POSaBIT Systems Corporation

Management's Discussion and Analysis

Year ended December 31, 2021

(Expressed in United States dollars)

April 28, 2022

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MANAGEMENT'S DISCUSSION AND ANALYSIS

(Expressed in United States dollars)

Year ended December 31, 2021

*This management discussion and analysis ("**MD&A**") has been prepared based on information available to POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**") as at April 28 2022. This MD&A is based on information available to POSaBIT and updates disclosure previously provided in the Company's Annual MD&A, up to the date of this MD&A and should be read in conjunction with the Company's audited consolidated financial statements and the related notes as at and for the years ended December 31, 2021 and 2020 (the "**Consolidated Financial Statements**"). The Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and all amounts are expressed in United States dollars unless otherwise noted. Other information contained in this MD&A has also been prepared by management and is consistent with the data contained in the Consolidated Financial Statements. Additional information relating to the Company can be found on the Company's website at www.posabit.com.*

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

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

General

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

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

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

The Company's head office is located at 11915 124th Avenue, Kirkland, Washington 98034. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1. The Company primarily offers payment services for business that traditionally have been cash only. The Company also offers an industry leading point-of-sale "POS" software services providing underserved merchants a feature rich solution.

The Consolidated Financial Statements have been prepared on the assumption that the Company and its subsidiaries 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 December 31, 2021, the Company has a reported working capital of $1,691,273 (2020 – deficit of $2,236,337) and has shareholders' deficiency $8,707,142 (2020 – $3,056,938). 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 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 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.

In May 2020, the Company completed the disposition of DoubleBeam, Inc. ("**DoubleBeam**") by way of an asset sale agreement (the "**Sale**"). The Sale closed on May 22, 2020 (the "**Closing**"), with the conveyance of certain assets (both tangible and intangible) by the Company and the assumption of certain liabilities by the purchaser (see *Disposition of DoubleBeam business* section of this MD&A).

The Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on April 27, 2022.

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

Principal Business and Stated Business Objectives

POSaBIT is a financial infrastructure provider to the Cannabis and CBD sectors. POSaBIT offers the following solutions, point of sale software as a service and compliant cashless payment processor.

- POSaBIT Payments Service allows merchants to easily accept Debit cards and POSaBIT's ACH solution for payment at retail dispensaries. This gives merchants a compliant payment option that also increases safety for a stores retail associates, by reducing the amount of cash on hand. POSaBIT also offers traditional merchant credit card services to CBD and Delta 8 retail and e-commerce stores.

- POSaBIT Point of Sale (Cannabis & CBD) is a feature rich POS that tracks all sales ("seed-to-sale tracking"), integrates full customer history and preferences, and offers the first fully integrated cash, debit, and credit card (CBD) payment options.

Target projected revenue streams

POSaBIT has 2 main revenue streams that can be further granulated as shown below. The POSaBIT payments service generates revenue via setup fees, hardware fees, transaction fees and non-cash assessment fees. The POSaBIT POS generates revenue via setup fees, hardware fees and a traditional SaaS subscription model (pay per terminal/console on a monthly, or yearly basis).

Revenue type	**Description**
Payment services	
Transaction Fees	POSaBIT charges a transaction fee for each debit charge to the merchant.
Transaction Swipe Fees	Each debit transaction includes a "per swipe" fee paid by the merchant.
Setup Fees	POSaBIT charges a fee per install to each merchant.
Non-cash assessment Fees	Non-cash assessment fees are charged to the consumer for each debit transaction.
Hardware Fees	POSaBIT charges merchants a rental fee for payment terminals.
POS services	
Subscription Fee	POSaBIT charges merchants a monthly subscription fee per terminal. This fee is negotiated on a case-by-case basis with each merchant, depending on processing volume and number of locations.

(Expressed in United States dollars)

Hardware and installation sales	POSaBIT charges the merchant for the cost of the hardware, the hardware package includes the point-of-sale terminal, scanner, receipt printer and cash drawer.

Financial position

As at December 31, 2021, the Company had assets totaling $7,565,232 and shareholders' deficiency of $8,707,142. This compares with assets of $3,685,719 and shareholders' deficiency of $3,056,983, as at December 31, 2020.

During the year ended December 31, 2021, the Company's net assets decreased by $5,650,160, the result of an increase in assets of $4,218,056 offset by an increase in liabilities of $9,868,215.

