POSaBIT Systems Corporation

Unaudited Interim Consolidated Financial Statements
As at and for the Three Months Ended March 31, 2023 and 2022
(expressed in United States Dollars)

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of POSaBIT Systems Corporation (the "Company") have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the three months ended March 31, 2023 and 2022 have not been reviewed by the Company's Auditor.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of POSaBIT Systems Corporation are the responsibility of the management and the Board of Directors (the "**Board**") of the Company and have been prepared in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim unaudited consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

The Board is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

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.

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 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 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.

"Ryan Hamlin"	*"Stephen M. Gledhill"*
Ryan Hamlin President and Chief Executive Officer	Stephen M. Gledhill Chief Financial Officer
May 25, 2023	May 25, 2023

(Expressed in United States Dollars)

	March 31, 2023	December 31, 2022
ASSETS	**$**	$
Current assets		
Cash	**7,277,071**	3,076,240
Receivables *(note 4)*	**2,882,127**	2,745,121
Sales taxes recoverable	**2,499**	2,492
Prepaid expenses and deposits *(note 5)*	**468,615**	522,498
Inventories *(note 6)*	**558,054**	464,066
Current portion of contract asset *(note 9)*	**1,942,500**	780,000
Total current assets	**13,130,866**	7,590,417
Other asset *(note 7)*	**120,000**	120,000
Equipment, net *(note 8)*	**104,979**	102,473
Revenue-generating equipment *(note 8)*	**181,994**	171,484
Contract asset *(note 9)*	**9,236,250**	10,012,500
Total assets	**22,774,089**	17,996,874
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	**2,296,209**	1,430,295
Accrued liabilities *(note 10)*	**1,152,487**	1,029,931
Income taxes payable	**404,135**	404,135
Convertible debt *(note 11)*	**119,018**	-
Derivative liability *(note 11)*	**6,649,167**	-
Total current liabilities	**10,621,016**	2,864,361
Convertible debt *(note 11)*	**-**	265,379
Derivative liability *(note 11)*	**-**	6,596,078
Government loan *(note 12)*	**47,987**	48,034
Credit facility *(note 13)*	**2,792,418**	-
Total liabilities	**13,461,421**	9,773,852
Shareholders' equity		
Share capital *(note 14.2)*	**21,849,015**	20,069,158
Warrant reserve *(note 14.3)*	**3,200,529**	1,725,064
Contributed surplus *(note 14.4)*	**3,712,294**	3,443,880
Deficit	**(20,053,164)**	(17,372,125)
Currency translation reserve	**603,994**	357,045
Total shareholders' equity	**9,312,668**	8,223,022
Total liabilities and shareholders' equity (deficiency)	**22,774,089**	17,996,874

Subsequent events *(note 23)*

"Don Tringali" (Director)

"Mike Apker" (Director)

Approved for filing by the Board of Directors, May 25, 2023.

(Expressed in United States Dollars)

	2023	2022 *(note 2.4)*
	$	$
REVENUE ***(note 17)***	**11,491,590**	6,318,801
COST OF SALES		
Processing fees	**8,212,566**	4,168,334
Software license fees	**127,266**	33,623
Hardware cost of sales	**201,498**	162,599
Sales labour and commissions	**625,936**	468,210
Total cost of sales	**9,167,266**	4,832,766
Gross margin	**2,324,324**	1,486,035
OPERATING EXPENSES		
Administrative *(note 19)*	**3,324,198**	2,049,369
Amortization and depreciation	**8,674**	16,536
Forex	**257,562**	320,204
Investor relations and public reporting	**53,361**	4,987
Marketing	**86,662**	92,332
Professional fees	**879,596**	371,901
Share-based compensation *(note 14.4)*	**624,101**	659,919
Total operating expenses	**5,234,154**	3,515,248
OTHER INCOME (EXPENSES)		
Change in expected credit losses and bad debts	**(18,171)**	1,993
Change in fair value of derivative liability *(note 11)*	**123,960**	1,637,649
Change in fair value of digital assets	**-**	(3,046)
Interest expense	**(13,495)**	(21,546)
Interest accretion	**(57,834)**	(30,129)
Interest income	**78,170**	-
Transaction costs *(note 18)*	**(239,526)**	(25,462)
Total other expenses	**(126,896)**	1,559,459
Loss	**(3,036,726)**	(469,754)
Basic and diluted loss per common share	**(0.02)**	(0.00)
Basic and diluted weighted average number of common shares outstanding	**143,398,872**	116,346,410

