise professional judgement 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.

McGovern Hurley

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 determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are 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 communicated 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 of the audit resulting in this independent auditor's report is Soheil Talebi.

McGovern Hurley LLP



**Chartered Professional Accountants
Licensed Public Accountants**

Toronto, Ontario
May 13, 2024

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



| | 2023 | 2022 (restated - note 29) |
|--|-------------------|---------------------------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets | | |
| Cash | 1,522,155 | 3,076,240 |
| Accounts receivables (note 6) | 1,247,511 | 2,745,121 |
| Current portion of contract asset (notes 12 & 29) | 2,513,939 | - |
| Inventory (note 7) | 13,971 | 464,066 |
| Prepaid expenses and other assets (note 8) | 301,557 | 524,990 |
| Total current assets | 5,599,133 | 6,810,417 |
| Deposit | 120,000 | 120,000 |
| Equipment (note 9) | 47,417 | 102,473 |
| Revenue-generating equipment (note 9) | 820,125 | 171,484 |
| Right-of-use asset (note 9) | 133,144 | - |
| Contract asset (notes 12 & 29) | 6,441,498 | 8,029,317 |
| Total assets | 13,161,317 | 15,233,691 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (note 13) | 2,646,118 | 2,460,226 |
| Current portion of lease liability (note 14) | 122,580 | - |
| Holdbacks payable (note 5) | 500,000 | - |
| Income taxes payable (notes 28) | 123,825 | 270,888 |
| Total current liabilities | 3,392,523 | 2,731,114 |
| Convertible notes (note 16) | - | 265,379 |
| Credit facility (note 17) | 4,398,970 | - |
| Derivative liability (note 16) | - | 6,596,078 |
| Government loan (note 15) | 49,420 | 48,034 |
| Lease liability (note 14) | 10,891 | - |
| Total liabilities | 7,851,804 | 9,640,605 |
| Shareholders' equity | | |
| Common shares (note 18.2) | 27,449,828 | 20,069,158 |
| Shares to be issued (note 18.3) | 857,359 | - |
| Contributed surplus (note 18.5) | 6,399,470 | 3,443,880 |
| Warrant reserve (note 18.4) | 2,461,834 | 1,725,064 |
| Deficit | (31,638,228) | (20,002,061) |
| Currency translation reserve | (220,750) | 357,045 |
| Total shareholders' equity | 5,309,513 | 5,593,086 |
| Total liabilities and shareholders' equity | 13,161,317 | 15,233,691 |

Nature of operations and going concern (note 1)
Commitments and litigation (note 27)
Subsequent events (note 30)

Approved for filing by the Board
of Directors, May 13, 2024

"Mike Apker" (Director)

"Don Tringali" (Director)

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



| | 2023 | 2022 (restated - note 29) |
|--|---------------------|---------------------------------|
| | \$ | \$ |
| REVENUE (note 22) | 43,575,060 | 46,801,122 |
| COST OF SALES | | |
| Processing fees | 30,495,245 | 23,603,652 |
| Software license fees | 654,041 | 313,597 |
| Hardware cost of sales | 1,364,385 | 886,398 |
| Sales labour and commissions | 1,839,370 | 2,402,773 |
| Total cost of sales | 34,353,041 | 27,206,420 |
| GROSS MARGIN | 9,222,019 | 19,594,702 |
| OPERATING EXPENSES | | |
| Administrative (note 25) | 13,153,127 | 9,903,766 |
| Amortization and depreciation (notes 9 & 10) | 303,615 | 36,647 |
| Foreign exchange (gain) loss | (608,792) | 2,790,849 |
| Investor relations and public reporting | 117,297 | 88,806 |
| Marketing | 321,526 | 337,232 |
| Professional fees | 2,011,157 | 2,024,166 |
| Share-based compensation (note 18.5) | 3,471,246 | 2,229,402 |
| Total operating expenses | 18,769,176 | 17,410,868 |
| OTHER INCOME (EXPENSES) | | |
| Change in fair value of digital assets | - | (5,513) |
| Change in expected credit losses and bad debts (notes 4.7.1 and 6) | (648,387) | 20,697 |
| Change in fair value of derivative liability (note 16) | 5,996,544 | 4,006,369 |
| Finance costs | (322,418) | (87,367) |
| Gain on debt modification (note 17) | 75,975 | - |
| Interest accretion (non-cash) | (518,371) | (187,675) |
| Impairment of intangible assets (note 10) | (2,709,258) | - |
| Impairment of goodwill (note 11) | (4,257,493) | - |
| Interest income (note 12 and 29) | 1,055,959 | 355,955 |
| Loss on disposal of assets | - | (62,484) |
| Other income (note 23) | 102,720 | - |
| Litigation settlement (note 27.3) | (2,214,408) | - |
| Transaction costs (note 24) | (538,936) | (519,261) |
| Total other income (expense) | (3,978,073) | 3,520,721 |
| EARNINGS (LOSS) PRIOR TO INCOME TAXES | (13,525,230) | 5,704,555 |
| Income tax expense (note 28) | (235,200) | (270,888) |
| EARNINGS (LOSS) | (13,760,430) | 5,433,667 |
| Basic earnings (loss) per common share (notes 4.1 & 19) | (0.093) | 0.040 |
| Diluted net earnings (loss) per common share (notes 4.1 & 19) | (0.093) | 0.038 |
| Weighted average number of common shares outstanding - basic (notes 4.1 & 19) | 148,737,752 | 135,434,137 |
| Weighted average number of common shares outstanding - fully diluted (notes 4.1 & 19) | 148,737,752 | 145,016,997 |

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



| Year ended December 31, | 2023 | 2022 (restated – note 29) |
|--|---------------------|---------------------------------|
| | \$ | \$ |
| EARNINGS (LOSS) | (13,760,430) | 5,433,667 |
| Other comprehensive loss: | | |
| Items that may not be reclassified to net loss | | |
| Foreign translation adjustment on parent | (577,795) | 2,724,692 |
| | (577,795) | 2,724,692 |
| COMPREHENSIVE INCOME (LOSS) | (14,338,225) | 8,158,359 |

POSaBIT System Corporation

 Consolidated Statement of Changes in Equity
 (Expressed in United States Dollars)


| | Common shares | | Contributed surplus | Warrant reserve | Deficit | Currency translation reserve | Total |
|--|---------------|-------------|---------------------|-----------------|--------------|------------------------------|-------------|
| | Number | Amount | | | | | |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| 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 |
| Shares issued on conversion of debt | | | | | | | |
| Warrants issued | - | (1,492,754) | - | 1,492,754 | - | - | - |
| Advisory warrants issued | | | | | | | |
| Exercise of warrants | 871,708 | 186,876 | - | - | - | - | 186,876 |
| Fair value of exercised warrants | - | 60,312 | - | (60,312) | - | - | - |
| Fair value of advisory warrants for converted debt | | | | | | | |
| Expiry of warrants | | | | | | | |
| Exercise of agent warrants | 344,719 | 30,183 | - | - | - | - | 30,183 |
| Fair value of agent warrants | | | | | | | |
| Exercise of options | 834,375 | 29,668 | - | - | - | - | 29,668 |
| Fair value of exercised options | - | 24,205 | (24,205) | - | - | - | - |
| Expiry of options | | | | | | | |
| Share-based compensation | - | - | 2,229,402 | - | - | - | 2,229,402 |
| Earnings (restated – note 29) | - | - | - | - | 5,433,667 | - | 5,433,667 |
| Comprehensive income | - | - | - | - | - | 2,724,692 | 2,724,692 |
| December 31, 2022 (restated – note 29) | 139,815,388 | 20,069,158 | 3,443,880 | 1,725,064 | (20,002,061) | 357,045 | 5,593,086 |