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

Item	Change	Explanation of change
	$	
Cash	3,441,134	Cash provided from financing activities of $5,876,444 cash used for operations of $2,194,297 less cash used for investing activities of $241,012.
Receivables and sales taxes recoverable	437,128	Receivables increased with normal transaction volume increases.
Prepaid expenses and deposits	(10,002)	The reduction is mainly due to a reduced office space deposit on last month's rent.
Digital assets	12,632	Changes due to mark-to-market of the Company's digital assets.
Due from sale of discontinued operations	(65,000)	Amounts due from DoubleBeam sale as at December 31, 2020.
Due to/from related parties	(196,626)	Details disclosed in note 17 of the Consolidated Financial Statements or in the *Transactions with related parties* section of this MD&A.
Inventory	604,126	Finished inventory increased as the Company utilized stockpiled inventory and increased raw materials purchases to meet current requirements for hardware.
Right-of-use (ROU) assets	(25,398)	The Company adopted IFRS 16 as at January 1, 2019 and in 2020 recognized its office lease as a ROU asset. During 2021, the Company moved and entered in a short-term lease, the accounting for which does not fall under IFRS 16. The change reflects 2020 balance no longer applicable.
Equipment	40,172	Approximately $241,000 of purchases offset by depreciation of approximately $200,000 and sales of approximately $1,000
Intangible assets	(20,110)	Change is due to amortization for the year of approximately $20,000.
Accounts payable and accrued liabilities	(522,196)	Increase in payables due to normal operational variation in payment timing.
Lease liabilities	26,414	Represents the decrease in lease liability for the year.

(Expressed in United States dollars)

Item	Change	Explanation of change
	$	
Government loan	(2,718)	Reflects current year interest accretion of $8,567 less repayments of $5,848.
Notes payable	200,000	Reflects repayment of the Note 2 (note 12).
Derivative liability	(9,575,772)	Change in fair value of derivative liability of $9,736,678 less changes due to conversions of $160,906.
Convertible note	6,057	Face value of conversions of $225,000 less initial derivative liability component related to the conversions of $160,908 less interest accretion of $56,189 less change in initial fees allocation related to conversions of $1,847.
	(5,650,160)	

Operations

As of December 31, 2021, (at the date of this MD&A), the Company had 39 full-time employees and 9 full-time contractors. Product development during the year focused on incremental feature enhancements to the payment service as well certifying the POSaBIT point-of-sale in each of the new states as required by each state government and how it regulates the cannabis industry. As of the date of this filing, the Company has merchants in 18 states – Washington, Oregon, Alaska, California, New Mexico, Michigan, Colorado, Montana, West Virginia, Texas, Georgia, Maryland, Massachusetts, Pennsylvania, Arizona, Nevada, Oklahoma and Missouri.

Selected annual financial information

	December 31, 2021	December 31, 2020	December 31, 2019
	$	$	$
Consolidated statements of loss			
Revenue	**21,301,749**	7,822,732	3,440,100*
Gross margin	**5,759,197**	1,735,064	296,632*
Total operating expenses	**(5,888,677)**	(2,630,097)	(5,577,694)*
Other expenses	**(10,436,226)**	(252,588)	(18,001)*
Loss from discontinued operations*	**-**	(103,681)	(212,027)*
Loss from continuing operations	**(10,565,707)**	(1,147,621)	(5,299,063)
Loss	**(10,565,707)**	(1,251,301)	(5,511,090)
Basic and diluted loss per common share	**(0.09)**	(0.01)	(0.07)
Consolidated statements of cash flow			
Cash used for operations	**(2,194,297)**	(129,868)	(3,298,590)
Cash used for investing activities	**(241,012)**	(175,932)	(29,344)
Cash provided from financing activities	**5,876,443**	889,010	1,531,225
Change in restricted cash	**-**	-	767,246
Cash included in assets held for sale	**-**	-	42,663
Increase (decrease) in cash	**3,441,134**	573,210	(1,796,709)
Consolidated statements of financial position			
Cash	**4,418,788**	977,654	404,444
Total assets	**7,903,775**	3,685,719	2,022,201
Total liabilities	**(16,610,917)**	(6,742,702)	(3,772,618)

(Expressed in United States dollars)