	2023	2022
	$	$
Loss	**(3,076,726)**	(469,754)
Other comprehensive loss:		
Item that may not be reclassified to net loss -		
Foreign translation adjustment of parent	**246,949**	317,353
Comprehensive loss	**(2,789,777)**	(152,401)

POSaBIT System Corporation
Unaudited Interim Consolidated Statement of Changes in Deficiency
(Expressed in United States Dollars)

	Common shares						
	Number	**Amount**	**Contributed surplus**	**Warrant reserve**	**Currency translation reserve**	**Deficiency**	**Total**
		$	$	$	$	$	$
December 31, 2021	131,902,645	17,564,928	1,238,683	292,622	(2,367,647)	(25,435,728)	(8,707,142)
Share-based compensation	-	-	659,919	-	-	-	659,919
Loss	-	-	-	-	317,353	(469,754)	(152,401)
March 31, 2022	131,902,645	17,564,928	1,898,602	292,622	(2,050,294)	(25,905,482)	(8,199,624)
Share issued for cash	5,861,941	3,665,740	-	-	-	-	3,665,740
Fair value of issued warrants	-	(1,492,754)	-	1,492,754	-	-	-
Exercise of warrants	871,708	186,876	-	-	-	-	186,876
Fair value of exercised warrants	-	60,312	-	(60,312)	-	-	-
Exercise of agent warrants	344,719	30,183	-	-	-	-	30,183
Exercise of options	834,375	29,668	-	-	-	-	29,668
Fair value of exercised options	-	24,205	(24,205)	-	-	-	-
Share-based compensation	-	-	1,569,483	-	-	-	1,569,483
Loss	-	-	-	-	2,407,339	8,553,357	10,940,696
December 31, 2022	139,815,388	20,069,158	3,443,880	1,725,064	357,045	(17,372,125)	8,223,022
Shares issued for cash	**4,533,333**	**3,000,000**	**-**	**-**	**-**	**-**	**3,000,000**
Shares issued on conversion	**279,687**	**25,000**					**25,000**
Fair value of issued warrants	**-**	**(1,490,465)**	**-**	**1,490,465**	**-**	**-**	**-**
Fair value of issued compensation warrants	**-**	**208,069**	**-**	**-**	**-**	**-**	**208,069**
Exercised warrants	**186,732**	**22,253**	**-**	**-**	**-**	**-**	**22,253**
Fair value of exercised warrants	**-**	**15,000**	**-**	**(15,000)**	**-**	**-**	**-**
Expiry of options	**-**	**-**	**(355,687)**	**-**	**-**	**355,687**	**-**
Share-based compensation	**-**	**-**	**624,101**	**-**	**-**	**-**	**624,101**
Loss	**-**	**-**	**-**	**-**	**246,949**	**(3,036,726)**	**(2,789,777)**
March 31, 2023	**144,815,140**	**21,849,015**	**3,712,294**	**3,200,529**	**603,994**	**(20,053,164)**	**9,312,668**

	2023	2022 *(note 2.4)*
	$	$
OPERATING ACTIVITIES		
Loss	**(3,036,726)**	(469,754)
Adjustment for non-cash items:		
Change in expected credit losses and bad debts	**18,171**	(1,993)
Change in fair value of derivative liability *(note 11)*	**(123,959)**	(1,637,649)
Change in digital assets	**-**	3,046
Depreciation *(note 8)*	**8,674**	16,538
Depreciation on revenue-generating equipment *(note 8)*	**29,253**	40,932
Forex	**246,949**	317,353
Loss on disposal of revenue-generating equipment	**178**	-
Interest accretion	**57,834**	30,129
Non-cash transaction fees	**487**	-
Share-based compensation	**624,101**	659,919
Change in non-current portion of contract asset	**776,250**	-
Working capital changes in operating assets and liabilities *(note 20.1)*	**(369,320)**	(36,538)
Net cash used for operating activities	**(1,768,108)**	(1,078,017)
INVESTING ACTIVITIES		
Purchase of equipment	**(11,180)**	(1,986)
Purchase of revenue-generating equipment	**(39,941)**	(101,510)
Net cash used for investing activities	**(51,121)**	(103,496)
FINANCING ACTIVITIES		
Exercise of warrants	**22,253**	-
Issuance of common shares for cash	**3,000,000**	-
Advanced on credit facility *(note 13)*	**3,000,000**	-
Repayment of government loan *(note 12)*	**(2,193)**	(2,193)
Repayments to related parties	**-**	(942)
Net cash provided by (used for) financing activities	**6,020,060**	(3,135)
(Decrease) increase in cash during the period	**4,200,831**	(1,184,648)
Cash, beginning of year	**3,076,240**	4,418,788
Cash, end of period	**7,277,071**	3,234,140

