POSaBIT, Inc.
Consolidated Financial Statements
Years Ended December 31, 2018 and 2017
(Expressed in United States Dollars)

Independent Auditor's Report

To the Shareholders of POSaBIT, Inc.:

Opinion

We have audited the consolidated financial statements of POSaBIT, Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2018 and December 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity (deficiency) and cash flows, for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2018 and December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits 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 audits 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company reported working capital deficit of $329,462 and has an accumulated deficit of $8,284,004 as at December 31, 2018. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 International Financial Reporting Standards 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 to cease operations, or has no realistic alternative but to do so.

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

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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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 entity’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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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

The engagement partner on the audit resulting in this independent auditor's report is Chayim David Danziger.

MNP LLP

Toronto, Ontario
May 3, 2019

Chartered Professional Accountants
Licensed Public Accountants

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POSaBIT, Inc.
Consolidated Statements of Financial Position
As at December 31,
(Expressed in United States dollars)

	2018	2017
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**1,433,907**	207,879
Restricted cash *(note 6)*	**767,246**	-
Receivables *(notes 5 and 16)*	**622,044**	451,668
Due from related parties *(note 14)*	**10,749**	39,946
Digital assets *(note 3)*	**4,326**	74,049
Inventories *(note 7)*	**33,452**	24,094
Prepaid expenses	**46,964**	8,963
Total current assets	**2,918,688**	806,599
Other asset *(note 8)*	**120,000**	-
Equipment, net *(note 9)*	**26,419**	3,386
Goodwill *(note 4)*	**511,000**	-
Intangible assets *(note 10)*	**449,553**	129,461
Total assets	**4,025,660**	939,446
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	**3,248,150**	616,571
Total current liabilities	**3,248,150**	616,571
Note payable *(note 12)*	**200,000**	-
Derivative Liability *(note 11)*	**-**	3,096,631
Convertible Debentures *(note 11)*	**-**	1,112,069
Convertible Notes *(note 11)*	**-**	247,500
Total liabilities	**3,448,150**	5,072,771
Shareholders' equity (deficiency)		
Share capital *(note 13)*	**811,881**	145,652
Preferred shares *(note 13)*	**5,784,834**	-
Common shares to be issued *(note 13)*	**1,887,041**	-
Warrants reserve *(note 13)*	**24,750**	24,750
Contributed surplus *(note 13)*	**353,008**	85,525
Deficit	**(8,284,004)**	(4,389,252)
Total shareholders' equity (deficiency)	**577,510**	(4,133,325)
Total liabilities and shareholders' equity (deficiency)	**4,025,660**	939,446

Approved by the Board of Directors

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

POSaBIT, Inc.
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31,
(Expressed in United States dollars)

	2018	2017
	$	$
REVENUE		
Digital assets processing services	**2,443,043**	667,258
Total revenue	**2,443,043**	667,258
COST OF SALES		
Processing fees	**958,363**	417,861
Software license fees	**215,289**	139,052
Hardware cost of sales	**588,880**	103,265
Sales labour and commissions	**432,277**	-
Total cost of sales	**2,194,809**	660,178
Gross margin	**248,234**	7,080
OPERATING EXPENSES		
Professional fees	**1,069,303**	119,062
Travelling	**126,995**	51,603
Rent	**56,512**	22,828
Salaries and wages	**897,495**	413,265
Marketing	**177,758**	49,219
Amortization	**269,005**	93,193
Meals and entertainment	**42,938**	36,014
Share-based compensation *(note 13)*	**332,629**	85,048
General and administrative	**395,424**	64,851
Expected credit losses *(notes 5)*	**45,310**	-
Impairment of receivables *(notes 5)*	**65,475**	-
Total operating expenses	**3,478,844**	935,083
OTHER EXPENSES		
Change in fair value of digital assets	**49,138**	(91,971)
Change in fair value of derivative liability	**(237,876)**	1,657,178
Finance Costs *(note 11)*	**852,880**	806,963
Acquisition transaction costs	**-**	14,446
Total other expenses	**664,142**	2,386,616
Loss and comprehensive loss	**(3,894,752)**	(3,314,619)
Basic and diluted loss per common share	**(0.170)**	(0.136)
Basic and diluted weighted average number of common shares outstanding	**23,013,011**	24,284,087

POSaBIT, Inc.
Consolidated Statement of Changes in Equity (Deficiency)
For the years ended,
(Expressed in United States dollars)

