POSaBIT Systems Corporation

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended September 30, 2020

(reported in US Dollars)

November 9, 2020

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*This interim management discussion and analysis – quarterly highlights ("Interim MD&A") has been prepared based on information available to POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**") at November 9, 2020. This Interim MD&A is based on information available to POSaBIT and updates disclosure previously provided in the Company's Annual and interim MD&A's, up to the date of this Interim MD&A and should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes as at and for the three and nine months ended September 30, 2020 and 2019 (the "**Consolidated Financial Statements**") and the Company's audited consolidated financial statements for the years ended December 31, 2019 and 2018 (the "**Audited Consolidated Financial Statements**"). Both the Audited Consolidated Financial Statements and the Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the Consolidated Financial Statements. Additional information relating to the Company can be found on SEDAR at www.sedar.com or on the Company's website at www.posabit.com.*

As the Company is a Venture Issuer (as defined under under *National Instrument 52-109 Certification of Disclosure in Issuers' Annual and Interim Filings*) ("**NI 52-109**"), the Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures ("**DC&P**") and/or Internal Controls over Financial Reporting ("**ICFR**"), as defined in NI 52-109, **nor has it completed such an evaluation**. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

(Reported in US Dollars)

General

POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**"), was incorporated on June 12, 2017, pursuant to the *Business Corporations Act* (British Columbia). On April 5, 2019, the Company completed the reverse acquisition of POSaBIT, Inc. ("**POSaBIT US**"), a private company incorporated under the laws of the State of Washington, by way of a triangular merger (the "**Transaction**" or "**Merger**") (note 5.1 (a)). Upon completion of the Transaction, the Company changed its name to POSaBIT Systems Corporation and now primarily involve the point-of-sale arrangements designed to offer consumers an easy way to purchase goods and services. Pursuant to the Transaction, the shareholder of POSaBIT US received 1.7539815 securities of the Company for each security of POSaBIT US held including common shares, options, and warrants.

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

The Company's head office is located at 1128 8th Street, Kirkland, Washington 98033. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

The unaudited interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. The Company has incurred losses and has had negative cash flows from operations from the inception that have primarily been funded through financing activities.

As at September 30, 2020, the Company has a reported working capital deficit of $2,855,371 (December 31, 2019 – $2,131,849) and has shareholders' deficiency $2,864,718 (December 31, 2019 – $1,750,417). These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. The Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on November 5, 2020.

Financing

During the quarter ended June 30, 2020, the Company raised capital by entering into agreements (the "**Agreements**") wherein, it has agreed to repay amounts advanced by third parties from future cash receipts over a fixed period, terminating prior to December 31, 2020. The liability against future sales receipts is detailed below:

	September 30, 2020
	$
Balance, January 1, 2020	-
Discounted proceeds received by the Company	175,000
Interest	67,000

(Reported in US Dollars)

Future sales receipts purchased	242,000
Payments made to September 30, 2020	(180,110)
Liability against future sales receipts, September 30, 2020	**61,890**

In connection with the Agreements, the Company also paid setup and origination fees totaling $5,436, with such amounts recorded to interest expense in the consolidated statements of loss

Financial condition

As at September 30, 2020, the Company had assets totaling $3,048,806 and shareholders' deficiency of $2,864,718. This compares with assets of $2,022,201 and shareholders' deficiency of 1,750,417, at December 31, 2019.

During the quarter ended September 30, 2020, the Company's net assets decreased by $124,163, the result of an increase in assets of $333,665, offset by an increase in liabilities of $457,828.

The significant changes in the Company's net assets are detailed as follows (analysis is net of changes resulting from amounts previously allocated to assets held for sale):

Item	Change	Explanation of change
	$	
Cash	68,771	Cash provided from operating activities of $245,367 less cash used for financing activities of $121,586 less cash used for investing activities of $55,010.
Receivables and sales taxes recoverable	349,886	Receivables increased with normal transaction volume increases.
Prepaid expenses	(35,122)	The reduction is the result of normalized expensing of prepaid marketing costs.
Due from sale of discontinued operations	(25,000)	The second installment of the sale price of DoubleBeam operations was received by the Company.
Due to/from related parties	27,001	Details disclosed in note 17 of the Consolidated Financial Statements or in the *Transactions with related parties* section of this MD&A.
Inventories	(19,790)	Finished inventory decreased as the Company utilized stockpiled inventory to meet current requirements for hardware.
Right-of-use (ROU) assets	(19,047)	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease as a ROU asset. The change reflects the depreciation recorded on the ROU assets for the quarter.
Equipment	27,921	Approximately $55,000 of purchases offset by depreciation of approximately $26,000 and sales (from the sale of discontinued operations) of approximately $700
Intangible assets	(41,154)	Change due entirely to amortization recorded for the quarter.

