

POSABIT SYSTEMS CORPORATION



ANNUAL INFORMATION FORM

MAY 31, 2019

TABLE OF CONTENTS

	PAGE
FORWARD-LOOKING STATEMENTS	3
INDUSTRY DATA	4
GLOSSARY OF TERMS	5
CORPORATE STRUCTURE	6
GENERAL DEVELOPMENT OF THE CORPORATION’S BUSINESS	7
THE BUSINESS OF POSABIT	8
RISK FACTORS	12
DIVIDENDS	22
DESCRIPTION OF THE CAPITAL STRUCTURE OF THE CORPORATION	22
DIRECTORS AND EXECUTIVE OFFICERS	23
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	28
CORPORATE GOVERNANCE	28
AUDIT COMMITTEE AND RELATED INFORMATION	29
PROMOTERS	31
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	31
TRANSFER AGENT AND REGISTRAR	31
MATERIAL CONTRACTS	31
INTERESTS OF EXPERTS	32
ADDITIONAL INFORMATION	32
SCHEDULE “A” - CHARTER OF THE AUDIT COMMITTEE	33

FORWARD-LOOKING STATEMENTS

The information provided in this annual information form (“AIF”) may contain “forward-looking statements” or “forward-looking information” (collectively referred to hereafter as “**forward-looking statements**”) about POSaBIT Systems Corporation (“**POSaBIT**” or the “**Corporation**”). In addition, the Corporation may make or approve certain statements in future filings with securities regulatory authorities, in news releases, or in oral or written presentations by representatives of POSaBIT that are not statements of historical fact and may also constitute forward-looking statements.

All statements, other than statements of historical fact, made by POSaBIT that address activities, events or developments that POSaBIT expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments.

These statements speak only as of the date they are made and are based on information currently available and on the then current expectations of POSaBIT and assumptions concerning future events. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. See “*Risk Factors*”.

In particular, this AIF contains forward-looking statements pertaining to the following:

- POSaBIT’s future revenues and profits;
- treatment under government regulatory and taxation regimes in both Canada and the United States;
- projections of market prices and costs and the future market for POSaBIT’s products and services, and conditions affecting same;
- ability to obtain and protect POSaBIT’s intellectual property and proprietary rights;
- expectations regarding POSaBIT’s ability to raise capital;
- POSaBIT’s strategies, objectives and plans with respect to its products and services;
- market position and future financial or operating performance of POSaBIT;
- liquidity of the common shares of POSaBIT; and
- anticipated developments in operations of POSaBIT.

With respect to forward-looking statements listed above and contained in this AIF, management of POSaBIT has made assumptions regarding, among other things:

- the legislative and regulatory environment in both Canada and the US;
- foreign currency and exchange rates;
- demand for POSaBIT’s product and services;
- ability to attract and maintain customer relationships;
- ability to attract and retain skilled management and staff;
- progress and success of POSaBIT’s product marketing;
- that tax regimes will remain largely unaltered;
- the Corporation’s ability to obtain additional financing on satisfactory terms; and
- the global economic environment.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this AIF:

- the possibility that future research and development results will not be consistent with the Corporation's expectations;
- liabilities inherent in technology operations;
- fluctuations in currency and interest rates;
- critical illness or death of the key management and consultants of POSaBIT;
- competition for, among other things, customers, capital, acquisitions of technology and skilled personnel;
- risks relating to global financial and economic conditions;
- alteration of tax regimes and treatments;
- limited operating history;
- changes in legislation affecting operations;
- failure to realize the benefits of any future acquisitions; and
- other factors discussed under *Risk Factors*.

Consequently, all forward-looking statements made in this AIF and other documents of the Corporation are qualified, in their entirety, by these cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Corporation. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that POSaBIT and/or persons acting on its behalf, may issue. For all these reasons, investors should not place undue reliance on forward-looking statements.

INDUSTRY DATA

The industry data contained in this AIF is based upon information from independent industry and other publications and the Corporation's management's knowledge of, and experience in, the industry in which the Corporation operates. Industry data is subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. The Corporation has not independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying assumptions relied upon by such sources.

GLOSSARY OF TERMS

The following is a glossary of certain defined terms used frequently throughout this AIF. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. Certain additional terms are defined within the body of this AIF and in such cases will have the meanings ascribed thereto.

“\$”	means Canadian dollars unless otherwise indicated.
“AIF”	means this annual information form.
“BCBCA”	means the <i>Business Corporations Act</i> (British Columbia), as amended from time to time, including the regulations promulgated thereunder.
“Board” or “Board of Directors”	means the board of directors of POSaBIT.
“company”	unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.
“POSaBIT”	means POSaBIT Systems Corporation, a corporation incorporated under the <i>Business Corporations Act</i> (British Columbia) and listed on the Canadian Securities Exchange under the trading symbol “PBIT”.
“executive officer”	means (i) the chair, (ii) the vice-chair, (iii) a vice-president in charge of a principal business unit, division or function, including sales, finance or production; (iv) an officer, including of a subsidiary, who performs a policy making function; (v) or any other individual performing policy making functions of a company, including POSaBIT.
“person”	includes any natural person, partnership, limited partnership, joint venture, syndicate, sole proprietorship, body corporate with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative.
“SEDAR”	means the System for Electronic Document Analysis and Retrieval, being the official website that provides access to most public securities documents and information filed by issuers and investment funds with the Canadian Securities Administrators (CSA) at the website address of www.sedar.com .
“Shares”	means common shares in the capital of POSaBIT.

CORPORATE STRUCTURE

The Corporation

POSaBIT Systems Corporation was incorporated under the *Business Corporations Act* (British Columbia) on June 12, 2017 as Foreshore Exploration Partners Corp. (“**Foreshore**”).

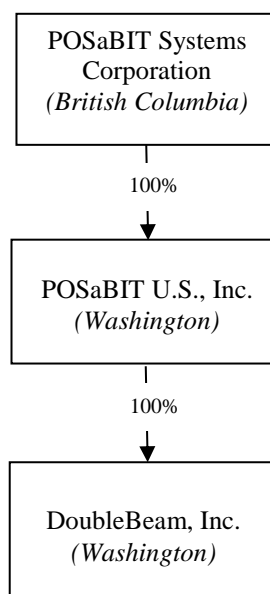
On April 3, 2019, Foreshore acquired all of the issued and outstanding shares of POSaBIT, Inc., a corporation incorporated in the State of Washington, through the merger by way of a plan of merger of Foreshore’s wholly-owned subsidiary, POSaBIT Merger Sub, Inc., with POSaBIT, Inc. (the “**Transaction**”). POSaBIT, Inc., renamed POSaBIT U.S., Inc., was the surviving subsidiary of Foreshore. Shareholders of POSaBIT, Inc. received in the merger 1.7539815 shares of Foreshore in exchange for each POSaBIT, Inc. common share and preferred share held, and option and warrant holders of POSaBIT, Inc. received options and warrants, as appropriate, to acquire 1.7539815 shares of Foreshore for each POSaBIT, Inc. share for which such POSaBIT, Inc. option or warrant was exercisable, at an exercise price divided by 1.7539815. The Transaction constituted a reverse take-over of Foreshore by POSaBIT, Inc. In connection with the Transaction, Foreshore changed its name to “POSaBIT Systems Corporation”.

In connection with the Transaction, the Corporation’s Shares were delisted from the TSX Venture Exchange effective April 2, 2019, and were listed on the Canadian Securities Exchange effective April 5, 2019. The Shares commenced trading on the Canadian Securities Exchange on April 8, 2019, under the trading symbol “PBIT”. The Shares commenced trading in the United States on the OTC Pink market on April 22, 2019, under the trading symbol “POSAF”. The Corporation is a reporting issuer in the provinces of British Columbia, Alberta and Ontario.

The Corporation’s head office is located at 1128 8th St., Kirkland, Washington 98033, and its registered and records office is located at Suite 2080-777 Hornby Street, Vancouver, British Columbia.

Structure of the Corporation

The structure of the Corporation and its principal subsidiaries and other affiliates is set out below.



GENERAL DEVELOPMENT OF THE CORPORATION'S BUSINESS

The following describes the significant developments in the operations and affairs of the Corporation which have occurred over the last three completed financial years.

The Corporation as Foreshore Exploration Partners Corp. was established as a capital pool company pursuant to the policies of the TSX Venture Exchange and completed its initial public offering on May 29, 2018. Prior to the completion of the Transaction, the Corporation did not own any assets other than cash and its sole activity was to identify, evaluate, and acquire assets, properties or businesses.

Upon the completion of the Transaction, the Corporation now carries on the business of POSaBIT, Inc., being the further growth and development of its point-of-sale payment processing solutions.

Prior to the Transaction, POSaBIT, Inc. was a privately held company organized for the purpose of developing and selling its cryptocurrency-based point-of-sale technologies and devices that are uniquely suited to cash-based business where traditional credit and debit card transactions are limited or prohibited, such as legal retail cannabis stores.

POSaBIT, Inc. was incorporated in the State of Washington on November 19, 2015, as a wholly-owned subsidiary of PlaceFull, Inc. In March 2016, pursuant to a corporate spin-off transaction, POSaBIT, Inc. became a separate standalone corporation. The assets of POSaBIT, Inc. at the spin-off were all POSaBIT, Inc. intellectual property related to cryptocurrency processing; all of POSaBIT, Inc.'s banking and corporate assets and records; the POSaBIT, Inc. name, mark and associated goodwill; key contracts; and certain equipment. In addition, PlaceFull, Inc. agreed to provide a services agreement to support POSaBIT, Inc.'s launch with office space and back office services and a license of software used in connection with the POSaBIT payment services platform at favorable rates.

