mobi724

GLOBAL SOLUTIONS

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2019 AND 2018

Mobi724 Global Solutions Inc.

For the years ended December 31, 2019 and 2018

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Raymond Chabot Grant Thornton

Independent Auditor's Report

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To the Shareholders of
Mobi724 Global Solutions Inc.

Opinion

We have audited the consolidated financial statements of Mobi724 Global Solutions Inc. (hereafter "the Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive loss, the consolidated statements of changes in equity and the consolidated statements of cash flows for the years then ended, and notes to 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 financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years 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.

Material uncertainty related to going concern

We draw attention to Note 2 b) to the consolidated financial statements, which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Information other than the consolidated financial statements and the auditor’s report thereon

Management is responsible for the other information. The other information comprises the information, other than the consolidated financial statements and our auditor’s report thereon, included in Management’s Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management’s Discussion and Analysis prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. 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 International Financial Reporting Standards (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 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.

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 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;

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Raymond Chabot Grant Thornton LLP[1]

Montréal
April 27, 2020

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1 CPA auditor, CA public accountancy permit no. A119564

Mobi724 Global Solutions Inc.

Consolidated Statement of Financial Position

As of December 31, 2019 and 2018

(in Canadian dollars)

	Note	2019	2018
		$	$
Assets			
Current assets:			
Cash and cash equivalents		1,037,511	479,803
Trade and other receivables	7	795,426	870,183
Prepaid expenses and other current assets		110,813	221,723
Asset classified as held for sale	8	404,043	-
Total current assets		2,347,793	1,571,709
Non-current assets:			
Property and equipment	9	43,826	51,609
Right-of-use asset	10	131,418	-
Intangible assets	11	139,971	1,406,891
Goodwill	11	-	3,430,466
Total non-current assets		315,215	4,888,966
Total assets		**2,663,008**	**6,460,675**
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	12	688,186	1,438,545
Lease liability	10	134,001	-
Demand debt		-	150,000
Current portion of long-term debt	14	1,203,560	1,026,280
Total current liabilities		2,025,747	2,614,825
Non-current liabilities:			
Long-term debt	14	21,917	48,197
Convertible debt	13	495,204	-
Deferred income taxes	17	37,093	48,261
Total non-current liabilities		554,214	96,458
Equity			
Equity attributable to the equity shareholders of the Company			
Share capital	15	37,015,747	36,281,451
Other equity accounts	15	14,252,696	13,709,816
Equity component of convertible debt	13	3,844,004	3,462,531
Deficit		(54,913,838)	(49,344,723)
Cumulative translation account		(115,562)	(92,487)
		83,047	4,016,588
Non-controlling interest	6	-	(267,196)
Total equity		83,047	3,749,392
Total liabilities and equity		**2,663,008**	**6,460,675**

Going concern (Note 2), Subsequent events (Note 24)

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

Mobi724 Global Solutions Inc.

Consolidated Statement of Comprehensive Loss
For the years ended December 31, 2019 and 2018
(in Canadian dollars)

	Note	2019	2018
		$	$
Revenues		1,063,863	624,831
Operating expenses			
Selling, general and administrative charges		3,065,041	3,913,700
Technology		1,375,429	1,585,969
Depreciation of property and equipment	6, 9	21,556	18,806
Depreciation of right-of-use asset	10	166,740	-
Amortization of intangible assets	6, 11	291,129	644,645
Share-based compensation	15	162,224	219,375
Gain on settlement of liabilities	12	(12,411)	(794,772)
Impairment loss on goodwill	11	1,439,191	2,500,000
Operating loss		(5,445,036)	(7,462,892)
Net financial expenses	16	268,904	209,834
Net loss before income taxes		(5,713,940)	(7,672,726)
Income taxes			
Current	17	16,950	(40,869)
Deferred	17	(11,168)	(110,408)
		5,782	(151,277)
Net loss from continuing operations		(5,719,722)	(7,521,449)
Net earnings from discontinued operations	6	425,303	245,735
Net loss		(5,294,419)	(7,275,714)
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Cumulative translation adjustment		(23,075)	16,510
Comprehensive loss		(5,317,494)	(7,259,204)
Net earnings (loss) for the year attributable to :			
Equity shareholders from continuing operations		(5,719,722)	(7,521,449)
Equity shareholders from discontinued operations		475,275	433,730
Non-Controlling interest from discontinued operations		(49,972)	(187,995)
Net loss		(5,294,419)	(7,275,714)
Comprehensive earnings (loss) for the year attributable to:			
Equity shareholders from continuing operations		(5,742,797)	(7,504,939)
Equity shareholders from discontinued operations		475,275	433,730
Non-Controlling interest from discontinued operations		(49,972)	(187,995)
Comprehensive loss		(5,317,494)	(7,259,204)
Weighted average number of shares outstanding		214,705,558	197,506,820
Basic and diluted earnings (loss) per share:			
From continuing operations		(0.02)	(0.04)
From discontinued operations		0.00	0.00
		(0.02)	(0.04)

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

Mobi724 Global Solutions Inc.

Consolidated Statement of Changes in Equity

For the years ended December 31, 2019 and 2018

(in Canadian dollars)

	Note	Share capital Number	Share capital	Other equity accounts	Equity component of convertible debt	Deficit	Cumulative translation adjustment	Shareholders Equity	Non-controlling interest	Total
			$	$	$	$	$	$	$	$
Balance at January 1, 2019		200,144,815	36,281,451	13,709,816	3,462,531	(49,344,723)	(92,487)	4,016,588	(267,196)	3,749,392
Net loss for the year			-	-	-	(5,244,447)	-	(5,244,447)	(49,972)	(5,294,419)
Other comprehensive loss			-	-	-	-	(23,075)	(23,075)	-	(23,075)
Comprehensive loss for the year						(5,244,447)	(23,075)	(5,267,522)	(49,972)	(5,317,494)
Derecognition of the non-controlling interest related to disposal of business	6		-	-	-	-	-	-	317,168	317,168
Settlement of liabilities	12	1,500,000	105,000	-	-	-	-	105,000	-	105,000
Interest expense on convertible debenture presented as equity	13	-	-	-	324,668	(324,668)	-	-	-	-
Convertible debt issued presented as equity	13	-	-	-	56,805	-	-	56,805	-	56,805
Share-based payments	15	250,000	12,500	159,676	-	-	-	172,176	-	172,176
Warrants issued	15	-	-	383,204	-	-	-	383,204	-	383,204
Issuance of shares for private placement	15	16,783,216	616,796	-	-	-	-	616,796	-	616,796
Balance at December 31, 2019		218,678,031	37,015,747	14,252,696	3,844,004	(54,913,838)	(115,562)	83,047	-	83,047
Balance at January 1, 2018		189,397,749	34,679,708	13,410,075	3,136,269	(41,930,742)	(108,997)	9,186,313	(79,201)	9,107,112
Net loss for the year			-	-	-	(7,087,719)	-	(7,087,719)	(187,995)	(7,275,714)
Other comprehensive loss			-	-	-	-	16,510	16,510	-	16,510
Comprehensive loss for the year						(7,087,719)	16,510	(7,071,209)	(187,995)	(7,259,204)
Settlement of liabilities	12	695,899	107,709	-	-	-	-	107,709	-	107,709
Interest expense on convertible debenture presented as equity	13	-	-	-	326,262	(326,262)	-	-	-	-
Conversion of convertible debenture	13	2,133,333	320,000	-	-	-	-	320,000	-	320,000
Shares issued for interest	13	170,667	25,600	-	-	-	-	25,600	-	25,600
Share-based payments	15	-	-	259,100	-	-	-	259,100	-	259,100
Warrants issued	15	-	-	339,257	-	-	-	339,257	-	339,257
Exercise of warrants	15	7,347,167	1,077,644	(287,826)	-	-	-	789,818	-	789,818
Exercise of share options	15	400,000	70,790	(10,790)	-	-	-	60,000	-	60,000
Balance at December 31, 2018		200,144,815	36,281,451	13,709,816	3,462,531	(49,344,723)	(92,487)	4,016,588	(267,196)	3,749,392

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

Mobi724 Global Solutions Inc.