	Common shares		Preferred shares					
	Number	Amount	Number	Amount	Contributed surplus	Warrants reserve	Deficiency	Total
		$		$	$	$	$	$
January 1, 2017	18,629,086	124,364	-	-	42,811	-	(1,074,633)	(907,458)
Shares issued for cash	200,000	3,704	-	-	-	-	-	3,704
Share-based compensation	34,375	17,584	-	-	42,714	24,750	-	85,048
Net loss	-	-	-	-	-	-	(3,314,619)	(3,314,619)
December 31, 2017	18,863,461	145,652	-	-	85,525	24,750	(4,389,252)	(4,133,325)
Preferred shares issued for cash	**-**	**-**	**1,075,000**	**430,000**	**-**	**-**		**430,000**
Cost of issued shares	**-**	**-**	**-**	**(73,686)**	**-**	**-**	**-**	**(73,686)**
Shares to be issued for cash and debt received	**2,187,985**	**1,767,091**	**-**	**-**	**-**	**-**	**-**	**1,767,091**
Shares to be issued, until IPO	**1,127,124**	**104,969**	**-**	**-**	**-**	**-**	**-**	**104,969**
Cost of shares to be issued	**-**	**(10,519)**	**-**	**-**	**-**	**-**	**-**	**(10,519)**
Shares issued on acquisition	**5,345,730**	**621,000**	**-**	**-**	**-**	**-**	**-**	**621,000**
Shares issued on conversion	**-**	**-**	**13,571,300**	**5,428,520**	**-**	**-**	**-**	**5,428,520**
Shares issued for debt	**99,127**	**80,469**	**-**	**-**	**-**	**-**	**-**	**80,469**
Redemption of capital	**(663,873)**	**(19,917)**	**-**	**-**	**-**	**-**	**-**	**(19,917)**
Fair value of exercised options	**1,250**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Share-based compensation	**85,520**	**10,177**	**-**	**-**	**267,483**	**-**	**-**	**277,660**
Net loss	**-**	**-**	**-**	**-**	**-**	**-**	**(3,894,752)**	**(3,894,752)**
December 31, 2018	**27,046,324**	**2,698,922**	**14,646,300**	**5,784,834**	**353,008**	**24,750**	**(8,284,004)**	**577,510**

POSaBIT, Inc.
Consolidated Statements of Cash Flows
For the years ended December 31,
(Expressed in United States dollars)

	2018	2017
	$	$
OPERATING ACTIVITIES		
Net loss for the year	**(3,894,752)**	(3,314,619)
Adjustment for non-cash items		
Change in fair value of derivative liability	**(237,876)**	1,657,178
Change in fair value of digital assets	**49,138**	(91,971)
Impairment of receivables	**65,475**	-
Interest accretion on convertible debentures and notes	**837,931**	721,604
Stock based compensation	**332,629**	85,048
Amortization	**269,005**	93,193
Expected credit losses	**45,310**	-
Changes in operating assets and liabilities:		
Receivables	**(226,561)**	(447,918)
Digital assets	**20,586**	34,363
Inventories	**(9,358)**	(24,094)
Prepaid expenses	**(38,001)**	(6,653)
Accounts payable and accrued liabilities	**2,474,348**	538,905
Net cash used for operating activities	**(312,126)**	(754,964)
INVESTING ACTIVITIES		
Advances to related parties	**-**	(39,946)
Purchase of other assets	**(120,000)**	-
Purchase of equipment	**(4,511)**	(3,908)
Purchase of intangible assets	**(230,092)**	(133,000)
Cash acquired on completion of acquisition	**17,400**	-
Net cash used for investing activities	**(337,203)**	(176,854)
FINANCING ACTIVITIES		
Proceeds from issuance of shares to be issued for cash	**1,707,092**	3,704
Proceeds from issuance of preferred stock, net of costs	**356,314**	-
Proceeds from issuance of convertible notes	-	495,000
Proceeds from the issuance of note payable	**200,000**	-
Proceeds from issuance of convertible debentures	**350,000**	625,000
Repayments from (to) related parties	**29,197**	(14,542)
Net cash provided by financing activities	**2,642,603**	1,109,162
Net increase in cash and cash equivalents during the year	**1,993,274**	177,344
Restricted cash	**(767,246)**	-
Cash and cash equivalents, beginning of year	**207,879**	30,535
Cash and cash equivalents, end of year	**1,433,907**	207,879
Cash paid for interest	**88,372**	14,438
Non-cash financing and investing activities:		
Related-party debt extinguished by share redemption	19,917	-
Subscription receipts issued in settlement of accounts payable	80,469	-
Convertible and reserve note interest converted to preferred shares	115,983	-

1. NATURE OF OPERATIONS AND GOING CONCERN

POSaBIT, Inc. (the "Company"), was incorporated on November 19, 2015, under the laws of the State of Washington. The Company's operations primarily involve point-of-sale arrangements designed to offer consumers an easy way to acquire digital currency and use it to purchase goods and services. The registered address of the Company is 1128 8th Street, Kirkland, Washington 98033.

