POSaBIT Systems Corporation

Management's Discussion and Analysis

Year ended December 31, 2024

(Expressed in United States dollars)

April 24, 2025

*This management discussion and analysis ("**MD&A**") has been prepared based on information available to POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**") as at April 24, 2025. This MD&A is based on information available to POSaBIT up to the date of this MD&A and should be read in conjunction with the Company's audited consolidated financial statements and the related notes as at and for the years ended December 31, 2024 and 2023 (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and all amounts are expressed in United States dollars unless otherwise noted. Other information contained in this MD&A has also been prepared by management and is consistent with the data contained in the Consolidated Financial Statements. Additional information relating to the Company can be found on the Company's website at www.posabit.com.*

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

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures (**"DC&P"**) and/or ICFR, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

This document contains "forward-looking statements", which may include, but are not limited to, statements with respect to the future financial or operating performance of POSaBIT or future events related to POSaBIT, which reflect expectations regarding growth, results of operations, performance, business prospects or opportunities or industry performance or trends. These forward-looking statements reflect POSaBIT's current internal projections, expectations or beliefs and are based on information currently available to POSaBIT. Often, but not always, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "predict", "potential", "continue", "budget", "schedule", "estimate", "forecast" or variations (including negative variations) of such words and phrases, or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward- looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, performance or achievements expressed or implied by the forward-looking statements to differ materially from those anticipated in such statements. Such factors include, among others: general business, economic, competitive, political and social uncertainties; changes in labour costs and other costs of materials, equipment or processes to operate as anticipated; the ability to attract and retain qualified personnel; market competition; governmental regulation and approvals; and, the factors discussed in the ***Other risks and uncertainties*** section of this MD&A. Although POSaBIT has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this MD&A and, unless otherwise required by applicable securities laws, POSaBIT disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

General

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

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

Any reference to "**note**" or "**notes**" in this MD&A refer to the Notes to the Consolidated Financial Statements.

The Company's head office is located at 4786 1st Ave. S., Suite 10, Unit E2, Seattle, WA, 98134. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K0A1. The Company's operations primarily involve the development and sale of point-of-sale software and payments services.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on April 23, 2025.

The Company's newly-adopted standards and its accounting policies are detailed in notes 3 and 4, respectively, of the Consolidated Financial Statements.

Principal Business and Stated Business Objectives

POSaBIT is a financial infrastructure provider to the Cannabis sector. POSaBIT offers the following solutions, point of sale software as a service and cashless payments. POSaBIT's products allow merchants to provide a normalized retail experience to their customers.

POSaBIT Point of Sale is its cornerstone product, it tracks all sales, integrates full customer history and preferences, and offers integrated debit and ACH payment options.

Extraordinary Events

Impairment of revenue-generating equipment

For the year ended December 31, 2024, the Company recorded a one-time impairment to revenue-generating equipment in the amount of $410,062, to account for obsolescence. The charge reduced the net book value to zero.

Legal Settlement

During the third quarter of 2024, the Company settled (the "**Settlement**") a lawsuit with an agent in the amount of $350,000. The terms of the Settlement required the Company to make an initial payment of $225,000 and further five payments of $25,000/month. As at the date of this MD&A, the Company has made full payment of the Settlement.

(Expressed in United States dollars)

Transaction costs

The Company recorded the following transaction costs for the years ended December 31, 2024 and 2023:

	2024	2023
	$	$
Abandoned acquisition costs	-	294,132
Advisory warrant accretion	68,062	46,874
Interest deferral fees	50,000	-
Legal and advisory fees	86,614	-
Shareholder settlement	-	129,110
Software integration costs	6,300	68,820
	210,976	538,936

Financial position

As of December 31, 2024, the Company had assets totaling $8,603,730 and shareholders' equity of $458,939. This compares with assets of $13,161,317, as restated and shareholders' equity of $5,309,513, as of December 31, 2023.

During the year ended December 31, 2024, the Company's net assets decreased by $5,895,905 from the 2023 financial position, the result of a decrease in assets of $5,602,918 supplemented by an increase in liabilities of $292,987.