Consolidated Statement of Cash Flows
For the years ended December 31, 2019 and 2018
(in Canadian dollars)

	Note	2019	2018
		$	$
Operating activities:			
Net loss from continuing operations		(5,719,722)	(7,521,449)
Non-cash items:			
Depreciation of property and equipment	6, 9	21,556	18,806
Depreciation of right-of-use asset	10	166,740	-
Amortization of intangible assets	6, 11	291,129	644,645
Write-off of intangible assets		101,748	-
Share-based payments		159,676	259,100
Professional fees		2,500	27,000
Gain on settlement of liabilities		(12,411)	(280,816)
Impairment loss on goodwill		1,439,191	2,500,000
Interest and accretion interest expense	13	82,009	33,678
Deferred taxes		(11,168)	(110,408)
		(3,478,752)	(4,429,444)
Changes in non-cash working capital items:	21	(421,374)	(287,068)
Net cash used in continuing operations		(3,900,126)	(4,716,512)
Net cash from discontinued operations	6	276,770	481,802
Net cash used in operating activities		(3,623,356)	(4,234,710)
Financing activities:			
Repayment of demand debt		(150,000)	(50,000)
Repayment of long-term debt		(26,280)	(36,280)
Repayment of convertible debt		(30,000)	-
Repayment of lease liability		(164,157)	-
Proceeds from exercise of warrants		-	1,102,075
Proceeds from issuance of warrants		383,204	-
Proceeds from long-term debt		177,280	-
Proceeds from exercise of stock options		-	60,000
Proceeds from convertible debenture		500,000	-
Proceeds from issue of common shares		616,796	-
Net cash generated from financing activities		1,306,843	1,075,795
Investing activities:			
Additions to property and equipment	9	(18,869)	(34,992)
Additions to intangibles assets	11	-	(78,200)
Net proceeds from the disposal of a business and assets	6	2,916,165	-
Net cash generated from (used in) investing activities		2,897,296	(113,192)
Effect of the exchange rate changes on cash		(23,075)	16,510
Net increase (decrease) in cash and cash equivalents		557,708	(3,255,597)
Cash and cash equivalents, beginning of the year		479,803	3,735,400
Cash and cash equivalents, end of the year		1,037,511	479,803
Income taxes paid		16,950	32,506
Interest paid		194,519	106,552

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

1. Statute of Incorporation and Nature of Activities

Mobi724 Global Solutions Inc. (the "Company" or "Mobi724") was incorporated under the Business Corporations Act (Alberta) on February 8, 2005. Mobi724 is a global Fintech company, offering a suite of integrated data-driven business intelligence and artificial intelligence powered card-linked offers and reward solutions.

The Company's registered office and its head office are located at 257 Sherbrooke Street East, Suite 400, Montreal, Quebec H2X 1E3. The consolidated financial statements comprise the Company and its wholly-owned subsidiaries First Equity Strategy LLC ("First Equity"), incorporated in the State of Delaware, USA, Mobi724 Solutions S.R.L., incorporated in Argentina, I.Q. 7/24 Inc. ("iQ724") and Mobi724 Smart Transactions Inc., both incorporated under the Canada Business Corporations Act.

In 2019, the consolidated financial statements include its 70% owned subsidiary Mobi724 Asia Inc. up to the date of disposal. This subsidiary was sold on August 30, 2019. See Note 6 for more information.

The common shares of Mobi724 are traded under the symbol "MOS" on the TSX Venture Exchange.

2. Basis of preparation and going concern

a) *Statement of compliance*

The consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards (IFRS).

The Board of Directors approved the consolidated financial statements for the year ended December 31, 2019 and authorized their publication on April 27, 2020.

b) *Going concern*

These consolidated financial statements have been prepared on a going concern basis in compliance with IFRS. A going concern basis contemplates the realization of the carrying value of assets and the settlement of liabilities in the normal course of business as they come due. The application of the going concern concept is dependent on future events including amongst other things, attaining a satisfactory revenue level from its mobile POS technology system, attainment of profitable operations, the generation of cash from operations and the ability to secure new financing arrangements and new capital to carry out its business plan.

The Company has generated limited revenues since inception and has losses from continuing operations totaling $5,719,722 and $7,521,449 for the years ended December 31, 2019 and 2018 respectively and an accumulated deficit of $54,913,838 since the Company's inception on February 8, 2005. During the year ended December 31, 2019, the Company received $1,677,280 in additional funds from equity and debt financing. In addition, the Company was in breach of its debt covenants under a term loan as of December 31, 2019 which can result in the right by the lender to request immediate repayment of amounts borrowed. As at December 31, 2019, the Company had a working capital of $322,046 that includes the term loan reclassified to current liabilities (negative working capital of $1,043,116 as at December 31, 2018). As at the date of these consolidated financial statements, the Company's working capital is insufficient to cover the costs to carry out its business plan. The Company is examining available options to raise funds and limit its cash outflow. The Company may be unable to meet its current obligations. The Company can give no assurance that it will achieve profitability or be capable of sustaining profitable operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to twelve months from the end of the reporting period. As described above, management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustment to the carrying values of assets and liabilities, expenses and financial position classifications that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

c) *Basis of measurement*

The consolidated financial statements have been prepared under the historical cost principle.

d) *Basis of consolidation*

i) *Subsidiaries*

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intercompany transactions and balances and unrealized gains and losses on transactions between these entities are eliminated.

Non-controlling interest, where applicable, presented as part of equity, represents the portion of a subsidiary's profit or loss and net assets that are not held by the Company. The Company attributes total comprehensive income or loss of subsidiaries between the owners of the Company and the non-controlling interest based on their respective ownership interests. The Company recognizes any non-controlling interest in the acquiree on an acquisition by acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's identifiable net assets.

ii) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value. Acquisition-related costs are recognized in profit or loss as incurred.

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 consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

e) *Foreign currency translation*

i) Functional and presentation currency

Items included in the financial statements of each of the Company’s subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Canadian dollars, which is the Company’s and its subsidiaries’ functional currency, with the exception of Mobi724 Solutions S.R.L. whose functional currency is the Argentine Peso and Mobi724 Asia Inc. whose functional currency is the Philippine Peso.

ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At each consolidated statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of net loss within foreign exchange gain or loss.

iii) Foreign operations

The assets and liabilities of foreign operations are translated to Canadian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Canadian dollars at average exchange rates.

Foreign currency differences are recognized in other comprehensive loss in the cumulative translation adjustment account.

When a foreign operation is disposed of, the relevant amount in the cumulative amount of foreign currency translation differences is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive loss in the cumulative amount of foreign currency translation differences.

f) Reclassification of prior year presentation

Certain prior period amounts have been reclassified for consistency with the current period presentation. The operations included in the disposal of a business and assets are presented separately as Net earnings from discontinued operations in the Consolidated Statement of Comprehensive Loss. These reclassifications had no effect on the reported results of operations. See Note 6 for more information.

3. Significant accounting policies

Revenue recognition

In determining whether to recognize revenue, the Company performs the following five steps:

1. Identification of the contract concluded with a customer;
2. Identification of performance obligations;
3. Determination of the transaction price;
4. Distribution of the transaction price between the performance obligations;
5. Recognition of revenue when performance obligations are fulfilled (or as they are fulfilled).

The Company offers a suite of technology-agnostic and fully integrated data-driven card-linked offers and reward solutions ("Smart Transactions processing"). In 2018, the Company was offering a fully integrated suite of multiple Payment, Card-linked Offers & Rewards and Digital Marketing and Business Intelligence solutions which represented the three different segments. The company's global processing platform enables card issuing banks, payment networks, merchants and loyalty program operators to manage, deliver, track and measure incentive campaigns worldwide in real time.

The integration services are charged to the customer once the integration completed. Revenue from that service is recognised on a time basis as the service is provided. Once the integration complete, the Company provide IT services and customers are charged based on a quantity of transactions. Revenues from these services are recognised when the service is delivered. Customers are invoiced monthly.

In 2018, the company offered a fully integrated suite of multiple Payment, Card-linked Offers & Rewards and Digital Marketing and Business Intelligence solutions which represented the three different segments.

Payment

Payment solution delivered a turnkey solution to merchants, acquiring networks and financial institutions to capture card transactions on any mobile device or point-of-sale and payment host. Financial institutions were charged based on the number of merchants using the IT services. Revenues from these services were recognised when the service is delivered. Customers were invoiced monthly.

Card-linked Offers & Rewards ("CLO&R")

CLO&R solution provided card issuers, banks and merchants the ability to issue offers and rewards linked to a payment card. The integration services were charged to the customer once the integration completed. Revenue from that service was recognised on a time basis as the service is provided. Once the integration completed, the Company provided IT services and customers were charged based on a quantity of transactions. Revenues from these services were recognised when the service is delivered. Customers were invoiced monthly.

Digital Marketing and Business Intelligence ("DMBI")

DMBI solution offered a comprehensive loyalty driven, and customer relationship, solution for retailers to deliver, manage and control a multitude of reward options. This solution was also providing a variety of tactical/promotional solutions for retailers who were looking to leverage their customer purchase data. For all those services, the Company charged monthly fee and revenues were recognised on a time basis when the service was delivered.

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within profit or loss.

Subsequent expenditures are capitalized only when it is probable that the future economic benefits of the expenditures will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

Depreciation is calculated over the depreciable amount, which is the cost of an asset less its residual value. The Company provides for depreciation of property and equipment commencing once the related assets are available for use. Depreciation is recognized in profit or loss on a straight-line basis since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The Company uses the following periods to calculate depreciation:

	Years
Furniture and fixtures	3
Computer equipment	3 to 4

Depreciation methods, useful lives and residual values are reviewed at each financial period-end and adjusted if appropriate.