(Reported in US Dollars)

Item	Change	Explanation of change
	$	
Accounts payable and accrued liabilities	(575,876)	Increase in payables due to normal operational variation in payment timing.
Lease liabilities	18,568	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease liability. The decease in liability is a result of an increase of $1,538 due to interest less payments of $20,106
Liabilities against future receipts	99,480	Details of the decrease are entirely due to payments made during the quarter.
	(124,163)	

Results of operations

Selected financial results of operations are summarized below:

	3 months ended September 30,			
			Year-over-year change Favourable/(Unfavourable)	
	2020	2019		
	$	$	$	%
Revenue	**2,329,878**	1,009,041	1,320,837	130.9
Cost of goods sold	**(1,754,779)**	(854,588)	(900,191)	(105.3)
Gross margin	**575,099**	154,453	420,646	272.3
Operating costs	**(643,104)**	(870,169)	227,801	26.2
	(68,005)	(715,716)	648,447	90.6
Other expenses	**(32,470)**	(22,874)	(9,596)	(41.9)
Loss from continued operations	**(100,475)**	(738,590)	638,851	86.5
Loss from discontinued operations	**-**	(74,459)	74,459	100
Loss	**(100,475)**	(813,049)	713,310	87.7

POSaBIT has experienced exceptional growth in the last 12 months due to an increase in the number of stores that use POSaBIT as well as an overall increase in cannabis consumption due to Covid-19 and the current economic conditions. This has had a significant increase in POSaBIT's year over year revenue growth and positive net margin. Additionally, the company continued its focus on reaching profitability through diligent management of its operational costs. This combination of strong revenue growth and cost management is why POSaBIT is now Adjusted EBITDA positive for the quarter for the first time in Company history (see Adjusted EBITDA below).

Other selected financial information

"**Adjusted EBITDA**" is a non-IFRS measure used by management that does not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as POSaBIT US's (the Company's operating subsidiary) net income or loss generated for the period as reported, before interest, taxes (including sales taxes), depreciation and amortization (categorized as operating costs) and is further adjusted to remove changes in fair values and expected credit losses, foreign exchange, gains and/or losses, impairments (all categorized as other expenses) and the Canadian segment operational loss of its parent company, all as reported. The Company believes this is a useful metric to evaluate its core operating performance.

(Reported in US Dollars)

	3 months ended			
	September 30, 2020	June 30, 2020	Qtr-over-qtr change Favourable/(Unfavourable)	
	$	$	$	%
Revenue	**2,329,878**	1,492,982	836,896	56.1
Cost of goods sold	**(1,754,779)**	(1,200,592)	(554,187)	(46.2)
Gross margin	**575,099**	292,390	282,709	96.7
Adjusted operating costs	**(381,772)**	(401,576)	19,804	4.9
Adjusted other expenses	**(31,497)**	(8,518)	(22,979)	(269.8)
Adjusted EBITDA	**161,830**	**(117,704)**	**279,534**	**237.5**

The following table reconciles Adjusted EBITDA to net loss, as reported.

	3 months ended	
	September 30, 2020	June 30, 2020
	$	$
Loss, as reported	**(100,475)**	(242,307)
Add back interest, as reported	**19,685**	90,891
Add back sales taxes, as reported	**40,992**	26,680
Add back depreciation and amortization, as reported	**86,555**	89,878
Add back changes in fair values of financial instruments, as reported	**(199)**	1,041
Add back changes in expected credit losses, as reported	**12,251**	5,672
Add back other losses (gains) and impairments, as reported	**733**	(142,580)
Add back Canadian-segment loss (including stock-based compensation, foreign exchange gains/losses, professional fees and other public company costs), as reported	**102,288**	53,021
Adjusted EBITDA	**161,830**	(117,704)

As mentioned above, POSaBIT delivered record-setting sales and Adjusted EBITDA profitability in Q3 2020. Revenue grew between Q3 2020 vs. Q2 2020 by 56% - increasing by nearly $1M quarter over quarter. Gross margin dollars increased by 97% between Q3 2020 and Q2 2020. Adjusted EBITDA profitability between Q3 2020 vs. Q2 2020 increased by nearly $280,000, resulting in $161,830 Adjusted EBITDA profit. Growth drivers include expansion of POSaBIT into 2 new states, continued strong sales due to POSaBIT's contactless payment system during Covid-19, and the release of POSaBIT's new Unlimited Point of Sale service, which is receiving significant sales adoption.

POSaBIT is pleased to update its forward guidance as provided in the Q2 2020 earnings release and increase overall transactional sales. For its full year 2020, POSaBIT forecasts approximately $145M in transactional sales and total revenue of approximately $8M. POSaBIT also updates its forecast to now have its second consecutive profitable quarter in Q4 2020.

(Reported in US Dollars)

Related-party transactions and balances

The Consolidated Financial Statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at an arm's-length basis, being the amounts agreed to by the related parties.

Key management compensation

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

	3 months ended September 30,	
	2020	2019
	$	$
Executive Compensation to key managers	**97,750**	134,000
Licence Fees to PlaceFull Inc.	**30,000**	30,000
Totals	**127,750**	164,000

As at September 30, 2020, the Company had loans from shareholders amounting to $nil (December 31, 2019 - $35,000). It also had loans due from related parties of $182,973 (December 31, 2019 - $113,368). These loans were unsecured, interest free and due on demand.

During the three ended September 30, 2020, the Company provided loans (net of repayments) to PlaceFull Inc. in the amount of $27,001 (2019 - $382). These loans were unsecured, interest free and due on demand.

During the three ended September 30, 2020, the Company repaid loans to directors of the Company in the amount of $nil (2019 - $nil). These loans were unsecured, interest free and due on demand.

Outstanding securities

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

Security	**Number outstanding**
Common shares	97,252,826
Options (exercisable – 8,742,219)	9,447,969
Warrants	17,378,237
Agent options	552,649

Escrowed securities

As of the date of the MD&A and subject to the policies of the CSE, the following table summarizes the remaining common shares of the Company that are subject to escrow provisions together with the date of general release.

	Release date		
Total	April 5, 2021	October 5, 2021	April 5, 2022
9,195,315	3,065,105	3,065,105	3,065,105