The significant changes in the Company's net assets are detailed as follows:

Item	**Change**	**Explanation of change**
	$	
Cash	(523,079)	Cash used for operations of $515,262 (which is inclusive of a cash payment of $275,000 on an existing lawsuit-note 24.3) less cash used for financing activities of $127,817 plus cash provided from financing activities of 120,000.
Accounts receivable	(395,736)	Decrease in accounts receivable is due to normal operational variation in timing of receipts.
Prepaid expenses and other assets	(151,189)	The decrease mainly due to lower insurance prepaids.
Inventory	86,088	The Company's inventory levels increased due to equipment purchased at year-end for installations scheduled during the first quarter of 2025.
Equipment	(29,228)	Change due entirely to depreciation.
Revenue-generating equipment	(820,125)	Depreciation of approximately $410,000 plus write-off of obsolete equipment of approximately $410,000.
Right-of-use asset	(122,902)	Change due entirely to depreciation.

(Expressed in United States dollars)

Item	Change	Explanation of change
	$	
Deposit	(120,000)	Return of the Company's surety bond provided to meet the obligations of its Money Transfer Licence, no longer required.
License asset (current and non-current portions)	(2,481,416)	See note 10 for contract asset details.
Accounts payable and accrued liabilities	(356,433)	Increase in payables and accruals is due to normal operational variation in timing of payments.
Income tax payable	9,642	Reflects the payment of a portion of outstanding federal taxes payable.
Credit facility	(68,062)	Change entirely due to accreted interest. See note 14.
Lease liability (current and non-current portions)	122,581	See note 12 for details.
SBA loan	(715)	Increase in balance due reflects current year interest accretion of $8,755 less repayments of $8,040.
	(5,895,905)	

Operations

Revenue streams

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

1.1 Payment Services

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

Transaction fees - Each debit charge to the merchant is variable based on contracted percent of transaction fee, paid by merchant. In addition, the Company also charges a "per swipe" fee paid by the merchant.

Set-up fees - Installation fees to each merchant.

Assessment and authorization/decline fees - Each merchant is responsible for paying a small decline fee for all declined transactions. This is charged to POSaBIT and billed to the merchant on a monthly basis.

Subscriptions fees - The only subscription fees for payments is a monthly portal reporting fee and cellular charges (if the merchant has a cell plan associated with the payments terminal).

Hardware sales or rentals – Fees charged to merchants for the sale or rental of hardware.

(Expressed in United States dollars)

1.2 POS Services

POS Services comprise the following revenue-generating transaction services:

Subscription fees – Charges to the merchant for a monthly or yearly subscription fee per terminal/console or per location. This fee is negotiated on a case-by-case basis with each merchant based on the volume of transactions and size of the merchant installation. Traditionally these charges will range from $99 to $299 per terminal per location based on store and volume discounts.

Set-up fees - Installation fees per location.

Hardware sales - POSaBIT charges the merchant for the purchase of the hardware.

1.3 License of technology and support services

In 2022, the Company entered into a multi-year royalty agreement (the "**License Agreement**") with a large *Cannabis* technology company ("**Licensee**"). Details are disclosed below.

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

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

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

The license of technology includes a significant financing component because of the extended payment terms, resulting in a discounted contract asset.

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

(Expressed in United States dollars)

	$
Balance, December 31, 2022 (as restated)	8,029,317
Add: interest income	1,055,959
Add: reversal of deferred revenue	901,250
Less: amounts received	(1,031,089)
Balance, December 31, 2023	8,955,437
Add: interest income	**891,729**
Add: Reversal of deferred income	**1,545,000**
Less: amount received	**(4,918,145)**
	6,474,021
Less: Current portion	**(3,559,270)**
Balance, December 31, 2024	**2,914,751**

Personnel and operational jurisdictions

At December 31, 2024, the Company had 45 full-time employees and 2 full-time contractors and operates in 21 states. Product development efforts focused on incremental feature enhancements to the payment service as well certifying the POSaBIT point-of-sale platform in states that have recently approved cannabis retail sales.