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

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



| | Common shares | | Shares to issued | | Contributed surplus | Warrant reserve | Deficit | Currency translation reserve | Total |
|---|--------------------|--------------------|------------------|------------------|---------------------|--------------------|---------------------|------------------------------|---------------------|
| | Number | Amount | Number | Amount | | | | | |
| | | \$ | | \$ | \$ | \$ | \$ | \$ | \$ |
| December 31, 2022 <i>(restated – note 29)</i> | 139,815,388 | 20,069,158 | - | - | 3,443,880 | 1,725,064 | (20,002,061) | 357,045 | 5,593,086 |
| Shares issued for cash | 7,640,475 | 3,652,320 | - | - | - | - | - | - | 3,652,320 |
| Shares issued on conversion of debt | 2,877,874 | 250,000 | - | - | - | - | - | - | 250,000 |
| Fair value of derivative liability on converted shares | - | 599,535 | - | - | - | - | - | - | 599,535 |
| Shares issued for Acquisition <i>(note 5)</i> | 4,968,584 | 4,112,033 | - | - | - | - | - | - | 4,112,033 |
| Shares to be issued for Acquisition <i>(note 5)</i> | - | - | 2,484,293 | 1,713,690 | - | - | - | - | 1,713,690 |
| Shares issued for Acquisition holdback <i>(note 5)</i> | 621,073 | 514,004 | (621,073) | (514,004) | - | - | - | - | - |
| Forfeit of shares to be issued for Acquisition | - | - | (413,635) | (342,327) | - | - | 342,327 | - | - |
| Fair value of issued warrants | - | (1,829,579) | - | - | - | 1,829,579 | - | - | - |
| Exercise of warrants | 186,732 | 22,253 | - | - | - | - | - | - | 22,253 |
| Fair value of exercised warrants | - | 15,000 | - | - | - | (15,000) | - | - | - |
| Fair value of issued compensation warrants | - | - | - | - | - | 208,066 | - | - | 208,066 |
| Compensation warrants surrendered | - | - | - | - | - | (208,066) | 208,066 | - | - |
| Warrants surrendered | - | - | - | - | - | (1,077,809) | 1,077,809 | - | - |
| Exercise of options | 240,050 | 25,509 | - | - | - | - | - | - | 25,509 |
| Fair value of exercised options | - | 19,595 | - | - | (19,595) | - | - | - | - |
| Expiry of options | - | - | - | - | (496,061) | - | 496,061 | - | - |
| Share-based compensation | - | - | - | - | 3,471,246 | - | - | - | 3,471,246 |
| Loss | - | - | - | - | - | - | (13,760,430) | - | (13,760,430) |
| Comprehensive loss | - | - | - | - | - | - | - | (577,795) | (577,795) |
| December 31, 2023 | 156,350,176 | 27,449,828 | 1,449,585 | 857,359 | 6,399,470 | 2,461,834 | (31,638,228) | (220,750) | 5,309,513 |

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

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



| | 2023 | 2022 (restated – note 29) |
|---|---------------------|---------------------------------|
| OPERATING ACTIVITIES | \$ | \$ |
| Earnings (loss) | (13,760,430) | 5,433,667 |
| Adjustment for non-cash items | | |
| Amortization and depreciation (note 9 & 10) | 303,615 | 36,647 |
| Depreciation on revenue-generating equipment (note 9) | 229,947 | 176,129 |
| Change in fair value of digital assets | - | 5,513 |
| Change in fair value of derivative liability (note 16) | (5,996,544) | (4,006,370) |
| Change in expected credit losses and bad debts | 648,387 | (20,697) |
| Foreign exchange gain | (643,689) | 2,724,692 |
| Gain on debt modification (note 17) | (75,975) | - |
| Loss on disposal of equipment | - | 62,484 |
| Loss on disposal of revenue-generating equipment | 176 | - |
| Impairment of goodwill | 4,257,493 | - |
| Impairment of intangible assets | 2,709,258 | - |
| Impairment of inventory | - | 137,097 |
| Interest accretion | 565,245 | 187,675 |
| Share based compensation | 3,471,246 | 2,229,402 |
| Working capital changes in operating assets and liabilities (note 26.1) | 861,607 | (11,881,811) |
| Cash used for operating activities | (7,429,664) | (4,915,574) |
| INVESTING ACTIVITIES | | |
| Acquisition costs (note 5) | (1,154,000) | - |
| Cash acquired on Acquisition (note 5) | 105,083 | - |
| Purchase of equipment | (26,608) | (48,042) |
| Purchase of revenue-generating equipment | (878,765) | (282,627) |
| Cash used for investing activities | (1,954,290) | (330,669) |
| FINANCING ACTIVITIES | | |
| Advance on credit facility (note 17) | 4,750,000 | - |
| Exercise of options | 25,509 | 29,668 |
| Exercise of warrants | 22,253 | 217,059 |
| Issuance of common shares for cash | 3,652,320 | 3,665,740 |
| Repayment of lease liabilities (note 14) | (47,903) | - |
| Repayment of convertible notes on maturity (note 16) | (565,000) | - |
| Repayment of Government loan (note 15) | (7,310) | (8,772) |
| Cash provided by financing activities | 7,829,869 | 3,903,695 |
| Change in cash during the year | (1,554,085) | (1,342,548) |
| Cash, beginning of year | 3,076,240 | 4,418,788 |
| Cash, end of year | 1,522,155 | 3,076,240 |

Supplemental cash flow information (note 26.2)

POSaBIT Systems Corporation

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (restated - note 29)

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company’s head office is located at 15 Lake Bellevue Dr. Suite 101, Bellevue, WA 98005. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K0A1.

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

The Company has incurred a loss of \$13,760,430 and negative cash flow from operations of \$7,429,664 for the year ended December 31, 2023 (an earnings of \$5,433,667 and negative cash flow from operations of \$4,915,574 for the year ended December 31, 2022). These conditions indicate the existence of a material uncertainty that casts significant doubt as to whether the Company can continue as a going concern.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The Consolidated Financial Statements were approved and authorized for issuance by the Board on May 13, 2024.



POSaBIT Systems Corporation

Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022 (restated - note 29)

(Expressed in United States Dollars)

2.2 Basis of consolidation

The Consolidated Financial Statements consolidate the accounts of the Company and its wholly-owned subsidiary, POSaBIT US, Inc. (“**POSaBIT US**” or the “**Subsidiary**”) and POSaBIT Payments Inc. (“**POSaBIT Payments**”), a wholly-owned subsidiary of 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 Consolidated Financial Statements have been prepared on the historical cost basis, modified where applicable. In addition, the Consolidated Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. ADOPTION OF NEW AND REVISED STANDARDS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

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

IAS 21 – The effects of changes in foreign exchange rates (“**IAS 21**”) was amended in August 2023, to provide further guidance on the disclosure to be provided when an entity estimates a spot exchange rate for a currency that is not exchangeable into another currency. The standard takes effect for annual reporting periods commencing on or after January 1, 2025, with early adoption permitted. The Company has not adapted this amendment of IAS 21 as it is not applicable for current operations.

The Company has adopted the following standards that came into effect for accounting periods commencing on or after January 1, 2023:

IAS 1 – Presentation of Financial Statements (“**IAS 1**”). In January 2020, the classification of liabilities as current or non-current was amended. The Company adopted this amendment but at present, the standard does not affect the Company’s reporting requirements.