Supplemental cash flow information *(note 20.2)*

1. NATURE OF OPERATIONS AND GOING CONCERN

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 point-of-sale arrangements 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, 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 Avenue NE, Kirkland, Washington 98034. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The Financial Statements, including comparatives, have been prepared in accordance with *International Accounting Standards ("**IAS**") 34* 'Interim Financial Reporting' using accounting policies consistent with the IFRS issued by the International Accounting Standards Board ("**IASB**") and Interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").

The Financial Statements were approved and authorized for issuance by the Board on May 25, 2023.

2.2 Basis of presentation and measurement

The Financial Statements have been prepared on the historical cost basis, modified where applicable. In addition, the Financial Statements have been prepared using the accrual basis of accounting, except for cash flow information.

2.3 Basis of consolidation

The Financial Statements consolidate the accounts of the Company and its wholly-owned subsidiary, POSaBIT US, Inc. ("**POSaBIT US**" or the "**Subsidiary**").

All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. A subsidiary is an entity over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The existence and effect of potential voting rights that are presently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date on which control ceases.

(Expressed in United States Dollars)

2.4 Reclassifications

Certain comparative amounts have been changed to conform with current reporting classifications. These reallocations have not affected previously reported loss and comprehensive loss

3. RECENT PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2023. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements ("**IFRS 10**") and IAS 28 – Investments in Associates and Joint Ventures ("**IAS 28**") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of the amendments to IFRS 10, is yet to be determined, however early adoption is permitted.

IFRS 16 – Leases ("**IFRS 16**"). IFRS 16 has been amended to determine if a transfer of the underlying leased asset should be accounted for as a sale. Pursuant to the amendment, the seller/lessee is required to determine the lease payments or revised lease payments such that the seller/lessee would not recognise any amount of the gain or loss that relates to the right-of-use retained by the seller/lessee. A seller/lessee shall apply these amendments for annual reporting periods beginning on or after January 1, 2024, with earlier adoption permitted.

IAS 1 – Presentation of Financial Statements. In January 2020, the classification of liabilities as current or non-current was amended. An entity shall apply the amendments for annual reporting periods on or after January 1, 2024, retrospectively in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors.

4. RECEIVABLES

	March 31, 2023	December 31, 2022
	$	$
Trade receivables	**389,143**	348,459
Receivables due from processors	**2,502,875**	2,402,206
Allowance for expected credit losses	**(9,891)**	(5,544)
Total Receivables	**2,882,127**	2,745,121

The receivables are generally on terms due within 30 days.

For the three months ended March 31, 2023, the Company recognized changes in expected credit losses of $(4,347) (2022 - $1,993) and bad debts expense of $(13,824) (2022 - $nil).

(Expressed in United States Dollars)

5. PREPAID EXPENSES AND DEPOSITS

	March 31, 2023	December 31, 2022
	$	$
Administrative	**247,613**	173,096
Insurance	**61,618**	154,986
Investor relations and public reporting	**67,446**	79,162
Marketing	**51,690**	40,543
Professional fees	**-**	40,000
Software sales	**36,029**	30,492
Label	**464,396**	518,279
Deposits	**4,219**	4,219
Label	**468,615**	522,498

6. INVENTORIES

A continuity of the Company's inventory of finished goods, follows:

	$
Balance, December 31, 2021	678,853
Purchases	589,339
Sold or rented	(667,029)
Impaired	(137,097)
Balance, December 31, 2022	464,066
Purchases	**282,571**
Sold or rented	**(188,583)**
Balance, March 31, 2023	**558,054**

7. OTHER ASSET

The other asset in the amount of $120,000 is a surety bond provided by Philadelphia Insurance and required for the Company's Money Transfer Licence in Washington State.