After the spin-off transaction, POSaBIT, Inc. financed its growth separately from PlaceFull, Inc., completing a period of shared resources, completing the acquisition of DoubleBeam, Inc., a California point of sale systems company, and positioning its future growth by entering new states and markets. POSaBIT, Inc. originally obtained licensing and launched only in the state of Washington with its payment-only service, ending 2017 with 23 locations. Starting in 2018 POSaBIT, Inc. began selling its payment solution into Colorado, Oklahoma, Nevada and California. In September 2018, POSaBIT, Inc. released its fully integrated Point of Sale ("**POS**") offering for the cannabis industry, which integrates its POSaBIT payments with a complete seed-to-sale service and is the next evolution of the product suite. POSaBIT's business is highly regulated, limiting the speed of its entry into markets while providing barriers to competition.

Significant Acquisitions and Dispositions

In February 2018 POSaBIT, Inc. purchased DoubleBeam, Inc., which specializes in Point of Sale payment processing for the hospitality sector, and added a proven, full-feature point of sale device technology and services to its product line. POSaBIT has integrated its POSaBIT payments service and the DoubleBeam, Inc. offering in its fully functional crypto-enabled POSaBIT Point of Sale line.

On April 3, 2019, Foreshore acquired all of the issued and outstanding shares of POSaBIT, Inc. by way of a plan of merger in connection with the Transaction as described above under the heading "*The Corporation*".

THE BUSINESS OF POSABIT

Principal Products and Services

POSaBIT is a financial technology company that delivers unique and innovative blockchain-enabled payment processing and point-of-sale systems for cash-only businesses. POSaBIT specializes in resolving pain points for complex, high-risk, emerging industries like cannabis with an all-in-one solution that is compliant, user-friendly and utilizes top-of-the-line hardware. POSaBIT's unique solution provides a safer and transparent environment for merchants while creating a better overall experience for the consumer.

POSaBIT's merchant processing service is licensed as a Money Services Business ("MSB") that uniquely offers credit and debit card holders the ability to purchase Bitcoin or other cryptocurrency stored electronically from POSaBIT onto a paper based "wallet" for the customer, and then allows the customer to hold or spend the cryptocurrency to process sales as a form of payment.

POSaBIT has obtained and must maintain regulatory approval for its merchant processing services that include the ability to use cryptocurrency for purchases. Currently, POSaBIT uses Bitcoin (BTC) and Litecoin (LTC) as the preferred cryptocurrency in use, however, POSaBIT may in the future use other forms of cryptocurrency as well to support the business (such as Bitcoin Cash, Ethereum). Bitcoins and Litecoins, which are a digital commodity not issued by any government, bank or central organization, are regulated so that Bitcoin and Litecoin Exchanges and similar Bitcoin and Litecoin service providers can register on a state-level as money transmitters or money service businesses. Consequently, Bitcoin and Litecoin can be used to purchase goods and services, either online or at physical locations and thousands of merchants and businesses currently accept, or have the technological infrastructure to choose to accept, Bitcoin and Litecoin as payment. US national online retailers Overstock.com and TigerDirect began accepting Bitcoin payments in January 2014, and since then such businesses as Microsoft, Time Inc., Wikimedia, WordPress, Expedia and Foodler have accepted Bitcoin as online payment for various items.

POSaBIT is structured to be an MSB, and as such is required to register with the United States Department of Treasury Financial Crimes Enforcement Network ("FinCEN"). An MSB includes any person (other than a bank or person registered with the Securities and Exchange Commission or the Commodity Futures Trading Commission) doing business as a: (1) currency dealer or exchanger; (2) cheque casher; (3) issuer of traveler's cheques, money orders or stored value; (4) seller or redeemer of traveler's cheques, money orders or stored value; (5) money transmitter; (6) U.S. Postal Service. A person who engages as a business in the transfer of funds is an MSB as a money transmitter, regardless of the amount of money transmission activity.

Further, POSaBIT must obtain a Money Transmitter License ("MTL") in any state that requires this for fiat to cryptocurrency transactions. To date, only Washington State and Colorado have required POSaBIT to obtain an MTL. The MTL application process has begun in Colorado and is expected to be completed within 90 to 180 days. Oklahoma, Nevada and California, the other States in which POSaBIT currently conducts business, do not require an MTL at this time. Where an MTL is required, POSaBIT would be required to submit an application to the State for the MTL, which typically would include POSaBIT's anti-money laundering policy, a surety bond, director identification and fingerprints. The cost for each MTL varies from State to State, and is dependent mainly on legal expenses, but ranges from US\$30,000 to US\$75,000. The approval process ranges from three months to up to six months or longer. Once an application is approved and an MTL is issued, State auditors normally undertake an annual audit for several years following the issuance of an MTL, with periodic audits or spot checks thereafter. POSaBIT's MTL issued by the State of Washington covers the entire State and permits POSaBIT to have kiosks in any part of the State. The license is renewed annually on July 1 in each year.

POSaBIT has uniquely paired the use of cryptocurrency with its merchant services to allow Bitcoin, Litecoin and other crypto payments at physical retail locations, including legal cannabis retailers in

Washington State (and other legal recreation States currently and in the future), providing purchasers with an opportunity to use credit or debit cards to purchase cryptocurrency and to use cryptocurrency to complete retail purchases as part of the retail purchase in the stores.

Bitcoin and Litecoin are the largest and best known cryptocurrencies, and are based on an open source math-based protocol existing on an online, peer-to-peer computer network that hosts the public transaction ledger, known as the “Blockchain,” and the software source code that provides the rules for bitcoin movement and ownership and the peer to-peer computer network (“**Bitcoin Network**” or “**Bitcoin**”). The software source code includes the math-based protocols that govern the creation of Bitcoins and the cryptography system that secures and verifies transactions in Bitcoins. Bitcoins themselves have no physical existence beyond the record of transactions on the Blockchain. The Blockchain serves as a public record of the custody of all Bitcoins and the flow of funds in all Bitcoin transactions, including the initial creation and allocation of Bitcoins to a digital wallet and all subsequent movements of Bitcoins in later transactions between users’ digital wallets. The Bitcoin Network utilizes the Blockchain to evidence the existence of Bitcoins in any user’s digital wallet. Bitcoin digital wallets are accessed and may be used to receive or send Bitcoins through a digital address together with a public key and private key that are part of the Bitcoin Network’s cryptographic security mechanism. Other cryptocurrencies rely on a similar open structure, though each has unique elements.

In the case of Bitcoin and Litecoin, new Bitcoins or Litecoins are created based on rules developed by the creators and open source managers, and earned by participants in the Bitcoin or Litecoin community known as miners whose function is to verify and confirm trades and ensure they are posted on the public Blockchain on which all Bitcoin and Litecoin transactions are recorded and publicly audited by the community. In the United States, due to legal uncertainty regarding use of credit and debit cards in sales of legal marijuana, most of the banking industry and all traditional payment processing companies have been unwilling to provide services to marijuana businesses, forcing many of these companies to operate on a cash-only basis. Visa and MasterCard simply don’t allow “federally illegal” transactions to occur on their networks. To do so would put them at risk of federal prosecution because cannabis is still classified as a Schedule 1 substance. This is a significant problem that POSaBIT stepped in and solved, by providing cryptocurrency as an alternative form of payment that marijuana stores can accept instead of cash. By giving consumers easy access to cryptocurrency by using their credit cards and debit cards to acquire it, POSaBIT makes it simple to utilize digital currency as a form of payment, which is a huge win for both consumers and merchants.

The process of funding a customer wallet is as follows: the customer decides how much cryptocurrency to purchase (a customer is limited to no more than US\$300 per day to purchase), the customer provides identification, such as a driver’s license, to be scanned, the customer swipes the credit or debit card used to pay, POSaBIT generates the unique wallet, POSaBIT loads the wallet and submits the transaction to the Blockchain. POSaBIT uses SoChain (<https://chain.so/api>) to check the balances of the POSaBIT stored wallets. SoChain is used for both Bitcoin and Litecoin wallet balances. Additionally, POSaBIT uses Coinbase and SoChain (backup) to look up in real time the price of Bitcoin and Litecoin. Both of these third party services are public and free to use by consumers and businesses. Upon confirmation of the wallet on the blockchain and receipt of funding, the wallet is printed out with a unique QR code and the customer decides to spend the cryptocurrency in the store or keep the cryptocurrency and leave the store. The process takes approximately 90 seconds. POSaBIT’s bank is Salal Credit Union in Washington State. All funds are settled into the POSaBIT account and then cleared through automated clearing house into the merchant account based on any sales that are completed using cryptocurrency. All cryptocurrency sales that are accepted by the merchant for products must be sold to the customer and loaded from the POSaBIT system – customers cannot bring cryptocurrency not sold to the customer and loaded from the POSaBIT wallets and spend it at the merchant location through the POSaBIT system. This is important for compliance and ensures the cryptocurrency being used was purchased legally and is fully compliant with anti-money laundering regulations.

The POSaBIT Point of Sale product line is feature-rich. POSaBIT is the first fully integrated Point of Sale plus Payment (Debit/Credit) solution for cash-only industries. POSaBIT provides visibility, compliance and increased sales to merchants as well as an enhanced buying experience for the consumer.

- *POSaBIT Payments Service* is the core payment engine that allows customers to easily purchase cryptocurrency using a debit or credit card and either spend in the store or upload to a customer preferred digital wallet. This was POSaBIT’s beachhead entry into the industry in January 2017.
- *POSaBIT Point of Sale (Cannabis)* is the cornerstone product that tracks all sales (“seed to sale tracking”), integrates full customer history and preferences and offers the first fully integrated cash, debit/credit and cryptocurrency payment options for product. This product went live in September 2018.
- *POSaBIT Point of Sale (Food Service)* is POSaBIT’s non-high-risk point of sale offering to the hospitality and food services industry. Currently, this product services over 200 cafes and retailers in the hospitality industry in the US. This is the original product offering acquired in the DoubleBeam acquisition and has been in market for over seven years.