Selected annual financial information

	December 31, 2024	December 31, 2023	December 31, 2022
	$	$	$
Consolidated statements of earnings (loss)			
Revenue	**15,273,846**	43,575,060	46,801,122
Gross margin	**7,004,529**	9,222,019	19,594,702
Total operating expenses	**(12,175,821)**	(18,769,176)	(17,410,868)
Other income (expenses)	**(557,307)**	(3,978,073)	3,520,721
Earnings (loss) prior to income taxes	**(5,728,599)**	(13,525,230)	5,704,555
Earnings (loss)	**(5,716,359)**	(13,760,430)	5,433,667
Consolidated statements of cash flow			
Cash provided from (used for) operations	**(515,262)**	(7,429,664)	3,113,743
Cash provided from (used for) investing activities	**120,000**	(1,954,290)	(330,669)
Cash provided from (used for) financing activities	**(127,817)**	7,829,869	(4,125,622)
Decrease in cash	**(523,079)**	(1,554,085)	(1,342,548)
Consolidated statements of financial position			
Cash	**999,076**	1,522,155	3,076,240
Total assets	**8,603,730**	13,161,317	15,233,691
Total liabilities	**(8,144,791)**	(7,851,804)	(9,640,605)
Shareholders' equity (deficiency)	**458,939**	5,309,513	5,593,086

(Expressed in United States dollars)

	December 31, 2024	December 31, 2023	December 31, 2022
	$	$	$
Earnings per share			
Basic earnings (loss) per common share	**(0.037)**	(0.093)	0.040
Diluted net earnings (loss) per common share	**(0.037)**	(0.093)	0.038
	#	#	#
Weighted average common shares outstanding	**156,383,047**	148,737,752	135,434,137
Diluted weighted average common shares outstanding	**156,383,047**	148,737,752	145,016,997

Summary of quarterly results

	4th Quarter 2024	**3rd Quarter 2024**	**2nd Quarter 2024**	**1st Quarter 2024**
	$	**$**	**$**	**$**
Revenues	**3,150,199**	**4,082,537**	**4,264,005**	**3,777,105**
Gross margin	**1,692,227**	**1,631,891**	**2,190,607**	**1,489,804**
Total operating expenses	**(2,549,792)**	**(3,374,492)**	**(2,829,634)**	**(3,421,903)**
Other (expenses) income	**(392,987)**	**(341,341)**	**185,066**	**(8,045)**
Net earnings (loss) prior to income taxes	**(1,250,552)**	**(2,083,942)**	**(453,961)**	**(1,940,144)**
Net earnings (loss)	**(1,238,312)**	**(2,083,942)**	**(453,961)**	**(1,940,144)**
Basic earnings (loss) per common share	**(0.008)**	**(0.013)**	**(0.003)**	**(0.012)**
Diluted net earnings (loss) per common share	**(0.008)**	**(0.013)**	**(0.003)**	**(0.012)**
Total assets	**8,603,730**	**10,643,769**	**11,803,169**	**11,829,843**
Total liabilities	**(8,144,791)**	**(8,905,037)**	**(8,503,044)**	**(7,993,325)**
Shareholders' equity	**458,939**	**1,738,732**	**3,300,125**	**3,836,518**
Cash dividends declared per common share	**-**	**-**	**-**	**-**

	4th Quarter 2023	3rd Quarter 2023	2nd Quarter 2023	1st Quarter 2023
	$	$	$	$
Total revenues	5,022,755	13,586,420	13,474,295	11,491,590
Gross margin (loss)	992,558	3,185,843	2,719,294	2,324,324
Total operating expenses	(4,055,214)	(3,445,246)	(6,034,562)	(5,234,154)
Other expenses (income)	1,699,520	(7,231,013)	1,680,316	(126,896)
Loss prior to income tax	(1,373,136)	(7,490,416)	(1,634,952)	(3,036,726)
Earnings (loss)	(1,415,857)	(7,490,016)	(1,827,831)	(3,036,726)
Basic loss per common share	(0.012)	(0.050)	(0.010)	(0.020)
Diluted loss per common share	(0.012)	(0.050)	(0.010)	(0.020)
Total assets	13,161,317	20,379,615	27,785,516	22,774,089
Total liabilities	(7,851,802)	(13,339,316)	(13,516,696)	(13,461,421)
Shareholders' equity (deficiency)	5,309,515	7,040,299	14,268,820	9,312,668
Cash dividends declared per common share	-	-	-	-