(Expressed in United States Dollars)

8. EQUIPMENT AND REVENUE-GENERATING EQUIPMENT

Cost	**Equipment**	**Revenue Generating Equipment**	**Total**
	$	**$**	**$**
December 31, 2021	161,302	371,523	532,825
Additions	48,043	282,627	330,670
Disposals	(7,340)	(83,769)	(91,109)
December 31, 2022	202,005	570,381	772,386
Additions	**11,180**	**39,941**	**51,121**
Disposals	**-**	**(3,637)**	**(3,637)**
March 31, 2023	**213,185**	**606,685**	**819,870**
Accumulated Depreciation			
	$	**$**	**$**
December 31, 2021	69,515	244,768	314,283
Depreciation and hardware cost of sales	36,647	176,129	212,776
Disposals	(6,630)	(22,000)	(28,630)
December 31, 2022	99,532	398,897	498,429
Depreciation and hardware cost of sales	**8,674**	**29,253**	**37,927**
Disposals	**-**	**(3,459)**	**(3,439)**
March 31, 2023	**108,206**	**424,691**	**532,897**
Net Book Value			
	$	**$**	**$**
December 31, 2022	102,473	171,484	273,957
March 31, 2023	**104,979**	**181,994**	**286,973**

(Expressed in United States Dollars)

9. CONTRACT ASSET

The Company's contract asset is represented by the portion of a software licensing agreement (the "**License Contract**") with a large *Cannabis* technology company ("**Licensee**"), where payment extends for greater than one year. Pursuant to the License Contract, the Licensee will make the following license fee payments to the Company:

	Payment Timing	Amount
		$
Signing fee	On signing	300,000
Support fee	On signing	200,000
Year 1 license fee	On signing	3,900,000
Year 2 license fee	Monthly, commencing on August 31, 2023	4,650,000
Year 3 license fee	Monthly, commencing on August 31, 2024	5,400,000
Year 4 license fee	Monthly, commencing on August 31, 2025	6,150,000
Total Contract Asset		**20,600,000**

The Company determined, based on the analysis of its performance obligations, that the licensing component represents a right of use arrangement. The evaluation of the standalone selling price determined $14,420,000 of the transaction price is recognized at inception with the remaining $6,180,000 recognized over the life of the agreement. The arrangement includes a significant financing component as a result of the extended payment terms and determined the present value of the future payments using the discount rate at inception of 2.8%, resulting in a contract asset of $10,792,500. The discount amount of $826,906 will be accreted to interest income over the term of the agreement.

During the three months ended March 31, 2023, $78,170 (2022 - $nil) of interest income was accreted and has been recorded in the consolidated statements of loss.

A continuity of the Company's License Contract asset follows:

	$
Balance, December 31, 2021	-
License Fees	14,420,000
Less: amount billed	(4,400,000)
Add: accreted to revenue	772,500
Balance, December 31, 2022	10,792,500
Add: accreted to revenue	**386,250**
Less: Current portion	**(1,942,500)**
Balance, March 31, 2023	**9,236,250**

(Expressed in United States Dollars)

10. ACCRUED LIABILITIES

	March 31, 2023	December 31, 2022
	$	$
Administrative	**15,320**	88,714
Cost of sales	**744,705**	681,349
Finance costs	**24,197**	24,651
Investor relations and public reporting	**-**	250
Professional fees	**265,585**	150,794
Salaries and wages	**102,680**	84,173
Total Accrued Liabilities	**1,152,487**	1,029,931

11. CONVERTIBLE NOTES AND DERIVATIVE LIABILITY

During the year ended December 31, 2020, the Company completed a non-brokered financing of $1,040,000 (the "**Financing**"), by way of issuance of convertible notes (the "**Convertible Notes**"). The Convertible Notes carry an interest rate of 12.0% per annum, payable on a calendar- quarterly basis and have a maturity date of December 31, 2023. At any time prior to December 1, 2023, at the election of the holder, outstanding principal of the Convertible Notes may be converted into common shares of the Company at CDN$0.12 per common share.

In connection with the Financing, the Company incurred cash issue costs of $64,450 and issued 5,650,233 common-share purchase warrants (each a "**Warrant**"), each with an exercise price of C$0.12 and maturity date of November 13, 2025 and 349,608 agent warrants (each an "**Agent Warrant**"), each with an exercise price of C$0.12 and maturity date of November 13, 2022.

