

POSaBIT to Acquire MJ Platform, Leaf Data Systems and Ample Organics for US\$4 Million Adding 350+ Merchants and More than US\$2 Billion in GMV

POSaBIT secures up to \$11 million in debt and equity financing

Conference Call Monday at 4:30 p.m. ET

TORONTO & SEATTLE--(BUSINESS WIRE)--January 27, 2023--**POSaBIT Systems Corporation** (CSE: PBIT, OTC: POSAF) (the “Company” or “POSaBIT”), a leading provider of payments infrastructure in the cannabis industry, today announced it has signed a definitive agreement to acquire MJ Platform, Leaf Data Systems and Ample Organics (collectively, the “Acquired Companies”) from Akerna Corp. (Nasdaq: KERN) for US\$4 million in an all-cash transaction (the “Acquisition”).

Strategic Rationale

- The Acquired Companies are expected to generate approximately US\$11.0 million in revenue and US\$6.8 million in gross profit during the 12 months ended December 31, 2022 on a standalone basis¹
- Nearly doubles the number of merchant locations POSaBIT serves
- Significantly expands payments pipeline with the addition of 350+ merchant locations generating approximately US\$2.0 billion of annual Gross Merchandise Value (“GMV”)²
- Adds new revenue stream from state ‘seed-to-sale’ compliance contracts with the states of Pennsylvania and Utah
- Establishes POSaBIT as a leading, vertically integrated solutions provider with the addition of cultivation, manufacturing and distribution capabilities
- Expands POSaBIT’s operations into Canada with the addition of Ample Organics
- Adds experienced industry professionals

“At a purchase price of 0.4 times 2022 estimated revenue, we are acquiring high-quality software assets at an attractive valuation,” said Ryan Hamlin, CEO and Co-founder of POSaBIT. “This acquisition will increase merchant locations that we serve to nearly 900 and create a meaningful opportunity to accelerate adoption of our fully compliant PIN debit payments solution, an important driver of future revenue growth and sustainable positive EBITDA. Importantly, this transaction launches us to the top five POS providers in terms of market share and GMV. It adds valuable assets that align directly with our stated goals of adding new merchants, increasing digital payment penetration and introducing new offerings to better serve our merchants. We see a significant opportunity to further monetize the assets we are acquiring while addressing key pain points for our merchant partners and their customers.”

Hamlin concluded, “Despite the challenges facing our industry, our business is growing at a steady rate. We are adding new team members and our pipeline of both organic and strategic opportunities is expanding. We welcome the talented professionals that will help convert this pipeline of opportunities and build upon our category leadership. Our strong balance sheet and ready access to capital enabled us to execute this strategic transaction quickly. We expect to

close in the second quarter of 2023 at which time we plan to roll out a unified product suite to current and future merchants.”

Transaction Financial Details

- US\$4.0 million in cash to be paid at the closing of the Acquisition
- The Acquisition will be funded with a portion of up to US\$11 million of committed capital comprised of US\$3.0 million of equity and up to US\$8 million of debt
- The debt portion of the financing has a three-year term that bears interest at a rate of 10% in years one and two and 12% in year three.
- The equity portion of the financing is comprised of 4,533,333 units (the “Units”), with each Unit being comprised of one common share of the Company (a “Common Share”) and 0.95 of one Common Share purchase warrant (each whole warrant, a “Warrant”).

For more details regarding the acquisition and financing, please join the Company’s conference call at 4:30 pm ET on Monday, January 30. An investor presentation to accompany the conference call is available at: <https://posabit.com>

The Acquisition is expected to close in the second quarter of calendar 2023, subject to the satisfaction (or, where applicable, waiver) of certain closing conditions, including the receipt of certain regulatory approvals and the receipt of shareholder approval of Akerna Corp.

Additionally, the Company announced that it has secured up to \$11 million in debt and equity financing. In connection with the equity financing, the Company announced the closing of a non-brokered private placement of 4,533,333 Units to Perga Capital Partners, LP (“Perga”) at a subscription price of C\$0.90 per Unit for aggregate gross proceeds of approximately US\$3 million. Each Unit consists of one Common Share and 0.95 of one Warrant. Each Warrant is exercisable for one Common Share at C\$1.25 per Common Share for a period of 36 months following closing. The Common Shares and Warrants issued in connection with the equity financing are subject to a hold period of four months and one day in accordance with applicable securities laws.