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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 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 *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.



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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.

4.5 Goodwill and Other Purchased Intangibles

i) Recognition and measurement

| | |
|--------------------------------|---|
| Goodwill | Goodwill arising on the acquisition of a subsidiary or gain of control over assets is measured at cost less accumulated impairment losses |
| Identifiable intangible assets | Identified intangible assets, including customer relationships, acquired contracts, acquired technology and tradenames that are acquired and have useful lives are measured at cost less accumulated amortization and any accumulated impairment losses |

ii. Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits of the asset to which it relates. All other expenditures are recognized in the statements of comprehensive earnings (loss) as incurred.

iii. Amortization

Amortization is calculated to write off the cost of intangible assets, less their estimated residual value, using the straight-line method over their estimated useful lives and is recognized in the statements of comprehensive earnings (loss). Goodwill is not amortized.

The estimated useful lives for current and comparative periods are as follows:

| | |
|---------------------|------------|
| Acquired contracts | 9.75 years |
| Acquired technology | 5.75 years |
| Tradename | 1.75 years |

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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. 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.



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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 financial 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 cash, 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 does not hold any financial assets 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.



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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 and accrued liabilities, credit facility, holdback payable, government 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.



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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 year ended December 31, 2023, the Company has impaired its entire goodwill and intangible assets (see note 9 and 10).



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

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

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

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

Income tax estimates

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



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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.



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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.

The Company has entered into a lease agreement during the year ended December 31, 2023 (see note 9 and 14).

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 earns revenue from i) Payment services, ii) Point-of-Sale ("POS") Services, iii) License of technology and iv) Support services related to its sale of licence. The Company also earns revenue from rental and sale of hardware related to its payment and POS services.

The Company accounts for its revenue in accordance with the five steps in IFRS 15 Revenue from Contracts with Customers. The Company often enters into customer contracts to supply a bundle of products and services (e.g. hardware, software and related after-sales service). The contract is then assessed to determine whether it contains a single combined performance obligation or multiple performance obligations. If applicable the total transaction price is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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The consideration under the Company's contracts with customer includes a variable amount. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If the Company satisfies a performance obligation before it receives the consideration, the Company recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Payment services

Revenue from Payment services is derived by the Company from soliciting and selling customers transaction processing services which are ultimately settled by 3rd party payment processors. Transaction processing services are services to process cashless payments. The Company provides these services under contracts with an initial term of 90 days.

The Company has determined that it has two performance obligations under these contracts: 1) the rental of payment terminal and 2) payment processing services.

The Company rent payment terminals to its customer as well as software and software updates that enables the payment terminals to interface with the customer's existing systems. The Company has determined that the hardware, software and software updates are highly interdependent on each other and represent a single performance obligation. The Company charges a fixed monthly fee over the duration of the contract.

In providing payment processing services, the Company promises to provide the customer with various services such as access to a 3rd party payment processor, training, support services and portal access. The Company has determined that it provides a significant service of integrating these services to deliver a combined output such that, in the context of the actual contract, there is a single performance obligation. The Company has concluded that it is the principal in providing payment processing services because it controls the right to the service performed by the 3rd party payment processor before transferring to the customer. The transaction price is variable as the Company charges the customer non-cash adjustment fees and transaction fees for each processed transaction.

Revenue for the rental of payment terminals and payment processing services is recognized over time, equal to the amount the Company is entitled to invoice as this is commensurate with the value received by its customers.

POS Services

Under its POS services contracts, the Company provides its customers with a traditional software-as-a-service subscription to its proprietary software ("SAAS subscriptions") as well as the sale and installation of payment terminals, with an initial term of one year.

Revenue for SAAS subscription services is recognized over time based on the fixed monthly fee charged over the duration of the contract.

Revenue from the sale and installation of payment terminals is recognized at the point in time when control over the goods has transferred to the customer, being the point in time on which the installation is completed. Consideration for the sale and installation of payment terminals is fixed. Variable consideration, if any, is not material.



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License of technology and Support services

Under its licensing contracts, the Company provides its customer with a perpetual, non-exclusive and non-transferable license for the right to use the Company's proprietary technology. In addition, the Company provides the customer with support services and software updates and upgrades over a four-year term.

The Company has determined that it has two performance obligations under these contracts: 1) License of technology and 2) Support services.

The total consideration under the Company's licensing contracts consists of both fixed and variable consideration and is paid in monthly installments over the term of the contract. The total variable consideration is not considered material. The Company estimated the total stand-alone selling price for the support services based on the expected cost plus a margin approach. The stand-alone selling price for the license was estimated as the residual. See note 12.

The license is a right to use the proprietary technology as it exists at the inception of the contract. Revenue is therefore recognized at a point in time, being the date of acceptance by the customer.

There is a significant financing component for this contract considering the length of time between the customer's payment and the transfer of the license. As such, the transaction price allocated to the license is discounted, using the interest rate that would be reflected in a separate financing transaction between the Company and the customer at contract inception.

Revenue for support services is recognized over time, on a straight-line basis over the term of the contract. This method provides a faithful depiction of the transfer of services because the work required does not vary significantly from month-to-month.

4.16 Share-based payments and warrants

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

4.17 Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:



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- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 and IAS 19 Employee Benefits respectively
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date during the year ended December 31, 2023 (see below).

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

4.18 Significant accounting estimates and judgements

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

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

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

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

Significant accounting estimates include:

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- i. Impairment of financial assets – see **4.7.1** and **6**
- ii. The valuation of convertible notes and derivative liability - see **4.3** and **16**
- iii. The valuation of share-based payments – see **4.16** and **18**
- iv. Income taxes – see **4.10**
- v. Impairment of non-financial assets – see **4. 8, 5, 10** and **11**
- vi. Provisions – see **4.13**

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 Software Sales.
- v. the allocation of the transaction price to each distinct performance obligation by comparing the relative standalone selling prices to the selling prices of similar goods or services,
- vi. the impairment of intangible assets and goodwill,
- vii. the allocation between license and service revenue,
- viii. the discount interest rate used for present value calculations for license revenue recognition and credit facility fair value,
- ix. the relative fair-value allocation between common shares and warrants.

5. BUSINESS COMBINATION

Acquisition of Hypur Inc. ("Hypur")

On April 1, 2023, the Company acquired certain assets of Hypur (the "**Acquisition**"), a Nevada corporation for a purchase price of approximately \$7,500,000, subject to certain contingencies. The acquisition meets the criteria of a business combination under IFRS 3, Business Combination.

The Acquisition was completed by way of an asset purchase agreement (the "**Agreement**") dated April 1, 2023, by and among the Company, POSaBIT Payments, a wholly owned subsidiary of the Company and Hypur, in exchange for (1) \$1,654,000 in cash (of which \$500,000 was held back (the "**Cash Holdback**") and, subject to potential indemnity claims, would be released six months after closing), *plus* (2) 6,210,730 common shares of the Company with a fair value of \$5,140,041 (of which, 1,242,146 common shares with an estimated fair value of \$1,028,008 were held back (the "**Equity Holdback**" and, subject to potential indemnity claims).

Pursuant to the Agreement and provided certain conditions are met, the Company agreed to issue a further 1,242,147 common shares between three months and 18 months after closing (the "**Contingent Consideration**") based upon completion of certain contingent criteria and timing. In estimating the fair value of the contingent consideration to be \$685,682, the Company considered the required timing of issuance and the anticipated completion of the conditions underlying the release. The Company has valued the common shares based on the prevailing market value of the shares.