As at December 31, 2018, the Company has a reported working capital deficit of $329,462 (2017 – working capital of $190,028) and has an accumulated deficit of $8,284,004 (2017 – $4,389,252). The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors indicate the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

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

The Board of Directors approved the filing of these consolidated financial statements on May 3, 2019.

Basis of presentation and measurement

These consolidated financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured on amortized cost or at fair value, as explained in the accounting policies set out below. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

Basis of consolidation

The consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiary, DoubleBeam, Inc.("DoubleBeam"). 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.

Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the functional and presentation currency of the Company.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency is translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

Revenue Recognition

The Company has adopted IFRS 15 Revenue from Contracts with Customers ("IFRS 15") on a full retrospective basis as of January 1, 2018. Under the full retrospective method, the provisions of IFRS 15 are applied period presented in the financial statements, in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8"), subject to certain practical expedients that are outlined in IFRS 15.

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

Costs to obtain or fulfill a contract

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

(i) The costs relate directly to a contract or to an anticipated contract that the Company can specifically identify.

(ii) The costs generate or enhance resources of the Company that will be used to satisfy (or in continuing to satisfy) performance obligations in the future.

(iii) The costs are expected to be recovered.

Contract acquisition and fulfillment costs are amortized using the straight-line method over the expected period of benefit. Costs to obtain or fulfill a contract, if any, are classified as contract costs in the Company's Consolidated Statements of Financial Position.

Impact of adopting IFRS 15

Based on management's assessment there are no material retrospective adjustments to the amounts recognized in the Company's Consolidated Financial Statements for the comparative period presented.

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 and cash equivalents.

Digital assets

The Company purchases digital assets in connection with its business, which are recorded at the cost of the related digital currency on the date of receipt. The digital assets are recorded on the statement of financial position at their fair value and remeasured at each reporting date. Revaluation gains or losses, as well as gains or losses on sale of digital assets are recorded as a change in fair value of digital assets in the statement of loss and comprehensive loss. Expenses associated with purchasing the digital assets include transaction fees, which are recorded as cost of revenues.

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.

Equipment

Equipment is recorded at cost less accumulated depreciation. Cost includes all expenditures incurred to bring the assets to the location and condition necessary for them to be operated in the manner intended by management. Equipment is amortized on a straight-line basis over a 5-year useful life.

Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment. Expenditures incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Intangible Assets

Identifiable intangible assets with finite useful lives are amortized over two years using the straight-line method and are reviewed for impairment whenever facts and circumstances indicate that their carrying values may not be fully recoverable. The Company evaluates the recoverability of the infinite-lived intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable.

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.

Share-based payments

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

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.

Equity

The common shares and preference shares are classified as equity. Costs, such as commissions, professional fees and regulatory fees directly attributable to common shares issuances 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 at the time the risks and rewards of ownership of the asset are transferred to the Company or the Company's liability is extinguished. Contributed surplus includes the value of share-based payments. Accumulated deficits include all current and prior period retained losses.

Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Company is classified as a finance lease. An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Income Taxes

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

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

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled.

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

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

Tax Estimate

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.

Basic and Diluted Loss per Share

The basic and diluted loss per share is computed by dividing the net income (loss) by the weighted average number of common shares outstanding during the year. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The “treasury stock method” is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year.

Financial Instruments

Financial assets

Recognition and initial measurement

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

Classification and subsequent measurement

On initial recognition, financial assets are classified as subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of receivables.

  Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously

  recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents.

- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss The entity does not hold any equity investments.

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.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, with the exception of financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

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

Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets, including digital currencies and equipment, 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 the statement of comprehensive 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

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:

i. The assessment of indications of impairment of goodwill, intangible assets and digital currencies

ii. The value of inventories carried at the lower of cost and net realizable value.

iii. The valuation of derivative liabilities, convertible debentures and notes, share-based. payments, options and warrants reserves.

iv. The valuation of digital assets

Significant accounting judgments:

i. Determination of categories of financial assets and financial liabilities.

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

iii. Determination of the value of current and deferred income taxes.

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.

Changes in accounting standards

IFRS 9 - Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments* ("IFRS 9"), which brings together the classification and measurement, impairment, and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39").

Classification and measurement – Financial assets are classified and measured based on the business model under which they are managed and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified in a similar manner as under IAS 39, except that financial liabilities measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized in Other Comprehensive Income ("OCI") instead of Net Income, unless this would create an accounting mismatch.