Revenue

POSaBIT’s revenue model is made up of four key components: transactional revenue, convenience fee revenue, subscription revenue and hardware revenue. Transactional revenue is based on a fee charged to the merchant for the use of POSaBIT’s system for accepting transactions for cryptocurrency. A rate (similar to a typical credit or debit rate) is used to charge the merchant for any cryptocurrency transactions made at the merchant’s location. Convenience fee revenue is based on a fee charged directly to the consumer to purchase cryptocurrency and included in the purchase transaction (similar to a typical ATM fee that is charged to customers when they withdraw funds from an ATM). Subscription fee revenue is based on a monthly fee charged to the merchant for the point of sale services used. This monthly fee varies based on which services the merchant elects to use, such as the Point of Sale system alone, or other services such as digital menus, online ordering and loyalty programs. POSaBIT seeks to drive new sales both directly through several direct sales personnel on staff that sell to merchants directly as well as distribution partners. To date, POSaBIT has yet to have a sale result from a distribution partner relationship. POSaBIT plans to expand its distribution partner relationships in 2019 to involve more distribution partners that can sell or provide lead generation to the POSaBIT sales team.

The following table sets out POSaBIT’s revenue from digital processing services for the last three years:

Year Ended 12/31/2018	Year Ended 12/31/2017 (amended and restated)	Year Ended 12/31/2016
(audited) US\$	(audited) US\$	(unaudited) US\$
2,443,043	667,258	41,634

Operations and Sales

POSaBIT’s business is run as a hosted service (currently with Amazon AWS). This hosted service is coupled with in-person hardware to create an environment that can be supported both online and offline.

This service is integrated as needed into State Seed-to-Sale tracking systems. Each State that permits the sale of cannabis requires a “seed to sale” tracking system, that tracks all product creation, movement and

sales, such as Leaf, developed by Leaf Data Systems, which is used by the State of Washington, and Metrc, developed by Franwell Inc. POSaBIT's Point of Sale (Cannabis) system registers all incoming product inventory that arrives at a dispensary with the State tracking system by remote calls through an application programming interface into the State system. The application programming interface is also used to register each sale that is made to a customer to allow the State to track all sales and calculate the necessary State tax required to be paid by the merchant.

Specialized Skills and Knowledge

Certain aspects of POSaBIT's business, relating to point of sale, require specialized skills and knowledge, including expertise in software development. Increased competition for technology personnel may make it more difficult to hire and retain competent employees and consultants and may affect POSaBIT's ability to grow at the pace it desires. However, POSaBIT does not currently anticipate any significant difficulties in locating and retaining appropriate personnel as the employees and consultants it needs to carry on its business.

Competitive Conditions

There can be no assurance that other companies with greater financial resources will not develop similar products and programs with greater perceived benefits and that the Corporation will be able to compete successfully against existing competitors or future entrants into the market. See "*Risk Factors - Competition*". The largest competitor to POSaBIT is Greenbits, based in California, which has over 800 merchants using its POS service. Other material competitors are BioTrackTHC, MJFreeway and Flowhub. Most of the existing competition focuses only on point of sale, while POSaBIT not only provides a best in class point of sale service but online ordering, digital menus, loyalty programs and cryptocurrency payments.

Intellectual Property Protections

The core of POSaBIT's intellectual property is based in two areas - compliance procedures and backend technology for funding and maintaining customer "real-time" generated cryptocurrency wallets. POSaBIT's compliance procedures are the intellectual property that allows POSaBIT to maintain full compliance with the requirements of credit and debit card providers as well as individual State regulations. The backend technology intellectual property is primarily based on POSaBIT's ability to seamlessly collect sufficient consumer information for compliance in order to issue an on-demand and disposable cryptocurrency wallet in the form of a paper receipt (with the private key QR code on the receipt). This wallet is funded and all transactions on the wallet are written to the Blockchain to provide a full audit trail if required. There is a significant amount of intellectual property related code and processes involved in this.

POSaBIT relies on a combination of trademark, copyright and trade secrecy laws, confidentiality procedures and contractual provisions to protect its intellectual property rights. Although POSaBIT currently has no patents or patent applications, it intends to seek patent applications for various inventions and processes in the future. POSaBIT asserts copyright ownership generally in its written works but has no formal copyright registration process in place. POSaBIT owns the url www.posabit.com. Not all of the protective measures may apply or may afford only limited protection. POSaBIT's failure to adequately protect its proprietary rights may adversely affect POSaBIT. See "*Risk Factors - Limited Protection of Patents and Proprietary Rights*" and "*Risk Factors – Infringement of Intellectual Property Rights*".

Cycles

The cannabis industry has some seasonality, which is typically similar to the seasonality impacting wine, beer and spirit sales, whereby sales increase near holidays and decrease in January and February. Seasonal

factors may impact POSaBIT's quarterly revenues and cash flows, although POSaBIT does not expect significant decreases.

Economic Dependence

It is not expected that POSaBIT's business will be affected in the current financial year by the renegotiation or termination of contracts or sub-contracts. POSaBIT requires a Money Transmitter License ("MTL") from the State of Washington, and has been requested to apply for an MTL by the State of Colorado, to be able to take credit and debit cards in return for cryptocurrency in those States. POSaBIT is otherwise not substantively dependent on any contract for the ongoing development of its business.

Environmental Protection Requirements

POSaBIT's business has no extraordinary environmental protection requirements. As a result, POSaBIT does not anticipate that any environmental regulations or controls will materially affect its products and services.

Employees

As of the date of this AIF, POSaBIT had the following number of employees and contractors:

Location	Full Time Employees	Contractors
United States	27	3

Foreign Operations

POSaBIT currently operates in the United States. POSaBIT is considering the Canadian market and may potentially begin operations in one or two Provinces in 2019.

Social or Environmental Policies

POSaBIT is not expected to adopt any specific social or environmental policies that are fundamental to its operations (such as policies regarding its relationship with the environment, with the communities in the vicinity of its facilities or human rights policies). However, POSaBIT's management, with the assistance of its contractors and advisors, will ensure its ongoing compliance with local environmental laws in the jurisdictions in which it does business.

Future Developments

POSaBIT continues to develop innovative technologies to support this new industry. Today POSaBIT focuses on payment systems but may expand in the future to support all back-office capabilities.

RISK FACTORS

The following are certain risk factors relating to the business and securities of the Corporation. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. These risks and uncertainties are not the only ones facing the Corporation. Additional risks and uncertainties not presently known to the Corporation, or that the Corporation currently deems immaterial, may also impair the operations of the Corporation. If any such risks actually occur, the business, financial condition and/or liquidity and results of operations of the Corporation could be materially adversely affected.

General Industry Risks

Cybersecurity and Hacking Risks

Computer viruses, hackers or other security problems could interfere with the Corporation's network software or the availability of it, and lead to misappropriation of proprietary and sensitive information and interruptions, delays or cessation in service to the Corporation's users. The Corporation may be required to expend significant capital and other resources to protect against security breaches or losses or to alleviate problems caused by these breaches or losses. If third parties gain improper access to the Corporation's systems or databases or those of the Corporation's partners or contractors, they may be able to steal, publish, delete or modify confidential information. A security breach could expose the Corporation to monetary liability, lead to inquiries and fines or penalties from regulatory or governmental authorities, lead to reputational harm and make users less confident in the Corporation's services, which could harm the Corporation's business, financial condition and results of operations.

As a small company, POSaBIT is subject to higher risks of general economic downturns, labour issues, shortages of products and materials than larger companies

POSaBIT's operations are subject to the general economic conditions existing in the industry, as well as the local and national economy. These risks include potential wage and price freezes; mandated health benefits; requirements and restrictions imposed by governmental authorities; changes in federal, state, or local tax laws affecting or applicable to POSaBIT; limits on availability of skilled labor; availability of capital for future needs; consumer purchasing habits; and trends. POSaBIT may not have sufficient capitalization to survive extended work stoppages, strikes, lack of market acceptance, and economic exigencies in general. Shortages of supplies necessary for services and products and increases in the cost of the same, as well as increased taxes, energy costs, and labor expenses, could adversely affect POSaBIT's financial performance, unless such increases can be passed on to consumers. There is no assurance that prices of products can be adjusted to offset such increases in expenses.

Regulatory Risks

Bitcoin and cryptocurrency regulation is relatively new and evolving, and POSaBIT's ability to continue to use its system is dependent on a regulatory environment supporting its use. POSaBIT's Money Transmitter License ("MTL") is granted via the Washington State Department of Financial Institutions (DFI) and POSaBIT is obligated to perform annual onsite audits with the DFI to maintain the MTL. POSaBIT has been requested to apply for an MTL by the State of Colorado and has begun the application process. Likewise, POSaBIT is subject to regulatory control on the use of Bitcoin and Litecoin processing in cannabis stores. POSaBIT's business will fail if it is unable to maintain its Money Services Business (MSB) registration or MTL in the states that require this.

POSaBIT's business is subject to regulation in the U.S. and internationally, which could cause it to incur additional costs or liabilities or disrupt POSaBIT's business practices

POSaBIT's business is subject to a variety of U.S. and international laws and regulations. Internet businesses and online subscription, credit card and cryptocurrency processing, and direct marketing activities are subject to regulation by the Federal Trade Commission and the states under general consumer protection statutes prohibiting unfair or deceptive acts or practices, and certain areas of marketing activity are also subject to specific federal statutes and rules. Digital properties and activities are subject to a variety of laws and regulations, including those relating to privacy, consumer protection, data retention and data protection, content regulation and the use of software that allows for audience targeting and tracking of performance metrics, among others. The U.S. Congress, state legislatures and various regulatory bodies currently are considering, and may in the future adopt, new laws, regulations and policies regarding various matters that could, directly or indirectly, adversely affect POSaBIT's businesses.