Intangible assets

Intangible assets with finite live are measured at cost less accumulated amortization and any accumulated impairment losses.

When intangible assets are internally developed, the cost comprises the directly attributable costs in the development phase necessary to create, produce and prepare the asset for the Company to be able to operate it for its intended use provided they meet the recognition criteria.

Amortization is calculated on a straight–line basis on the cost of the intangible asset over its useful life. The Company uses the following periods to calculate amortization:

	Years
Software Technology	5 to 10
EMV Payment Switch	7
Patents	5 to 10
Customer relationships	5

Amortization methods and useful lives are reviewed at each financial period-end and adjusted if appropriate. Amortization commences once the intangible asset is available for use. Assets under development consist of wallets.

Goodwill

Goodwill arises upon the acquisition of subsidiaries and is subsequently measured at cost less accumulated impairment loss.

Impairment of non-financial assets

The Company assesses, at each reporting date, whether events or changed circumstances indicate that the carrying value of non-financial assets may not be recoverable. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated each year at the same time.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash generating unit”, or “CGU”). The Company’s corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU or group of

CGU's to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing 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 or CGU. Impairment losses are recognized in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other non-financial assets, impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Leases

At lease commencement date, the Company recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability (net of any incentives received). The Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. At the commencement date, the Company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification.

In 2018, all the Company's leases were operating leases. The leased assets were not recognized in the Company's consolidated statement of financial position since the Company did not assumed substantially all risks and rewards of ownership of the leased assets. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the leases.

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

The table below presents the Company's financial instruments policies:

	Financial Assets and Liabilities at amortized Cost [1]
Instrument type	Cash and cash equivalents, trade and other receivables (except sale tax receivable and tax credit receivable), accounts payable and accrued liabilities (except salaries and related benefits), convertible debt, demand debt and long-term debt
Measurement	Amortized Cost
Transaction costs	Included in cost of instrument
Fair value gain or losses	–
Interest and dividends	Profit or loss - effective interest rate
Impairment of assets	Profit or loss [2]
Foreign exchange	Profit or loss

[1] For financial assets, amortized cost is applied if they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows and the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount. Discounting is omitted where the effect of discounting is immaterial.

[2] Impairment requirements use the expected credit loss model ("ECL") where the Company considers a broader range of information when

assessing credit risk and measuring expected losses. In applying this forward-looking approach, a distinction is made between:

(a) financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1')
(b) financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')
(c) financial assets that have objective evidence of impairment at the reporting date ('Stage 3')

The Company applies a simplified approach for calculating expected credit losses for trade receivables. Based on the Company's business model, expected credit losses over the life of the trade receivables are considered immaterial since the potential for default at any time during the life of the financial instrument is deemed almost nil, based on past experience.

Compound financial instruments

Compound financial instruments issued by the Company comprise convertible debt that can be converted to share capital or units at the option of the holder, and for which the number of shares to be issued does not vary with changes in their fair value. The fair value of the debt component is estimated by discounting the future cash flows using an appropriate discount rate. The difference between the proceeds and the fair value of the debt component is allocated to the equity component. When debt is convertible into units that are convertible into common shares and share purchase warrants, the equity portion is allocated to the embedded warrant feature based on its calculated fair value and the residual amount is allocated to the embedded conversion feature.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially using the residual method, as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognized in profit or loss. Distributions to the equity holders are recognized in equity, net of any tax benefit.

Fair Value

The Company must classify the fair value measurements of financial instruments according to a three-level hierarchy, based on the type of inputs used in making these measurements. These tiers include:

- Level 1: observable inputs such as quoted prices in active markets;
- Level 2: inputs other than quoted prices in active markets that are either directly or indirectly observable; and
- Level 3: unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

Share-based payment transaction

The Company has a share-based compensation plan under which equity-settled share-based payments are made in exchange for services received. The Company accounts for all share-based compensation using the fair value method. This method consists of recording expenses at the grant date to the consolidated statement of comprehensive loss based on the number of options expected to vest and the counterpart is accounted for in other equity accounts on the statement of financial position. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately in the consolidated statement loss, with a corresponding adjustment to the other equity accounts on the statement of financial position. The fair value is calculated based on the Black-Scholes valuation model at the grant date and recognized over the period during which the options vest. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over a period of time consistent with the expected life of the option. When stock options are exercised, any consideration paid is credited to share capital, together with the related portion previously recorded in contributed surplus.

Related party transactions

A related party is defined as any person, including close members of that person's family, or entity that has significant influence over the Company. Related parties also include members of the Company's key management personnel, namely those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Income taxes

The income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statement of net loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case the tax is also recognized in other comprehensive loss or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the consolidated statement of financial position date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted on the consolidated statement of financial position date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Share capital

Common shares, options and warrants granted as compensation for goods and services are classified as equity. Incremental costs directly attributable to the issue of new shares or warrants are shown in equity as a deduction, net of tax, from the proceeds.

Other equity accounts

Contributed surplus includes charges related to cancelled or expired warrants, cancelled or expired stock options and extinguished conversion options of convertible debentures. The option reserve includes stock option expense less cancelled, expired or forfeited stock options. The warrant reserve includes the value of warrants issued less the charge for those expired, cancelled or exercised.

Earnings per share

The Company presents basic and diluted earnings per share data for its common shares. Basic earnings per share are calculated by dividing the net income or loss for the year attributable to shareholders of the company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share are calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The number of shares included with respect to options, warrants and similar instruments is computed using the treasury stock method. The Company's potentially dilutive common shares comprise stock options, warrants and conversion option. In the Company's case, diluted earnings per share presented is the same as basic earnings per share as the effect of outstanding share options and warrants in the earnings per share calculation would be anti-dilutive.

Segment reporting

Effective September 1, 2019, the Company was reorganized in a single reportable and operating segment, namely Smart Transactions processing. Previously, the divisional structure and its three reportable and operating segments were Payments, CLO&R and DMBI. See Note 22 for details.

Earnings from discontinued operations

A discontinued operation is a component of the entity that has been disposed of and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Statement of Comprehensive Loss.

Asset classified as held for sale

Asset classified as held for sale is presented separately and measured at the lower of his carrying amount immediately prior to his classification as held for sale and his fair value less costs to sell. Once classified as held for sale, the asset is not subject to depreciation or amortization.

4. Critical accounting estimates and judgements

When preparing the financial statements, management makes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, revenue and expenses.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and any future period affected. Judgments, assumptions and estimation uncertainties that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Income taxes

The company is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the year in which such determination is made.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Impairment of goodwill and intangible assets

Impairment assessments require the Company to determine the recoverable amount of a CGU, defined as the smallest identifiable group of assets that generates cash inflows independent of other assets. This determination requires significant estimates in a variety of areas including: the determination of fair value, selling costs, timing and size of cash flows, and discount and interest rates. The Company supports all assumptions made in the above estimates and updates such assumptions to reflect the best information available to the Company if and when an impairment assessment requires the recoverable amount of a CGU to be determined.

Share-based payments

The estimation of share-based payment costs requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of options, the time of exercise of those options and expected extinguishments. The model used by the Company is the Black-Scholes model.

5. Accounting standards

Adoption of new accounting standards, amendments and interpretations during the year

IFRS 16 Leases

The Company adopted IFRS 16, Leases, on January 1, 2019 using the modified retrospective approach. Under this approach, the cumulative impact of the initial application is recognized as at January 1, 2019 and comparative figures are not restated.

Previously, the Company classified all leases as operating leases and did not recognise assets or liabilities in the statement of financial position because substantially all the risks and rewards incidental to ownership of the leased asset were not transferred. IFRS 16 requires that lessees recognize assets and liabilities for all leases on the statement of financial position, unless the lease term is 12 months or less or the lease for which the underlying asset is of low value.

(in Canadian dollars except share and per share amounts)

Upon adoption of IFRS 16, the Company recognised the lease liability for leases that had previously been classified as operating leases in accordance with the principles of IAS 17, Leases. These obligations have been measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate as at January 1, 2019. The weighted average incremental borrowing rate applied to lease liability as at January 1, 2019 was 15%. The related right-of-use asset were measured in the amount of the lease liability as at January 1, 2019, adjusted for the amount of lease incentives recognised in liabilities as at December 31, 2018.

Adoption of IFRS 16 had the following impact on the financial position as at January 1, 2019:

Right-of-use asset	$ 140,457
Lease liability	$ 140,457

Standards, amendments and interpretations to existing Standards that are not yet effective

At the date of authorization of these consolidated financial statements, several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Company. Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Company's consolidated financial statements.

6. Discontinued operations and disposal of a business and assets

DISPOSAL OF ASSETS

On July 2, 2019, the Company completed a transaction with Ackroo Inc. whereby most of customer relationships, owned by the Company's wholly owned subsidiary, I.Q. 7/24 Inc., were sold for proceeds of $2.8 million. The Company agreed to provide transition services for a period up to 24 months for the purposes of migrating a certain customer base from the I.Q. 7/24 Inc. licenses platform to the Ackroo Inc. platform.