	December 31, 2021	December 31, 2020	December 31, 2019
Shareholders' deficiency	**(8,707,142)**	(3,056,983)	(1,750,417)
Average number of common shares outstanding	**116,346,410**	96,633,022	78,732,074

Restated to reflect discontinued operations (Disposition of DoubleBeam business** section of this MD&A and note 16).*

Summary of quarterly results

	4th Quarter 2021	**3rd Quarter 2021**	**2nd Quarter 2021**	**1st Quarter 2021**
Revenues	**6,432,967**	**6,364,107**	**4,958,332**	**3,546,343**
Gross margin	**1,482,844**	**1,429,068**	**1,315,600**	**899,716**
Total operating expenses	**(2,813,991)**	**(311,569)**	**(1,094,438)**	**(1,046,041)**
Other (expenses) income	**(938,804)**	**(8,020,940)**	**(1,099,394)**	**(367,757)**
Loss	**(2,269,951)**	**(6,903,441)**	**(878,232)**	**(514,082)**
Net loss per share – basic and fully-diluted[1]	**(0.02)**	**(0.06)**	**(0.01)**	**(0.01)**
Total assets	**7,903,775**	**9,149,137**	**8,332,742**	**7,492,501**
Total liabilities	**(16,610,917)**	**(16,359,389)**	**(9,826,933)**	**(8,834,284)**
Shareholders' deficiency	**(8,707,142)**	**(7,210,252)**	**(1,494,191)**	**(1,341,783)**
Cash dividends declared per common share	**-**	**-**	**-**	**-**

	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020
Total revenues	3,057,600	2,329,878	1,492,982	942,272
Gross margin (loss)	796,742	575,099	292,390	70,833
Total operating expenses	(808,318)	(643,104)	(576,501)	(602,174)
Other expenses (income)	247,023	32,470	50,649	(23,744)
(Loss) income from discontinued operations	142,822	-	(8,844)	(237,659)
Loss	(115,777)	(100,475)	(242,306)	(792,744)
Net loss per share – basic and fully-diluted[1]	(0.00)	(0.00)	(0.00)	(0.01)
Total assets	3,685,719	3,048,806	2,715,141	1,526,720
Total liabilities	(6,742,702)	(5,913,524)	(5,455,696)	(4,044,124)
Shareholders' deficiency	(3,056,983)	(2,864,718)	(2,740,555)	(2,517,404)
Cash dividends declared per common share	-	-	-	-

[1]Inclusion of outstanding warrants and options is anti-dilutive.

Results of operations

POSaBIT has experienced exceptional growth in 2021 due to an increase in the number of stores that use POSaBIT as well as an overall increase in cannabis consumption in the US. This has had a significant impact on POSaBIT’s year over year revenue growth and positive net margin. POSaBIT continues to invest in growth but also diligently manage our operational costs.

Year ended December 31, 2021 and December 31, 2020

POSaBIT incurred losses during 2021 and 2020. Loss from operations for the year was $10,565,707 (2020 - $1,251,301) or $0.09 (2020 - $0.01) per share, which includes recognition of non-cash expense of $9,736,678 related to an increase in the fair value of derivative liabilities relating to outstanding warrants. Loss from discontinued operations for the year was $nil (2020 -$108,610). The significant changes for continuing operations are highlighted below.

Revenues of $21,301,749 *(2020 - $7,822,732)*

The increase of approximately $13,479,000 over 2020 is due to the increase in volume of processing transactions resulting in greater payment services revenues of approximately $11,059,000. This increase was supplemented with hardware installations, resulting in higher POS services revenues of approximately $2,420,000.

Cost of sales of $15,542,552 *(2020 - $6,087,668)*

Processing Fees of $13,436,872 (2020 - $4,143,021)

The increase of approximately $9,294,000 over 2020 is attributable to the increased volume of processing transactions.

Software License Fees of $171,961 (2020 - $799,732)

The decrease of approximately $628,000 from 2020 is a result of reducing the use of 3rd party software tools and only allocating engineering and development time that is directly tied to supporting the product portfolio.

Inventory impairment of $104,693 (2020 - $108,610)

The decrease of approximately $4,000 from 2020 is due to Inventory shrinkage from the monthly cycle count when writing the inventory up or down depending on what is in the POSaBIT office at the time of the count regardless of what is in transit or not. The account then decreases when inventory is rented out, the equipment is capitalized for two years.