POSaBIT could incur substantial costs necessary to comply with new laws, regulations or policies or substantial penalties or other liabilities if it fails to comply with them. Compliance with new laws, regulations or policies also could cause POSaBIT to change or limit its business practices in a manner that is adverse to its businesses. In addition, if there are changes in laws that provide protections that POSaBIT relies on in conducting its business, it would subject POSaBIT to greater risk of liability and could increase its costs of compliance or limit its ability to operate certain lines of business.

POSaBIT's business is subject to political uncertainty in the U.S. and internationally, which could cause POSaBIT to incur additional costs or liabilities or disrupt POSaBIT's business practices

Political uncertainty caused by the Trump administration puts POSaBIT's business at risk. Although 30 states have legalized medical marijuana, and 11 of those states plus the District of Columbia have legalized recreational marijuana, and a 2017 Gallup poll shows that 64% of adult Americans favour marijuana legalization, the U.S. Drug Enforcement Administration (DEA) continues to label marijuana a Schedule 1 substance, along with heroin and LSD, making it illegal on a federal level. It appears that Federal enforcement actions in states that have legalized marijuana have been limited for largely political purposes that may have been due to popularity of legalized marijuana by US citizens. We believe from news and industry reports that the Trump administration is unlikely to materially change the existing Federal laws regarding marijuana. Moreover, Congress has not addressed the issue and the Attorney General has given no signals that he would support a change at the DEA to remove marijuana as a Schedule 1 substance. Only an act of Congress to change the law or an enforcement decision by the Attorney General will impact the current status of marijuana enforcement under Federal law. POSaBIT's management believes that the Trump administration is unlikely to act in this area and that Federal law will not change in the foreseeable future, and that it is unlikely that the Federal government will move to prosecute businesses that operate legally in states that have passed marijuana legalization laws, and POSaBIT's decision to enter and operate in this area is based on that belief. However, there can be no certainty and investors should factor this uncertainty into their individual investment decisions, because if the Federal government were to revise its positions and begin to enforce current Federal laws POSaBIT's business could suffer material damage or even be legally prohibited from operating.

Risks Associated with POSaBIT's Business

POSaBIT's activities will face exchange rate risks

Each cryptocurrency, as a digital commodity, trades as a rate of exchange against the dollar and other currencies, allowing payments to be processed and rapidly converted within a trading day. The rate of exchange is reported on exchanges and publicly monitored. The value of cryptocurrency against currency depends on supply and demand, and there are a maximum amount of tradable cryptocurrency and a much lower number in current circulation. All cryptocurrencies have similar attributes and exchange issues.

As a result, POSaBIT will be at risk for exchange rate fluctuation between the time of acceptance of cryptocurrency purchase funds and the time of exchange of the cryptocurrency into currency.

POSaBIT is dependent on the use of Bitcoin and Litecoin processing for its primary business model and faces many general risks related to Bitcoin/Litecoin processing

POSaBIT was established to process cryptocurrency payment transactions on the POSaBIT merchant platform, and has recently expanded to include full point of sale functionality. General risks to POSaBIT associated with the use of cryptocurrency processing are:

- Regulation (State or Federal) that limits the ability to continue acceptance of cryptocurrency payments in some or all of the applications in which it is accepted and used by POSaBIT;

- Rapidly changing exchange rates and price volatility that could result in loss on Bitcoin/Litecoin to dollar exchange transactions;
- Fraud that impacts POSaBIT's receipts at the merchant, processor or exchange level;
- The emergence of available alternative payment processing systems that reduce or eliminate POSaBIT's revenues associated with its cryptocurrency payment processing system.

In the event the use of cryptocurrency processing is curtailed or restricted, or if alternative processing systems make use of Bitcoin or Litecoin less profitable, POSaBIT will not achieve its projected growth and its earning and prospects will be diminished. POSaBIT will face similar risks with any cryptocurrency featured in connection with POSaBIT's system.

POSaBIT expects to encounter risks and difficulties frequently faced by early stage companies in rapidly evolving markets

As a new company with a limited operating history, POSaBIT faces all of the risks and uncertainties encountered by a young business. Demand and market acceptance for recently introduced services such as POSaBIT's cryptocurrency based merchant processing are subject to a high level of uncertainty and risk. Further, it is difficult to predict the market's future growth rate. POSaBIT's merchant processing and services are attempting to create a niche in the industry and may not achieve or sustain market acceptance. To address these risks, POSaBIT must, among other things, appeal to consumers; implement and successfully execute its business and marketing strategy; implement and upgrade the technology and systems that it uses to serve its information and subscriber bases and process client and customer transactions and payments; respond to competitive developments; and attract, retain, and motivate qualified personnel. POSaBIT cannot assure that it will successfully address these risks, and failure to do so could have a negative impact on its business, operating results and financial condition.

POSaBIT expects to incur net losses in the near future

POSaBIT is in its start-up stage during which it is developing its technology and offerings. POSaBIT has experienced net operating losses and negative cash flow since inception. POSaBIT will continue to experience net losses for the foreseeable future until it has sufficiently developed its sales and distribution channels to profitably operate its business. POSaBIT's losses will increase if revenues from existing and expanded operations do not sufficiently offset additional costs and expenses related to web site and brand development, operations, marketing, promotional activities, expansion, and infrastructure development. To date, technology development and operations have been funded from founders' contributions and private placement sales of securities. Significant additional revenues need to be generated to achieve and maintain profitability. There is no assurance that POSaBIT's operations will be profitable. If it does achieve profitability, there is no guarantee that its business can be sustained or its profits increased in the future.

POSaBIT has a name and logo that are not well known

POSaBIT's ability to sell its subscriptions and services depends on the ready acceptance by consumer of a new trade/brand name and logo. Competitors in POSaBIT's markets may have developed well-known trade/brand names and logos that have, and may continue to have, superior recognition in the relevant marketplace for similar services. There can be no assurance that POSaBIT's services will be well received by the consuming public and relevant markets.

POSaBIT must respond to changes in technology, services and standards and changes in consumer behavior to remain competitive and continue to increase revenues

Technology, particularly digital technology used on the Internet continues to evolve rapidly. These technological changes have driven and reinforced changes in consumer behavior, as consumers increasingly seek control over when, where and how they consume and interact with digital content. If POSaBIT is unable to anticipate and respond to technological changes impacting the demand for new services, subscriptions, and technologies on a timely and cost effective basis and to respond and adapt to technological advancements and changing standards, the business may be adversely affected.

POSaBIT is dependent on third parties for equipment, graphical design and development of its technology and database backend

POSaBIT has outsourced to select service providers some of the graphical design, development and coding of its technology in accordance with its detailed specifications. POSaBIT relies on third-party equipment vendors for the hardware in its products. POSaBIT's business may be adversely affected if its service providers or vendors experience any significant delays, difficulties, failures or interruptions or cannot perform to requirements or specifications. Any such significant failure due to their own actions or inactions or due to factors beyond their control could have a material adverse effect on POSaBIT's businesses and results of operations.

POSaBIT is dependent on third parties for the provision of certain network services

POSaBIT has outsourced the day-to-day operation of most of its hosting and network services. POSaBIT's business may be adversely affected if these networks or systems experience any significant failures or interruptions or cannot accommodate increased traffic. The cooperation of third-party telecommunications providers will be required to connect new customers and POSaBIT may not be able to assure such connections are made in a timely manner. The business could be adversely affected as a result of any of the foregoing. The business is dependent on the ability to process, speedily, substantial quantities of data and transactions on computer-based networks and systems of others. Any significant failure or interruption of such systems due to factors beyond its control could have a material adverse effect on POSaBIT's businesses and results of operations. Although POSaBIT seeks to minimize these risks as far as commercially reasonable through security controls and active business continuity programs, there can be no assurance that adverse events will not occur.

Seasonality may cause cash flow to vary from quarter to quarter

The cannabis industry has some seasonality, which is typically similar to the seasonality impacting wine, beer and spirit sales, whereby sales increase near holidays and decrease in January and February. Seasonal factors may impact POSaBIT's quarterly revenues and cash flows, although POSaBIT does not expect significant decreases.

Quarterly operating results are expected to fluctuate

POSaBIT expects to experience significant fluctuations in future quarterly operating results due to a variety of factors, many of which are outside our control. As a result, quarterly comparisons of our operating results are not necessarily meaningful and investors should not necessarily rely on the results of one quarter as an indication of our future performance. Factors that may affect our quarterly operating results include:

- Sales processing on which POSaBIT receives transaction revenues;

- timing of POSaBIT's services releases, its appearances at conferences, or the scheduling of its own events;
- POSaBIT's ability to attract and retain talented sales employees;
- the announcement or introduction of new or enhanced subscriptions and services by POSaBIT or its competitors;
- changes in POSaBIT's pricing policies or the pricing policies of its competitors; and
- the amount and timing of operating costs and capital expenditures relating to expansion of POSaBIT's business, operations, and infrastructure.

POSaBIT's quarterly gross margins also may be impacted by a number of different factors, including the mix of service or transaction revenues and the cost fluctuation of various business expenses. Because POSaBIT's lack of operating history and the rapidly evolving nature of its industry make forecasting quarterly operating results difficult, POSaBIT bases its expenses in large part on its operating plans and future revenue projections. Most of POSaBIT's expenses are fixed in the short term, and it may be difficult to quickly reduce spending if revenues are lower than projected. Therefore, any significant shortfall in revenues would likely have an immediate and negative impact on POSaBIT's business, operating results, and financial condition.

