



POSaBIT Systems Corporation

Unaudited Interim Consolidated Financial Statements
Three and Six Months Ended June 30, 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 and six months ended June 30, 2023 and 2022 have not been reviewed by the Company's auditors.



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 ("IFRS") 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 *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"

Ryan Hamlin
President and Chief Executive Officer

August 24, 2023

"Matthew A. Fowler"

Matthew A. Fowler
Chief Financial Officer

August 24, 2023

POSaBIT Systems Corporation
Unaudited Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars)



	June 30, 2023	December 31, 2022
	\$	\$
ASSETS		
Current assets		
Cash	3,965,966	3,076,240
Receivables (note 5)	3,132,634	2,745,121
Sales taxes recoverable	7,906	2,492
Prepaid expenses and deposits (note 6)	752,221	522,498
Inventories (note 7)	855,544	464,066
Current portion of contract asset (note 12)	3,105,000	780,000
Total current assets	11,819,271	7,590,417
Other asset (note 8)	120,000	120,000
Equipment, net (note 9)	111,956	102,473
Revenue-generating equipment (note 9)	249,571	171,484
Contract asset (note 12)	8,460,000	10,012,500
Intangible assets (note 10)	5,291,464	-
Goodwill (note 11)	1,733,254	-
Total assets	27,785,516	17,996,874
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable	2,597,898	1,430,295
Accrued liabilities (note 13)	1,739,298	1,029,931
Holdback payable (note 14)	500,000	-
Income taxes payable	597,015	404,135
Convertible debt (note 15)	223,689	-
Derivative liability (note 15)	5,003,334	-
Total current liabilities	10,661,234	2,864,361
Convertible debt (note 15)	-	265,379
Derivative liability (note 15)	-	6,596,078
Government loan (note 16)	47,962	48,034
Credit facility (note 17)	2,807,500	-
Total liabilities	13,516,696	9,773,852
Shareholders' equity		
Share capital (note 18.2)	25,640,946	20,069,158
Shares to be issued (note 18.3)	1,912,226	-
Warrants reserve (note 18.4)	3,408,598	1,725,064
Contributed surplus (note 18.5)	4,473,936	3,443,880
Deficit	(21,880,995)	(17,372,125)
Currency translation reserve	714,109	357,045
Total shareholders' equity	14,268,820	8,223,022
Total liabilities and shareholders' equity	27,785,516	17,996,874

Approved for filing by the Board of Directors, August 21, 2023.

"Don Tringali" (Director)

"Mike Apker" (Director)

POSaBIT Systems Corporation

 Unaudited Interim Consolidated Statements of Comprehensive Earnings (Loss)
 (Expressed in United States Dollars)


	3 months ended		6 months ended	
	June 30, 2023	June 30, 2022 (note 2.4)	June 30, 2023	June 30, 2022 (note 2.4)
	\$	\$	\$	\$
REVENUE (note 21)	13,474,295	8,229,936	24,965,885	14,548,737
COST OF SALES				
Processing fees	9,686,684	5,474,968	17,899,250	9,643,302
Software license fees	221,756	58,755	349,022	92,378
Inventory impairment	-	325	-	325
Hardware cost of sales	168,064	135,090	369,562	297,689
Sales labour and commissions	678,497	598,890	1,304,433	1,067,100
Total cost of sales	10,755,001	6,268,028	19,922,267	11,100,794
Gross margin	2,719,294	1,961,908	5,043,618	3,447,943
OPERATING EXPENSES				
Administrative (note 24)	3,715,849	2,010,683	7,040,047	4,060,052
Amortization and depreciation	156,986	56,299	165,660	72,835
Forex	123,121	2,743,541	380,683	3,063,745
Investor relations and public reporting	32,032	9,172	85,393	14,159
Marketing	96,319	39,030	182,981	131,362
Professional fees	1,148,613	563,717	2,028,209	935,618
Share-based compensation (note 18.5)	761,642	511,604	1,385,743	1,171,523
Total operating expenses	6,034,562	5,934,046	11,268,716	9,449,294
Operating income (loss)	(3,315,268)	(3,972,138)	(6,225,098)	(6,001,351)
OTHER EXPENSES				
Change in expected credit losses and bad debts	356	(2,942)	(17,815)	(949)
Change in fair value of digital assets	-	(2,467)	-	(5,513)
Change in fair value of derivative liability (note 9)	1,645,834	4,686,054	1,769,794	6,323,703
Interest expense	(87,040)	(22,816)	(100,535)	(44,362)
Interest accretion	(106,839)	(39,212)	(164,673)	(69,341)
Interest income	80,903	-	159,073	-
Other income (note 22)	139,689	-	139,689	-
Loss on disposal of assets	-	(715)	-	(715)
Transaction expense-recovery (cost) (note 23)	7,413	(265,910)	(232,113)	(291,372)
Total other expenses	1,680,316	4,351,992	1,553,420	5,911,451
Earnings (loss) before income taxes	(1,634,951)	379,854	(4,671,677)	(89,900)
Income taxes	(192,880)	-	(192,880)	-
Earnings (loss)	(1,827,831)	379,854	(4,864,557)	(89,900)
Basic and diluted income (loss) per common share	0.01	(0.00)	(0.03)	(0.00)
Basic and diluted weighted average number of common shares outstanding	149,783,724	132,044,667	143,398,872	131,974,048

