

POSaBIT Reports Third Quarter 2022 Financial Results

Revenue of \$10.3 Million; Up 62% Year-over-Year and 26% Sequentially

Raises 2022 Gross Profit Guidance to \$10.0 – \$10.5 million

Reiterates 2022 Revenue Guidance of \$37.0 – \$40.0 million

Reiterates 2023 expectation for positive EBITDA

NOTE: All figures in this press release are in U.S. dollars unless otherwise noted.

TORONTO & SEATTLE--(BUSINESS WIRE)--November 29, 2022--POSaBIT Systems Corporation (“POSaBIT” or the “Company”) (CSE: PBIT, OTC: POSAF), a leading provider of payments infrastructure in the cannabis industry, today announced its financial results for the three and nine months ended September 30, 2022.

“The third quarter was very strong with a 26% sequential increase in revenue, making it the first time we have had a \$10+ million quarter. We continue to expand our commercial footprint and announced several strategic new partnerships this quarter that validate the strength of our platform,” said Ryan Hamlin, CEO and Co-founder of POSaBIT.

Hamlin commented, “We continued to onboard new merchants at record levels and secured a royalty licensing agreement for our point-of-sale software that will generate recurring guaranteed revenue of at least \$20 million at virtually 100% margin over the next four years. Contrary to many in our industry and the current economic climate, our business is growing at an increased pace, our sales funnel is full, and our balance sheet is as strong as it's ever been. We are increasingly optimistic about the long-term prospects for our business and are raising our 2022 gross profit guidance to \$10.0 - \$10.5 million, reiterating our revenue guidance of \$37 to \$40 million for the year and reiterating our prior statement that we expect positive Adjusted EBITDA in 2023.”

Recent Operational Highlights

- As previously announced, signed a four-year royalty licensing agreement with a large cannabis technology provider, for guaranteed minimum revenue of \$20 million at virtually 100% margin
- Recently announced Vermont as the newest state added and live for POSaBIT
- On track to exceed target of entering eight new states in 2022 with the launch of operations in New Jersey, Connecticut and Ohio, three new states under contract and expected to ‘go live’ before year-end, bringing POSaBIT to 10 new states in 2022.
- Launched POSaBIT 2.0, a new, fully redesigned version of POSaBIT’s point-of-sale client
- Completed integration of POSaBIT’s platform with Onfleet (the largest cannabis delivery company) to provide real-time status of cannabis deliveries to consumers
- Onboarded over 50 new payment and point of sale merchant locations in Q3

- Ongoing discussions with over 200 potential payment and point of sale merchant locations
- Cash and cash equivalents were \$8.2 million on September 30, 2022

Third Quarter 2022 Financial Highlights

- Total revenue was \$10.3 million, up 62% compared with \$6.4 million in the third quarter of 2021
- Transactional sales for payment services totaled \$142.6 million, resulting in an annual run-rate of \$568 million, up 32% compared with \$108 million in the third quarter of 2021
- Gross profit was \$2.9 million, or 28.0% of revenue, up 103% on a dollar basis compared with \$1.4 million, or 22.5% of revenue, in the third quarter of 2021
- Operating loss was \$(7,300), inclusive of a \$(0.9) million non-cash change in the fair value of foreign currencies, compared with operating income of \$1.1 million, inclusive of a \$(1.9) million non-cash change in the fair value of foreign currencies, in the third quarter of 2021
- Net loss was \$(1.2) million, inclusive of a \$(1.0) million non-cash change in fair value of derivative liabilities, compared with a net loss of \$(6.9) million, inclusive of a \$(7.9) million non-cash change in fair value of derivative liabilities in the third quarter of 2021
- Adjusted EBITDA was \$(290,000), or (2.8)% of revenue, compared with \$(439,000), or (6.9)% of revenue, in the third quarter of 2021

Balance Sheet

As of September 30, 2022, the Company had cash and cash equivalents of \$8.2 million compared to \$4.4 million as of December 31, 2021.