In connection with the debt financing, the Company announced the entering into of a commitment letter (the “Commitment Letter”) with Perga for an up to US\$8 million unsecured credit facility with an initial 3-year term, at an initial interest rate of 10% per annum for the first two years and a final interest rate of 12% per annum for the last year. The repayment of the loan would not be subject to any pre-payment penalty. Pursuant to the Commitment Letter, the Company may, subject to certain customary conditions, at its sole discretion, draw at any time and only in a single draw, an amount up to US\$8 million. Concurrently with any draw, the Company shall issue to Perga one Common Share purchase warrant (a “Loan Warrant”) for each US\$10 principal amount borrowed. Each Loan Warrant will be exercisable for one Common Share at C\$1.50 per Common Share for a period of 36 months following the date of issuance. The transactions contemplated in the Commitment Letter are subject to the negotiation and execution of mutually agreeable definitive loan documents and the receipt of all applicable regulatory and stock exchange approvals. There can be no certainty that the debt financing will be completed on the terms set forth in the Commitment Letter or at all.

The Company will host a conference call Monday at 4:30 p.m. ET to discuss these announcements.

Conference Call Information

Date: January 30, 2023
Time: 4:30pm Eastern Time
Toll Free: 877-545-0523
International: 973-528-0016
Participant Access Code: 209822
Live Webcast: <https://www.webcaster4.com/Webcast/Page/2708/47367>

Conference Call Replay Information:

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

Toll Free: 877-481-4010
International: 919-882-2331
Replay Passcode: 47367
Replay Webcast: <https://www.webcaster4.com/Webcast/Page/2708/47367>

Related Party Disclosure

Alex Sharp is an insider of the Company and exercises control or direction over Perga. Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), the debt and equity financings are each a “related party transaction” by virtue of such insider participation. The Company is exempt from the formal valuation requirement of MI 61-101 in connection with the insider participation in reliance on section 5.5(b) of MI 61-101, as no securities of the Company are listed or quoted for trading on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ stock market or any other stock exchange outside of Canada and the United States. Additionally, the Company is exempt from obtaining minority shareholder approval in connection with the insider participation in reliance on section 5.7(1)(a) of MI 61-101 as the aggregate value of the insider participation does not exceed 25% of the market capitalization of the Company. The Company did not file a material change report in respect of the related party transaction at least 21 days before the closing of the equity financing, which the Company deems reasonable in the circumstances in order to complete the equity financing in an expeditious manner.

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: the terms of the Acquisition; the ability to close the Acquisition and the timing thereof; the satisfaction and receipt of the necessary approvals and closing conditions; the expected revenue and gross profit of the Acquired Companies; the closing of the debt financing and the terms thereof; the potential synergies relating to the Acquisition and the expected market share of the Company following the completion of the Acquisition. 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 ability to integrate the Acquired Companies, the satisfaction and waiver of certain conditions related to the Acquisition and financings, 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 news release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of the Company and the Acquired Companies to provide an outlook for the Acquired Companies' revenue and net profit for the 12 months 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 certain of the assumptions discussed under the heading "Forward-Looking Statements". The actual results of the Acquired Companies' 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", it should not be relied on as necessarily indicative of future results.

About POSaBIT

POSaBIT (CSE: PBIT) POSaBIT is a FinTech, working exclusively within the cannabis industry. We provide a best-in-class Point-of-Sale solution and are the leading cashless payment provider for cannabis retailers. We work tirelessly to build better financial services and transaction methods for merchants. We bring cutting edge software and technology to the cannabis industry so that all merchants can have a safe and compliant set of services to solve the problems of a cash-only industry. For additional information, visit www.posabit.com.

¹ Ample Organics Inc. revenue recognized at prevailing FX rate on the day of revenue recognition.

² Gross Merchandise Value is a performance metric and calculated by the Company as the total dollar amount of all transactions processed by merchant customers.

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