Competition

The point-of-sale equipment and services business is highly competitive, with a substantial number of large and well-entrenched competitors. POSaBIT competes with several of the existing point of sale (POS) systems in merchant processing, almost all of which have considerably greater financial and other resources than POSaBIT does. These POS systems largely all integrate into each of the State seed to sale tracking systems.

POSaBIT expects new entrants to obtain licensing and directly compete with it in merchant processing based on cryptocurrency transactions. 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, POSaBIT's profitability could face increased pressure from competition and developments of existing providers, consolidation of customers, increased competition from new entrants and deployment of new technologies. If POSaBIT is unable to respond effectively to any increased competitive pressure arising from the above factors, its revenues and results of operation could be adversely affected. Further, if its services are successful, others will enter the market, which may draw customers away or preclude POSaBIT from obtaining additional customers.

Acquisitions may cause expense and unanticipated problems

From time to time, POSaBIT may seek out strategically and financially attractive acquisition opportunities. Such acquisitions will affect its costs, revenues, profitability and financial position, and may result in dilution to investors. For example, POSaBIT completed the acquisition of DoubleBeam, Inc. in 2018, which as a stock acquisition resulted in dilution of existing shareholders' ownership percentages. Acquisitions involve risks and uncertainties, including difficulties in integrating acquired operations, diversions of management resources and loss of key employees, challenges with respect to operating new businesses, debt incurred in financing such acquisitions (including the related possible reduction in our credit ratings and increase in our cost of borrowing) and unanticipated problems and liabilities.

Adverse publicity or claims that may be generated may impact the ability to maintain POSaBIT's community and shareholder profile and image

Recent incidents involving other product and service providers have indicated that the risks due to adverse publicity (as in the case of private data breach) or claims for improper notifications or labeling may impact the ability to maintain POSaBIT's community and shareholder profile and image. Thus, any breach of privacy or injury related to POSaBIT's subscriptions, services and events or employees may cause negative publicity that may have a material adverse effect on POSaBIT and the value of its securities. Claims arising from injury could require significant attention and resources and divert management from efforts to operate and expand the business. Moreover, although currently unpredictable, negative publicity concerning other activities or incidents in connection with POSaBIT's operations or employees could have a material adverse impact on POSaBIT and the value of its securities.

POSaBIT's business may suffer if it cannot continue to license or enforce the intellectual property rights on which its business depends

POSaBIT relies on copyright, trademark and trade secret laws in the United States and similar laws in other countries, and licenses and other agreements with its employees, customers, suppliers and other parties to establish and maintain POSaBIT's intellectual property rights in content, technology and products and services used in its various operations and to conduct its business. However, its intellectual property rights and licenses could be challenged or invalidated, or such intellectual property rights may not be sufficient to permit us to take advantage of current industry trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of certain product and service offerings or other competitive harm. Further, the laws of certain countries do not protect POSaBIT's proprietary rights, or such laws may not be strictly enforced. Therefore, in certain jurisdictions POSaBIT may be unable to protect its intellectual property adequately against unauthorized copying or use, which could adversely affect its competitive position. Also, because of the migration to digital technology and other technological changes in the industries in which POSaBIT operates, POSaBIT may need to use technologies developed or licensed by third parties in order to conduct its business, and if it is not able to obtain or to continue to obtain licenses from these third parties on reasonable terms, its businesses could be adversely affected. It is also possible that, in connection with a merger, sale or acquisition transaction, POSaBIT may license its trademarks or service marks and associated goodwill to third parties, or the business of various segments could be subject to certain restrictions in connection with such trademarks or service marks and associated goodwill that were not in place prior to such a transaction.

POSaBIT may have its processing limits reduced or have its credit and debit card processing completely shut off because it provides services in the controversial areas of both cryptocurrency sales and legal cannabis sales and certain credit and debit card companies and processors may elect (for no reason) to terminate services in either of these areas, and any such termination would have a materially negative impact on POSaBIT's business

POSaBIT has established positive relationships with its local bank as well as its processor and sponsor banks that allow it to accept credit and debit cards as a form of payment for cryptocurrency. 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 credit and 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 its processing would have a materially negative impact on POSaBIT's business.

POSaBIT may face claims or lawsuits from investors or partners. As a start-up that works in a very high-risk environment regarding banks, cryptocurrency and cannabis, current or future investors or

partners who had not been fully aware of all constraints and regulations with respect to cannabis or cryptocurrency may pursue claims

POSaBIT will do everything to avoid the potential of any lawsuits or claims from investors or partners, however like all start-ups, this is a high-risk investment and may result in future claims by investors or partners who had not been fully aware of all constraints and regulations with respect to cannabis or cryptocurrency.

POSaBIT may face claims of intellectual property infringement, which could have an adverse impact on its business or operating results due to a disruption, the incurrence of significant costs and other factors

Intellectual property infringement claims are common in connection with technology and the Internet. Infringement claims and lawsuits could require us to enter into royalty or licensing agreements on unfavorable terms, incur substantial monetary liability or be enjoined preliminarily or permanently from further use of the intellectual property in question. This could require POSaBIT to change its business practices and limit its ability to compete effectively. Even if POSaBIT believes that the claims are without merit, the claims can be time consuming and costly to defend and divert management's attention and resources away from the business. In addition, POSaBIT may enter into agreements that require it to indemnify others for certain third party intellectual property infringement claims, which could require it to expend sums to defend against or settle such claims or, potentially, to pay damages. If POSaBIT is required to take any of these actions, it could have an adverse impact on its business.

POSaBIT relies heavily on network and information systems or other technology, and a disruption or failure of such networks, systems or technology as a result of computer viruses, misappropriation of data or other malfeasance, as well as outages, natural disasters, accidental releases of information or similar events, may disrupt POSaBIT's business and damage its reputation

Because network and information systems and other technologies are critical to POSaBIT's operating activities, network or information system shutdowns or service disruptions caused by events such as computer hacking, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters, impairments to satellite systems used to transmit programming, terrorist attacks and similar events, pose increasing risks. Such an event could have an adverse impact on POSaBIT and its customers, including degradation of service, service disruption and damage to equipment and data. Significant incidents could result in a disruption of our operations, customer dissatisfaction, or a loss of customers or revenues. Furthermore, our operating activities could be subject to risks caused by misappropriation, misuse, leakage, falsification and accidental release or loss of information maintained in the information technology systems and networks, including personnel, customer and vendor data. We could be exposed to significant costs if such risks were to materialize, and such events could damage our reputation and credibility and have a negative impact on our revenues. We also could be required to expend significant capital and other resources to remedy any such security breach or to repair or replace networks or information systems.

Infrastructure Risk

The Corporation's ability to attract, retain, and serve customers is dependent upon the reliable performance of the blockchain software platform and the underlying technical infrastructure. It is possible that the Corporation may fail to effectively scale and grow its technical infrastructure to accommodate these increased demands. Additionally, any disruption or failure in the services the Corporation receives from third party partners used to facilitate its business could harm the Corporation's business. Any financial or other difficulties these partners face may adversely affect the Corporation's business, and the Corporation exercises little control over these partners, which increases vulnerability to problems with the services they provide.

Limited Protection of Patents and Proprietary Rights.

POSaBIT relies on a combination of trademarks, trade names, copyrights, and other proprietary rights, as well as contractual arrangements, including licenses, to establish and protect our intellectual property and brand names. POSaBIT believes its proprietary trademarks and other intellectual property rights are important to its continued success and its competitive position. POSaBIT has obtained the url for posabit.com and a number of other site addresses and is seeking trademark registration of several brands. POSaBIT's founders have in the past obtained patents for various inventions and are familiar with the patent process, and POSaBIT expects that many of its inventions and processes will be patentable, and in such case POSaBIT will seek patent protection. The limited patent research we have completed so far indicates there are no conflicting patents that prevent POSaBIT from implementing its business plan. Likewise, the limited trademark research POSaBIT has done indicates there are no conflicting trademarks. There is no assurance, however, that third parties may not infringe on any patents or trademarks we obtain. The technology industry is highly litigious, and we face significant risk as a technology company due to the uncertainties with respect to intellectual property matters, including enforcing intellectual property rights and defending against infringement claims, and investors must be aware that these risks are substantial. POSaBIT's expense to obtain, police and enforce protection of its intellectual rights can be significant and there is no assurance that such expense is recoverable. In order to protect its trademark, patent or other intellectual property rights, POSaBIT may have to file or defend against lawsuits and obtain injunctions. If that occurs, POSaBIT will have to spend large sums of money for legal fees in order to protect its positions or obtain injunctions. Even if injunctions are obtained, there is no assurance that other parties subject to injunctions will comply with the injunctions. Further, POSaBIT may not have adequate funds available to prosecute actions to protect or to defend its rights which can leave us vulnerable to such lawsuits.

Infringement of Intellectual Property Rights

While the Corporation believes that its intellectual property does not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon the Corporation not infringing intellectual property rights of others. A number of the Corporation's competitors and other third parties have been issued or may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those utilized by the Corporation. Some of these patents may grant very broad protection to the owners of the patents.

The Corporation may become subject to claims by third parties that its technology infringes their intellectual property rights.

Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary rights or to establish the Corporation's proprietary rights. Some of its competitors have, or are affiliated with companies having, substantially greater resources than the Corporation and these competitors may be able to sustain the costs of complex intellectual property litigation to a greater degree and for a longer period of time than the Corporation.

Regardless of their merit, any such claims could be time consuming to evaluate and defend, result in costly litigation, divert management's attention and focus away from the business, subject the Corporation to significant liabilities and equitable remedies, including injunctions, require the Corporation to enter into costly royalty or licensing agreements and require the Corporation to modify or stop using infringing technology.