Financial Results

<i>in US Dollars</i>	Three months ended			Nine months ended		
	Sept. 30, 2022	Sept. 30, 2021	% Chg.	Sept. 30, 2022	Sept. 30, 2021	% Chg.
Revenue	\$10,330,937	\$ 6,363,578	62.3%	\$24,920,606	\$14,868,253	67.6%
Cost of goods sold	7,436,410	4,935,039	50.7%	18,537,204	10,591,899	75.0%
Gross profit	2,894,527	1,428,539	102.6%	6,383,402	4,276,354	49.3%
<i>Gross profit margin</i>	<i>28.0%</i>	<i>22.5%</i>	<i>+550 bps</i>	<i>25.6%</i>	<i>28.8%</i>	<i>-320 bps</i>
Operating costs	2,887,233	311,574	N/M	12,377,459	3,074,687	302.6%
Operating income (loss)	(7,294)	1,116,965	N/M	(5,994,057)	1,201,667	N/M
Other expenses (income)	(1,231,614)	(8,020,940)	84.6%	4,679,837	(9,497,422)	N/M
Net loss	(1,224,320)	(6,903,975)	82.3%	(1,314,220)	(8,295,755)	-84.2%

N/M - Not meaningful

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

<i>in US Dollars</i>	Three months ended		
	Sept. 30, 2022	Sept. 30, 2021	June 30, 2022
Income (loss), as reported	\$ (1,224,320)	\$ (6,903,975)	\$ 379,854

Add back / (deduct): foreign exchange gains, as reported	(866,885)	(1,893,525)	2,743,539
Add back: share-based compensation, as reported	517,937	276,766	511,604
Add back / (deduct) change in fair values of financial instruments, as reported	-	(424)	2,467
Add back amortization and depreciation, as reported	51,289	60,603	56,299
Add back / (deduct): change in expected credit loss, as reported	33,575	5,725	2,942
Add back loss on discontinued operations	-	112,500	
Add back interest expense (exclusive of interest accretion), as reported	19,827	23,302	22,816
Add back interest accretion, as reported	51,228	23,339	39,212
Add back / (deduct) change in fair value of derivative liability, as reported	1,018,756	7,856,498	(4,686,054)
Add back loss on disposal of assets, as reported	61,769	-	715
Add back/ (deduct): transaction costs, as reported	46,459	-	265,910
Adjusted EBITDA	\$ (290,365)	\$ (439,191)	\$ (660,696)

2022 Outlook

The Company is raising the high end of its gross profit guidance to \$10.5 million and reiterating its revenue guidance of \$37.0 – \$40.0 million for the full year 2022.

	As of August 25, 2022	As of November 29, 2022
Total Revenue	\$37.0 to \$40.0 million	\$37.0 to \$40.0 million
Gross Profit Dollars	\$9.5 to \$10.5 million	\$10.0 to \$10.5 million
Transactional sales for card services	\$600 to \$700 million	\$600 to \$700 million

Conference Call Information

Date: November 29, 2022

Time: 4:30 pm Eastern Time

Toll-Free: 888-506-0062

International: 973-528-0011

Entry Code: 253740

Live Webcast: <https://www.webcaster4.com/Webcast/Page/2708/47105>

Conference Call Replay Information:

The replay will be available approximately 1 hour after the completion of the live event.

Toll Free: 877-481-4010

International: 919-882-2331

Replay Passcode: 46302

Replay Webcast: <https://www.webcaster4.com/Webcast/Page/2708/47105>

Financial Reports

Full details of the financial and operating results are described in the Company's consolidated financial statements with accompanying notes. The consolidated financial statements and additional information about POSaBIT are available on the Company's website at www.posabit.com/investor-relations or on SEDAR at www.sedar.com.