Consideration for the disposal of assets:	$
Cash	2,800,000
Net consideration	2,800,000
Assets disposed of:	
Customer relationships	352,500
Goodwill	1,991,275
Net assets disposed	2,343,775
Gain on disposal of assets	456,225

(in Canadian dollars except share and per share amounts)

The operating results are presented as Net earnings from discontinued operations in the Consolidated Statement of Comprehensive Loss and prior periods have been restated.

	2019	2018
	$	$
Revenues	**838,359**	1,890,049
Operating expenses		
Cost of sales	**104,737**	120,307
Selling, general and administrative charges	**292,936**	1,125,557
Amortization of intangible assets	**117,500**	235,000
Gain on disposal of assets	**(456,225)**	-
Gain on settlement of liabilities	**-**	(22,750)
Operating earnings	**779,411**	431,935

Cash flows from discontinued operations included within the consolidated statements of cash flows are as follows:

	2019	2018
	$	$
Net cash flows from the disposal of assets		
Operating activities:		
Net earnings from discontinuing operations	**779,411**	431,935
Non-cash items:		
Amortization of intangible assets	**117,500**	235,000
Gain on disposal of assets	**(456,225)**	-
Net cash from discontinued operations	**440,686**	666,935
Investing activities:		
Net proceeds from the disposal of assets	**2,800,000**	-
Net increase in cash and cash equivalents	**3,240,686**	666,935

DISPOSAL OF A BUSINESS

On August 30, 2019, the Company disposed its 70% owned subsidiary, Mobi724 Asia Inc. for a net consideration of $340,100. On December 31, 2019, the Company wrote-off the remaining receivable of $215,100 because of no reasonable expectation of recovery.

(in Canadian dollars except share and per share amounts)

Consideration for the disposal of a business:	$
Cash	125,000
Trade and other receivables	215,100
Net consideration	340,100
Assets and liabilities disposed of:	
Cash	8,835
Trade and other receivables	122,018
Prepaid expenses and other current assets	60,429
Property and equipment	2,437
Accounts payable and accrued liabilities	(198,354)
Net liabilities disposed	(4,635)
Gain before derecognition of the non-controlling interest and the impairment loss	344,735
Derecognition of the non-controlling interest	(317,168)
Impairment loss on receivable from the sale of Mobi724 Asia Inc.	(215,100)
Loss on disposal of a business	(187,533)

The operating results are presented as Net earnings from discontinued operations in the Consolidated Statement of Comprehensive Loss and prior periods have been restated.

	2019	2018
	$	$
Revenues	**79,943**	56,100
Operating expenses		
Cost of sales	**59,134**	29,567
Selling, general and administrative charges	**183,464**	191,259
Depreciation of property and equipment	**2,659**	1,067
Loss on disposal of a business	**187,533**	-
Operating loss	**(352,847)**	(165,793)
Net financial expenses	**1,261**	20,407
Net loss	**(354,108)**	(186,200)

(in Canadian dollars except share and per share amounts)

Cash flows from (used in) discontinued operations included within the consolidated statements of cash flows are as follows:

	2019	2018
	$	$
Net cash flows from (used in) the disposal of a business		
Operating activities:		
Net loss from discontinuing operations	**(354,108)**	(186,200)
Non-cash items:		
Depreciation of property and equipment	**2,659**	1,067
Loss on disposal of a business	**187,533**	-
Net cash used in discontinued operations	**(163,916)**	(185,133)
Investing activities:		
Net proceeds from the disposal of a business	**116,165**	-
Net decrease in cash and cash equivalents	**(47,751)**	(185,133)

7. Trade and other receivables

	December 31, 2019	December 31, 2018
	$	$
Trade receivables	**188,203**	451,883
Sales tax receivable	**53,292**	145,088
Tax credits receivable	**553,931**	162,239
Advances receivable from an officer of a subsidiary	**-**	110,973
	795,426	870,183

8. Asset classified as held for sale

At the end of 2019, the Company decided to discontinue the EMV payment switch of Intangible assets aligned with the Company's strategy to focus on its single and reporting segment, namely, Smart Transactions Processing. Consequently, the EMV payment switch was classified as held for sale.

The carrying amount of asset is summarised as follows:

	December 31, 2019	December 31, 2018
	$	$
Non-current asset		
EMV payment switch	**404,043**	-
Asset classified as held for sale	**404,043**	-

(in Canadian dollars except share and per share amounts)

9. Property and equipment

	Computer equipment	Furniture and fixtures	Total
	$	$	$
Cost			
Balance at January 1, 2019	**319,838**	**55,085**	**374,923**
Additions	**18,636**	**233**	**18,869**
Disposal of a business (Note 6)	**(1,537)**	**(4,626)**	**(6,163)**
Balance at December 31, 2019	**336,937**	**50,692**	**387,629**
Accumulated depreciation			
Balance at January 1, 2019	**281,330**	**41,984**	**323,314**
Depreciation	**20,754**	**3,461**	**24,215**
Disposal of a business (Note 6)	**(1,422)**	**(2,304)**	**(3,726)**
Balance at December 31, 2019	**300,662**	**43,141**	**343,803**
Net Book Value at December 31, 2019	**36,275**	**7,551**	**43,826**
Cost			
Balance at January 1, 2018	292,496	47,435	339,931
Additions	27,342	7,650	34,992
Balance at December 31, 2018	319,838	55,085	374,923
Accumulated depreciation			
Balance at January 1, 2018	264,139	39,302	303,441
Depreciation	17,191	2,682	19,873
Balance at December 31, 2018	281,330	41,984	323,314
Net Book Value at December 31, 2018	38,508	13,101	51,609

10. Leases

The Company leases an office with a term of 1 year. The right-of-use asset and lease liability recognised by the Company relate to office space.

	Total
	$
Right-of-use asset	
Balance as at January 1, 2019	140,457
Addition	157,701
Depreciation	(166,740)
Balance as at December 31, 2019	131,418
Lease liability	
Balance as at January 1, 2019	140,457
Addition	157,701
Interest on lease liability	10,563
Lease payments	(174,720)
Balance as at December 31, 2019	134,001
Less: current portion	134,001
Non-current portion	-

(in Canadian dollars except share and per share amounts)

Principal payments required on long-term lease liability for the coming years are as follows:

	December 31, 2019
	$
Less than one year	140,000
Between one and five years	-
Total	**140,000**

11. Intangible Assets and goodwill

	Licensed software	Customer relationships	Software technology	EMV payment switch	Patents	Assets under development	Total intangibles	Goodwill
	$	$	$	$	$	$	$	$
Cost								
Balance at January 1, 2019	**1**	**1,175,000**	**3,863,093**	**1,028,441**	**80,378**	**77,500**	**6,224,413**	**5,930,466**
Write-off [(a)]	**-**	**-**	**-**	**-**	**(80,378)**	**(77,500)**	**(157,878)**	**-**
Held for sale	**-**	**-**	**-**	**(1,028,441)**	**-**	**-**	**(1,028,441)**	**-**
Disposal of assets (note 6)	**-**	**(1,175,000)**	**-**	**-**	**-**	**-**	**(1,175,000)**	**(1,991,275)**
Balance at December 31, 2019	**1**	**-**	**3,863,093**	**-**	**-**	**-**	**3,863,094**	**3,939,191**
Accumulated amortization and impairment								
Balance at January 1, 2019	**-**	**705,000**	**3,582,280**	**477,478**	**52,764**	**-**	**4,817,522**	**2,500,000**
Amortization	**-**	**117,500**	**140,843**	**146,920**	**3,366**	**-**	**408,629**	**-**
Write-off [(a)]	**-**	**-**	**-**	**-**	**(56,130)**	**-**	**(56,130)**	**-**
Held for sale	**-**	**-**	**-**	**(624,398)**	**-**	**-**	**(624,398)**	**-**
Disposal of assets (note 6)	**-**	**(822,500)**	**-**	**-**	**-**	**-**	**(822,500)**	**-**
Impairment loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,439,191**
Balance at December 31, 2019	**-**	**-**	**3,723,123**	**-**	**-**	**-**	**3,723,123**	**3,939,191**
Net Book Value at December 31, 2019	**1**	**-**	**139,970**	**-**	**-**	**-**	**139,971**	**-**
Cost								
Balance at January 1, 2018	1	1,175,000	3,862,393	1,028,441	80,378	-	6,146,213	5,930,466
Additions	-	-	700	-	-	77,500	78,200	-
Balance at December 31, 2018	1	1,175,000	3,863,093	1,028,441	80,378	77,500	6,224,413	5,930,466
Accumulated amortization and impairment								
Balance at January 1, 2018	-	470,000	3,097,293	330,562	40,022	-	3,937,877	-
Amortization	-	235,000	484,987	146,916	12,742	-	879,645	-
Impairment loss	-	-	-	-	-	-	-	2,500,000
Balance at December 31, 2018	-	705,000	3,582,280	477,478	52,764	-	4,817,522	2,500,000
Net Book Value at December 31, 2018	1	470,000	280,813	550,963	27,614	77,500	1,406,891	3,430,466

(a) Write-off of intangible assets of $101,748 are included in Technology expenses in the Consolidated Statement of Comprehensive Loss.