As the conversion price is set at C$0.12 per share it is a function of the US to Canadian dollar exchange rate and a variable number of shares will be issued on conversion, resulting in a derivative liability. On initial recognition, first the derivative liability (the "**Initial Derivative Liability**") of $948,988 was recognized, with the residual value of $91,012 allocated to the debt component (the "**Host Liability**"). The fair value of the Finder Warrants of $25,741 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate of 0.33%, expected life of 1 year, exercise price of $0.09, volatility of 237%, dividend yield of 0% and share price of $0.11. The fair value of the Finder Warrants and cash costs of $64,450 was split on the same bases as the Initial Derivative Liability and the Host Liability with $7,893 deducted from the Host Liability and $83,119 being recorded as finance cost in the consolidated statements of loss.

The residual value is then accreted back to the face value of the Convertible Notes over the term of the loan with adjustments made for any conversions and the derivative liability is marked-to-market at each reporting date. During the three months ended March 31, 2023, $55,688 (2022 - $27,980), of interest accretion on the Convertible Notes was recorded in the consolidated statements of loss.

During the three months ended March 31, 2023, $25,000 (2022 – $nil) in face-value of the convertible notes was converted resulting in the issuance of 279,687 common shares (note 14.2.1).

As at March 31, 2023, the Company revalued the derivative liability at $6,649,166 and for the three months ended March 31, 2023, recorded a gain of $123,960 (2022 – $1,637,649) in the consolidated statements of loss.

12. GOVERNMENT LOAN

Due the global outbreak of Novel Coronavirus ("**COVID-19**"), the federal US Government amended its small business administration ("**SBA**") loans to provide relief from the financial effects of COVID-19. SBA provided the Company with a reduced-interest loan ("**SBA Loan**") of $150,000. The SBA Loan has an interest rate of 3.75%, is amortized over 30 years and allows for no repayment during the first year. Commencing in year 2, the Company is required to make monthly payments of $731, which will be applied first to outstanding interest and then to principal. Any outstanding principal and interest is due on May 18, 2050.

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the SBA Loan at $40,535, using a discount rate of 18%, which was the estimated rate for a similar loan without the reduced-interest component. The difference of $109,465 will be accreted to the loan liability over the 30-year term of the SBA Loan and offset to other income on the statements of loss and comprehensive loss. For the three months ended March 31, 2023, the Company recorded interest accretion on the SBA Loan of $2,146 (2022 - $2,149) in the consolidated statements of loss.

13. CREDIT FACILITY

In March 2023, the Company entered into a credit facility agreement (the "**Credit Facility**") that provides a maximum drawdown of $8,000,000, has a term of three years and accrues interest at 10% per annum from the closing date of the drawdown and ending on the second anniversary of the closing date and 12% thereafter. Interest only to be paid quarterly on the amount drawn down, with outstanding principal and interest due on March 30, 2026.

Pursuant to the Credit Facility, the Company issued 300,000 compensation warrants (the "**Compensation Warrants**"), see note 14.3. The fair value of the Compensation Warrants of $208,069, was estimated using the Black Scholes option model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.51%, cumulative volatility of 167.14%, dividends of $0.00 and an underlying share price of C$1.12. The fair value of the Compensation Warrants has been offset against the face value of the credit facility and will be accreted over the term of the Credit Facility.

14. SHARE CAPITAL

Common and preferred shares

14.1 Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

14.2 Issued and outstanding

2023

Three months ended March 31, 2023

14.2.1 In January 2023, $25,000 of convertible debt was converted and 279,687 common shares were issued.

14.2.2 In January 2023, the Company completed a private place consisting of 4,533,333 units (each a "**2023 Unit**"), raising gross proceeds of $3,000,000. Each 2023 Unit consists of 1 common share and 0.95 warrants (each full warrant, a "**2023 Warrant**"). A total of 4,306,666 2023 Warrants were issued, with each 2023 Warrant exercisable for 3 years at a price of C$1.25. The relative fair value of the Warrants was estimated at $1,490,465 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.42%, cumulative volatility of 167.14%, dividends of $0.00 and an underlying share price of C$1.25. There were no financing costs of the private placement. The Warrants have been recorded in warrant reserves on consolidated statements of financial position.

14.2.3 In January 2023, 105,238 warrants were exercised raising proceeds of $14,996. The fair value of the exercised warrants of $15,000 was transferred from warrant reserve to common shares.

