POSaBIT Systems Corporation

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended June 30, 2021

(reported in US Dollars)

July 21, 2021

POSaBIT Systems Corporation

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended June 30, 2021
(Reported in US Dollars)

---

*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 July 21, 2021. 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 six months ended June 30, 2021 and 2020 (the "**Consolidated Financial Statements**") and the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019 (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.

General

POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**"), was incorporated on June 12, 2017, pursuant to the *Business Corporations Act* (British Columbia). On April 5, 2019, the Company completed the reverse acquisition of POSaBIT, Inc. ("**POSaBIT US**"), a private company incorporated under the laws of the State of Washington, by way of a triangular merger (the "**Transaction**"). Upon completion of the Transaction, the Company changed its name to POSaBIT Systems Corporation and now primarily involve 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 11915 124th Ave. NE, Kirkland, Washington 98034. 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 June 30, 2021, the Company has a reported working capital of $635,247 (December 31, 2020 – $2,236,339) and has a shareholders' deficiency $1,494,191 (December 31, 2020 – $3,056,983). These factors indicate the existence of uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The Company may need to raise additional capital during the next twelve months and possibly beyond to support current operations and planned development and expansion activities. The 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 July 21, 2021. Any reference to "notes" in this MD&A, refers to the corresponding note in the Consolidated Financial Statements.

Financing

During the quarter ended March 31, 2021, the Company completed a private placement consisting of 11,029,565 units (each a "**Unit**"), raising gross proceeds of $2,000,000. Each Unit consists of 1 common share and 0.3627 warrants (each full warrant, a "**Warrant**"). A total of 4,000,419 Warrants were issued, with each Warrant exercisable for 3 years at a price of C$0.35. The fair value of the Warrants was estimated at $222,690 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 0.30%, cumulative volatility of 167.14%, dividends of $0.00 and an underlying share price of C$0.275. There were no financing costs of the private placement.

Option and warrant exercises

During the period from April 1, 2021 through the date of this MD&A, 5,826,849 warrants were exercised raising proceeds of $1,249,038.

(Reported in US Dollars)

During the same period, 249,463 agent warrants were exercised raising proceeds of $26,981.

Also during this period, 11,102 options were exercised, raising proceeds of $1,176.

Conversions

During the period from April 1, 2021 through the date of this MD&A, $20,000 in face-value of the convertible notes (note 16) were converted to equity, with the issuance of 210,516 common shares.

Financial condition

As at June 30, 2021, the Company had assets totaling $8,332,742 and shareholders' deficiency of $1,494,191. This compares with assets of $3,685,719 and shareholders' deficiency of 3,056,985, at December 31, 2020.

During the quarter ended June 30, 2021, the Company's net assets decreased $152,408 the result of an increase in liabilities of $992,648, partially offset by an increase in assets of $840,241.

Changes in the Company's net assets are detailed as follows:

Item	Change	Explanation of change
	$	
Cash	4,755	Cash used for operating activities of $643,529 plus cash used for investing activities of $96,837 plus cash provided from financing activities of $735,611.
Receivables and sales taxes recoverable	616,640	Receivables increased with increased collection efforts and procedures.
Prepaid expenses and deposits	(75,805)	The decrease is the result of normalized recording of expenses.
Digital assets	(1,843)	Normal mark-to-market change.
Due to/from related parties	10,868	Details disclosed in note 18 of the Consolidated Financial Statements or in the *Transactions with related parties* section of this MD&A.
Inventories	252,653	Finished inventory increased as the Company geared up for increased requirements resulting from increased sales.
Right-of-use (ROU) assets	(6,351)	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	48,834	Approximately $97,000 of purchases offset by depreciation of approximately 48,000
Change in assets	**840,241**	
Accounts payable and accrued liabilities	39,869	Increase in payables due to normal operational variation in payment timing.
Lease liabilities	6,702	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease liability. The

(Reported in US Dollars)

Item	Change	Explanation of change
	$	
		decease in liability is a result of payments of $6,702 as the ROU asset was fully depreciated at March 31, 2021.
Government loan	(701)	The decrease is due to accretion for the quarter of $2,163 less payments made of $1,462.
Derivative liability	(1,038,360)	Change in fair value of the remaining derivative liability for the quarter. Amount is net of fair value related to portion converted (note 14) for the quarter, being $7,000.
Convertible notes	(158)	Conversion of $20,000 face-value note less interest accretion of $13,000 less fair value change of $7,000
Change in liabilities	**(992,648)**	
	152,407	

Results of operations

Selected financial results of operations are summarized below:

	3 months ended June 30,			
	2021	2020	Year-over-year change Favourable/(Unfavourable)	
	$	$	$	%
Revenue	**4,958,332**	1,492,982	3,465,350	232.1
Cost of goods sold	**(3,642,732)**	(1,200,592)	(2,442,140)	(203.4)
Gross margin	**1,315,600**	292,390	1,023,210	349.9
Operating costs	**(1,094,438)**	(570,829)	(523,609)	(91.7)
	(221,162)	(278,439)	499,601	179.4
Other expenses (income)	**(1,099,394)**	44,977	(1,144,371)	(2,544.3)
Loss	**(878,232)**	(233,462)	(644,770)	(276.2)

POSaBIT continues to experience significant growth for the last 5 consecutive quarters. This is due to an increase in the volume of stores served by POSaBIT payments and POSaBIT Point of sales, as well as an overall increase in cannabis consumption in the United States. This resulted in exceptional year over year revenue and gross margin growth. POSaBIT continues to invest in growth but also diligently manage our operational costs. This resulted in POSaBIT's fourth consecutive adjusted EBITDA profitable quarter.