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

POSaBIT Systems CorporationUnaudited Interim Consolidated Statements of Comprehensive Earnings (Loss)
(Expressed in United States Dollars)

	3 months ended		6 months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
	\$	\$	\$	\$
Earnings (loss)	(1,827,920)	379,854	(4,864,557)	(89,900)
Other comprehensive loss:				
Item that may not be reclassified to net loss -				
Items that may not be reclassified to Earnings (loss):				
Foreign translation adjustment of parent	110,115	2,719,008	357,064	3,036,361
Comprehensive income (loss)	(1,717,716)	2,719,008	(4,507,493)	2,946,461

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

POSaBIT System Corporation

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


	Common shares		Shares to be issued	Contributed surplus	Warrant reserve	Currency translation reserve	Deficiency	Total
	Number	Amount						
December 31, 2021	131,902,645	\$ 17,564,928	\$ -	\$ 1,238,683	\$ 292,622	\$ (2,367,647)	\$ (25,435,728)	\$ (8,707,142)
Shares issued for cash	5,861,941	3,665,740	-	-	-	-	-	3,665,740
Fair value of issued warrants	-	(1,404,011)	-	-	1,404,011	-	-	-
Exercised warrants	600,063	162,967	-	-	-	-	-	162,967
Fair value of exercised warrants	-	60,312	-	-	(60,312)	-	-	-
Share-based compensation	-	-	-	1,171,523	-	-	-	1,171,523
Loss	-	-	-	-	-	-	(89,900)	(89,900)
Comprehensive income	-	-	-	-	-	3,036,361	-	3,036,361
June 30, 2022	138,364,649	20,049,936	-	2,410,206	1,636,321	668,714	(25,525,628)	(760,451)
Fair value of issued warrants	-	(88,743)	-	-	88,743	-	-	-
Exercise of warrants	271,645	23,909	-	-	-	-	-	23,909
Exercise of agent warrants	344,719	30,183	-	-	-	-	-	30,183
Exercise of options	834,375	29,688	-	-	-	-	-	29,688
Fair value of exercised options	-	24,205	-	(24,205)	-	-	-	-
Share-based compensation	-	-	-	1,057,879	-	-	-	1,057,879
Earnings	-	-	-	-	-	-	8,153,503	8,153,503
Comprehensive loss	-	-	-	-	-	(311,669)	-	(311,669)
December 31, 2022	139,815,388	20,069,178	-	3,443,880	1,725,064	357,045	(17,372,125)	8,223,042
Shares issued for cash	4,533,333	3,000,000	-	-	-	-	-	3,000,000
Fair value of issued warrants	-	(1,490,465)	-	-	1,490,465	-	-	-
Shares issued on conversion	279,687	25,000	-	-	-	-	-	25,000
Shares issued for Acquisition (note 4)	4,968,584	4,000,000	-	-	-	-	-	4,000,000
Shares to be issued for Acquisition (note 4)	-	-	1,912,226	-	-	-	-	1,912,226
Exercise of warrants	186,732	22,253	-	-	-	-	-	22,253
Fair value of exercised warrants	-	15,000	-	-	(15,000)	-	-	-
Fair value of compensation warrants	-	-	-	-	208,069	-	-	208,069
Expiry of options	-	-	-	(355,687)	-	-	355,687	-
Share-based compensation	-	-	-	1,385,743	-	-	-	1,385,743
Loss	-	-	-	-	-	-	(4,864,557)	(4,864,557)
Comprehensive income	-	-	-	-	-	357,064	-	357,064
June 30, 2023	149,783,724	25,640,966	1,912,226	4,473,936	3,408,598	714,109	(21,880,995)	14,268,840

The accompanying notes are an integral part of these unaudited interim consolidated financial statements