The goodwill is allocated to the cash-generating units as follow:

	December 31, 2019	December 31, 2018
	$	$
CLO&R	**-**	1,439,191
DMBI	**-**	1,991,275
	-	3,430,466

Impairment testing

For the purpose of annual impairment testing, goodwill is allocated to the cash-generating unit expected to benefit from the synergies of the business combination in which the goodwill arose. All of the Company's goodwill has been allocated to the CLO&R and DMBI cash-generating units.

(in Canadian dollars except share and per share amounts)

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering detailed three-year forecasts for CLO&R and five-year forecasts for DMBI, followed by an extrapolation of expected cash flows using growth rates determined by management. The growth rates reflect the long-term average growth rates for the services of each of the cash-generating units. The discount rates reflect appropriate adjustments relating to the market risk and specific risk factors for each of the cash-generating units.

The key assumptions used for value-in-use calculations are as follows:

	December 31, 2019	December 31, 2018
CLO&R		
Growth rate	**3%**	3%
Discount rate	**28%**	28%
DMBI		
Growth rate	**3%**	3%
Discount rate	**20%**	20%

Growth rate
The growth rates reflect the long-term estimated growth rates for the product of the CGU. A growth rate of 3% is used based on the anticipated trend for the upcoming years.

Discount rate
The discount rate reflects appropriate adjustments relating to market risk and specific risk factors for the CGU.

Cash flow assumptions
Management's key assumptions include cash flow growth based on existing and potential customers. Management believes that this is the best available input for forecasting this growing market. Cash flow projections reflect low increasing profit margins beginning in 2020.

Taking into account the market intelligence from the last three years, management's forecasts in 2019 were updated compared to 2018 cash flow projections. Impairment testing, considering these revised cash flows, resulted in an impairment of goodwill of $1,439,191 and $2,500,000 in 2018 ($1,700,000 in CLO&R and $800,000 in DMBI) recorded in the Consolidated Statement of Comprehensive Loss in "Impairment loss on goodwill".

12. Accounts Payable and Accrued Liabilities

	December 31, 2019	December 31, 2018
	$	$
Accounts payable and accrued liabilities [(a)]	**436,210**	1,298,150
Salaries and related benefits	**71,440**	76,969
Unearned revenues	**180,536**	-
Advance payable to non-controlling interest, without interest	**-**	63,426
	688,186	1,438,545

(a) During the year ended December 31, 2019, the Company settled certain amounts due resulting in a decrease of accounts payable and accrued liabilities in the amount of $105,000 ($160,057 in the year ended December 31, 2018) through the issuance of share capital having a value of $105,000 ($107,709 for the year ended December 31, 2018). In 2018, a gain of $52,348 was recorded in the Consolidated Statement of Comprehensive Loss in "Gain on settlement of liabilities".

During the year ended December 31, 2019, the Company negotiated certain amounts due to suppliers resulting in a decrease of accounts payable and accrued liabilities in an amount of $12,411 ($228,468 in 2018). This gain was recorded in the Consolidated Statement of Comprehensive Loss in "Gain on settlement of liabilities".

In February 2014, the Company assumed a liability in the amount of $1,000,000 for the settlement of a judgement rendered by the Quebec Superior Court issued on December 4, 2013 against two former directors and founders of the Company and the Company with respect to a garnishment issued against the Company pursuant to a judgement issued against the former directors and founders. An amount of $750,000 was paid at signing in

February 2014, and the balance including interest to be paid no later than June 27, 2014. As at December 31, 2017 an amount of $196,690 remained payable.

The Company and UseMyServices Inc. finalized and signed an agreement which settled the dispute between the two parties and the Superior Court homologated the transaction in December 2017. An amount of $536,706 plus interest was remitted to the Company by the bailiff on May 2, 2018.

13. Convertible Debt

2019 Secured Convertible Debentures

During the year ended December 31, 2019, the Company issued $500,000 Unsecured Convertible Debentures that may be converted, at the option of the holder, at any time commencing February 16, 2019 until January 15, 2021 to 3,333,333 (0.15$) common shares of the Company. This convertible debenture bears an annual interest rate of 12%, which is payable semi-annually in cash or in Common Shares at the option of the Holder.

On the transaction date, the fair value of the debt component of the convertible debenture was estimated at $443,195. The Company allocated the fair value of the convertible debenture to the debt component by discounting the future cash flows using a discount rate of 20%. The difference between the fair value of the convertible debenture and the proceeds in the amount of $500,000 was allocated to the equity component.

2016 Secured Convertible Debentures

During the year ended December 31, 2016, the Company issued $500,000 Secured Convertible Debentures that may be converted, at the option of the holder, at any time commencing October 5, 2016 until March 30, 2018 to 3,333,333 (0.15$) common shares of the Company. This convertible debenture bears an annual interest rate of 8%, which is payable quarterly.

On the transaction date, the fair value of the debt component of the convertible debenture was estimated at $305,562. The Company allocated the fair value of the convertible debenture to the debt component by discounting the future cash flows using a discount rate of 25%. The difference between the fair value of the convertible debenture and the proceeds in the amount of $500,000 was allocated to the equity component.

During the year ended December 31, 2018, the remaining $320,000 of these debentures ($180,000 in 2017) and accrued interest of $25,600 ($26,135 in 2017) were fully converted into 2,304,000 common shares (1,320,898 in 2017).

On July 16, 2018, the Company extended the maturity date of a $2,705,566 at 12% interest bearing debenture which is convertible into common shares of the Company at $0.35 per share (the “Debenture”) that was originally issued on September 1, 2016. The Debenture was extended until June 30, 2020.

The following tables summarize the components of the convertible debt:

(in Canadian dollars except share and per share amounts)

	Liability component	Embedded conversion option reserve	Total equity component	Total
	$	$	$	$
Balance at January 1, 2019	**-**	**3,462,531**	**3,462,531**	**3,462,531**
Interest and accretion interest expense	**82,009**	**324,668**	**324,668**	**406,677**
Repayment of convertible debt	**(30,000)**	**-**	**-**	**(30,000)**
Convertible debt issued during the year	**443,195**	**56,805**	**56,805**	**500,000**
Balance at December 31, 2019	**495,204**	**3,844,004**	**3,844,004**	**4,339,208**

	Liability component	Conversion option reserve	Total equity component	Total
	$	$	$	$
Balance at January 1, 2018	311,922	3,136,269	3,136,269	3,448,191
Interest and accretion interest expense	33,678	326,262	326,262	359,940
Convertible debt converted during the year	(345,600)	-	-	(345,600)
Balance at December 31, 2018	-	3,462,531	3,462,531	3,462,531

14. Long-term debt

	December 31, 2019	December 31, 2018
	$	$
Bank term loan, due June 2021, bearing interest at floating base rate plus 3.3% (9.35% as at December 31, 2019 - 9.35% as at December 31, 2018) capital repayable on maturity date and monthly interest payments. This debt is secured by a movable hypothec of $1,000,000 on the universality of the Company's assets [a)]	**1,000,000**	1,000,000
Government loan, due February 2022, without interest repayable in monthly installments of $2,190	**48,197**	74,477
Government loan, due December 2020, bearing interest, at floating base rate plus 2% (5.95% as at December 31, 2019) capital repayable on maturity date and monthly interest payments. This debt is secured by a movable hypothec of $265,920 on the Company's tax credit receivable	**177,280**	-
	1,225,477	1,074,477
Less: current portion [a)]	**(1,203,560)**	(1,026,280)
Non-current portion	**21,917**	48,197

a) Under the credit agreement, the Company is required to comply with the following financial ratios:

- Working Capital ratio of minimum 1.1:1;
- A Term Debt to Tangible Equity Ratio of a maximum of 0.35:1.

As at December 31, 2019, the Company was in breach of the term debt to tangible equity ratio and thus the bank term loan of $1,000,000 was reclassified to current liabilities. As at December 31, 2018, the Company was in breach of the working capital ratio and thus the bank term loan of $1,000,000 was reclassified to current liabilities.

Principal payments required on long-term debt for the coming years are as follows:

	December 31, 2019	December 31, 2018
	$	$
Less than one year	**1,203,560**	1,026,280
Between one and five years	**21,917**	48,197
Total	**1,225,477**	1,074,477

(in Canadian dollars except share and per share amounts)

15. Shareholders' Equity

a) *Share Capital Authorized*

Unlimited number of common voting shares.

Unlimited number of preferred shares without nominal or par value, which may be issued in one or more series, the directors having been authorized to determine the designation rights, privileges, restrictions and conditions attached to the shares.