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Estimated fair value of net assets acquired:

| | |
|--|------------------|
| | \$ |
| Cash | 105,083 |
| Inventory | 237,147 |
| Debt-free working capital acquired | 342,230 |
| Contracts | 2,680,000 |
| Technology | 170,000 |
| Tradename | 30,000 |
| Identifiable intangible assets acquired | 2,880,000 |
| Goodwill | 4,257,493 |
| Purchase price | 7,479,723 |
| Consideration: | \$ |
| Cash | 1,154,000 |
| Cash holdback (the " Cash Holdback ") | 500,000 |
| Total cash | 1,654,000 |

Consideration (continued)

| Equity: | # of shares | \$ |
|---|--------------------|------------------|
| Common shares issued on closing | 4,968,584 | 4,112,033 |
| Equity Holdback (to be released 6 months after closing) (the " First Holdback ") | 621,073 | 514,004 |
| Equity Holdback (to be released 1 year after closing) | 621,073 | 514,004 |
| Contingent Consideration (to be released 3 months after closing (employment considerations)) | 413,635 | - |
| Contingent Consideration (to be released 3 months after closing (certification considerations) (the " Forfeited Consideration ") | 413,635 | 342,327 |
| Contingent Consideration (to be released 1 year after closing) | 414,877 | 343,355 |
| Total equity | 7,452,877 | 5,825,723 |
| Total consideration | | 7,479,723 |

The Company has released the First Holdback and transferred the fair value of the Forfeited Consideration of 413,635 shares (\$342,327) to retained earnings. Further, the Company is a party to a lawsuit (note 27.2) with Hypur regarding the release of the Cash Holdback.

During the year ended December 31, 2023, the Company impaired the entire goodwill and intangible assets due to the payment processor's inability to process pin debit transactions for the cannabis sector (see note 10 and 11). Excluding the impairments and write-offs to Contracts, Technology and Tradename intangible assets (the "**Intangible Assets**"), Goodwill and receivables, during the year ended December 31, 2023, Hypur operations have contributed \$2,294,607 (2022 - \$nil) of revenue. Impairments to the Intangible Assets of \$2,709,258 (2022 - \$nil), Goodwill impairment of \$4,257,493 (2022 - \$nil) and bad debts of \$149,749 (2022 - \$nil).



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6. ACCOUNTS RECEIVABLE

| | December 31, 2023 | December 31, 2022 |
|--------------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Trade receivables | 1,061,027 | 348,459 |
| Receivables due from processors | 834,871 | 2,402,206 |
| Bad debt write-offs | (639,772) | - |
| Allowance for expected credit losses | (8,615) | (5,544) |
| | 1,247,511 | 2,745,121 |

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

7. INVENTORY

| | December 31, 2023 | December 31, 2022 |
|--------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Finished goods – POS equipment | 13,971 | 464,066 |

During the year, the Company acquired \$237,147 (2022 - \$nil) of inventory through completion the Acquisition (note 5). The Company expensed \$605,428 (\$2022 - \$667,029) and impaired \$409,030 (2022, \$137,097), included in hardware cost of sales.

8. PREPAIDS EXPENSES AND OTHER ASSETS

| | December 31, 2023 | December 31, 2022 |
|---|----------------------|----------------------|
| | \$ | \$ |
| Administrative | 80,068 | 173,096 |
| Insurance | 154,844 | 154,986 |
| Investor relations and public reporting | 5,837 | 79,162 |
| Marketing | 764 | 40,543 |
| Professional fees | 14,157 | 40,000 |
| Software sales | 24,654 | 30,492 |
| | 280,324 | 518,279 |
| Deposits | 11,000 | 4,219 |
| Canadian sales taxes recoverable | 10,233 | 2,492 |
| | 301,557 | 524,990 |



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9. EQUIPMENT, REVENUE-GENERATING EQUIPMENT AND RIGHT-OF-USE ASSET

| | Equipment | Revenue Generating Equipment | Right-of-use Asset | Total |
|--------------------------------------|----------------|------------------------------------|-----------------------|------------------|
| Cost | \$ | \$ | \$ | \$ |
| December 31, 2021 | 161,302 | 371,523 | - | 532,825 |
| Additions | 48,043 | 282,627 | - | 330,670 |
| Disposals | (7,338) | (83,769) | - | (91,107) |
| December 31, 2022 | 202,007 | 570,381 | - | 772,388 |
| Additions | 26,608 | 878,765 | 184,354 | 1,089,727 |
| Disposals | - | (44,783) | - | (44,783) |
| December 31, 2023 | 228,615 | 1,404,363 | 184,354 | 1,817,332 |
| Accumulated depreciation | \$ | \$ | \$ | \$ |
| December 31, 2021 | 69,515 | 244,767 | - | 314,282 |
| Depreciation | 36,647 | 176,130 | - | 212,777 |
| Disposals | (6,630) | (22,000) | - | (28,630) |
| December 31, 2022 | 99,532 | 398,897 | - | 498,429 |
| Depreciation and amortization | 81,666 | 229,947 | 51,210 | 362,823 |
| Disposals | - | (44,606) | - | (44,606) |
| December 31, 2023 | 181,198 | 584,238 | 51,210 | 816,646 |
| Net book value | \$ | \$ | \$ | \$ |
| December 31, 2022 | 102,473 | 171,484 | - | 273,957 |
| December 31, 2023 | 47,417 | 820,125 | 133,144 | 1,000,686 |

The depreciation of revenue generating equipment is included in the hardware cost of sales.



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10. INTANGIBLE ASSETS

| | Contracts | Technology | Tradename | Total |
|----------------------------|--------------------|------------------|-----------------|--------------------|
| Cost | \$ | \$ | \$ | \$ |
| December 31, 2021 & 2022 | - | - | - | - |
| Additions (note 5) | 2,680,000 | 170,000 | 30,000 | 2,880,000 |
| Disposals | - | - | - | - |
| Impairment | (2,680,000) | (170,000) | (30,000) | (2,880,000) |
| December 31, 2023 | - | - | - | - |
| December 31, 2021 and 2022 | \$ | \$ | \$ | \$ |
| Amortization | 145,644 | 16,524 | 8,574 | 170,742 |
| Disposals | - | - | - | - |
| Impairment | (145,644) | (16,524) | (8,574) | (170,742) |
| December 31, 2023 | - | - | - | - |
| Net book value | \$ | \$ | \$ | \$ |
| December 31, 2022 | - | - | - | - |
| December 31, 2023 | - | - | - | - |

11. GOODWILL

| | |
|--|--------------------|
| Gross carrying amount | \$ |
| December 31, 2021 and 2022 | - |
| Acquired through Acquisition (note 5) | 4,257,493 |
| Impairment loss recognized | (4,257,493) |
| December 31, 2023 | - |

12. CONTRACT ASSET

During the year ended December 31, 2022, the Company entered into a software licensing agreement (the "License Contract") with a large Cannabis technology company ("Licensee"), for the right to use the Company's proprietary technology.

Pursuant to the License Contract, the Licensee will make the following license fee payments to the Company:



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| | 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 |
| Total payments | | 20,600,000 |

The Company has assessed that the contract includes two performance obligations: 1) License of technology and 2) Support services. The Company allocated the total payment under the License Contract, as \$14,420,000 to the license and \$6,180,000 to support services.