Impairment – The measurement of impairment of financial assets is based on an expected credit loss model. It is no longer necessary for a triggering event to have occurred before credit losses are recognized. IFRS 9 also includes new disclosure requirements about expected credit losses and credit risk.

Hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. It will provide more opportunities to apply hedge accounting to reflect actual risk management activities.

IFRS 9 is required to be applied for annual periods beginning on or after January 1, 2018. The Company does not expect the impact of IFRS 9 on its Financial Statements to be material.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16 – *Leases* ("IFRS 16"), which replaces IAS 17 – *Leases*, and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract based on whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15.

The Company will adopt IFRS 16 in its consolidated financial statements for the annual period beginning on January 1, 2019. The Company is assessing the impact of this standard on its consolidated financial statements and expects that on adoption of the standard, there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on its statements of financial position. In addition, the Company expects a decrease to its facility and equipment rental costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation and amortization (due to amortization of the right-of-use asset).

IFRIC 23, Uncertainty over Income tax treatments

IFRIC 23 was issued in June 2017 and is effective for years beginning on or after January 1, 2019, to be applied retrospectively. IFRIC 23 provides guidance on applying the recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments including, but not limited to, whether uncertain tax treatments should be considered together or separately based on which approach better predicts resolution of the uncertainty. The Company is currently evaluating the impact the final standard is expected to have on its financial statements and plans to adopt the requirements in 2019.

3. DIGITAL ASSETS

Digital assets consist of Bitcoin (BTC), Litecoin (LTC) and Bitcoin Cash (BCH) coins.

4. BUSINESS COMBINATION AND GOODWILL

Acquisition of DoubleBeam

On February 16, 2018, the Company acquired 100% of the shares of DoubleBeam (“Acquisition”), an unlisted company based in the state of California that specializes in point of sale payment processing. The Company has acquired DoubleBeam to expand its operations and integrate DoubleBeam’s structure with its own. The Acquisition has been accounted for using the acquisition, and includes the operating results of DoubleBeam for the 320-day period from the acquisition date.

The total purchase price paid for DoubleBeam was $629,000 by way of the Company issuing common shares in the amount for 22.7% of the fair value of its common shares on February 16, 2018.

The fair value of the identifiable assets and liabilities of DoubleBeam as at the date of acquisition were:

(Expressed in United States dollars)

	Total
	$
Purchase Price:	
Shares exchanged	**629,000**
	629,000

Net assets acquired:	
Cash	**17,400**
Accounts receivable	**54,600**
Equipment	**18,000**
Customer list and software	**90,000**
Accounts payable	**(62,000)**
Goodwill	**511,000**
	629,000

Since the date of acquisition, DoubleBeam has generated $563,475 of revenue, and a net income of $58,430, before tax, from the continuing operations of the Company.

5. RECEIVABLES

	December 31, 2018	December 31, 2017
	$	$
Receivables	**778,869**	451,668
Impairment of receivables	**(65,475)**	-
Allowance for expected credit losses	**(45,310)**	-
	622,044	451,668

The receivables are generally on terms due within 30 days.

The Company adopted IFRS 9 on January 1, 2018. The Company recognized expected credit losses expense of $45,310 for the year ended December 31, 2018.

6. RESTRICTED CASH

In September 2018, POSaBIT issued 1,264,432 subscription receipts for common shares to be issued, raising $882,480 in cash, $60,000 in digital assets and a reduction of $80,469 in accounts payable and accrued liabilities. On December 14, 2018, a subscriber withdrew $115,234 in subscription receipts, representing 142,533 shares to issued. The funds are being held in trust by the escrow agent and will be released upon completion of a go-public transaction. See note 18 for details of the transaction, which comprises consideration received by the POSaBIT shareholders and subscription receipt holders pursuant to the merger in consideration for their

(Expressed in United States dollars)

POSaBIT shares and subscription receipts, being 1.7539815 Foreshore's shares for each POSaBIT share or subscription receipt held.

7. INVENTORIES

	2018	2017
	$	$
Finished goods	**33,452**	24,094
	33,452	24,094

8. OTHER ASSET

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

9. EQUIPMENT, net

Cost	
	$
January 1, 2017	-
Additions	3,908
December 31, 2017	3,908
Additions	**15,511**
Additions from the acquisition *(note 4)*	**18,000**
December 31, 2018	**37,419**

Accumulated Depreciation	
January 1, 2017	-
Depreciation	522
December 31, 2017	522
Depreciation	**10,478**
December 31, 2018	**11,000**

Net Book Value	
December 31, 2017	3,386
December 31, 2018	**26,419**

(Expressed in United States dollars)

10. INTANGIBLE ASSETS, net

Intangible assets relate to software internally generated and acquired from DoubleBeam and a customer list acquired from DoubleBeam.