Movements in the Company's share capital are as follows:

		December 31, 2019		December 31, 2018	
	Note	Number of common shares	Amount	Number of common shares	Amount
			$		$
Balance, beginning of the year		**200,144,815**	**36,281,451**	189,397,749	34,679,708
Shares issued for private placement [(a)]		**16,783,216**	**616,796**	-	-
Shares issued for conversion of convertible debt	13	**-**	**-**	2,133,333	320,000
Shares issued for exercise of warrants [(b)]		**-**	**-**	7,347,167	1,077,644
Shares issued for settlement of liabilities	12	**1,500,000**	**105,000**	695,899	107,709
Share-based payments [(c)]		**250,000**	**12,500**	-	-
Shares issued for exercise of share options		**-**	**-**	400,000	70,790
Shares issued for interest	13	**-**	**-**	170,667	25,600
Balance, end of the year		**218,678,031**	**37,015,747**	200,144,815	36,281,451

(a) During the year ended December 31, 2019, 7,692,307 shares were issued at $0.065 per share (2018 – nil) as part of a private placement for a total cash consideration of $500,000.

In addition, 9,090,909 shares were issued at $0.055 per share as part of a private placement for a total cash consideration of $500,000. As part of the private placement, the investors also received a total of 9,090,909 warrants of the Company exercisable at $0.075. A total of $383,204 of the issue price was allocated to the warrants.

(b) During the year ended December 31, 2018, 7,347,167 shares were issued in relation to the exercise of warrants. A total amount of $1,389,901 from the exercise of warrants was recorded in Share capital.

(c) During the year ended December 31, 2019, the Company issued 250,000 common shares in exchange for services having a fair value of $12,500. The fair value was determined using the fair value of the common shares issued.

b) *Share Purchase Options*

The Company has adopted an incentive stock option plan (the "Stock Option Plan") which provides that the Board of Directors of the Company may, from time to time at its discretion, grant to directors, officers, employees and other key personnel of the Company, options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares exercisable for a period of up to five (5) years. The stock options vest over a period of time approved by the Board of Directors. The price per common share, the number of common shares and all other terms and conditions of the options granted under the Stock Option Plan, which are determined by the members of the board, may be allotted to each director, officer, employee or service providers of the Company.

(in Canadian dollars except share and per share amounts)

Movements in the Company's share Purchase Options are as follows:

	December 31, 2019		December 31, 2018	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
		$		$
Balance, beginning of the year	**9,628,897**	**0.23**	13,241,417	0.24
Granted	**9,867,771**	**0.08**	2,127,400	0.32
Exercised	**-**	**-**	(400,000)	0.15
Forfeited	**(1,002,404)**	**0.30**	(1,126,673)	0.29
Expired/cancelled	**(4,220,674)**	**0.21**	(4,213,247)	0.24
Balance, end of the year	**14,273,590**	**0.13**	9,628,897	0.23
Exercisable options	**7,358,768**	**0.17**	6,815,980	0.23

Outstanding share purchase options as at December 31, 2019 are as follows:

Range of exercise prices	Weighted average residual life span (in years)	Outstanding options	Weighted average exercise price	Exercisable options	Weighted average exercise price
0.05	**4.34**	**83,347**	**0.05**	**83,347**	**0.05**
0.055	**2.47**	**1,670,453**	**0.055**	**1,670,453**	**0.055**
0.075	**2.41**	**318,300**	**0.075**	**-**	**0.075**
0.08	**2.47**	**7,712,324**	**0.08**	**1,285,388**	**0.08**
0.10	**1.91**	**92,500**	**0.10**	**46,250**	**0.10**
0.15	**0.34**	**2,350,000**	**0.15**	**2,350,000**	**0.15**
0.35	**0.99**	**2,046,666**	**0.35**	**1,923,330**	**0.35**
	1.91	**14,273,590**	**0.13**	**7,358,768**	**0.17**

Outstanding share purchase options as at December 31, 2018 are as follows:

Range of exercise prices	Weighted average residual life span (in years)	Outstanding options	Weighted average exercise price	Exercisable options	Weighted average exercise price
0.10	2.91	292,400	0.10	-	0.10
0.15	1.51	5,198,333	0.15	4,173,328	0.15
0.35	2.25	4,138,164	0.35	2,642,652	0.35
	1.87	9,628,897	0.23	6,815,980	0.23

(in Canadian dollars except share and per share amounts)

Share purchase options at the end of the year have the following expiry date and exercise prices:

		Share options	
Expiry date	Exercise price	December 31, 2019	December 31, 2018
January 9, 2020	0.15	1,550,000	2,498,333
February 7, 2020	0.35	-	33,166
May 9, 2020	0.35	250,000	316,666
June 30, 2020	0.35	460,000	530,000
September 28, 2020	0.35	410,000	646,666
November 28, 2020	0.35	316,666	400,000
December 9, 2020	0.15	800,000	2,200,000
January 23, 2021	0.15	-	500,000
February 26, 2021	0.35	345,000	453,333
April 26, 2021	0.35	-	120,000
May 27, 2021	0.35	25,000	208,333
June 7, 2021	0.35	-	750,000
November 26, 2021	0.10	92,500	292,400
May 29, 2022	0.075	318,300	-
June 21, 2022	0.08	7,712,324	-
June 21, 2022	0.055	1,670,453	-
October 16, 2022	0.35	240,000	680,000
May 01, 2024	0.05	83,347	-
		14,273,590	9,628,897

For the year ended December 31, 2018, 400,000 share options were exercised for cash proceeds of $60,000. An amount of $10,790 was transferred from option reserve to share capital. The weighted average share price at the date of exercise was $0.15.

An amount of $162,224 has been expensed as share-based payment awards for the year ended December 31, 2019 (2018 – $219,375). The offsetting credit has been recorded as option reserve. The stock-based compensation expense was calculated according to the weighted average fair value of options granted based on the Black-Scholes valuation model using the assumptions shown below based on the expected number of options expected to vest. The volatility on the Company's common shares was estimated based on historical information over the expected life of the options.

On June 6, 2018 the Company issued 750,000 stock options at an exercise price of $0.35 having a grant date fair value of $0.066 per option in compensation for investor relation services to be provided for a minimum of six months. The options expire 30 days after the expiration of the agreement and will be recorded over the expected life of the agreement. A credit amount of $2,548 was recorded during the year ended December 31, 2019 due to an over provision recorded in 2018 (2018 – $39,725).

The fair value of each option granted was estimated on the grant date using the Black-Scholes option pricing model, using the following assumptions range:

	December 31, 2019	December 31, 2018
Share price	**$0.05 to $0.06**	$0.08 to $0.15
Exercise price	**$0.05 to $0.08**	$0.10 to $0.35
Risk-free interest rate	**1.4% to 1.55%**	1.9% to 2.26%
Expected life	**3 to 5 years**	2 to 3 years
Expected estimated volatility	**133% to 139%**	123% to 139%
Dividend yield	**nil**	nil
Fair value of options granted	**$0.03 to $0.04**	$0.04 to $0.10

The volatility on the Company’s common shares was estimated based on historical information over the expected life of the options.

(in Canadian dollars except share and per share amounts)

c) Other Equity Accounts

	December 31, 2019	December 31, 2018
	$	$
Contributed Surplus	**13,072,387**	8,594,675
Option reserve	**761,658**	892,070
Warrant reserve	**418,651**	4,223,071
Balance, end of the year	**14,252,696**	13,709,816

d) Contributed Surplus

Changes during the year in the Company's Contributed surplus were as follow:

	December 31, 2019	December 31, 2018
	$	$
Balance, beginning of the year	**8,594,675**	8,158,189
Warrants expired or cancelled	**4,187,624**	304,454
Stock options expired or cancelled	**290,088**	132,032
Balance, end of the year	**13,072,387**	8,594,675

e) Option reserve

Changes during the year in the Company's Option reserve were as follow:

	December 31, 2019	December 31, 2018
	$	$
Balance, beginning of the year	**892,070**	775,792
Stock based payments	**159,676**	259,100
Stock options expired or cancelled	**(290,088)**	(132,032)
Stock options exercised	**-**	(10,790)
Balance, end of the year	**761,658**	892,070

f) Warrant reserve

Changes during the year in the Company's Warrant reserve were as follow:

	December 31, 2019			December 31, 2018		
	Number of warrants	Amount	Weighted average exercise price	Number of warrants	Amount	Weighted average exercise price
	$	$	$	$	$	$
Warrants issued and outstanding						
Balance, beginning of the year	**23,097,857**	**4,223,071**	**0.45**	30,244,387	4,476,094	0.27
Expired/cancelled during the year	**(22,870,584)**	**(4,187,624)**	**0.45**	(6,199,363)	(304,454)	0.18
Issued during the year [a)]	**9,090,906**	**383,204**	**0.075**	6,400,000	339,257	0.45
Exercised during the year	**-**	**-**	**-**	(7,347,167)	(287,826)	0.15
Balance, end of the year	**9,318,179**	**418,651**	**0.08**	23,097,857	4,223,071	0.45

(a) During the year ended December 31, 2019, in connection with a private placement, the Company issued 9,090,909 warrants valued at $383,204.