The license of technology includes a significant financing component because of the extended payment terms, resulting in a discounted contract asset. During the year ended December 31, 2023, the Company determined there was an error made in accounting for the License Contract (Note 29). The Company has assessed that an estimated discount rate of 12%, better reflects the credit characteristics of the customer.

The disclosure below is based on the Company's reassessment and corrected accounting for the contract asset.

A continuity of the Company's contract asset related to license of technology is as follows:

| | |
|--|--------------------|
| | \$ |
| Balance, December 31, 2021 | - |
| Present value of license fees recognized (note 22) | 11,429,612 |
| Less: amount received | (4,400,000) |
| Add: receipts allocated to support services | 1,545,000 |
| Contract asset at inception | 8,574,612 |
| Add: interest income, as restated (note 29) | 355,955 |
| Less: deferred revenue allocated to support service | (901,250) |
| Balance, December 31, 2022, as restated (note 29) | 8,029,317 |
| Less: amount received | (1,031,089) |
| Add: interest income | 1,055,959 |
| Add: reversal of deferred revenue | 901,250 |
| | 8,955,437 |
| Less: Current portion | (2,513,939) |
| Balance, December 31, 2023 | 6,441,498 |



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13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2023 | December 31, 2022 |
|------------------------------|----------------------|----------------------|
| | \$ | \$ |
| Accounts payable | 966,498 | 607,799 |
| Accrued liabilities | 273,435 | 1,029,931 |
| Salaries and bonuses payable | 1,406,185 | 822,496 |
| | 2,646,118 | 2,460,226 |

14. LEASE LIABILITY

The Company has recognized a right-of-use asset (note 9) for its office premises with a corresponding lease liability which is initially measured at the present value of the future lease payments. In accordance with IFRS 16, the Company then recognizes depreciation of right-of-use asset and interest expense on lease liability in profit or loss.

The Company has entered into one lease for office space. In order to calculate the present value of the future lease payments, the Company has used a discount rate of 12% which represents its estimated incremental borrowing rate. Prior to the adoption of IFRS 16, this lease was accounted for as an operating lease. Changes to the Company's lease liability is as follows:

| | |
|-------------------------------------|------------------|
| | \$ |
| Balance, December 31, 2021 and 2022 | - |
| Additions | 173,354 |
| Interest expense | 8,020 |
| Lease payments | (47,903) |
| | 133,471 |
| Current portion | (122,580) |
| Balance December 31, 2023 | 10,891 |

15. GOVERNMENT LOAN

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

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the SBA Loan at \$40,535, using a discount rate of 18%, which was the estimated rate for a similar loan



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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 in the consolidated statements of earnings (loss). For the year ended December 31, 2023, the Company recorded interest accretion on the SBA Loan of \$8,696 (2022 - \$8,708) in the consolidated statements of earning (loss).

16. 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 C\$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, 2023, \$501,655 (2022 - \$178,967) of interest accretion on the Convertible Notes was recorded in the consolidated statements of earnings (loss).

During the year ended December 31, 2023, \$250,000 (2022 – \$nil) in face-value of the Convertible Notes was converted (note 18.2.7). At maturity, \$565,000 of face value of the Convertible Notes, was repaid.

As at December 31, 2023, after repayment the outstanding Convertible Notes, the Company revalued the derivative liability at \$nil (2022 - \$6,596,078) and for the year ended December 31, 2023, recorded a gain of \$5,996,544 (2022 – \$4,006,369) on the fair value of the derivative liability in the consolidated statements of earnings (loss).

17. CREDIT FACILITY

In March 2023, the Company entered into a credit facility agreement (the “**Credit Facility**”) that provides a maximum drawdown of \$8,000,000, has a term of three years and accrues interest at 10% per annum from the closing date of the drawdown and ending on the second anniversary of the closing date and 12% thereafter. Interest only to be paid quarterly on the amount drawn down, with outstanding principal and interest due on March 30, 2026.

Pursuant to the Credit Facility, the Company issued 300,000 advisory warrants (the “**Advisory Warrants**”). The fair value of the Advisory Warrants of \$208,069 was estimated using the Black Scholes option model with assumptions as disclosed in note 18.4. The fair value of the Advisory



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Warrants has been offset against the face value of the Credit Facility and will be accreted over the term of the Credit Facility.

In November 2023, the Credit Facility was amended to extend its term by two years to mature March 30, 2028 (the “**Modification**”). The Company completed its analysis of the Modification pursuant to IFRS 9 *Financial Instruments* to determine whether the amendment was a substantial or non-substantial modification. The Company determined the Modification was not substantial and has accounted for the change pursuant to a non-substantial debt modification. The fair value of the debt modification of \$189,835, resulted in a gain of \$75,975 and \$113,860 adjustment due to change in exchange rates, both recorded in the consolidated statements of earnings (loss). Total interest expense charged during the year ended December 31, 2023 is \$258,121 (2022- nil).

A continuity of the Credit Facility follows:

| | |
|--|------------------|
| | \$ |
| Balance, December 31, 2021 and 2022 | - |
| Drawdowns | 4,750,000 |
| Fair value of Modification | (189,835) |
| Estimated Fair value of Advisory Warrants | (208,069) |
| Interest accretion | 46,874 |
| Balance December 31, 2023 | 4,398,970 |

During the year ended December 31, 2023, the Company recorded interest accretion on the credit facility of \$46,874 (2022 - \$nil) in the consolidated statements of earnings (loss).

18. SHARE CAPITAL

Common and preferred shares

18.1 Authorized

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

18.2 Issued and outstanding

Year ended December 31, 2023

- 18.2.1 In January 2023, \$25,000 of convertible debt was converted and 279,687 common shares were issued.
- 18.2.2 In January 2023, the Company completed a private placement consisting of 4,533,333 units (each a “**2023 Unit**”), raising gross proceeds of \$3,000,000. Each 2023 Unit consists of 1 common share and 0.95 warrants (each full warrant, a “**2023 Warrant**”). A total of 4,306,666 2023 Warrants were issued, with each 2023 Warrant exercisable for 3 years at a price of C\$1.25. The relative fair value of the 2023 Warrants was estimated at \$1,490,465 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.42%, cumulative volatility of 167.14%, dividends of \$0.00 and an underlying share price of C\$1.25. There were no financing costs of the private placement. The 2023



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Warrants have been recorded in warrant reserves on consolidated statements of financial position. These units were subscribed by a related party of the Company.

- 18.2.3 In January 2023, 105,238 warrants were exercised raising proceeds of \$14,996. The fair value of the exercised warrants of \$15,000 was transferred from warrant reserve to common shares.
- 18.2.4 In February 2023, 81,494 warrants were exercised raising proceeds of \$7,265.
- 18.2.5 In April 2023, the Company completed the Hypur Acquisition (note 5), issuing 4,968,584 common shares with an estimated fair value of \$4,112,033.
- 18.2.6 In September 2023, the Company issued 240,050 common shares on the exercise of the same number of options. The exercise raised gross proceeds of \$25,509 and the fair value of \$19,595, was transferred to commons shares.
- 18.2.7 In October 2023, \$225,000 of Convertible Notes were converted and 2,598,187 common shares were issued.
- 18.2.8 In November 2023, 621,073 common shares with a deemed value of \$514,004, were issued regarding the release of the First Holdback (note 5).
- 18.2.9 In December 2023, the Company completed a private placement (the “**December 2023 Financing**”) consisting of 3,107,142 units (each a “**December 2023 Unit**”), raising gross proceeds of \$652,320. Each December 2023 Unit consists of 1 common share and 0.88 warrants (each full warrant, a “**December 2023 Warrant**”). A total of 2,734,284, December 2023 Warrants were issued, with each December 2023 Warrant exercisable for 5 years at a price of C\$0.40. The relative fair value of the December 2023 Warrants was estimated at \$339,114 using the Black-Scholes option pricing model with the following assumptions: estimated life of 5 years, risk-free interest rate of 3.17%, cumulative volatility of 215.78%, dividends of \$0.00 and an underlying share price of C\$0.40. There were no financing costs of the private placement. The December 2023 Warrants have been recorded in warrant reserves on consolidated statements of financial position. Out of the total December 2023 unit, a 2,857,929 units were issued to a related party of the Company.