Hardware cost of sales of $252,527 (2020 - $58,380)

The increase of approximately $194,000 from 2020 is due to increased sales.

Sales labor and commissions of $1,576,499 (2020 - $977,925)

The increase of approximately $599,000 over 2020 is attributable to the increased volume of transactions and compensation thereon.

***Operating expenses of $5,888,677** (2020 - $2,547,797)*

Administrative of $5,601,560 (2020 - $1,708,910).

Category details below are net of overall administrative increases attributable to discontinued operations of approximately $54,000.

General of $1,117,753 (2020 - $226,980)

The increase of approximately $891,000 over 2020 is mainly attributable to increases in chargebacks ($91,000), insurance ($254,000), recruiting fees ($194,000) and software expenses ($239,000).

Meals and entertainment of $65,014 (2020 - $12,823)

The increase of approximately $52,000 over 2020 is due to increase sales activity for new accounts.

Salaries of $3,916,068 (2020 - $1,292,772)

The increase of approximately $2,623,000 over 2020 is the result of increased development salaries of approximately $910,000, finance salaries of approximately $350,000, sales salaries of approximately $844,000, marketing salaries of approximately $50,000, management salaries of approximately $45,000, product development salaries of approximately $130,000 and payroll burden of approximately $149,000.

Sales taxes of $375,064 (2020 - $151,784)

The increase of approximately $223,000 over 2020 is due to increased city and state taxes of approximately $219,000 together with increased hardware sales taxes of approximately $4,000.

Travel of $99,961 (2020 - $24,551)

The increase of approximately $75,000 over 2020 is due to increase sales activity for new accounts.

Amortization and depreciation of $245,046 (2020 - $349,935), net of discontinued operations of approximately $10,000.

The decrease of approximately $105,000 from 2020 is the result of increased depreciation of equipment of approximately $107,000 as a result of new equipment purchases during 2021. This increase is offset by decreases in depreciation to right-of-use assets of approximately $47,000 and amortization of intangible asset of approximately $174,000.

Marketing of $268,190 (2020 - $178,441), net of discontinued operations of approximately $48.

The increase of approximately $90,000 over 2020 is due to increased attendance at conferences of approximately $70,000 together with increased testing and professional services for new equipment of approximately $25,000. These increases were offset by decreases in hardware upgrade promotions of approximately $5,000.

Share-based compensation of $763,792 (2020 - $132,025)

The increase of approximately $632,000 over 2020 is the result the issuance of a greater number of options during 2021.

***Other Expenses of $10,436,226** (2020 - $334,887)*

Change in fair value of digital assets of $12,632 (2020 – $(1,613))

The increase of approximately $14,000 over 2020 is the result of mark-to-marketing of the digital assets.

Change in expected credit losses of $309 (2020 – $(57,179))

The increase of approximately $57,000 over 2020 reflects the Company's estimate of estimated losses due to credit risk of the underlying aged accounts receivable balances.

Finance Costs of $173,737 (2020 – $178,670)

The decrease of approximately $5,000 from 2020 is the result decreased cash interest payments on future sales agreements of approximately $71,000 (note 14) offset by increased cash interest payments of approximately $51,000 (net of interest earned of approximately $9,000) and convertible notes interest accretion of approximately $47,000 (note 13).

Government assistance $nil (2020 - $119,465)

The decrease of approximately $119,000 from 2020 is entirely due to the Covid-19 grant relief received by the Company in 2020.

Increase in fair value of derivative liabilities of $9,658,990 (2020 - $77,688)

The increase of approximately $9,700,000 over 2020 is due to the mark-to-market of the derivative liability regarding the convertible notes.

Loss on disposal of discontinued assets of $nil (2020 - $55,000)

The decrease of approximately $55,000 from 2020 is directly attributable to the Company's disposition of its DoubleBeam assets in 2020.

Loss on related party loan of $219,379 (2020 - $nil)

The increase of approximately 219,000 over 2020 is due to the write-off of the loan to Placeful Inc. as detailed in note 17).

One-time processor fees of $200,000 (2020 - $nil)

The increase of $200,000 is entirely related to fees paid to a former processor the Company used for one-time work related to ending the relationship, this was completed in 2021.

Transaction costs of $118,072 (2020 - $82,298)

Transaction costs were regarding a unit financing completed in February 2021 in the approximate amount of $118,000 and for the November 2020 unit financing in the amount of approximately $23,000.