Software

	$
January 1, 2017	118,842
Additions	133,000
December 31, 2017	251,842
Additions	**491,350**
Additions from acquisition *(note 4)*	**50,000**
December 31, 2018	**793,192**

Accumulated Amortization	
January 1, 2017	29,710
Amortization	92,671
December 31, 2017	122,381
Amortization	**261,258**
December 31, 2018	**383,639**

Net Book Value	
December 31, 2017	129,461
December 31, 2018	**409,553**

Customer List

	$
December 31, 2017	-
Additions	**40,000**
December 31, 2018	**40,000**

Total Intangible Assets

	December 31, 2018	December 31, 2017
	$	$
Software	**409,553**	129,461
Customer Lists	**40,000**	-
December 31, 2018	**449,553**	**129,461**

(Expressed in United States dollars)

11. DERIVATIVE LIABILITY, CONVERTIBLE DEBENTURES AND CONVERTIBLE NOTES

	December 31, 2018	December 31, 2017
	$	$
Derivative Liability, Convertible Debentures	**-**	2,346,841
Derivative Liability, Convertible Notes	**-**	749,790
Derivative Liability	**-**	3,096,631

Convertible debentures and notes

	Debentures	**Notes**	**Total**
	$	**$**	**$**
2018			
2016 Principal of issuance			
Fair value of 2016 liability component at January 1, 2018	799,581	-	799,581
Accretion expense during 2018 on 2016 liability component	175,419	-	175,419
Fair value of 2016 liability component at May 11, 2018	975,000	-	975,000
Fair value of 2016 derivative liability at January 1, 2018	990,073	-	990,073
Change of fair value of 2016 derivative liability on revaluation @ May 11, 2018	(141,807)	-	(141,807)
Fair value of 2016 derivative liability remeasured at May 11, 2018	848,266	-	848,266

(Expressed in United States dollars)

	Debentures	Notes	Total
	$	$	$
2017 Principal of issuances			
Fair value of 2017 liability component at January 1, 2018	312,488	247,500	559,988
Accretion expense during 2018 on 2017 liability component	312,512	247,500	560,012
Fair value of 2017 liability component at May 11, 2018	625,000	495,000	1,120,000
Fair value of 2017 derivative liability at January 1, 2018	1,112,069	749,790	1,861,859
Change of fair value of 2017 derivative liability on revaluation @ May 11, 2018	(159,280)	-	(159,280)
Fair value of 2017 derivative liability remeasured at May 11, 2018	952,789	749,790	1,702,579
2018 Principal of issuances			
Principal of issuance	350,000	-	350,000
Less: issue costs	-	-	-
Less: fair value of derivative liability on initial recognition of 2018 issuances	350,000	-	350,000
Fair value of 2018 liability component on 2018 issuances on initial recognition	-	-	-
Accretion expense during 2018 on 2018 liability component	350,000	-	350,000
Fair value of 2018 liability component at May 11, 2018	350,000	-	350,000
Fair value of 2018 derivative liability on 2018 issuances on initial recognition	504,691	-	504,691
Change of fair value of 2018 derivative liability on revaluation @ May 11, 2018	(72,285)	-	(72,285)
Fair value of 2018 derivative liability remeasured at May 11, 2018	432,406	-	432,406

(Expressed in United States dollars)

Total Principal of issuances converted to Preferred Shares at May 11, 2018			
Fair value of 2016 liability component at May 11, 2018	975,000	-	975,000
Fair value of 2016 derivative liability remeasured at May 11, 2018	848,266	-	848,266
Fair value of 2017 liability component at May 11, 2018	625,000	495,000	1,120,000
Fair value of 2017 derivative liability remeasured at May 11, 2018	952,789	749,790	1,702,579
Fair value of 2018 liability component at May 11, 2018	350,000	-	350,000
Fair value of 2018 derivative liability remeasured at May 11, 2018	432,406	-	432,406
Total Principal of issuances converted to Preferred Shares at May 11, 2018	4,183,460	1,244,790	5,428,250