Results of operations

POSaBIT had a major change in how it processed payments in 2024. This change resulted in a change in the method of payment processing and thus reduced overall top line revenue. In 2023 there were both merchant fees and consumer fees per transaction, in 2024 there were only consumer fees. This drove down top line revenue significantly as most of the merchant fees were reimbursed via rebates that reduced revenues. The net effect for 2024 is a large drop in top line revenue but a much smaller and explainable drop in Gross Margin dollars. POSaBIT also significantly cut operating expenses in 2024 vs. 2023.

While top line payments revenue dipped in 2024, POSaBIT did see a large increase in the revenue associated with the Point of Sale business. This is due to a nearly 50% increase in the number of new merchants using the POSaBIT Point of Sale in 2024. This is a strong testament to the quality of our point of sale product and our ability to generate annual recurring revenue stream from subscription fees.

During 2024, the Company changed its product mix: In 2023, it offered a PIN Debit payments product wherein the gross revenue included both customer and merchant fees that were collected, with an offset of those merchant fees in cost of sales. Commencing in 2024, the Company offers a Point of Banking product, wherein customer fees, less merchant rebates, are included in gross revenue. This product change resulted in a reduction to reported revenue with a reduction to its reported cost of sales. For comparative purposes, this change does not impact the economics of the products provided by the Company as its report gross margin is not materially affected. The change in product mix does not represent a change in accounting policy with regard to revenue recognition.

Year ended December 31, 2024 and December 31, 2023

POSaBIT incurred losses during 2024 and 2023. Operating loss for the year was $5,171,292 (2023 – $9,547,157). Net loss for the year was $5,716,359 (2023 – $13,760,430) or $(0.037) (2023 - $(0.093)) per share.

Revenues of $15,273,846 *(2023 - $43,575,060)*

The decrease of approximately $28,538,000 from 2023, is attributable to a reduction in Payment Services offset by an increase in POS Services of approximately $237,000.

The POS Services increased revenue was primarily the result of increased merchant hardware sales and subscriptions of approximately $645,000, offset by reduced rental revenue of approximately $408,000.

Cost of sales of $8,269,317 *(2023 - $34,353,041)*

Processing Fees of $6,351,158 (2023 - $30,495,245)

The decrease of approximately $24,000,000 from 2023, is attributable to the decrease in overall volume of processing transactions as well as a shift in only recognizing consumer fees in revenue for the new payments system in 2024, see Results of Operations preamble.

Software License Fees of $288,207 (2023 - $654,041)

The decrease of approximately $366,000 over 2023, is result of better scale of the operations within our hosting environments as well as new reduced pricing for software tools for sales and operations.

Hardware cost of sales of $1,147,312 (2023 - $1,364,385)

The slight decrease of approximately $217,000 from 2023, is due to better pricing on hardware in 2024.

Sales labor and commissions of $482,640 (2023 - $1,839,370)

The decrease of approximately $1,357,000 from 2023, is attributable to a reduced sales force in early 2024 and the limited use of channel partners for sourcing new merchant relationships compared to the prior year.

Operating expenses of $12,175,821 *(2023 - $18,769,176)*

Administrative expenses of $8,983,721 (2023 - $13,153,127)

The decrease of approximately $4,200,000 from 2023, is primarily attributable to a reduction of staff in early 2024. See detailed variances below:

General of $1,459,508 (2023 - $1,874,193)

The decrease of approximately $415,000 from 2023 is mainly attributable to decreased insurance, postage and shipping and recruiting fees totaling $160,000 plus decreased state and city taxes of approximately $255,000.

Meals and entertainment of $61,595 (2023 - $106,002)

The decrease of approximately $45,000 from 2023 is due to decreased sales activity and lower attendance at networking events to acquire new accounts.

Rent of $7,815 (2023 - $37,088)

The decrease of approximately $29,000 from 2023 is due to lower rent at the Company's new rental premises in 2024.