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.

(Expressed in United States dollars)

	3 months ended December 31,				12 months ended December 31,			
	2021	**2020**	**Change Fav/(Unfav)**		**2021**	**2020**	**Change Fav/(Unfav)**	
	$	$	$	%	$	$	$	%
Revenue	**6,433,497**	3,057,600	3,375,897	110	**21,301,749**	7,822,732	13,479,017	172
Cost of goods sold	**(4,950,653)**	(2,260,857)	(2,689,796)	(119)	**(15,542,552)**	(6,087,668)	(9,454,884)	(155)
Gross margin (deficit)	**1,482,844**	796,743	686,101	86	**5,759,197**	1,735,064	4,024,133	232
Adjusted operating costs	**(2,549,328)**	(742,155)	(1,807,173)	(244)	**(6,956,341)**	(2,222,211)	(4,734,130)	(213)
Adjusted other costs (income)	**-**	79,423	(79,423)	(100)	**-**	(71,145)	71,145	100
Adjusted EBITDA	**(1,066,484)**	(134,011)	(1,200,495)	(896)	**(1,197,144)**	(558,292)	(638,852)	(114)

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

Year ended	**December 31, 2021**	December 31, 2020
	$	$
Loss from continuing operations, as reported	**(10,565,707)**	(1,147,620)
Add back depreciation and amortization, as reported	**245,046**	349,935
Add back share-based compensation, as reported	**763,792**	132,025
Deduct foreign exchange gains, as reported	**(2,076,501)**	(227,519)
Deduct (add back) change in fair values of financial instruments as reported	**(12,632)**	1,613
Deduct (add back) change in expected credit losses, as reported	**(309)**	57,179
Add back change in fair value of derivative liability, as reported	**9,736,678**	77,688
Add back finance costs, as reported	**173,737**	178,670
Deduct government assistance, as reported		(119,465)
Add back loss on disposal of discontinued business, as reported	**-**	55,000
Add back loss on related party-loan, as reported	**219,379**	-
Add back loss on disposal of assets, as reported	**1,301**	1,903
Add back one-time processor penalty, as reported	**200,000**	-
Add back transaction costs, as reported	**118,072**	82,299
Adjusted EBITDA	**(1,197,144)**	(558,292)

Corporate and financings

Common shares

Unit financing –

In February 2021, 11,029,565 units were issued raising $2,000,000. Each unit consists of 1 common share and 0.3627 common share purchase warrant (each whole warrant, a "**Warrant**"). Each Warrant is exercisable into one common share at C$0.35 for a period of 3 years after issuance.

(Expressed in United States dollars)

Conversions –

During 2021, $225,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 2,364,687 common shares.

Exercises –

During 2021, 231,102 options, 20,466,927 warrants and 557,538 finder warrants were exercised, raising proceeds of $4,066,853.

There was no common share activity for the year ended December 31, 2020.

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 licence fees paid to Placefull Inc., a company in which the CEO owned significant shareholdings. In December of 2021 the Company signed a new perpetual license for the use of Placefull's software, this agreement ended any further transaction between Placefull and POSaBIT.

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:

	Year ended December 31	
	2021	2020
	$	$
Executive Compensation to key managers	**997,602**	594,000
Licence Fees to PlaceFull Inc.	**101,000**	120,000
Rent paid on behalf of Placefull Inc.	**-**	12,290
Interest on loans	**-**	2,121
Totals	**1,098,602**	728,411

At December 31, 2021, Placefull owed the Company $nil (December 31, 2020 - $196,626) (the "**Placefull Loan**"). The loan was unsecured, interest free and due on demand.

In December 2021, the Company amended the Master Reseller Agreement with Placefull (the "**Amendment**"). The Amendment provided that no further royalty payments would be due by the Company to Placefull. The consideration provided by the Company to Placefull for this amendment was the forgiveness of the Placefull Loan.

(Expressed in United States dollars)

Financial risk management

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

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

At December 31, 2021, the Company's financial instruments consist of cash, receivables, accounts payable, derivative liabilities. Financial instruments for the comparative period also included due from sale of discontinued operation, due from related parties, note payable, due to related parties and lease labilities. The fair values of cash, accounts receivable, accounts payable approximate their carrying values due to the relatively short-term to maturity nature. The Company classifies its derivative liability at fair value through profit or loss.