	Debentures	Notes	Total
	$	$	$
2017			
2016 Principal of issuance			
Fair value of 2016 liability component at January 1, 2017	637,965	-	637,965
Accretion expense during 2017 on 2016 liability component	161,616	-	161,616
Fair value of 2016 liability component at December 31, 2017	799,581	-	799,581
Fair value of 2016 derivative liability at January 1, 2017	317,773	-	317,773
Change of 2016 fair value of derivative liability revaluation	672,300	-	672,300
Fair value of 2016 derivative liability remeasured at December 31, 2017	990,073	-	990,073
2017 Principal of issuances			
Principal of issuance	625,000	495,000	1,120,000
Less: issue costs	-	-	-
Less: fair value of derivative liability on initial recognition of 2017 issuances	1,356,767	749,790	2,106,557
Fair value adjustment on initial recognition	731,767	254,790	986,557
Fair value of 2017 liability component on initial recognition	-	-	-
Interest accretion expense during 2017 on 2017 liability component	312,488	247,500	559,988

(Expressed in United States dollars)

Fair value of 2017 liability component at December 31, 2017	312,488	247,500	559,988

Total principal of issuances

Total change of fair value of derivative liability during the year	**1,404,068**	**254,790**	**1,658,858**
Interest accretion expense on convertible debentures and notes	**474,104**	**247,500**	**721,604**
Total fair value of derivative liability at December 31, 2017	**2,346,841**	**749,790**	**3,096,631**
Total fair value of liability component of convertible debentures and notes at December 31, 2017	**1,112,069**	**247,500**	**1,359,569**

On May 11, 2018, the convertible debentures and notes converted to 13,571,300 preferred shares for a total fair value of $5,428,520.

As at December 31, 2018, the fair value of the derivative liability for the convertible debentures was $nil (2017 - $2,346,841), and convertible notes was $nil (2017 – $749,790).

FINANCE COSTS

	December 31, 2018	December 31, 2017
	$	$
Interest on debt and borrowings	**-**	30,780
Bank and Interest charges	**14,949**	54,579
Interest accretion expense	**837,931**	721,604
Total finance costs	**852,880**	806,963

12. NOTE PAYABLE

On September 20, 2018, the Company issued an unsecured note payable (the “Note”) in the amount of $200,000. Starting October 1, 2018, the Note accrues interest at 18% per annum, with interest payable on a quarterly basis. The Note can be repaid in full at any time. There is a 9% penalty if repaid within the first six months of issuance, and no penalty after six months. The note payable matures on September 30, 2020. As at December 31, 2018, $9,863 of interest expense has been recorded.

13. SHARE CAPITAL

Common and preferred shares

The Company is authorized to issue 500,000,000 shares of common stock, with par value of $0.001 per share and 100,000,000 shares of preferred stock with par value of $0.001 per share.

Upon issuance, the holders of any series of preferred stock will have such preferences over the holders of common stock, including preferences upon liquidation and/or as to dividends and such voting, conversion, redemption and other rights as the Board of Directors determines in creating such series.

2018

In October 2018, the Company raised additional financing of $445,535 with the issuance of 551,967 common shares at $0.81 each.

In October 2018, the Company issued a convertible note with a face amount of $50,000. The note accrues interest at 1% per year, which converted to 549,804 Resulting Issuer (as defined hereinafter) common shares to be issued.

In September 2018, the Company issued 85,520 common shares with a fair value of $10,177. The fair value of the shares issued were estimated using the Black-Scholes valuation model using the following assumptions: Risk-free interest rate of 2.12%, volatility of 7.5%, dividend yield of nil, share price on issuance of $0.12 and an issue price of $0.001 per share.

On May 11, 2018, 13,571,300 preferred shares were issued with a value of $5,428,520, on the conversion of the convertible debentures and notes.

In May and June 2018, the Company issued 1,075,000 preferred shares for cash with costs of issuance of $73,686, raising gross and net proceeds of $430,000 and $356,314, respectively.

In February 2018, 5,345,730 common shares were issued as consideration for the DoubleBeam acquisition.

In January 2018, the Company redeemed 663,873 shares of common stock from the CEO at $0.03 per share.

Common shares to be issued

In September 2018, gross proceeds of $907,025 were raised with the issuance of 1,121,899 subscription receipts. Costs of the issuance amounted to $10,519.

In August 2018, $145,000 was raised for which 179,638 common shares are to be issued. In addition, 99,127 common shares are to be issued in settlement of debt in the amount of $80,469.

In June 2018, $350,000 was raised for which 433,608 common shares are to be issued.

In March 2018, 577,320 common shares were held in escrow pending the completion of the going-public transaction.

2017

In March 2017, 34,375 stock options were issued then exercised into common shares issued as share-based compensation in the amount of $17,584.

In October 2017, 200,000 common shares were issued for cash proceeds of $3,704.