Privacy

The Corporation may receive, store and process personal information and other customer data and information relating to financial transactions. As a result, the Corporation must comply with the numerous federal, provincial and local laws in the United States, Canada and abroad relating to the collection, use,

disclosure, storage and safeguarding of personal information. Any failure or perceived failure by the Corporation to comply with its privacy policies, privacy-related obligations to customers or other third parties, or privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other customer data, may result in governmental enforcement actions, fines or litigation.

Risk of Obsolescence

New developments in technology may negatively affect the development or sale of some or all of the Corporation's product or service offerings or make them obsolete. The inability of the Corporation to enhance existing products and services in a timely manner or to develop and introduce new products and services that incorporate new technologies, conform to increasing regulatory requirements, and achieve market acceptance in a timely manner could negatively impact the Corporation's competitive position. New product and service development or modification is costly, involves significant research, development, time and expense, and may not necessarily result in the successful commercialization of any new products or services.

Expansion Risk

Any expansion of the Corporation's business may place a significant strain on its financial, operational and managerial resources. There can be no assurance that the Corporation will be able to implement and subsequently improve its operations and financial systems successfully and in a timely manner in order to manage any growth it experiences. There can be no assurance that the Corporation will be able to manage growth successfully. Any inability of the Corporation to manage growth successfully could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Limited Operating History

POSaBIT has incurred losses since its inception and is expected to continue to incur losses. As such, the Corporation will be subject to all of the business risks and uncertainties associated with any new business enterprise, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The Corporation's ability to reach and then sustain profitability depends on a number of factors, including the growth rate of the financial technology industry, the market acceptance of POSaBIT's product and service offerings and the competitiveness of the Corporation. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of its success must be considered in light of its early stage of operations.

Dependence on Management and Key Personnel

The success of the Corporation 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 Corporation's business, and the Corporation would need to devote substantial resources to finding replacements. The Corporation currently does not contemplate carrying "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 Corporation 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 Corporation's operations.

Uninsured Risks

The Corporation may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or for other reasons. The Corporation currently does not contemplate carrying “key-man” life insurance policies covering any of its officers. Furthermore, the Corporation may incur liability to third parties in excess of any insurance coverage or for which the Corporation is not insured arising from any damage or injury caused by the Corporation’s operations, which may have a material adverse effect on the Corporation’s financial position.

DIVIDENDS

All of the Corporation’s Shares are entitled to an equal share in any dividends declared and paid. However, it is not contemplated that any dividends will be paid on the Shares in the immediate or foreseeable future. It is anticipated that all available funds will be invested to finance the growth of POSaBIT’s business. The directors of the Corporation will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on the Corporation’s financial position at the relevant time.

DESCRIPTION OF THE CAPITAL STRUCTURE OF THE CORPORATION

The authorized capital of the Corporation consists of an unlimited number of Shares without par value. As at the date of this AIF, there are 75,445,765 Shares issued and outstanding.

The holders of the Shares are entitled to vote at all meetings of the shareholders, to receive dividends if, and when declared by the directors and to participate ratably in any distribution of property or assets upon the liquidation, winding-up or other dissolution of the Corporation. The Shares carry no pre-emptive rights, conversion or exchange rights, or redemption, retraction, repurchase, sinking fund or purchase fund provisions. There are no provisions requiring a holder of Shares to contribute additional capital and no restrictions on the issuance of additional securities by the Corporation. There are no restrictions on the repurchase or redemption of Shares by the Corporation except to the extent that any such repurchase or redemption would render the Corporation insolvent.

There are 12,305,468 options to purchase Shares outstanding, of which 300,000 options have an exercise price of \$0.10 per Share and will, in accordance with their terms, terminate April 3, 2020, being 12 months after completion of the Transaction, and 12,005,468 options have exercise prices ranging from \$0.006 to \$0.23 and expire 10 years after the date of grant.

There are 202,100 warrants to purchase Shares outstanding, of which 28,460 warrants were issued to Haywood Securities Inc. in connection with the initial public offering of the Corporation and have an exercise price of \$0.10 per Share and expire on May 29, 2020, and 173,640 warrants have an exercise price of US\$0.14 per Share and expire July 10, 2027.

A US\$50,000 convertible note issued by POSaBIT, Inc. in May 2017 is convertible to 549,804 Shares.

MARKET FOR SECURITIES

The Shares are listed on the Canadian Securities Exchange under the trading symbol “PBIT” and trade in the United States on the OTC Pink market under the trading symbol “POSaF”. The following table sets out the reported intraday high and low prices and trading volumes of the Shares from April 8, 2019 (the date of their initial trading on the Canadian Securities Exchange upon completion of the Transaction) to May 31, 2019:

Period	High	Low	Volume
April 8 - April 30, 2019	\$1.18	\$0.38	2,095,384
May 1 - May 31, 2019	\$0.495	\$0.28	438,027

The following table sets out the reported intraday high and low prices and trading volumes of the Foreshore shares on the TSX Venture Exchange from May 29, 2018 to June 7, 2018:

Month	High	Low	Volume
May 29 - May 31, 2018	Trading halted		
June 1 - June 7, 2018	\$0.20	\$0.17	110,000
June 8 - April 2, 2019	Trading halted		

Notes:

- (1) Trading of the Foreshore shares on the TSX Venture Exchange commenced on June 1, 2018.
- (2) The Foreshore shares were halted from trading on June 8, 2018 pending the announcement of the Transaction and were delisted from the TSX Venture Exchange on April 2, 2019.

ESCROWED SECURITIES

The following table sets out the number of securities held in escrow at May 31, 2019.

Designation of Class	Number of Securities held in Escrow	Percentage of Class
Common Shares	18,390,631	24.4%
Options	8,901,177	70.3%
Warrants	6,314	3.1%

Note:

The escrowed securities are held by Computershare Investor Services Inc. as escrow agent pursuant to an Escrow Agreement dated March 25, 2019, among Computershare Investor Services Inc., POSaBIT and certain securityholders of POSaBIT.

One sixth of the escrowed securities will be released from escrow on each of the following: October 8, 2019, April 8, 2020, October 8, 2020, April 8, 2021, October 8, 2021 and April 8, 2022.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out information with respect to the directors and executive officers of the Corporation.

Name, Municipality of Residence	Office held with the Corporation	Director and/or Executive Officer Since	Principal Occupation During Last Five Years
Ryan Hamlin Redmond, Washington	President, Chief Executive	April 3, 2019	CEO, President and Co-Founder POSaBIT, Inc., November 2015 – present; CEO and Founder PlaceFull,

Name, Municipality of Residence	Office held with the Corporation	Director and/or Executive Officer Since	Principal Occupation During Last Five Years
	Officer and Director ⁽¹⁾		Inc., November 2011 - March 2016; Chairman of the Board, PlaceFull, Inc. November 2011 - present
Jon Baugher Kirkland, Washington	Chief Revenue Officer and Director	April 3, 2019	Chief Revenue Officer, Co-Founder and Director, POSaBIT, Inc., August 2015 to present; VP Sales and Business Development, PlaceFull, Inc., September 2015 - January 2017; Sr. Director National Sales, Adapx Inc., September 2010 - July 2015
Jeff Dossett Seattle, Washington	Chairman Director	April 3, 2019	Executive vice president of sales and marketing of Impinj, Inc., January 2018 – present; senior vice president of marketing and business development of Impinj, Inc., May 2017 - December 2017; strategic advisor for GOOD Worldwide Inc., January 2007 - July 2017 and CEO of GOOD Worldwide Inc. from March 2016 - October 2016; head of partnerships, corporate development and interim chief financial officer, at Porch, Inc., December 2013 - March 2015
Michael Markette Baltimore, Maryland	Director ⁽¹⁾	April 3, 2019	Partner & President CallRevu, LLC, April 2010 – present, and Partner, Market Tech Consulting LLC, January 2000 - present
Paul Fiore Los Angeles, California	Director ⁽¹⁾	April 3, 2019	Founder and CEO, Hills Group LLC, a private investment group, November 2017 - present; Chief Executive of DoubleBeam, Inc., April 2017 - November 2017; Founder and CEO of CU Wallet LLC, March 2013 - April 2017
Andrew Sweet Renton, Washington	Chief Technology Officer	April 3, 2019	Chief Technology Officer, POSaBIT, March 2018 - present; Chief Technology Officer of Shop & Support, 2013-2018; Director of Engineering – Photorocket, 2010 - 2013
Stephen Gledhill Aurora, Ontario	Chief Financial Officer and Corporate Secretary	April 3, 2019	Chief Financial Officer and Corporate Secretary for multiple publicly-traded companies

(1) Member of the audit committee

Each director has been elected or appointed to hold office until the next annual meeting of shareholders.

The directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 20,547,899 Shares, representing approximately 27% of the issued and outstanding Shares.

Summary biographies for each of the directors and executive officers of POSaBIT are set out below.

Ryan Hamlin (age 50), President, Chief Executive Officer and Director

Mr. Hamlin has over 27 years of software development and management experience. He is the President, Chief Executive Officer and Co-Founder of POSaBIT, Inc. In 2011, he founded PlaceFull, Inc, an online booking and eMarketing platform. PlaceFull continues to grow its operations in the US and Canada and Mr. Hamlin serves as the Chairman of the Board. From 1995 to 2010 he was an executive at Microsoft, managing 1,000+ person teams and over \$500 million in revenue, and from 1990 to 1994 he was a senior systems analyst at Andersen Consulting. He has also served on several start-up and larger non-profit boards. Mr. Hamlin has a B.A. and B.S., Business & Computer Science, from Pacific Lutheran University.

As President and Chief Executive Officer, Mr. Hamlin provides direction and skills with respect to the development of the Corporation and is responsible for the guiding strategy and direction of the Corporation.