Financial instrument risk factors

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

a) Credit risk

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

The Company believes that its receivables balance is fully collectable. As of December 31, 2020, $1,921,568 (2019 – $467,928) in receivables was outstanding. The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate at each aging category of receivables:

December 31, 2021	1-30	31-60	61-90	>90	Total
	$	$	$	$	$
Accounts receivable outstanding	2,217,815	44,388	5,493	91,009	2,358,705
Expected loss rate (%)	1.0%	3.0%	3.5%	5.0%	
Loss allowance provision	21,112	1,332	192	4,550	27,186
Accounts receivable, net	2,196,704	43,056	5,301	86,459	2,331,519

(Expressed in United States dollars)

December 31, 2020	**1-30**	**31-60**	**61-90**	**>90**	**Total**
	$	$	$	$	$
Accounts receivable outstanding	1,817,385	15,829	17,454	70,900	1,921,568
Expected loss rate (%)	1.0%	3.0%	3.5%	5.0%	
Loss allowance provision	18,174	475	611	3,545	22,805
Change of loss provision for DoubleBeam	-	-	-	3,745	3,745
Net change in loss	18,174	475	611	7,290	26,550
Accounts receivable, net	1,799,211	15,354	16,843	63,610	1,895,018

The Company maintains bank deposits with reputable financial institutions.

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

b) Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due. The Company's liquidity risk is subject to a note which has interest and repayment terms.

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as the note payable bears a fixed rate of interest. The related party loans are interest free.

d) Capital risk management

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

To maintain or adjust the capital structure, the Company may issue new shares to the shareholders, draw upon existing credit facilities or sell assets. There are no changes in the Company's capital management policies for the years ended December 31, 2021 and 2020. There are no external capital management requirements or covenants as at December 31, 2021 and December 31, 2020.

Other risks and uncertainties

Regulatory Risks

POSaBIT was initially established to process cryptocurrency payment transactions on the POSaBIT merchant platform, POSaBIT expanded its offerings to include full POS service in 2018 and debit card processing in 2019. In July of 2021, POSaBIT discontinued its cryptocurrency business.

Cryptocurrency regulation is relatively new and evolving, and POSaBIT's ability to continue to use its system was dependent on a regulatory environment supporting its use. To perform its cryptocurrency business, POSaBIT was required to get a Money Transfer License ("MTL"), an 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 license. Likewise, POSaBIT was subject to regulatory control on the use of Litecoin processing in cannabis stores. POSaBIT cryptocurrency business would have failed if it had been unable to maintain its Money Services Business ("MSB") registration or MTL license in the states that require it.

As part of its cryptocurrency business, POSaBIT was dependent on the use of Litecoin processing for its transaction model and faced many general risks related to Litecoin processing.

General risks that were associated with POSaBIT's cryptocurrency processing are:

- Regulation (State or Federal) that limits the ability to continue acceptance of cryptocurrency payments income or all of the applications in which it was accepted and used by the Company
- Rapidly changing exchange rates and price volatility that could have resulted in a loss on Bitcoin/Litecoin to dollar exchange transactions
- Fraud that impacts the Company's receipts at the merchant, processor, or exchange level
- The emergence of available alternative payment processing systems that reduce or eliminate the Company's revenues associated with its cryptocurrency payment processing system

Market risk

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

Other risk factors

Novel Coronavirus ("COVID-19")

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Key personnel

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

Dependencies

POSaBIT may have our processing limits reduced or have our credit card and debit card processing completely shut off because it provides services in the controversial area of legal cannabis, CBD and Delta 8 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 a number of processors and sponsor banks, that allow it to accept debit and credit cards as a form of payment. The most difficult and complex relationship is with the sponsor and acquiring banks because POSaBIT will be operating a business that is considered high risk by the debit and credit card companies. Though POSaBIT will look to build and maintain strong relationships with multiple providers in an effort to maintain its operations, there is no guarantee that it will be able to do so. Termination or limitations of services allowing our processing would have a materially negative impact on POSaBIT's business.

Outstanding securities

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

Security	Number outstanding
Common shares	131,902,645
Options (exercisable – 10,241,057)	17,189,215
RSU's (exercisable – nil)	367,647
Warrants	6,256,962
Finder Warrants	344,179