Salaries and wages of $7,426,032 (2023 - $10,857,450)

The decrease of approximately $3,431,000 from 2023 is the result of a reduction in overall employees and contractors from 2023 to 2024.

Travel of $28,771 (2023 - $278,394)

The decrease of approximately $250,000 from 2023 is due to a reduction in the number of team members traveling to conferences and events during the year.

Amortization and depreciation of $152,131 (2023 - $303,615)

The decrease of approximately $151,000 over 2023, is almost entirely the result of zero amortization of intangible assets, which were entirely impaired at the end of 2023.

Marketing of $37,432 (2023 - $321,526)

The decrease of approximately $284,000 from 2023 is due primarily to decreased attendance at conferences and lower use of professional services in this category.

Professional fees of $2,034,294 (2023 - $2,011,157)

The increase of approximately $3,000 over 2023 is due primarily to increases in Board of Director fees, tax preparation fees, consulting and contractor costs of approximately $876,000 offset by decreases to accounting, audit fees, contracted developer fees, investor relations and general legal fees totaling approximately $854,000.

Share-based compensation of $1,184,450 (2023 - $3,471,246)

The decrease of approximately $2,287,000 from 2023 is the result of a greater number of options and RSUs granted during 2023 (3,899,242) versus 2024 (652,500).

Other income (expenses) of $(557,307) *(2023 - $(3,978,073))*

Change in expected credit losses, bad debts and bad debt recoveries of $(5,293) (2023 – $(648,387))

The change of approximately $643,000 from 2023 reflects the Company's estimate of credit losses due to credit risk of the underlying aged accounts receivable balances of approximately $405,000 supplemented by bad debt recoveries of approximately $238,000 (note 19).

Finance Costs of $454,530 (2023 – $322,418)

The increase of approximately $132,000 over 2023 is primarily driven by the increase of interest expense on the credit facility of approximately $103,000 plus a reduction in interest income.

Change in fair value of derivative liabilities of $nil (2023 - $5,996,544)

The change of approximately $5,997,000 from 2023, is due to the repayment of the convertible notes during 2023.

Gain on debt modification of $nil (2023 - $75,975)

There was no debt modifications made during 2024.

Interest income of $891,729 (2023 - $1,055,959)

The decrease of approximately $164,000 from 2023, is due to the year-by-year reduction to accreted interest income from the License Contract.

Interest accretion of $18,175 (2023 - $518,371)

The decrease of approximately $500,000 from 2023, is almost entirely due to zero accretion on the convertible notes, which were completely redeemed at the end of 2023.

Impairment of revenue-generating equipment of $410,062 (2023 - $nil)

Note 9 details the impairment.

Impairment of goodwill of $nil (2023 - $4,027,493)

The decrease of approximately $4,027,000 resulted from the impairment assessment completed by the Company in 2023, regarding the Hypur Acquisition (note 5).

Impairment of intangible assets of $nil (2023 - $2,889,258)

The decrease of approximately $2,890,000 resulted from the impairment assessments completed by the Company in 2023, regarding the Hypur Acquisition (note 5) .

Other income of $nil (2023 - $102,720)

There was no other income during 2024.

(Expressed in United States dollars)

Litigation settlement of $350,000 (2023 - $2,214,408)

Note 24.3 details the litigation settlement.

Transaction costs of $210,976 (2023 - $538,936)

Note 21 provides details of the 2024 and 2023 transaction costs.

Income tax (recovery) of $(12,240) (2023 – $235,200)

The decrease of approximately $247,000 from 2023, is the result of lower taxable income for 2024.

Other selected financial information

"**EBITDA**" and "**Adjusted EBITDA**" are non-IFRS measures used by management that do not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The Company defines EBITDA as net income or loss generated for the period as reported, before interest, taxes, depreciation and amortization and is further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains and/or losses, impairments. EBITDA is then adjusted to remove licensing revenues per IFRS and adding cash licensing fees received (the "**Contract Asset Adjustments**").

The Company believes these non-IFRS measures are useful metrics to evaluate its core operating performance and uses these measures to provide management, shareholders and others with supplemental measures of its operating performance and financial condition of the Company for the reasons noted below.