14.2.4 In February 2023, 81,494 warrants were exercised raising proceeds of $7,265.

2022

Year ended December 31, 2022

14.2.5 In December 2022, 190,152 warrants were exercised, raising proceeds of $16,600.

14.2.6 In November 2022, 371,883 warrants and finder warrants were exercised, raising proceeds of $32,533.

14.2.7 In October 2022, 834,375 options were exercised, raising proceeds of $29,668.

14.2.8 In August 2022, 54,329 warrants were exercised, raising proceeds of $4,959.

14.2.9 In June 2022, 600,063 warrants were exercised, raising proceeds of $162,967. The fair value of the exercised warrants of $60,312 was transferred from warrant reserve to share capital.

14.2.10 In June 2022, the Company completed a private placement consisting of 5,861,941 units (each a "**Unit**"), raising gross proceeds of $3,665,740. Each Unit consists of 1 common share and 0.75 warrants (each full warrant, a "**Warrant**"). A total of 4,396,456 Warrants were issued, with each Warrant exercisable for 3 years at a price of C$1.00. The relative fair value of the Warrants was estimated at $1,404,011 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.8%, cumulative volatility of 167.14%, dividends of $0.00 and an underlying share price of C$0.65. There were no financing costs of the private placement. The Warrants have been recorded in warrant reserves on consolidated statements of financial position.

14.3 Warrants

In addition to the 4,493,398, 2023 Warrants issued in January 2023 (note 14.2.2) and the 186,732 warrants issued in January and February 2023 (notes 14.2.3 and 14.2.4), in March 2023, the Company issued 125,000 advisory warrants (each, an "**Advisor Warrant**"). Each Advisor Warrant is exercisable for a period of 2 years at an exercise price of C$0.12. The fair value of the Advisor Warrants was estimated at $4,671 using the Black-Scholes option pricing model with the following assumptions: estimated life of 2 years, risk-free interest rate of 0.15%, cumulative volatility of 84.95%, dividends of $0.00 and an underlying share price of C$0.175.

(Expressed in United States Dollars)

A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price
		$
Outstanding at December 31, 2021	6,601,681	C0.27
Issued during 2022	4,396,456	C1.00
Exercised	(1,216,427)	C0.23
Balance at December 31, 2022	**9,781,710**	**C0.61**
Issued during 2023	**4,606,666**	**C1.27**
Exercised during 2023	**(186,732)**	**C0.16**
Balance at March 31, 2023	**14,201,644**	**C0.83**

The outstanding issued warrants balance as at March 31, 2023 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price
			$
February 22, 2024	Warrants	3,400,356	C0.35
November 13, 2025	Warrants	1,783,533	C0.12
June 29, 2025	Warrants	4,396,456	C1.00
January 26, 2026	Warrants	4,306,666	C1.25
March 31, 2026	Compensation warrants	300,000	C1.50
July 10, 2027	Warrants	59,633	0.14
March 31, 2023		**14,201,644**	**C0.83**

14.4 Stock options and contributed surplus

POSaBIT has an incentive plan (the "**Plan**") pursuant to which options and Restricted Stock Units ("**RSU's**") to purchase common shares of the Company may be granted to certain officers, directors, employees and consultants of the Company. The Plan allowed for a fixed issuance of up to 20% of the issued and outstanding common shares upon completion of the Transaction, being 16,610,000. During the year ended December 31, 2021, the Company received approval from the CSE to also issue RSUs and to increase the number of available options and RSUs to 26,610,000. As at March 31, 2023, the Company had 5,960,113 (December 31, 2022 – 6,279,488) options and RSUs available for issuance.

(Expressed in United States Dollars)

The number and prices of the outstanding options are as follows:

	Number of options	Weighted average exercise price (per option)
		$
December 31, 2021	17,189,215	C0.31
Granted	2,746,750	C0.69
Exercised	(834,375)	C0.04
December 31, 2022	19,101,590	C0.38
Granted	**1,200,000**	**C1.13**
Expired	**(780,625)**	**C0.91**
March 31, 2023	**19,520,965**	**C0.40**

For the three months ended March 31, 2023, the Company recognized share-based compensation expense for options of $573,890 (2022 - $603,784).