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 net income or loss generated for the period as reported, before interest, taxes, depreciation and amortization and is further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains and/or losses, impairments. The Company believes this is a useful metric to evaluate its core operating performance.

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended June 30, 2021
(Reported in US Dollars)

	Current year quarter-over-quarter				**Year-over-year**			
	June 30, 2021	**March 31, 2021**	**Change Fav/(Unfav)**		**June 30, 2021**	**June 30, 2020**	**Change Fav/(Unfav)**	
	$	$	$	%	$	$	$	%
Revenue	**4,948,332**	3,546,343	1,411,989	40	**4,958,332**	1,492,982	3,465,350	232
Cost of goods sold	**(3,642,732)**	(2,646,627)	(996,105)	(38)	**(3,642,732)**	(1,200,592)	(2,442,140)	(204)
Gross margin (deficit)	**1,315,600**	899,716	415,884	46	**1,315,600**	292,390	1,023,210	350
Adjusted operating costs	**(1,108,374)**	(808,275)	(300,099)	(37)	**(1,108,374)**	(464,418)	(643,956)	(139)
Adjusted other costs (income)	**(22,183)**	(20,676)	(1,507)	(7)	**(22,183)**	(68,330)	46,147	68
Adjusted EBITDA	**185,043**	70,765	114,278	162	**185,043**	(240,358)	425,401	177

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

	June 30, 2021	March 31, 2021	June 30, 2020
	$	$	$
Loss , as reported	**(878,232)**	(514,082)	(232,462)
Add back finance costs, as reported	**29,464**	34,186	22,560
Add back depreciation and amortization, as reported	**53,094**	74,152	89,878
Add back/(deduct) change in fair values of financial instruments as reported	**1,843**	(2,151)	1,041
Add back/(deduct) change in expected credit losses, as reported	**7,406**	(8,636)	5,672
Add back change in fair value of derivative liability, as reported	**1,038,498**	322,381	-
Add back loss on disposal of assets, as reported	**-**	1,301	-
Add back share-based compensation, as reported	**139,828**	56,458	21,878
Add back loss on disposal of discontinued business, as reported	**-**	-	(142,580)
(Deduct)/add back foreign exchange (gains)/losses	**(206,858)**	107,156	(5,345)
Adjusted EBITDA	**185,043**	70,765	(240,358)

*As final quarter amounts are not reported in the Audited Consolidated Financial Statement, this as per the Company's Annual MD&A.

As mentioned above, POSaBIT delivered record-setting sales and Adjusted EBITDA profitability in Q2 2021. Revenue grew between Q2 2021 vs. Q2 2020 by 232% - increasing by over $3.5M quarter-over-quarter. Similarly, growth in revenues for the second quarter of 2021 over the previous quarter was 40% - increasing by over $1.4M. Gross margin dollars increased $1,023,210 and $415,884 between Q2 2021 versus Q2 2020 and Q2 2021 versus Q1 2021, respectively. Adjusted EBITDA dollars grew to $185,043 versus $70,765 in Q1 2021, respectively. Growth drivers include continued strong sales due to POSaBIT's contactless payment system, the launch of the new POSaBIT ACH payments business and the continued increase in stores using POSaBIT for both Payments and Point of Sale.

POSaBIT is updating its forward guidance as provided in its first quarter 2021 earnings release. The Company now forecasts for 2021, a 20% increase in prior guidance, projecting transactional sales of $350M to $375M, and total revenue growth of 134% over 2020, to approximately $17.5M to $19M. POSaBIT anticipates growth in gross margin to 28% - 32% for the full year ending 2021. POSaBIT also updates its forecast to now have its fifth consecutive adjusted EBITDA profitable quarter in Q3 2021.

(Reported in US Dollars)

Related-party transactions and balances

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

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

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

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 June 30,	**2021**	2020
	$	$
Executive compensation to key managers	**222,500**	134,000
License fees to PlaceFull Inc.	**30,000**	30,000
Totals	**252,500**	164,000

As at June, 2021, PlaceFull Inc. owed the company $211,220 (December 31, 2020 - $196,626). This loan is 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	114,974,388
Options (exercisable – 8,938,846)	14,416,267
Warrants	21,428,898
Agent options	512,565

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.

Total	October 5, 2021	April 5, 2022
6,130,210	3,065,105	3,065,105