Year ended December 31, 2022

- 18.2.10 In December 2022, 190,152 warrants were exercised, raising proceeds of \$16,600.
- 18.2.11 In November 2022, 371,883 warrants and finder warrants were exercised, raising proceeds of \$32,533.
- 18.2.12 In October 2022, 834,375 options were exercised, raising proceeds of \$29,668.
- 18.2.13 In August 2022, 54,329 warrants were exercised, raising proceeds of \$4,959.
- 18.2.14 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.
- 18.2.15 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



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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.

18.3 Shares to be issued

Pursuant to the terms of the Acquisition (note 5), the Company expected to issue 1,242,146 Equity Holdback shares with a fair value of \$1,028,008 and up to 1,242,147 Contingent Consideration shares with a fair value of \$685,682. As at the reporting date and the date of filing, the Company has released the First Holdback (621,073 shares) and recognized the Forfeited Consideration of 413,635 shares (\$342,327, transferred to retained earnings). Further, the Company is a party to a lawsuit (note 27.2) with Hypur regarding the release of the Cash Holdback.

18.4 Warrants

In addition to the 4,306,666, 2023 Warrants issued in January 2023 (note 18.2.2), the 186,732 warrants exercised in January and February 2023 (notes 18.2.3 and 18.2.4) and the 2,734,284 warrants issued in December 2023 (note 18.2.9), in March 2023, the Company issued the Advisory Warrants. Each Advisory Warrant is exercisable for a period of 3 years at an exercise price of C\$1.50. The fair value of the Advisory Warrants was estimated at \$208,069 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.51%, cumulative volatility of 167.14%, dividends of \$0.00 and an underlying share price of C\$1.50. The fair value of the Advisory Warrants has been offset to the Credit Facility.

In November 2023, the Company amended the maturity of 3,375,000 warrants issued on June 29, 2022 (“**Amendment 1 Warrants**”) and 4,306,666 warrants issued on January 27, 2023 (“**Amendment 2**”), extending the maturity dates by two years. Pursuant to IFRS 9, there was no adjustment made to the fair values of the underlying warrants.

Further, in connection with the December 2023 Financing, the Company entered into a warrant cancellation agreement, whereby the Amendment 1 Warrants and 475,000 advisory warrants (the “**Cancelled Advisory Warrants**”), were cancelled. The fair value of the Amendment 1 Warrants of \$1,077,809 and the fair value of the Cancelled Advisory Warrants of \$208,069 were transferred to retained earnings.

A continuity of the Company’s outstanding warrants follows:

| | Number of warrants | Exercise price |
|----------------------------------|--------------------|----------------|
| | | \$ |
| Outstanding at December 31, 2021 | 6,601,681 | C0.27 |
| Issued during 2022 | 4,396,456 | C1.00 |
| Exercised | (1,216,427) | C0.23 |
| Balance at December 31, 2022 | 9,781,710 | C0.61 |
| Issued during 2023 | 7,515,950 | C0.96 |
| Exercised during 2023 | (186,732) | C0.10 |
| Surrendered during 2023 | (3,850,000) | C1.06 |
| Balance at December 31, 2023 | 13,260,928 | C0.68 |



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The outstanding issued warrants balance as at December 31, 2023, is comprised of the following items:

| Date of expiry | Type | Number of warrants | Exercise price |
|-------------------------------------|-------------|---------------------------|-----------------------|
| | | | \$ |
| February 22, 2024 | Warrants | 3,400,356 | C0.35 |
| November 13, 2025 | Warrants | 1,738,533 | C0.12 |
| June 29, 2027 | Warrants | 1,021,456 | C1.00 |
| January 26, 2026 | Warrants | 4,306,666 | C1.25 |
| July 10, 2027 | Warrants | 59,633 | 0.14 |
| December 29, 2028 | Warrants | 2,734,284 | C0.40 |
| Balance at December 31, 2023 | | 13,260,928 | C0.68 |

18.5 Incentive securities and contributed surplus

POSaBIT has an incentive plan (the “**Plan**”) pursuant to which Options and Restricted Stock Units (“**RSU’s**”) to purchase and receive, respectively, 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, which at that time totalled 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, 2023, the Company had 3,928,371 (December 31, 2022 – 6,279,488) options and RSUs available for issuance.

On January 31, 2023 the Company granted 1,200,000 stock options to directors, employees and consultants. The stock options are exercisable at a price of C\$1.10 until January 31, 2033. The fair value of \$553,346 is estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 2.92%, share price of C\$1.13 and an expected volatility of 171%, based on historical share prices.

On April 17, 2023 the Company granted 682,500 stock options to directors, employees and consultants. The stock options are exercisable at a price of C\$0.95 until April 17, 2033. The fair value of \$231,765 is estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 3.08%, share price of C\$0.95 and an expected volatility of 171%, based on historical share prices.

On July 07, 2023 the Company granted 100,000 stock options to directors, employees and consultants. The stock options are exercisable at a price of C\$0.79 until July 07, 2033. The fair value of \$21,075 is estimated using the Black-Scholes option pricing model assuming an expected life of 10 years, expected dividend yield of 0%, a risk-free interest rate of 3.56%, share price of C\$0.79 and an expected volatility of 168%, based on historical share prices.

During the year-ended December 31, 2023, the weighted average fair value of options granted by the Company is \$0.79 (2022 – \$0.52)

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



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| | Number of options | Weighted average exercise price (per option) |
|--------------------------|--------------------|--|
| 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 |
| Granted | 1,982,500 | C1.03 |
| Exercised | (240,050) | C0.14 |
| Expired | (1,208,075) | C0.86 |
| December 31, 2023 | 19,635,965 | C0.40 |

The options outstanding and exercisable as at December 31, 2023, 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 | C0.04 | 2.2 |
| May 9, 2027 | 2,630,972 | C0.04 | 3.4 |
| January 9, 2028 | 1,383,667 | C0.04 | 4.0 |
| May 9, 2028 | 35,079 | C0.09 | 4.4 |
| October 4, 2029 | 526,000 | C0.15 | 5.8 |
| October 1, 2030 | 3,843,741 | C0.10 | 6.8 |
| March 10, 2031 | 634,400 | C0.28 | 7.2 |
| May 26, 2031 | 2,090,000 | C0.32 | 7.4 |
| July 21, 2031 | 225,000 | C0.45 | 7.6 |
| September 24, 2031 | 785,000 | C1.23 | 7.7 |
| December 15, 2031 | 1,300,000 | C1.31 | 8.0 |
| July 1, 2032 | 1,130,000 | C0.63 | 8.5 |
| November 15, 2032 | 1,194,250 | C0.67 | 8.9 |
| December 21, 2032 | 250,000 | C1.07 | 9.0 |
| January 31, 2033 | 1,200,000 | C1.10 | 9.1 |
| April 17, 2033 | 472,500 | C0.95 | 9.3 |