During the year ended December 31, 2018, 6,200,000 warrants were exercised in relation to a warrant incentive program offered by the Company. The historical value of the warrants originally recorded in the warrant reserve was $248,000. The total value (including the cash proceeds of $930,000 received upon the exercise of the options) was recorded as $328,000 in the warrant reserve for the new warrants issued as a result of this program and $850,000 in capital stock.

(in Canadian dollars except share and per share amounts)

The fair value of the warrants issued was estimated using the Black-Scholes option pricing model, using the following assumptions:

	December 31, 2019	December 31, 2018
Share price	**$0.05**	$0.175
Exercise price	**$0.075**	$0.10 to $0.46
Risk-free interest rate	**1.66%**	1.90%
Expected life	**5 years**	1 year
Expected estimated volatility	**134%**	139%
Dividend yield	**nil**	nil
Weighted average fair value of warrants issued	**$0.04**	$0.05

The volatility on the Company's common shares was estimated based on historical information over the expected life of the warrants.

Warrants outstanding at the end of the year have the following expiry dates and exercise prices:

			Warrants
Expiry date	Exercise price	December 31, 2019	December 31, 2018
April 21, 2019	0.35	**-**	1,041,666
April 21, 2019	0.46	**-**	21,828,918
November 21, 2020	0.08	**27,273**	27,273
December 30, 2021	0.10	**200,000**	200,000
May 21, 2024	0.075	**9,090,906**	-
		9,318,179	23,097,857

16. Net Financial Expenses

Financial expenses comprise of the following:

	December 31, 2019	December 31, 2018
	$	$
Interest income	**(17,036)**	(36,258)
Interest and banking fees	**64,746**	22,102
Interest expense on demand debt and long-term debt	**107,267**	121,937
Interest and accretion interest expense	**82,009**	33,678
Interest on lease liabilities (note 10)	**10,563**	-
Foreign exchange loss	**22,616**	88,782
Total finance expenses before discontinued operations	**270,165**	230,241
Discontinued operations	**(1,261)**	(20,407)
Total finance expenses	**268,904**	209,834

(in Canadian dollars except share and per share amounts)

17. Income taxes

Tax expense comprise:

	December 31, 2019	December 31, 2018
	$	$
Current tax expense (recovery) in respect of the current year	**16,950**	(40,869)
Total curent tax	**16,950**	(40,869)
Deferred tax recovery relating to the reversal of temporary differences	**(11,168)**	(110,408)
Total recovery of deferred tax	**(11,168)**	(110,408)
Tax expense (recovery) for the year	**5,782**	(151,277)

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the Canadian tax rate applicable to income (loss) of the consolidated entities as follows:

	December 31, 2019	December 31, 2018
	$	$
Loss before tax	**(5,713,940)**	(7,672,726)
Tax rate applicable to income in Canada	**26.6%**	26.7%
Income taxes at statutory tax rate	**(1,519,908)**	(2,048,618)
Tax effects of:		
Impairment loss on goodwill	**382,825**	667,500
Expenses not deductible for tax purposes	**60,826**	68,086
Impact of difference in the tax rate of subsidiaries	**43,388**	(15,006)
Tax benefit not recognized	**1,363,276**	1,160,399
Use of tax losses for which no benefit has been recorded	**(300,269)**	-
Other	**(24,356)**	16,362
Tax expense (recovery) for the year	**5,782**	(151,277)

	December 31, 2018	Recognized in profit or loss	December 31, 2019
	$	$	$
Non-current assets			
Intangible assets	**48,261**	**(11,168)**	**37,093**
	48,261	**(11,168)**	**37,093**

	December 31, 2017	Recognized in profit or loss	December 31, 2018
	$	$	$
Non-current assets			
Intangible assets	**141,158**	**(92,897)**	**48,261**
Non-current liability			
Convertible debt	**17,511**	**(17,511)**	**-**
	158,669	**(110,408)**	**48,261**

Unrecognized deductible temporary differences for which no deferred tax assets have been recognized are presented in the following table. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilize the benefits therefrom.

(in Canadian dollars except share and per share amounts)

	December 31, 2019	December 31, 2018
	$	$
Share issue costs	**486,301**	660,789
Operating tax losses carried forward	**41,233,000**	36,054,000
	41,719,301	36,714,789

As at December 31, 2019, the Company had non-capital losses for Canadian income tax purposes which expire as follow:

	2019
	$
2031	**1,173,000**
2032	**3,930,000**
2033	**5,187,000**
2034	**8,393,000**
2035	**3,602,000**
2036	**3,812,000**
2037	**6,149,000**
2038	**3,828,000**
2039	**5,159,000**
Total	**41,233,000**

18. Financial Instruments

The Company is exposed to various financial risks resulting from its operations. The Company's management manages financial risks. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes.

a) Measurement categories

The following table shows the carrying values of assets and liabilities for each category as at December 31, 2019 and December 31,2018:

	December 31, 2019	December 31, 2018
	$	$
Assets		
Amortized cost		
Cash and cash equivalents	**1,037,511**	479,803
Trade and other receivables (excluding sales tax and tax credit receivable)	**188,203**	562,856
Total loans and receivables	**1,225,714**	1,042,659
Liabilities		
Amortized cost		
Accounts payable and accrued liabilities (excluding salaries and related benefits)	**616,746**	1,361,576
Demand debt	**-**	150,000
Convertible debt	**495,204**	-
Long-term debt	**1,225,477**	1,074,477
Total amortized cost	**2,337,427**	2,586,053

b) Fair value

The net carrying amount of the cash and cash equivalents, trade and other receivables (excluding non-financial assets) and accounts payable and accrued liabilities (excluding non-financial liabilities) is considered a reasonable approximation of fair value since all amounts are short-term in nature.

The fair values of the convertible debt and demand debt are approximately equal to their carrying value due to their short-term maturity dates. The fair value of the long-term debt is not significantly different than its carrying amount and its estimated using a discounted cash flow approach, which discounts the contractual cash flows using discount rates derived from observable market interest rates of similar loans with similar risk. These debts have been categorized within Level 2 of the fair value hierarchy.

(in Canadian dollars except share and per share amounts)

c) Market Risk

The Company's main financial risk exposure are as follow:

i. Interest Rate Risk

The Company has short-term debt that is exposed to risks associated to fluctuations in interest rates. In 2019, the Company entered into financing agreements that bear interest at the Canadian prime rate plus 2% (2018 – nil). As at December 31, 2019, the short-term debt bears interest at the Canadian prime rate plus 2% (2018 – nil) is $177,280 (2018 – nil).

The Company has a long-term debt that is exposed to risks associated to fluctuations in interest rates. The Company entered into financing agreements that bear interest at the Canadian prime rate plus 3.3% (3.3% for long-term debt in 2018). As at December 31, 2019, the long-term debt bears interest at the Canadian prime rate plus 3.3% (3.3% for long-term debt in 2018) is $1,000,000 ($1,000,000 in 2018). Based on the balance outstanding on December 31, 2019 and December 31, 2018, a variation in the Canadian prime rate of 1% would not have a material impact on the consolidated financial statements.

ii. Foreign Exchange Risk

The functional currency of the Company is the Canadian dollar. The Company is exposed to foreign exchange risk as a portion of its monetary balances are denominated in U.S, dollars, Philippine Pesos and Argentina Pesos. The Company is, therefore, exposed to gains and losses due to fluctuations in these currencies. The Company does not use derivatives to manage the exposure to foreign exchange risk.

The Company has balances of cash and cash equivalents, receivables, and payables in foreign currencies and is therefore exposed to foreign exchange risk on these amounts. The balances in foreign currencies as at December 31, 2019 and 2018 are as follows:

		December 31, 2019	
	U.S. Dollars	Philippine Peso	Argentina Peso
Cash and cash equivalents	**44,655**	**-**	**991,398**
Trade and other receivables	**50,158**	**-**	**4,680,928**
Accounts payable and accrued liabilities	**(757)**	**-**	**(1,787,099)**
Net balance	**94,056**	**-**	**3,885,227**
CA$	**122,161**	**-**	**84,286**

		December 31, 2018	
	U.S. Dollars	Philippine Peso	Argentina Peso
Cash and cash equivalents	80,271	318,752	480,381
Trade and other receivables	45,531	604,428	2,882,196
Accounts payable and accrued liabilities	(43,974)	(4,074,686)	(1,397,107)
Net balance	81,828	(3,151,506)	1,965,470
CA$	111,630	(81,819)	71,320

Based on the Company's foreign currency exposures noted above, varying the above foreign currency reporting date exchange rates to reflect a 5% appreciation of the U.S. dollar, Philippine Peso and Argentina Peso would have had the following impact on the comprehensive loss, assuming all other variables remained constant.