Management uses these and other non-IFRS and other financial measures to exclude the impact of certain income and expenses that must be recognized under IFRS, when analyzing underlying consolidated operating performance and cash flow, since the excluded items are not necessarily reflective of the Company's underlying operating performance or cash flow and may make comparisons of underlying financial performance between periods difficult. These items may be adjusted by the Company if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

As these measures do not have standardized meanings prescribe by IFRS, they may not be comparable to similarly-titled measures presented by other publicly-traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. The Company cautions readers that EBITDA and Adjusted EBITDA are not substitutes for profit/loss or cash flow from operations, respectively.

	3 months ended December 31,				**Year ended December 31,**			
	2024	**2023**	**Change Fav/(Unfav)**		**2024**	**2023**	**Change Fav/(Unfav)**	
	$	$	$	%	$	$	$	%
Revenue	**3,150,199**	4,782,788	(1,632,589)	(34)	**15,273,846**	43,575,060	(28,301,214)	(65)
Cost of goods sold	**(1,457,972)**	(4,030,197)	2,572,225	64	**(8,269,317)**	(34,353,041)	26,083,724	76
Gross margin	**1,692,227**	752,591	939,636	125	**7,004,529**	9,222,019	(2,217,490)	(24)
Adjusted operating costs	**(2,528,718)**	(2,967,471)	438,753	15	**(11,138,181)**	(15,603,107)	4,464,926	29
Adjusted other costs (income)	**187,718**	342,723	(155,005)	(45)	**891,729**	1,055,959	(164,230)	(16)
EBITDA	**(648,773)**	(1,872,157)	1,223,385	(65)	**(3,241,923)**	(5,325,129)	2,083,206	(39)
EBITDA adjustments	**731,677**	(652,998)	1,384,675	212	**2,481,416**	(1,569,870)	4,051,286	258

(Expressed in United States dollars)

	3 months ended December 31,				Year ended December 31,			
	2024	2023	Change Fav/(Unfav)		2024	2023	Change Fav/(Unfav)	
(detailed below)*	$	$	$	%	$	$	$	%
Adjusted EBITDA	**82,904**	(2,525,155)	2,608,060	(103)	**(760,507)**	(6,894,999)	6,134,492	89

*Comparative EBITDA adjustments have been added to conform to the current presentation.

The following table reconciles annual EBITDA and Adjusted EBITDA to net loss, as reported in the Consolidated Financial Statements.

Year ended	**December 31, 2024**	December 31, 2023
	$	$
Income (loss), as reported	**(5,716,359)**	(13,760,430)
Deduct foreign exchange gains, as reported	**(298,941)**	(608,792)
Deduct (add back) change in expected credit losses, bad debts, and bad recoveries, as reported	**5,293**	648,387
Deduct gain on debt modification, as reported	**-**	(75,975)
Deduct other income, as reported	**-**	(102,720)
Add back change in fair value of derivative liability, as reported	**-**	(5,996,544)
Add back depreciation and amortization, as reported	**152,131**	303,615
Add back impairment of intangible assets, as reported	**-**	2,709,258
Add back impairment of goodwill, as reported	**-**	4,257,493
Add back (deduct): income tax (recoveries), as reported	**(12,240)**	235,200
Add back interest accretion, as reported	**18,175**	518,371
Add back impairment of revenue generating equipment, as reported	**410,062**	-
Add back litigation settlement, as reported	**350,000**	2,214,408
Add back share-based compensation, as reported	**1,184,450**	3,471,246
Add back finance costs, as reported	**454,530**	322,418
Add back transaction costs, as reported	**210,976**	538,936
EBITDA	**(3,241,923)**	(5,325,129)
Contract asset adjustments:		
Deduct licensing support revenue, as reported	**(1,545,000)**	(1,545,000)
Deduct interest income (licensing revenue), as reported	**(891,729)**	(1,055,959)
Add cash receipts from licensing agreement, as reported (note 10)	**4,918,145**	1,031,089
Adjusted EBITDA	**(760,507)**	(6,894,999)

Financings

Year ended December 31, 2024

There were no financings completed during 2024.