(Expressed in United States dollars)

Warrants reserve

In July 2017, the Company issued 99,000 warrants as part of its $495,000 reserve notes offering. Each warrant is exercisable at $0.25 per share and expires on the date of the go-public transaction (note 18) . The fair value of these warrants on the grant date is $24,750, which was estimated using the Black Scholes valuation model using the following assumptions: stock price of $0.12, expected life of a share-based compensation expense was recognized for the value of the warrants at issuance of $24,750, with the net effect being classed as a derivative liability.

Contributed surplus

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors and employees enabling them to acquire common shares of the Company. The options granted can be exercised for up to a maximum of 10 years and vest from immediately up to four years, as determined by the Board of Directors. The option price of each option may not be less than the management determined price of the common shares on the date of the grant.

The Company recognized a share-based compensation expense of $332,629 for the year ended December 31, 2018 (2017: $42,714). The total fair value of options granted, and shares issued during the year was $291,618 (2017: $154,530). The assumptions used for calculating the fair value of the common shares issued, is noted above and for the options issued, were the following: stock price of $0.12, expected life various depending on agreement, $nil dividends, 70% volatility and discount rate of 2.360%.

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

	Number of options	**Weighted average price**
		$
Outstanding, as at January 1, 2017	1,543,125	0.05
Issued during 2017	1,975,000	0.05
Outstanding, as at December 31, 2017	3,518,125	0.05
Issued during the year ended December 31, 2018	3,477,826	0.27
Exercised/cancelled during 2018	(151,250)	0.05
Outstanding, as at December 31, 2018	**6,844,701**	**0.16**
Exercisable, as at December 31, 2018	**3,870,716**	**0.08**

14. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

Included in operating expenses are licence fees paid to PlaceFull Inc., a company in which the CEO owns significant shareholdings.

(Expressed in United States dollars)

Key management compensation

Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the directors, named executive officers, being the Chief Executive Officer and the Chief Financial Officer. Others include the Company's Chief Technology Officer and its Chief Revenue Officer. Related-party compensation paid or payable to key management is detailed below:

	2018	2017
	$	$
Executive Compensation to key managers	**425,790**	120,000
Licence Fees to PlaceFull Inc.	**120,000**	120,000
Rent to PlaceFull Inc.	**7,577**	20,174
Totals	**553,367**	260,174

At December 31, 2018, the Company had loans from shareholders amounting to $10,749 (2017 - $39,946). These loans are unsecured, interest free and due on demand

During the year ended December 31, 2018, the loan to PlaceFull Inc. in the amount of $19,917, was repaid through the surrender and redemption of 663,873 common shares by the Company's CEO.

During the year ended December 31, 2017, the Company provided loans to shareholders for an amount of $20,000 and to PlaceFull Inc. for an amount of $19,946. These loans were unsecured, interest free and due on demand, and they were repaid during the year.

During the year ended December 31, related parties subscribed for, or were otherwise issued, the following securities:

	2018	2017
	#	#
Common shares	**199,040**	6,732,157
Preferred shares (issued for cash)	**37,500**	-
Preferred shares (issued on conversion of debt)	**3,641,303**	-
Shares to be issued	**30,972**	-
Total	**3,908,815**	6,732,157

15. INCOME TAXES

(a) Income taxes

The reconciliation of the combined US federal income tax rate of 27.98% (2017 – 21%) to the effective tax rate is as follows:

(Expressed in United States dollars)

	2018	2017
	$	$
Loss before recovery of income taxes	**(3,915,240)**	(3,314,619)
Expected income tax recovery	**(1,095,630)**	(1,126,970)
Tax rate changes and other adjustments	**(228,940)**	455,850
Share based compensation and non-deductible expenses	**253,980**	282,940
Debt Converted to Shares	**463,740**	-
Change in tax benefits not recognized	**606,850**	388,180
Income tax (recovery) expense	**-**	-

The Company's income tax (recovery) is allocated as follows:	**$**	$
Current tax (recovery) expense	**-**	-
Deferred tax (recovery) expense	**-**	-

(b) Income taxes

A change in federal corporate income tax rate from 34% to 21% was enacted in 2017 and effective January 1, 2018. For the year ending December 31, 2017, the rate does not impact the calculation of current income tax liability but does require the future rate to be applied to deferred income tax assets and liabilities.