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| Date of expiry | Number of options outstanding | Exercise price (per option) | Weighted average remaining life (years) |
|-----------------------|--------------------------------------|------------------------------------|--|
| | | \$ | |
| July 23, 2033 | 100,000 | C0.79 | 9.6 |
| Outstanding | 19,635,965 | C0.40 | 6.3 |
| Exercisable | 14,245,103 | C0.25 | 5.6 |

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

| | Number of RSUs | Weighted average grant-date fair value (per RSU) |
|--------------------------|-----------------------|---|
| | | \$ |
| December 31, 2021 | 367,647 | C1.31 |
| Granted | 861,275 | C0.83 |
| December 31, 2022 | 1,228,922 | C0.98 |
| Granted | 1,916,742 | C0.92 |
| Expired | (100,000) | C0.63 |
| December 31, 2023 | 3,045,664 | C0.97 |

The RSUs outstanding as at December 31, 2023 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) |
|-----------------------|-----------------------------------|---|--|
| Note 1 | 400,000 | C1.07 | 0.0 ¹ |
| April 25, 2024 | 191,742 | C0.97 | 0.3 |
| July 6, 2024 | 75,000 | C0.77 | 0.5 |
| December 31, 2024 | 1,500,000 | C0.95 | 1.0 |
| April 17, 2025 | 150,000 | C0.95 | 1.3 |



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| Date of expiry | Number of RSUs outstanding | Weighted average grant-date fair value | Weighted average remaining life until vesting (years) |
|-----------------------|-----------------------------------|---|--|
| January 1, 2026 | 367,647 | C1.31 | 2.0 |
| July 21, 2026 | 361,275 | C0.63 | 2.5 |
| Outstanding | 3,045,664 | C0.97 | 0.87 |

¹The recipients of these fully-vested RSUs have deferred issuance until separation from the Company.

For the year ended December 31, 2023, the Company recognized share-based compensation expense for both options and RSUs of \$3,471,246 (2022 - \$2,229,402).

19. BASIC AND DILUTED NET EARNINGS (LOSS) PER COMMON SHARE

| | | |
|---|---------------------|---------------------------------|
| | 2023 | 2022 (restated – note 29) |
| | \$ | \$ |
| Earnings (loss) | (13,760,430) | 5,433,667 |
| Dilutive effect of convertible securities | - | 71,883 |
| Diluted net earnings (loss) | (13,760,430) | 5,505,550 |
| | # | # |
| Weighted average common shares outstanding | 148,737,752 | 135,434,137 |
| Dilutive effect of equity-based compensation | - | 384,227 |
| Dilutive effect of certain other liabilities | - | 9,198,633 |
| Diluted weighted average common shares outstanding | 148,737,752 | 145,016,997 |
| | \$ | \$ |
| Basic earnings (loss) per common share | (0.093) | 0.040 |
| Diluted net earnings (loss) per common share | (0.093) | 0.038 |

The options, warrants and RSUs were not included in the computation of diluted loss per share for the years presented as they are anti-dilutive.

20. 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.



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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, Chief Compliance Officer and the Chief Strategic Officer. Compensation paid or payable to key management is detailed below:

| Year ended December 31, | 2023 | 2022 |
|--|-----------|-----------|
| | \$ | \$ |
| Executive Compensation to key managers | 2,296,736 | 1,417,408 |
| Share-based compensation to key managers | 2,825,909 | 757,688 |
| Totals | 5,122,645 | 2,175,096 |

See more details on related party share subscriptions on note 18 and credit facility obtained from a shareholder on note 17.

21. 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, 2023, the Company's financial instruments consist of cash, receivables, license contract, accounts payable and credit facility. 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 and credit facility at fair value through profit and loss (Level 2).

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.

The Company believes that its receivables balance is fully collectable. After providing for estimated credit losses, as at December 31, 2023, \$1,247,511 (December 31, 2022 – \$2,745,121) in receivables was outstanding. The Company applies the simplified approach to providing for expected credit losses



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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, 2023 and 2022 the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses are nominal.

The Company maintains bank deposits with reputable financial institutions.

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

b) Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due.

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as its loans bear fixed rates 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, 2023 and 2022. There are no external capital management requirements or covenants as at December 31, 2023 and December 31, 2022, 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, trade payables and operating expenses. Based on Management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the USD at December 31, 2023 would have increased the net asset position of the Company by \$450,000. A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

22. REVENUE

The Company earns revenue from i) Payment services, ii) Point-of-Sale ("POS") Services, iii) License of technology and iv) Support services related to its license of technology. The Company also earns revenue from rental and sale of hardware related to its payment and POS services.



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| | 2023 | 2022 (restated – note 29) |
|--|-------------------|---------------------------------|
| | \$ | \$ |
| Payment services | 39,964,234 | 33,359,277 |
| POS services | 2,065,826 | 1,368,483 |
| License of technology (note 12) | - | 11,429,612 |
| Support services (note 12) | 1,545,000 | 643,750 |
| | 43,575,060 | 46,801,122 |

Included in POS services is \$240,896 (2022 - \$257,970) relating to the sale of hardware and installation services that have been recognized at a point in time. Revenue from the License of technology is recognized at a point in time.

23. OTHER INCOME

On January 27, 2023, the Company signed a securities purchase agreement (the “SPA”) with Akerna Corp for all the outstanding securities of Akerna Ample Exchange Inc. and all membership interests in MJ Freeway. LLC. It was anticipated that the transaction would close in 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, unless the Company exercised its rights under the SPA to match or better the competing offer, Akerna Corp. intended to terminate the SPA. The Company elected not to increase its offer and the SPA was terminated. Pursuant to the terms of the SPA, on June 20, 2023, the Company received \$202,820 from Akerna Corp. The Company offset \$100,100 of legal costs incurred regarding this proposed transaction. The resulting other income of \$102,720 has been recorded in the statements of comprehensive earnings (loss).

24. TRANSACTION COSTS

The Company incurred the following transaction costs:

| | 2023 | 2022 |
|-----------------------------|----------------|---------|
| | \$ | \$ |
| Abandoned acquisition costs | 294,132 | - |
| Advisory warrant accretion | 46,874 | - |
| Legal and advisory fees | - | 223,141 |
| Shareholder settlement | 129,110 | 129,000 |
| Software integration costs | 68,820 | 167,120 |
| | 538,936 | 519,261 |



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25. ADMINISTRATIVE COSTS

The Company incurred the following administrative costs:

| Year ended December 31, | 2023 | 2022 |
|-----------------------------------|-------------------|------------------|
| | \$ | \$ |
| General | 1,874,193 | 1,933,646 |
| Meals and entertainment | 106,002 | 81,099 |
| Rent | 37,088 | 61,407 |
| Salaries and wages | 10,857,450 | 7,541,620 |
| Travel | 278,394 | 285,994 |
| Total administrative costs | 13,153,127 | 9,903,766 |

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

26. ADDITIONAL CASH FLOW INFORMATION**26.1 Working capital changes in operating assets and liabilities**

| Year ended December 31, | 2023 | 2022 (restated – note 29) |
|--|----------------|---------------------------------|
| | \$ | \$ |
| Receivables | 849,223 | (392,905) |
| Change in current portion of contract asset | (2,513,939) | - |
| Change in long term portion of contract asset | 1,587,819 | (8,029,317) |
| Digital currencies | - | 10,990 |
| Inventory | 687,242 | 77,690 |
| Lease Liability | (11,000) | - |
| Income taxes payable | (147,065) | 270,890 |
| Prepaid expenses and other assets | 223,433 | (405,420) |
| Accounts payable and accrued liabilities | 185,892 | (3,413,739) |
| Working capital changes in operating assets and liabilities | 861,607 | (11,881,811) |



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26.2 Supplemental cash flow information

| Year ended December 31, | 2023 | 2022 |
|---|------------------|-------------|
| | \$ | \$ |
| Cash interest paid | 348,980 | 96,221 |
| Advisory warrants issued for credit facility | 208,069 | - |
| Equity consideration for Hypur Acquisition | 5,825,723 | - |
| Non-cash financing activities (conversion of convertible notes) | 250,000 | - |

27. COMMITMENTS AND LITIGATION**27.1 Litigation**

The Company is, from time to time, involved in various claims and legal proceedings. In August 2022, the Company was served with a statement of claim (the “**Action**”) filed in Florida State court against the Company regarding a contractual dispute between the Company and vendor. The Company believes the Action is without merit.