Year ended December 31, 2023

Unit financings

In January 2023, the Company completed a private placement consisting of 4,533,333 units (each a "**2023 Unit**"), raising gross proceeds of $3,000,000. Each 2023 Unit consists of 1 common share and 0.95 warrants (each full warrant, a "**2023 Warrant**"). A total of 4,306,666, 2023 Warrants were issued, with each 2023 Warrant exercisable for 3 years at a price of C$1.25. The relative fair value of the 2023 Warrants was estimated at $1,490,465 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.42%, cumulative volatility of 167.14%, dividends of $0.00 and an underlying share price of C$1.25. There were no financing costs of the private placement. The 2023 Warrants have been recorded in warrant reserves on consolidated statements of financial position. These 2023 Units were subscribed by a related party of the Company.

In December 2023, the Company completed a private placement (the "**December 2023 Financing**") consisting of 3,107,142 units (each a "**December 2023 Unit**"), raising gross proceeds of $652,320. Each December 2023 Unit consists of 1 common share and 0.88 warrants (each full warrant, a "**December 2023 Warrant**"). A total of 2,734,284, December 2023 Warrants were issued, with each December 2023 Warrant exercisable for 5 years at a price of C$0.40. The relative fair value of the December 2023 Warrants was estimated at $339,114 using the Black-Scholes option pricing model with the following assumptions: estimated life of 5 years, risk-free interest rate of 3.17%, cumulative volatility of 215.78%, dividends of $0.00 and an underlying share price of C$0.40. There were no financing costs of the private placement. The December 2023 Warrants have been recorded in warrant reserves on consolidated statements of financial position. Out of the total December 2023 unit, 2,857,929 units were issued to a related party of the Company.

Acquisition (note 5)

During 2024, the Company recognized the forfeiture of the Contingent Consideration due pursuant to the Hypur Acquisition.

Share capital (and common shares to be issued) movement

In April 2025, 100,000 common shares were issued on the vesting of the same number of RSUs.

During 2024, 621,073 common shares to be issued with a fair value of $514,004, were forfeit.

In October 2024, 135,823 common shares were issued on the exercise of the same number of warrants, raising proceeds of $12,224.

In June 2024, 12,500 common shares with a fair value of $8,875, were issued on the vesting of the same number of RSUs.

I In November 2023, 621,073 common shares with a deemed value of $514,004, were issued regarding the release of the First Holdback (note 5).

In September 2023, the Company issued 240,050 common shares on the exercise of the same number of options. The exercise raised gross proceeds of $25,509.

In April 2023, the Company completed the Hypur Acquisition (note 5), issuing 4,968,584 common shares with a fair value of $4,112,033.

In February 2023, 81,494 warrants were exercised raising proceeds of $7,265.

In January 2023, 105,238 warrants were exercised raising proceeds of $14,996. The fair value of the exercised warrants of $15,000 was transferred from warrant reserve to common shares.

Options and RSUs

In April 2025, 100,000 RSUs vested and the same number of common shares were issued.

In January 2025, 1,763,455 options with and exercise price of C$0.07 and expiry date of January 2, 2035, were issued.

In January 2025, 918,332 RSUs with a deemed value of C$0.30 each and vesting of one year, were issued.

Litigation

The Company is, from time to time, involved in various claims and legal proceedings. When the Company cannot reasonably predict the likelihood or outcome of any claim, no provision is made within the consolidated statements of comprehensive loss.

Hypur litigation

On February 13, 2024, the Company was served with a statement of claim filed in Delaware court against the Company regarding a contractual dispute between the Company and HPR holdings Inc, the entity formally known as Hypur, Inc, from which the Company purchased assets on April 1, 2023. Hypur is claiming the payment of the Cash Holdback of $500,000 and the release of the 621,073 Second Equity Holdback shares (note 5). The Company is in negotiations with Hypur on a settlement.

Legal settlement

During the third quarter of 2024, the Company settled (the "**Settlement**") a lawsuit with an agent in the amount of $350,000. The terms of the Settlement require the Company to make an initial payment of $225,000 and further five payments of $25,000/month. As at the reporting date, the Company has paid $275,000 toward the Settlement. Subsequent to the reporting date, the Company completed the final $75,000 of required payments.