Jon Baugher (age 57), Chief Revenue Officer and Director

Mr. Baugher has over 28 years of software and technology sales experience. He is the Chief Revenue Officer and Co-Founder of POSaBIT, Inc. From 2015 to 2017 he was Vice President of Sales and Business Development at PlaceFull, Inc. From 2010 to 2015 he was Senior Director of National Sales at Adapx Inc., an enterprise software solutions provider. From 2005 to 2010 he was Director of Global Sales at Microvision, Inc. (NASDAQ:MVIS), a company that develops laser scanning technology. Prior to that, he was a principal and co-founder of GamePlan, Inc., an entrepreneurial venture focused on sports and event marketing and licensing. Mr. Baugher has a B.A., Business from the University of Washington.

As Chief Revenue Officer, Mr. Baugher provides direction and skills with respect to the development of the revenue of the Corporation.

Jeff Dossett (age 58), Chairman and Director

Mr. Dossett is Executive Vice President of Sales and Marketing at Impinj, Inc. (NASDAQ:PI), a manufacturer of radio-frequency identification devices and software. He previously served as Chief Executive Officer of GOOD Worldwide Inc., a global media brand and social impact company, and from 2013 to 2015 was Head of Partnerships, Corporate Development and Interim Chief Financial Officer of Porch.com, Inc. From 2010 to 2013 he was Chief Revenue Officer of Demand Media (now Leaf Group Inc.), and from 2013 to 2016 he was a member of the Board of PlaceFull, Inc. Mr. Dossett has a degree in Business Administration and General Management from the Ivey Business School, University of Western Ontario.

Michael Markette (age 51), Director

Mr. Markette is a seasoned entrepreneur who has started several software companies over the past 30 years. Over the last five years he has been the President of CallRevu, LLC, a company that focuses on custom call tracing solutions to assist with sales lead management. He is also Partner of Market Tech Consulting LLC. Mr. Markette brings a great background in fundraising and growing small companies into multi-million-

dollar enterprises. He has a Bachelor's degree in Banking, Corporate Finance and Securities Law from Arizona State University.

Paul Fiore (age 54), Director

Mr. Fiore is the founder and Chief Executive Officer of Hills Group LLC, a private investment group. He was the founder and Chief Executive Officer of Doublebeam, Inc. and LifeStep Solutions (formally CU Wallet), a mobile and software development company. From 2001 to 2011 he ran PIE, LLC, a private venture fund, and previously founded Digital Insight, which offers Internet based services to financial institutions. Mr. Fiore has over a decade of experience in the financial services industry (five of it in executive management), as Vice President and Chief Financial Officer of Affinity Federal Credit Union, and at Lehman Brothers and Continental Bank. Mr. Fiore has a B.S., Management, Finance from New York University.

Andrew Sweet (age 52), Chief Technology Officer

Mr. Sweet has over 27 years of software start-up experience. He is the Chief Technology Officer of POSaBIT, Inc., and from 2013 to 2018 was Chief Technology Officer and a founder of Shop & Support, which enables charitable donations from credit and debit card purchases. From 2010 to 2012 he was Director of Engineering at PhotoRocket, where his team grew from five to 25, and from 2002 to 2007 he was a technology director at QPass, which grew from ten to over 200 employees. Mr. Sweet has an M.S., Physics and Computer Science from the University of Wisconsin-Madison and a B.S., Physics from the University of Washington.

As Chief Technology Officer, Mr. Sweet provides direction and skills with respect to the technology needs of the Corporation and the development of the Corporation's software.

Stephen Gledhill (CPA, CMA) (age 58), Chief Financial Officer and Corporate Secretary

Mr. Gledhill is a founding member and Managing Director and CFO of RG Mining Investments Inc. and RG Management Services Inc., both of which are accounting, administrative and corporate secretarial services companies. In 1992, he formed Keshill Consulting Associates Inc., a boutique management consulting practice. Mr. Gledhill has over 25 years of financial-control experience and acts as Chief Financial Officer and Corporate Secretary for multiple publicly-traded companies, several of which he was instrumental in scaling-up and taking public.

As Chief Financial Officer, Mr. Gledhill is responsible for accounting and financial compliance functions of the Corporation.

Cease Trade Orders, Bankruptcies or Sanctions

Cease Trade Orders

To the knowledge of the Corporation, other than disclosed below, as at the date of this AIF, to the knowledge of the Corporation no director or executive officer of the Corporation is, or within the 10 years prior to the date hereof, has been, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity:

- (i) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (ii) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days

that was issued after such person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while such person was acting in the capacity of a director, chief executive officer or chief financial officer.

To the knowledge of the Corporation, other than as disclosed herein, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of Shares to affect materially the control of the Corporation, is, or within the 10 years prior to the date hereof, has been, director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

On April 25, 2016, BlueOcean NutraSciences Inc. (“**BOC**”) applied to the applicable Canadian securities regulatory authorities pursuant to National Policy 12-203 – *Cease Trade Orders for Continuous Disclosure Defaults* (“**Policy 12-203**”) for a MCTO, which precluded members of management (including Stephen Gledhill, CFO) from trading BOC common shares until such time as the MCTO is no longer in effect. The MCTO was sought by BOC as it would not be filing its audited annual financial statements, related management’s discussion and analysis and applicable officer certifications (the “**Annual Materials**”) by the deadline date of April 29, 2016. On May 9, 2016, the OSC granted a temporary MCTO, effective until May 16, 2016. On May 16, 2016, the OSC issued a permanent MCTO in effect until 2 days following BOC filing its Annual Materials with the applicable regulatory authorities. On July 19, 2016, BOC filed its Annual Materials and on July 21, 2016, the MCTO was lifted.

On January 12, 2016 (further to a TSX Venture Exchange Bulletin dated January 11, 2016), Gemoscan Canada, Inc.’s (“**GES**”) shares were suspended from trading on the TSX Venture Exchange for failing to maintain exchange requirements, GES having made assignment into bankruptcy. Effective January 13, 2016, GES’s listing was transferred to the NEX. Stephen Gledhill served as CFO of GES from August 2010 to November 2015.

Penalties or Sanctions

To the knowledge of the Corporation, no director, officer, promoter or shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has:

- (a) been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

Bankruptcies

To the knowledge of the Corporation, no director or executive officer of the Corporation or a shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Conflicts of Interest

Directors and officers of the Corporation also serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm’s length negotiations, but only through exercise by the officers

and directors of such judgment as is consistent with their fiduciary duties to the Corporation which arise under British Columbia corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Corporation. All conflicts of interest will be resolved in accordance with the BCBCA. Any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Corporation, and, depending upon the magnitude of the transactions and the absence of any disinterested board members, may be submitted to the shareholders for their approval.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than disclosed herein, none of the Corporation's directors, executive officers or persons or companies that beneficially own or control or direct, directly or indirectly or a combination of both, more than 10% of the Shares, or their associates and affiliates, had any material interest, direct or indirect, in any transaction with the Corporation within the three most recently completed financial years or during the current financial year that has materially affected or would reasonably be expected to materially affect the Corporation. See "*Material Contracts.*"

CORPORATE GOVERNANCE

Board of Directors

National Instrument 58-101 - *Disclosure of Corporate Governance Practices* ("NI 58-101") suggests that the board of directors of a public company should be constituted with a majority of individuals who qualify as "independent" directors. An "independent" director is a director who is independent of management and is free from any interest and any business or other relationship which could, or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from holding shares or securities in the Corporation. In addition, where a company has a significant shareholder, NI 58-101 suggests that the board of directors should include a number of directors who do not have interests in either the Corporation or the significant shareholder. The independent directors would exercise their responsibilities for independent oversight of management and meet independently of management whenever deemed necessary.

The Board of Directors of the Corporation is composed of five (5) directors, three (3) of whom are Independent (as that term is defined in Section 1.2 of NI 58-101), namely Jeff Dossett, Michael Markette and Paul Fiore.

Orientation and Continuing Education

The Board has not adopted formal steps to orient new board members. The Board's continuing education is typically derived from correspondence with the legal counsel of the POSaBIT to remain up to date with developments in relevant corporate and securities law matters. It is not anticipated that the board of the Corporation will adopt formal steps in the 12 months following completion of the Transaction.

Ethical Business Conduct

The Board has not adopted formal guidelines to encourage and promote a culture of ethical business conduct but does promote ethical business conduct by nominating board members it considers ethical, by avoiding or minimizing conflicts of interest and by having a sufficient number of its board members independent of

corporate matters. It is not anticipated that the board of the Corporation will adopt formal guidelines in the 12 months following completion of the Transaction.

Nomination of Directors

The Board determines new nominees to the Board, although a formal process has not been adopted. The nominees are generally the result of recruitment efforts by the nomination members, including both formal and informal discussions among nomination members. It is not anticipated that the nomination committee of the Corporation will adopt a formal process to determine new nominees in the 12 months following completion of the Transaction.

Compensation

The Board decides on the compensation for officers and directors, based on industry standards and the Corporation's financial situation. It is anticipated that the Board of the Corporation will decide as a board the compensation for officers and directors in the 12 months following completion of the Transaction. During the most recently completed financial year no compensation consultant or advisor was retained by POSaBIT.

Other Board Committees

The Corporation currently does not have any other Board committees with the exception of the Audit Committee.

Assessments

The Board does not feel it is necessary to establish a committee to assess the effectiveness of individual Board members. Each Board member has considerable experience in the management of companies or public companies and this is sufficient to meet the current needs of the Corporation. On an annual basis, however, the Board assesses the contributions of each of the individual directors and of the Board as a whole, in order to determine whether each is functioning effectively.

AUDIT COMMITTEE AND RELATED INFORMATION

Audit Committee Charter

The text of the audit committee's charter is attached hereto as Schedule "A".

Composition of the Audit Committee

The members of the audit committee are Ryan Hamlin, Michael Markette and Paul Fiore, who is chair of the committee. All members are financially literate and Mr. Markette and Mr. Fiore are independent.