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.

27.2 Hypur litigation

Subsequent to year end, on February 13, 2024, the Company was served with a statement of claim filed in Delaware court against the Company regarding a contractual dispute between the Company and HPR holdings Inc, the entity formally known as Hypur, Inc, from which the Company purchased assets on April 1, 2023. The Company believes this claim is without merit.

27.3 Legal settlement

The Company was a party to a legal claim (the “**Claim**”). Pursuant to IAS 37, the Company could not reasonably predict the likely outcome of the claim and as such, had not previously accrued any amount in this regard. In July 2023, the parties to the Claim agreed to arbitration that resulted in a settlement whereby both parties filed formal dismissal motions against the other. Each party agreed to bear the costs of its own legal counsel.

The settlement had the following affect on the Company’s Statements of Financial Position and Statements of Loss:



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| | | \$ |
|---------------------------------|---------------------------------|--------------------|
| Reduction to receivable | Statement of Financial Position | (1,635,484) |
| Reduction to liabilities | Statement of Financial Position | 720,608 |
| Legal fees regarding the Claim | Statement of Loss | (1,058,446) |
| Payments to channel partners | Statement of Loss | (241,086) |
| TOTAL COST OF SETTLEMENT | | (2,214,408) |

28. INCOME TAXES**28.1 Income taxes**

The reconciliation of the combined Canadian federal income tax rate of 26.5% (2022 – 26.5%) to the effective tax rate is as follows:

| | 2023 | 2022 (restated - note 29) |
|--|---------------------|---------------------------------|
| | \$ | \$ |
| Income (loss) before recovery of income taxes | (13,525,230) | 5,704,555 |
| Expected income tax (recovery) expense | (3,584,186) | 1,511,703 |
| Tax rate changes and other adjustments | 861,135 | (280,730) |
| Share based compensation and non-deductible expenses | 999,720 | 603,520 |
| Unrealized foreign exchange | 161,330 | 739,565 |
| Change in tax benefits not recognized | 1,797,201 | (2,303,170) |
| Income tax (recovery) expense | 235,200 | 270,888 |

28.2 Deferred tax

The following table summarizes the components of deferred tax:

| | 2023 | 2022 (restated – note 29) |
|--|-------------------|---------------------------------|
| | \$ | \$ |
| Deferred tax assets | | |
| Intangibles | 7,853,720 | - |
| Convertible notes | - | 6,046,460 |
| Lease liability – operating lease | 133,470 | - |
| Operating losses carried forward - Canada | 1,900,357 | 2,513,280 |
| Operating losses carried forward – United States | 11,417,960 | 4,383,870 |
| Other | 2,860 | - |
| Reserves | 463,430 | 160,030 |
| Share issue costs | 17,410 | 37,260 |
| Total | 21,789,207 | 13,140,900 |



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28.3 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 it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

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

| Year | Canada \$ | United States (restated – note 29) \$ |
|------------|------------------|--|
| 2036 | - | - |
| 2037 | 27,710 | - |
| 2038 | 62,510 | - |
| 2039 | 261,180 | - |
| 2040 | 44,930 | - |
| 2041 | 1,352,330 | - |
| 2042 | 764,620 | - |
| indefinite | - | 4,383,872 |
| | 2,513,280 | 4,383,872 |

29. RESTATEMENT

During the year ended December 31, 2023, the Company determined there was an error made in accounting for the contract asset (note 12). IFRS 15 requires that when the amount of consideration promised by a customer includes a significant financing component, an entity shall use the estimated discount rate that would reflect the credit characteristics of the party receiving the financing. The Company originally estimated a discount rate of 2.8% but then subsequently determined that this discount rate did not reflect the credit characteristics of the customer. The Company has assessed that an estimated discount rate of 12%, better reflects the credit characteristics of the customer. Furthermore, it was determined that the discounting method was not applied correctly to the contract asset.

As a result of these noted errors, total revenue and total contract asset were overstated. The errors have been corrected by restating each of the affected financial statement line items for prior periods.

The following tables summarize the effects of the adjustments described above as at and for the year ended December 31, 2022:



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| | As at 31-Dec-22 <i>(previously reported)</i> | Adjustments | As at 31-Dec-22 <i>(restated)</i> |
|--|--|-------------|---|
| Statement of Financial Position | \$ | \$ | \$ |
| Current portion of Contract Asset | 780,000 | (780,000) | - |
| Total current assets | 7,590,417 | (780,000) | 6,810,417 |
| Non-current portion of Contract Asset | 10,012,500 | (1,983,183) | 8,029,317 |
| Total assets | 17,996,874 | (2,763,183) | 15,233,691 |
| Income taxes payable | 404,135 | (133,247) | 270,888 |
| Total current liabilities | 2,864,361 | (133,247) | 2,731,114 |
| Total liabilities | 9,773,852 | (133,247) | 9,640,605 |
| Deficit | (17,372,125) | (2,629,936) | (20,002,061) |
| Total shareholders' equity | 8,223,022 | (2,629,936) | 5,593,086 |
| Total liabilities and shareholders' equity | 17,996,874 | (2,763,183) | 15,233,691 |

| | Year ended 31-Dec-22 <i>(previously reported)</i> | Adjustments | Year ended 31-Dec-22 <i>(restated)</i> |
|---|---|-------------|--|
| Statement of earnings (loss) | \$ | \$ | \$ |
| Revenue | 49,772,117 | (2,970,995) | 46,801,122 |
| Gross margin | 22,565,697 | (2,970,995) | 19,594,702 |
| Interest income | 148,143 | 207,812 | 355,955 |
| Total other income (expense) | 3,312,909 | 207,812 | 3,520,721 |
| Earnings (loss) prior to income taxes | 8,467,738 | (2,763,183) | 5,704,555 |
| Income taxes | (404,135) | 133,247 | (270,888) |
| Earnings (loss) | 8,063,603 | (2,629,936) | 5,433,667 |
| Basic earnings (loss) per share | 0.060 | (0.020) | 0.040 |
| Fully-diluted earnings (loss) per share | 0.056 | (0.018) | 0.038 |

There was no impact to the Company's reported balances at January 1, 2022 as the contract was executed during the year ended December 31, 2022. In addition, there was no impact to currency translation reserve or the total operating, investing and financing cash flows for the year ended December 31, 2022.

30. SUBSEQUENT EVENTS**Expiry of options and warrants**

Subsequent to the reporting period, 2,247,579 options expired, unexercised.

Subsequent to December 31, 2023, 3,400,356 warrants expired, unexercised.