Related-party transactions and balances

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

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

(Expressed in United States dollars)

Key management compensation

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

Year ended December 31,	**2024**	2023
	$	$
Executive Compensation to key managers	**2,390,105**	2,296,736
Share-based compensation to key managers	**929,540**	2,825,909
Totals	**3,319,645**	5,122,645

See more details on related party share subscriptions in note 15 and credit facility obtained from a related party in note 14.

Financial risk management

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

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

At December 31, 20234 the Company's financial instruments consist of cash, receivables, license contract, accounts payable and credit facility. The fair values of cash, accounts receivable and accounts payable approximate their carrying values due to the relatively short-term to maturity.

Financial instrument risk factors

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

a) Credit risk

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

The Company believes that its receivables balance is fully collectable. After providing for estimated credit losses, as at December 31, 2024, $851,775 (December 31, 2023 – $1,247,511) in receivables was outstanding. The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. The loss allowance is based on the

Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. As at December 31, 2024 and 2023, the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses are nominal.

The Company maintains bank deposits with reputable financial institutions.

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

b) Liquidity risk

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

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as the convertible notes bear a fixed rate of interest.

d) Capital management risk

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

To maintain or adjust the capital structure, the Company may issue new shares to the shareholders, draw upon existing credit facilities or sell assets. There are no changes in the Company's capital management policies for the years ended December 31, 2024 and 2023. There are no external capital management requirements or covenants as at December 31, 2024 and December 31, 2023, other than those imposed through ongoing listing requirements of the CSE.

e) Foreign exchange risk

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

Other risks and uncertainties

Market risk

The POS equipment and services business is highly competitive, with a substantial number of large and well-entrenched competitors. The Company has current and potential competitors that offer similar payment services, may have considerably greater financial and other resources than we do. In addition, changes in the regulatory and technological environment are bringing about a global consolidation of financial services, a proliferation of competitors, and convergence among various forms of media. As a result, our profitability could face increased pressure from competition and developments of existing providers, consolidation of our customers, increased competition from new entrants and deployment of new technologies. If we are unable to respond effectively to any increased competitive pressure arising from the above factors, our revenues and results of operation could be adversely affected. Further, if our services are successful, others will enter the market, which may draw our customers away from us or preclude us from obtaining any additional customers.

Other risk factors

Key personnel

The success of the Company for the foreseeable future will depend largely upon the ability of its management team and other key personnel, including but not limited to Ryan Hamlin, President and Chief Executive Officer. The loss of any one of these individuals could have a material adverse effect on the Company's business, and the Company would need to devote substantial resources to finding replacements. The Company currently does not carry "key-man" life insurance policies covering any of these officers. Competition for qualified and experienced personnel in the technology field is generally intense, and the Company will rely heavily on its ability to attract and retain qualified personnel in order to successfully implement its business objectives. The failure to attract or retain key executives and personnel could impact the Company's operations.

Dependencies

POSaBIT's payment processing business operates in the cannabis industry in the United States and is highly dependent on certain critical service providers. Cannabis is currently classified as a Schedule I drug by the US Drug Enforcement Agency. Accordingly, POSaBIT' s payments processing business is subject to shut-downs or limitations based on assessment by these service providers of their willingness to support debit card processing in the cannabis industry.

POSaBIT has established positive relationships with its local bank, as well as its Independent Sales Organization "**ISO**" and sponsor bank, that allow it to accept pin debit cards as a form of payment. The most difficult and complex relationship is with the sponsor and acquiring banks because POSaBIT will be operating a business that is considered high risk by the debit card companies. Though POSaBIT will look to build and maintain strong relationships with multiple providers in an effort to maintain its operations, there is no guarantee that it will be able to do so. Termination or limitations of services allowing our processing would have a materially negative impact on POSaBIT's business.

Outstanding securities

As at the date of this MD&A, POSaBIT has the following securities issuable or outstanding:

Security	**Number outstanding**
Common shares	156,598,499
Options (exercisable – 13,750,091)	16,574,193
RSUs	4,238,996
Warrants	9,724,749