Non-IFRS Measures

Adjusted EBITDA is a non-IFRS measure used by management that does not have any prescribed meaning by IFRS and 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 further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains and/or losses, impairments. The Company believes this non-IFRS measure is a useful metric to evaluate its core operating performance and uses this measure to provide shareholders and others with supplemental measures of its operating performance. The Company also believes that securities analysts, investors and other interested parties, frequently use this non-IFRS measure in the evaluation of companies, many of which present similar metrics when reporting their results. We caution readers that Adjusted EBITDA should not be substituted for determining net loss as an indicator of operating results, or as a substitute for cash flows from operating and investing activities.

Forward-Looking Statements

This press release contains forward-looking statements, including statements regarding our business strategy, product development, timing of product development, events and courses of action.

Statements which are not purely historical are forward-looking statements and include any statements regarding beliefs, plans, outlook, expectations or intentions regarding the future including words or phrases such as “anticipate,” “objective,” “may,” “will,” “might,” “should,” “could,” “can,” “intend,” “expect,” “believe,” “estimate,” “predict,” “potential,” “plan,” “is designed to” or similar expressions suggesting future outcomes or the negative thereof or similar variations. Forward-looking statements may include, among other things, statements about: our expectations regarding our expenses, sales and operations; our future customer concentration; our anticipated cash needs and our estimates regarding our capital requirements and our need for additional financing; our ability to anticipate the future needs of our customers; our plans for future products and enhancements of existing products; our future growth strategy and growth rate; our future intellectual property; and our anticipated trends and challenges in the markets in which we operate. Such statements and information are based on numerous assumptions regarding present and future business strategies and the environment in which POSaBIT will operate in the future, including the demand for our products, anticipated costs and ability to achieve goals. Although we believe that the assumptions underlying these statements are reasonable, they may prove to be incorrect. Given these risks, uncertainties and assumptions, you should not unduly rely on these forward-looking statements.

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements, including but not limited to, business, economic and capital market conditions; the ability to manage our operating expenses, which may adversely affect our financial condition; our ability to remain competitive as other better financed competitors develop and release competitive products; regulatory uncertainties; market conditions and the demand and pricing for our products; our relationships with our customers, distributors and business partners; our ability to successfully define, design and release new

products in a timely manner that meet our customers' needs; our ability to attract, retain and motivate qualified personnel; competition in our industry; our ability to maintain technological leadership; our ability to manage risks inherent in foreign operations; the impact of technology changes on our products and industry; our failure to develop new and innovative products; our ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of intellectual property litigation that could materially and adversely affect our business; our ability to manage working capital; and our dependence on key personnel. POSaBIT is an early stage company with a short operating history; it may not achieve profitability; and it may not actually achieve its plans, projections, or expectations.

Important factors that could cause actual results to differ materially from POSaBIT's expectations include consumer sentiment towards POSaBIT's products and blockchain/cryptocurrency exchange technology generally, litigation, global economic climate, loss of key employees and consultants, additional funding requirements, changes in laws, technology failures, competition, and failure of counterparties to perform their contractual obligations.

Neither we nor any of our representatives make any representation or warranty, express or implied, as to the accuracy, sufficiency or completeness of the information in this news release. Neither we nor any of our representatives shall have any liability whatsoever, under contract, tort, trust or otherwise resulting from the use of the information in this news release or for omissions from the information in this news release.

Financial Outlook

This press release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of the Company to provide an outlook for the Company's forecasted revenue, transaction sales for card services and gross profit for the 12 months to be ended December 31, 2022 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements" herein. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward-Looking Statements" herein, it should not be relied on as necessarily indicative of future results.

ABOUT POSaBIT

POSaBIT (CSE: PBIT) 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. For additional information, visit: www.posabit.com.

Contacts

Investor Relations:

investors@posabit.com

Media Relations:

Oscar Dahl

855-767-2248

oscar@posabit.com

Management:

Ryan Hamlin

Co-founder and CEO of POSaBIT

855-767-2248

investors@posabit.com

Hayden IR

James Carbonara

(646) 755-7412

james@haydenir.com