(in Canadian dollars except share and per share amounts)

	December 31, 2019		
	U.S. Dollars	Philippine Peso	Argentina Peso
	$	$	$
(Decrease) increase in Net loss and equity	**(8,804)**	**12,358**	**15,074**

	December 31, 2018		
	U.S. Dollars	Philippine Peso	Argentina Peso
	$	$	$
Increase in Net loss and equity	13,366	9,008	10,536

A 5% depreciation of these currencies would have an equal but opposite effect on the net loss, assuming all other variables remained constant.

d) Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to credit risk consist of Cash and cash equivalents, Trade and other receivables (except sales tax and tax credit). The Company offsets these risks by depositing its cash with international financial institutions with low risk credit ratings. The credit risk related to Trade and other receivables is not significant due to the Company's short collection terms and the creditworthiness of its customers.

e) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. (Refer to Note 2b) Going concern)

The Company's Bank term loan is secured by a movable hypothec of $1,000,000 on the universality of the Company's assets ($1,000,000 in 2018). The Company manages liquidity risk through the management of its capital structure and financial leverage, as outlined in the capital disclosures discussion in Note 19 below. It also manages liquidity risk by continuously monitoring actual and projected cash lows. The Board of Directors reviews and approves the Company's operating and capital budgets, as well as any material transactions out of the ordinary course of business. Additionally, a large portion of the Company's accounts payable and debts is owed to management and/or other stakeholders of the Company.

The following tables present the contractual maturities of financial liabilities:

	December 31, 2019				
	Carrying amount	Contractual cash flows	Less than one year	2 -5 years	Over 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	**616,746**	**616,746**	**616,746**	**-**	**-**
Convertible debt	**495,204**	**590,000**	**60,000**	**530,000**	**-**
Bank term loan and Government loan	**1,225,477**	**1,372,042**	**1,342,848**	**29,194**	**-**
	2,337,427	**2,578,788**	**2,019,594**	**559,194**	**-**

	December 31, 2018				
	Carrying amount	Contractual cash flows	Less than one year	2 -5 years	Over 5 years
	$	$	$	$	$
Accounts payable and accrued liabilities	1,361,576	1,361,576	1,361,576	-	-
Demand debt	150,000	210,000	200,000	10,000	-
Bank term loan and Government loan	1,074,477	1,314,282	1,122,085	192,197	-
	2,586,053	2,885,858	2,683,661	202,197	-

(in Canadian dollars except share and per share amounts)

19. Capital Management

The Company defines capital as total equity, demand debt, convertible debt, and long-term debt.

	December 31, 2019	December 31, 2018
	$	$
Total equity	**83,047**	3,749,392
Demand debt	**-**	150,000
Convertible debt	**495,204**	-
Long-term debt	**1,225,477**	1,074,477
	1,803,728	4,973,869

The Company's objectives in managing capital are to:

- Ensure financial capacity to meet current obligations is maintained and continue as a going concern;
- Ensure financial capacity to execute strategic plans is maintained; and
- Prevent capital erosion.

In order to manage capital, the Company regularly identifies and assesses risks that threaten the ability to meet the Company's capital management objectives and determines the appropriate strategy to mitigate these risks. The Company is not subject to any externally imposed capital requirements.

20. Related Party transactions

The following tables summarize the transactions and balances outstanding with related parties of the Company:

	December 31 2019	December 31 2018
	$	$
Transactions:		
Contract labor and professional fees paid to officers and directors [a)]	**-**	25,500

	December 31 2019	December 31 2018
	$	$
Balances outstanding:		
Amounts due to directors and other members of the Company's key management personnel, without interest	**212,061**	212,243

a) There are service contracts between the Company and key management personnel according to which the latter provide advisory and management services to the Company in exchange for fees.

The remuneration of directors and other members of key management personnel during the year was as follow:

	December 31 2019	December 31 2018
	$	$
Salaries, benefits, commissions and consulting fees	**633,883**	884,432
Share-based compensation	**94,949**	110,433
	728,832	994,865

(in Canadian dollars except share and per share amounts)

21. Information included in the consolidated statements of cash flows

	December 31, 2019	December 31, 2018
	$	$
Changes in non-cash working capital items		
Trade and other receivables	**(47,261)**	696,383
Prepaid expenses	**50,481**	118,129
Accounts payable and accrued liabilities	**(424,594)**	(1,032,182)
Income taxes payable	**-**	(69,398)
	(421,374)	(287,068)

The changes in the Company's liabilities other than lease liability (see note 10) arising from financing activities can be classified as follows:

	Convertible debt	Demand debt	Long-term debt	Total
	$	$	$	$
Balance at January 1, 2019	**-**	**150,000**	**1,074,477**	**1,224,477**
Cash-flows:				
Repayment	**(30,000)**	**(150,000)**	**(26,280)**	**(206,280)**
Proceeds	**500,000**	**-**	**177,280**	**677,280**
Non-cash:				
Interest and accretion interest expense	**82,009**	**-**	**-**	**82,009**
Convertible debt issued presented as equity	**(56,805)**	**-**	**-**	**(56,805)**
Balance at December 31, 2019	**495,204**	**-**	**1,225,477**	**1,720,681**
Balance at January 1, 2018	311,922	250,000	1,110,757	1,672,679
Cash-flows:				-
Repayment	-	(50,000)	(36,280)	(86,280)
Non-cash:				
Interest and accretion interest expense	33,678	-	-	33,678
Converted during the year	(345,600)	-	-	(345,600)
Reclassification	-	(50,000)	-	(50,000)
Balance at December 31, 2018	-	150,000	1,074,477	1,224,477

22. Segmented Reporting

The Company operates and reports its results in a single reportable and operating segment (2018 – three), namely Smart Transactions processing. Previously, the divisional structure and its three reportable and operating segments were Payments, CLO&R and DMBI. This new reportable and operating segment is monitored by the Company's chief decision maker and is aligned with the organizational structure and strategic direction of the Company. The segments do not earn any inter-segment revenues. The Company also operates in five (2018 – two) different geographical regions.

(in Canadian dollars except share and per share amounts)

The Company's financial information by reportable segments for 2018 is as follows:

					December 31, 2018
	Payments	CLO&R	DMBI	Unallocated	Consolidated
Revenues from external customers	252,488	372,343	-	-	**624,831**
Total operating expenses	(440,448)	(3,731,994)	(1,900,242)	(2,015,039)	**(8,087,723)**
Operating loss	(187,960)	(3,359,651)	(1,900,242)	(2,015,039)	**(7,462,892)**
Net financial expenses	-	(78,194)	(6,020)	(125,620)	**(209,834)**
Net loss from continuing operations before income taxes	(187,960)	(3,437,845)	(1,906,262)	(2,140,659)	**(7,672,726)**
Net earnings (loss) from discontinued operations	(186,200)	-	431,935	-	**245,735**
Net loss before income taxes	**(374,160)**	**(3,437,845)**	**(1,474,327)**	**(2,140,659)**	**(7,426,991)**

The Company's financial information by geographic location is as follows:

	December 31, 2019	December 31, 2018
	$	$
Sales from external customers from continuing operations		
North America	**257,175**	-
Latin America	**806,688**	624,831
	1,063,863	624,831

All of the Company's non-current assets are located in Canada.

23. Contingent liabilities

Through the normal course of operations, the Company may be exposed to a number of lawsuits, claims and contingencies. Provisions are recognized as liabilities in instances when there are present obligations and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and where such liabilities can be reliably estimated. Although it is possible that liabilities may be incurred in instances where no provision has been made, the Company has no reason to believe that the ultimate resolution of such matters will have a material impact on its financial position.

24. Subsequent events

Bridge Loan

On March 4, 2020, the Company repaid its $177,280 government loan following the receipt of its 2018 e-business ta credits ("CDAE credits") payments from tax authorities.

On March 27, 2020, the Company completed through its wholly owned subsidiary, First Equity Strategy LLC, a $201,100 bridge loan with Investissement Québec secured against its CDAE credits for the 2019 year which are expected to total $268,205. A first instalment of $160,880 has been received to date, while the balance will be disbursed when the company files its 2019 tax return. The bridge loan shall bear interest at a rate of two percent (2.5%) over the prevailing prime lending rate, payable monthly, and is repayable upon receipt by the Company of the 2019 CDAE payments from tax authorities, but no later than December 31, 2021. The bridge loan is also subject to other customary terms and conditions.

Coronavirus

Subsequent to year-end, an outbreak of a new strain of coronavirus (COVID-19) resulted in a major global health crisis which continues to have impacts on the global economy and the financial markets at the date of completion of the financial statements.

These events are likely to cause significant changes to the assets or liabilities in the coming year or to have a significant impact on future operations. Following these events, the Company has renegotiated the interest rate for its bank term loan to 0.00% for the next six months from March 15, 2020 up to September 14, 2020. Also, the Company received a moratorium on loan repayment due in April, May and June 2020 for one of its government loans with monthly installments of $2,190. Finally, the Company proceeded with significant temporary layoffs. However, it is impossible going forward to determine the financial implications of these events for the moment.