The options outstanding and exercisable as at March 31, 2023 are comprised of the following items:

Date of expiry	Number of options outstanding	Exercise price (per option)	Weighted average remaining life (years)
March 4, 2026	1,835,356	0.0379	2.9
May 9, 2027	2,630,972	0.0380	4.1
January 9, 2028	1,383,667	0.0380	4.8
May 9, 2028	35,079	0.0911	5.1
October 4, 2029	726,000	C0.150	6.5
October 1, 2030	3,923,741	C0.095	7.5
March 10, 2031	634,400	C0.275	7.9
May 26, 2031	2,090,000	C0.315	8.2
July 21, 2031	325,000	C0.450	8.3
September 24, 2031	835,000	C1.230	8.5
December 15, 2031	1,300,000	C1.310	8.7
July 1, 2032	1,130,000	C0.630	9.3
November 15, 2032	1,221,750	C0.670	9.6
December 21, 2032	250,000	C1.070	9.8
January 31, 2033	1,200,000	C1.130	9.8
Outstanding	**19,520,965**	**C0.305**	**6.3**

(Expressed in United States Dollars)

Date of expiry	Number of options outstanding	Exercise price (per option)	Weighted average remaining life (years)
Exercisable	**12,307,999**	**C0.178**	**5.9**

The number and prices of the outstanding RSUs are as follows:

	Number of RSUs	Weighted average grant-date fair value (per RSU)
		$
December 31, 2021	367,647	C1.310
Granted	861,275	C0.800
December 31, 2022	1,228,922	C0.930
Rescinded	**(100,000)**	**C0.800**
March 31, 2023	**1,128,922**	**C0.930**

For the three months ended March 31, 2023, the Company recognized share-based compensation expense for RSUs of $50,210 (2022 - $56,135).

The RSUs outstanding as at March 31, 2023 are comprised of the following items:

Date of expiry	Number of RSUs outstanding	Weighted average grant-date fair value	Weighted average remaining life until vesting (years)
December 31, 2023	400,000	C1.070	0.8
January 1, 2026	367,647	C1.310	2.8
July 21, 2026	361,275	C0.630	3.3
Outstanding	**1,128,922**	**C1.007**	**2.2**

15. 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.

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:

(Expressed in United States Dollars)

3 months ended March 31,	**2023**	2022
	$	$
Executive compensation to key managers	**552,450**	295,394
Share-based compensation to key managers	**440,161**	335,715
Totals	**992,611**	631,109

16. 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 March 31, 2023, the Company's financial instruments consist of cash, receivables, license contract, accounts payable and derivative liability. The fair values of cash, receivables, accounts payable approximate their carrying values due to the relatively short-term to maturity nature. The Company classifies its license contract at amortized cost and its derivative liability at fair value through profit and loss.

Financial 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.

As of March 31, 2023, $2,882,127 (2022 – $2,745,121) 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. As at March 31, 2023, the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses for all but one, are nominal. For one processor, the Company is party to a lawsuit (note 21) but cannot reasonably estimate the outcome or the financial implications of that outcome.

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 has no liquidity risk as at December 31, 2022.

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as the convertible note 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' deficiency 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 three months ended March 31, 2023 and 2022. There are no external capital management requirements or covenants as at March 31, 2023 and December 31, 2022, other than those imposed through ongoing listing requirements of the CSE.

17. REVENUE

POSaBIT has 2 main revenue streams: Payment Services and Point-of-Sale ("**POS**") Services. The POSaBIT Payments Services generate revenue via setup costs, hardware costs, transaction fees and convenience fees. The POSaBIT POS has a traditional software-as-a-service subscription model (pay per terminal/console on a monthly, or yearly basis) as well as the sharing of its proprietary software, which it licenses and for which it collects royalties.

17.1 Payment Services

Payment Services are comprised of the following revenue generating transaction services:

Non-cash adjustment fees - Charges to the end consumer for each transaction that is not at the discounted cash price.

Transaction fees - Each debit charge to the merchant is variable based on contracted percent of transaction fee, paid by merchant. In addition, the Company also charges a "per swipe" fee paid by the merchant.

Set-up fees - Installation fees to each merchant.

Rental fees – Fees charged to merchants for the rental of hardware.

17.2 POS Services

POS Services comprise the following revenue-generating transaction services:

(Expressed in United States Dollars)

Subscription fees - Charge merchants a monthly or yearly subscription fee per terminal/console. This fee is negotiated on a case-by-case basis with each merchant based on the volume of transactions and size of the merchant installation.
Set-up fees - Installation fees per location.

Rental fees – Fees charged to merchants for the rental of hardware.

Hardware - POSaBIT charges the merchant for the cost of the hardware.

License fees - License fees per licensing agreement.