Relevant Education and Experience

Each audit committee member has had extensive experience reviewing financial statements. Each member has an understanding of the Corporation's business and has an appreciation for the relevant accounting principles for that business.

Ryan Hamlin

Mr. Hamlin has over 27 years of software development and management experience. He is the President, Chief Executive Officer and Co-Founder of POSaBIT, Inc. In 2011, he founded PlaceFull, Inc, an online booking and eMarketing platform. PlaceFull continues to grow its operations in the US and Canada and

Mr. Hamlin serves as the Chairman of the Board. From 1995 to 2010 he was an executive at Microsoft, managing 1,000+ person teams and over \$500 million in revenue, and from 1990 to 1994 he was a senior systems analyst at Andersen Consulting. He has also served on several start-up and larger non-profit boards. Mr. Hamlin has a B.A. and B.S., Business & Computer Science, from Pacific Lutheran University.

Michael Markette

Mr. Markette is a seasoned entrepreneur who has started several software companies over the past 30 years. Over the last five years he has been the President of CallRevu, LLC, a company that focuses on custom call tracing solutions to assist with sales lead management. He is also Partner of Market Tech Consulting LLC. Mr. Markette brings a great background in fundraising and growing small companies into multi-million-dollar enterprises. He has a Bachelor’s degree in Banking, Corporate Finance and Securities Law from Arizona State University.

Paul Fiore

Mr. Fiore is the founder and Chief Executive Officer of Hills Group LLC, a private investment group. He was the founder and Chief Executive Officer of Doublebeam, Inc. and LifeStep Solutions (formally CU Wallet), a mobile and software development company. From 2001 to 2011 he ran PIE, LLC, a private venture fund, and previously founded Digital Insight, which offers Internet based services to financial institutions. Mr. Fiore has over a decade of experience in the financial services industry (five of it in executive management), as Vice President and Chief Financial Officer of Affinity Federal Credit Union, and at Lehman Brothers and Continental Bank. Mr. Fiore has a B.S., Management, Finance from New York University.

Audit Committee Oversight

At no time was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the Board of Directors.

Pre-Approval Policies and Procedures

The audit committees of the Corporation has not adopted specific policies and procedures for the engagement of non-audit services but all such services will be subject to the prior approval of the audit committee. It is not anticipated that the Corporation will adopt specific policies and procedures.

External Auditor Service Fees

The aggregate fees billed by the external auditors of Foreshore prior to the Transaction for the most recently completed financial year are:

Audit fees	\$10,500
Audit-related fees	Nil
Tax fees	Nil
All other fees	Nil

The aggregate fees billed by the external auditors of the Corporation in the most recently completed financial year are:

Audit fees	\$182,457.03
Audit-related fees	Nil
Tax fees	\$10,000.00
All other fees	Nil

The tax fees charged by the external auditor of the Corporation were for US income tax return preparation and administrative fees.

Exemption

The Corporation is a “venture issuer” as defined in National Instrument 52-110 - *Audit Committees* (“**NI 52-110**”) and is relying on the exemption in section 6.1 of NI 52-110 relating to Parts 3 (Composition of the Audit Committee) and 5 (Reporting Obligations).

PROMOTERS

The Corporation currently has no promoters. Chris Beltgens, Toby Pierce and Benjamin Gelber have acted as promoters of Foreshore Exploration Partners Corp. within the last two years.

As at the date hereof, none of Chris Beltgens, Toby Pierce nor Benjamin Gelber beneficially own, control or direct, directly or indirectly, any Shares or other securities of the Corporation.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not a party to any legal proceedings involving a claim for damages in excess of ten percent of the Corporation’s current assets, nor is a party to any regulatory actions, and is not aware of any such proceedings or actions known to be contemplated.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Shares is Computershare Investor Services Inc., 510 Burrard Street, 3rd Floor, Vancouver, B.C. V6C 3A8.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the material contracts entered into by the Corporation within the most recently completed financial year, or before the most recently completed financial year but which are still in effect, are:

- (a) Merger Agreement dated December 14, 2018, between the Corporation and POSaBIT, Inc.;
- (b) Escrow Agreement dated March 25, 2019 among the Corporation, Computershare Investor Services Inc. and certain security holders of the Corporation;
- (c) the master reseller agreement and software license dated January 1, 2016 between PlaceFull, Inc. and POSaBIT, Inc. which provides for the licensing to POSaBIT, Inc. of software used in connection with the POSaBIT payment services platform for a monthly license fee; and
- (d) the money transmitter license issued to POSaBIT, Inc. by the State of Washington on September 24, 2018;

all of which are available on the Issuer’s profile on SEDAR at www.sedar.com.

Pursuant to the master reseller agreement and software license dated January 1, 2016 with PlaceFull, Inc., of which POSaBIT’s President and Chief Executive Officer Ryan Hamlin is a significant shareholder, POSaBIT licenses from PlaceFull software used in connection with the POSaBIT payment services platform. The agreement provides for the licensing to POSaBIT of the application code for the PlaceFull platform (the computer software code enabling operation of the PlaceFull platform as an Internet based

software as a service and commerce offering), on a white label basis, in connection with the POSaBIT platform and the POSaBIT brand point of sale payment processing and administration services. POSaBIT uses the PlaceFull software to set up merchant accounts and billing specifics, which is the backend to POSaBIT's administration tools. Pursuant to the agreement, POSaBIT is licensed to use the PlaceFull software in North America and Europe for use in the retail cannabis industry, point of sale system applications for over the counter retailers (recreational or medical) in the cannabis space and point of sale implementations that include the sale and acceptance of Bitcoin / Litecoin, and other high risk processing industries. POSaBIT pays Placefull a monthly royalty fee for all rights granted under the agreement of US\$10,000 per month. In addition, POSaBIT shares office space with PlaceFull and shares related expenses. POSaBIT may remove use of the PlaceFull software in 2019, but currently intends to continue to share office space with PlaceFull.

INTERESTS OF EXPERTS

MNP LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants.

ADDITIONAL INFORMATION

Copies of the financial statements of Foreshore Exploration Partners Corp., the predecessor reporting issuer of the Corporation, for the financial year ended October 31, 2018, together with the auditors report thereon and management's discussion and analysis, the financial statements of Foreshore Exploration Partners Corp. for the three months ended January 31, 2019, together with management's discussion and analysis, the financial statements of POSaBIT, Inc. for the financial years ended December 31, 2018 and December 31, 2017, together with the auditors report thereon, and the financial statements of POSaBIT, Inc. for the three months ended March 31, 2019 and March 31, 2018 are available upon written request from the Chief Financial Officer and Corporate Secretary of the Corporation, 1128 8th St., Kirkland, WA 98033, or stephen@posabit.com. These documents and additional information concerning the Corporation are available on SEDAR at www.sedar.com.

**SCHEDULE “A” - CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS (the “Board”)
OF POSABIT SYSTEMS CORPORATION
(Adopted by the Board on January 27, 2017)**

1.0 Purpose of the Committee

1.1 The Audit Committee represents the Board in discharging its responsibility relating to the accounting, reporting and financial practices of the Company and its subsidiaries, and has general responsibility for oversight of internal controls, accounting and auditing activities and legal compliance of the Company and its subsidiaries.

2.0 Members of the Committee

2.1 The Audit Committee shall consist of no less than three Directors a majority of whom shall be "independent" as defined under National Instrument 52-110, while the Company is in the developmental stage of its business. The members of the Committee shall be selected annually by the Board and shall serve at the pleasure of the Board.

2.2 Each Member of the Audit Committee must be "financially literate" as defined under Multilateral Instrument 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

3.0 Meeting Requirements

3.1 The Committee will, where possible, meet on a regular basis at least once every quarter, and will hold special meetings as it deems necessary or appropriate in its judgment. Meetings may be held in person or telephonically, and shall be at such times and places as the Committee determines. Without meeting, the Committee may act by unanimous written consent of all members which shall constitute a meeting for the purposes of this charter.

3.2 A majority of the members of the Committee shall constitute a quorum.

4.0 Duties and Responsibilities

The Audit Committee's function is one of oversight only and shall not relieve the Company's management of its responsibilities for preparing financial statements which accurately and fairly present the Company's financial results and conditions or the responsibilities of the external auditors relating to the audit or review of financial statements. Specifically, the Audit Committee will:

- (a) have the authority with respect to the appointment, retention or discharge of the independent public accountants as auditors of the Company (the “auditors”) who perform the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the Board through the Audit Committee;
- (b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;

- (c) review information, including written statements from the auditors, concerning any relationships between the auditors and the Company or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;
- (d) review and discuss with management and the auditors the Company's audited financial statements and accompanying Management's Discussion and Analysis of Financial Conditions ("MD&A"), including a discussion with the auditors of their judgments as to the quality of the Company's accounting principles and report on them to the Board;
- (e) review and discuss with management the Company's interim financial statements and interim MD&A and report on them to the Board;
- (f) pre-approve all auditing services and non-audit services provided to the Company by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to the Company that are prohibited by applicable law or regulation;
- (g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Board;
- (h) periodically review the adequacy of the Company's internal controls and ensure that such internal controls are effective;
- (i) review changes in the accounting policies of the Company and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on the Company's financial reports, and report on them to the Board;
- (j) oversee and annually review the Company's Code of Business Conduct and Ethics;
- (k) approve material contracts where the Board of Directors determines that it has a conflict;
- (l) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding the audit or other accounting matters;
- (m) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at the Company's expense to advise on material issues affecting the Company which the Audit Committee considers are not appropriate for the full Board;
- (n) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;
- (o) review and monitor all related party transactions which may be entered into by the Company; and;
- (p) periodically review the adequacy of its charter and recommending any changes thereto to the Board;

5.0 Miscellaneous

5.1 Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.