(c) Deferred tax

The following table summarizes the components of deferred tax:

	2018	2017
Deferred Tax Assets	**$**	$
Non-capital losses carried forward	**8,550**	19,369
Deferred Tax Liabilities		
Property, plant and equipment	**(7,370)**	(55)
Digital Currency – unrealized gain	**(1,180)**	(19,314)
Net Deferred tax Asset	**-**	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

(d) Unrecognized deferred tax assets

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

(Expressed in United States dollars)

Deferred Tax Assets

	$
Intangible Assets	**156,870**
Accrual	**193,190**
AFDA	**44,990**
163(j) Limitation	**64,950**
Non-capital losses carried forward	**4,321,110**
	4,781,110

(e) Tax loss carry-forwards

The US net operating losses will expire as noted in the table below:

2036	**1,000,260**
2037	**847,100**
Indefinitely	**2,504,320**
	$ 4,351,680

16. 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, 2018, the Company's financial instruments consist of cash and cash equivalents, receivables, restricted cash, due from related parties, accounts payable and accrued liabilities, and note payable and for the comparative year, derivative liability. The fair values of cash and cash equivalents, restricted cash, accounts receivable, due from related parties, and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity nature. The Company classifies its notes payable as FVTPL. The inputs used to fair value the notes payable are as follows:

	Level 1	Level 2	Level 3	31-Dec-18
	$	$	$	$
Financial Liabilities				
Note payable	-	200,000	-	200,000
	-	**200,000**	**-**	**200,000**

For the year ended December 31, 2017, the Company classifies its derivative liability as FVTPL.

The inputs used to fair value the derivative liability are as follows:

(Expressed in United States dollars)

	Level 1	Level 2	Level 3	31-Dec-17
	$	$	$	$
Financial Liabilities				
Derivative liability	-	3,096,631	-	3,096,631
	-	**3,096,631**	**-**	**3,096,631**

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's financial performance. Risk management is carried out by the senior management team.

a) Credit risk

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

The Company believes that its receivables balance is fully collectable. As of December 31, 2018, $622,044 (2017 – $451,668) in receivables remains outstanding. The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate at each aging category of receivables:

	1-30	**31-60**	**61-90**	**>90**	**Total**
Accounts receivable outstanding at December 31, 2018	514,700	62,981	3,766	85,910	667,354
Expected loss rate	7%	6%	6%	6%	
Loss allowance provision	36,029	3,865	264	5,152	45,310

(Expressed in United States dollars)

The Company maintains bank deposits with reputable financial institutions.

b) Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's liquidity risk is subject to a Note which has interest and repayment terms.

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as the note payable bears a fixed rate of interest. The related party loans are interest free.

d) Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to provide returns to the shareholders and to maintain an optimal capital structure to minimize the cost of capital. The Company considers shareholders' equity as capital.

To maintain or adjust the capital structure, the Company may issue new shares to the shareholders, draw upon existing credit facilities or sell assets. There are no changes in the Company's capital management policies for the years ended December 31, 2018 and 2017. There are no external capital management requirements or covenants as at December 31, 2018 and 2017.

17. COMMITMENTS

Software Licence

The Company has a software licence agreement with PlaceFULL, requiring it to pay $10,000 per month to PlaceFULL to use their payment, billing and customer management software perpetually until either party terminates the agreement.

Operating Lease

The Company has an operating lease agreement with The Perrin Building., requiring it to pay $5,609 per month from May 1, 2018 to April 30, 2019, and $5,889 from May 1, 2019 to April 2020.

Year	**Total**
	$
2019	69,143
2020	23,555
Total	**92,698**

The Company also has additional consulting commitments summarized in the table below.

	2019	**2020**
	$	$
Consulting	49,500	-
Totals	**49,500**	-

18. SUBSEQUENT EVENTS

(a) Canadian Securities Exchange ("CSE") listing

On April 8 2019, the Company commenced trading on the CSE under the symbol PBIT.

(b) Transaction with Foreshore Exploration Partners Corp. ("Foreshore")

The terms of the transaction comprise consideration to be received by the POSaBIT Shareholders pursuant to the Merger in consideration for their POSaBIT shares, being 1.7539815 Foreshore's shares for each POSaBIT share held. The Transaction will constitute a reverse take-over of Foreshore. It does not meet the definition of a business combination. Once completed, POSaBIT will issue the following securities in connection with the Transaction:

i) 4,250,000 shares with fair value of $0.4609 (C$0.60) per share for total fair value of $1,958,977;
ii) 300,000 options with a fair value of $0.4056 per option for total fair value of $121,687;
iii) 43,000 Foreshore IPO Agent Options (the "Agent Options") with a fair value of $0.3895 per option for total fair value of $16,748; and
iv) The difference of $1,937,954 between the total fair value of shares, options and IPO Agent Options issued to Foreshore shareholders, option and Agent Option holders and the net assets of Foreshore acquired by POSaBIT of $159,458, will be recorded as a listing expense.

(c) In January 2019 through April 2019, the Company issued 73,281,225 common shares.

(d) In January 2019 through April 2019, 10,000 options were exercised.