Support services - Fees charged for stand and deliver support over term of licensing agreement

The Company generated the following revenues for the three months ended March 31, 2023 and 2022:

3 months ended March 31,	**2023**	2023 *(note 2.4)*
	$	$
Payment services	10,734,206	6,069,341
POS services	757,384	249,460
Total revenue	**11,491,590**	6,318,801

18. TRANSACTION COSTS

The Company incurred the following transaction costs:

3 months ended March 31,	**2023**	2022
	$	$
Acquisition costs	**201,380**	-
Compensation warrants accretion	**487**	-
Legal and advisory fees	**304**	25,462
Software integration costs	**37,355**	-
Total Transaction Costs	**239,526**	25,462

19. ADMININSTATIVE COSTS

The Company incurred the following administrative costs:

3 months ended March 31,	**2023**	2022
	$	$
General	**550,075**	416,923
Meals and entertainment	**33,743**	9,043
Salaries and wages	**2,648,868**	1,580,384
Travel	**91,512**	43,019
Total administrative costs	**3,324,198**	2,049,369

(Expressed in United States Dollars)

20. ADDITIONAL CASH FLOW INFORMATION

20.1 Working capital changes in operating assets and liabilities:

3 months ended March 31,	2023	2022
	$	$
Sales taxes recoverable	**(7)**	(247)
Receivables	**(155,177)**	194,794
Change in current portion of contract asset	**(1,162,500)**	-
Inventory	**(93,988)**	(143,078)
Prepaid expenses	**53,833**	(51,751)
Accounts payable and accrued liabilities	**988,449**	(36,256)
Working capital changes in operating assets and liabilities	**(369,320)**	(36,538)

20.2 Supplemental cash flow information

3 months ended March 31,	2023	2022
	$	$
Non-cash financing activities:		
Conversion of convertible debt	**25,000**	-
Cash interest paid	**24,288**	24,114

21. COMMITMENTS

Litigation

The Company is, from time to time, involved in various claims and legal proceedings. The Company has been served with two statements of claims, both regarding contractual dispute between the Company and vendor. In August 2022, the Company was served with a statement of claim filed in Florida State court and in December 2022, the Company was served with a statement of claim filed in Washington District Court.

The Company has a receivable and payable recorded on the balance and has not been adjusted as the estimated outcome for either case is unavailable. The Company cannot reasonably predict the likelihood or outcome of the claim. The Company does not believe that adverse decisions regarding any settlement or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

22. SEGMENTED INFORMATION

Operating segments

The Company's sole operating segment is the provision of point-of-sale arrangements designed to offer consumers an easy way to acquire digital currency and use it to purchase goods and services. As such, its operating segment information is the same as that reporting in the Consolidated Financial Statements.

(Expressed in United States Dollars)

Geographic segments

The Company operates in two geographic segments being Canada and the United States.

	March 31, 2023	December 31, 2022
	$	$
Non-current assets:		
Canada	**-**	-
United States	**9,643,223**	10,406,457
Total Non-current Assets	**9,643,223**	10,406,457

3 months ended March 31,	**2023**	2022
	$	$
Revenue		
Canada	**-**	-
United States	**11,491,590**	6,318,801
Total revenues	**11,491,590**	6,318,801

23. SUBSEQUENT EVENTS

23.1 Acquisition (business combination)

On April 3, 2023, the Company announced it had acquired certain assets from Hypur Inc. (the "**Acquisition**"), effective April 1, 2023, in a cash and equity transaction, valued at up to $7.5 million.

The Acquisition will be accounted for pursuant to *IFRS 3* Business Combinations. As such, the Company has engaged an independent third-party valuation service to complete the purchase price allocation.

23.2 Issuance of securities

23.2.1 In April 2023, 682,500 options with an exercise price of C$0.95 and with expiry dates ranging between two and four years, were issued.

23.2.2 In April 2023, 1,841,742 RSUs with various vesting criteria were issued.

23.2.3 In April 2023, the Company issued 4,968,584 common shares in connection with the Acquisition.

23.3 Termination of acquisition

On January 27, 2023, the Company signed a securities purchase agreement with Akerna Corp for all the outstanding securities of Akerna Ample Exchange Inc. and membership interest in MJ Freeway. LLC. It was anticipated that the transaction would close in late Q2, 2023. On April 5, 2023, the Company received notice from Akerna Corp that they believed an offer received from another buyer was likely to result in a superior offer and was terminating the Company's securities purchase agreement. Per the purchase agreement, Akerna Corp will pay the Company a breakup fee of $140,000 and will reimburse the Company $60,000 in legal fees, as of the date of this filing, that amount was unpaid.