	2023	2022
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(4,864,557)	(89,900)
Adjustment for non-cash items:		
Amortization and depreciation	245,391	113,769
Change in expected credit losses	17,815	949
Change in fair value of derivative liability	(1,769,792)	(6,323,704)
Change in fair value of digital assets	-	5,513
Forex	357,064	3,036,361
Interest accretion	164,673	69,341
Loss on disposal of assets	-	715
Loss on disposal of revenue-generating equipment	178	-
Non-cash transaction fees	15,569	-
Stock based compensation	1,385,743	1,171,523
Working capital changes in operating assets and liabilities <i>(note 26.1)</i>	1,002,554	(782,240)
Net cash provided from (used for) operating activities	(3,445,362)	(2,797,673)
INVESTING ACTIVITIES		
Cash acquired on acquisition <i>(note 4)</i>	105,825	-
Acquisition costs <i>(note 4)</i>	(1,604,000)	-
Purchase of equipment	(26,608)	(5,253)
Purchase of revenue-generating equipment	(157,996)	(219,574)
Net cash used for investing activities	(1,682,779)	(224,827)
FINANCING ACTIVITIES		
Advanced on credit facility <i>(note 17)</i>	3,000,000	-
Exercise of warrants	22,253	162,967
Issuance of common shares for cash	3,000,000	3,665,740
Repayments to related parties	-	(1,330)
Repayments of government loan	(4,386)	(4,386)
Net cash provided by financing activities	6,017,867	3,822,991
Increase in cash during the period	889,726	800,491
Change in funds held in trust	-	(3,473,983)
Cash, beginning of year	3,076,240	4,418,788
Cash, end of period	3,965,966	1,745,296

Supplemental cash flow information *(note 26.2)*

POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

The Company was incorporated on June 12, 2017, pursuant to the Business Corporations Act (British Columbia) originally under the name Foreshore Exploration Partners, Corp. 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 involves 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 15 Lake Bellevue Dr., Suite 101, Bellevue, WA 98005. 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 unaudited interim consolidated financial statements (the “**Consolidated 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 Consolidated Financial Statements were approved and authorized for issuance by the Board on August 21, 2023.

2.2 Basis of presentation and measurement

The Consolidated 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 Consolidated Financial Statements consolidate the accounts of the Company and its wholly-owned subsidiary, POSaBIT US, Inc. (the “**Subsidiary**”) and POSaBIT Payments Inc. (“**POSaBIT Payments**”), a wholly-owned subsidiary of 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.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(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 earnings (loss) and comprehensive loss.

3. ADOPTION OF NEW AND REVISED STANDARDS AND RECENT PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2022. 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. The Company has not yet adopted this standard and is assessing its impact on its consolidated financial statements.

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, 2023, retrospectively in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors. The Company has not yet adopted this amendment and is currently assessing the effects on its consolidated financial statements.

The Company has adopted the following standards that came into effect for accounting periods commencing on or after January 1, 2022.

IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (“**IAS 16**”). The Standard was amended in 2020 to provide for the costs of testing whether a product is functioning properly in accordance with management’s expectations and the disclosure of those costs. An entity shall apply the amendments for annual reporting periods on or after January 1, 2022, with early adoption permitted. At present, the standard does not affect the Company’s reporting requirements.

IAS 37 – Provisions contingent liabilities and contingent assets (“**IAS 37**”). The Standard was amended in May 2020 to expand on the definition of onerous contracts and the costs to be included in fulfilling a contract. An entity shall apply the amendments for annual reporting periods on or after January 1, 2022, with early adoption permitted. At present, the standard does not affect the Company’s reporting requirements.

During the period ended June 30, 2023, the Company completed the Hypur Acquisition (note 4). The Company’s policy on initial recognition, subsequent measurement and amortization of intangible assets and goodwill follows:



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Expressed in United States Dollars)

Goodwill and Other Purchased Intangibles

i) Recognition and measurement

Goodwill	Goodwill arising on the acquisition of a subsidiary is measured at cost less accumulated impairment losses
Identifiable intangible assets	Identified intangible assets, including customer relationships, acquired contracts, acquired technology and tradenames that are acquired and have useful lives are measured at cost less accumulated amortization and any accumulated impairment losses

ii. Subsequent expenditures

Subsequent expenditures are capitalized only when it increases the future economic benefits of the asset to which it relates. All other expenditures are recognized in the statements of comprehensive earnings (loss) as incurred.

iii. Amortization

Amortization is calculated to write off the cost of intangible assets, less their estimated residual value, using the straight-line method over their estimated useful lives and is recognized in the statements of comprehensive earnings (loss). Goodwill is not amortized.

The estimated useful lives for current and comparative periods are as follows:

Acquired contracts	9.75 years
Acquired technology	5.75 years
Tradename	1.75 years

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

4. BUSINESS COMBINATION

Acquisition of Hypur Inc. (“Hypur”)

On April 1, 2023, the Company acquired 100% of Hypur (the “**Hypur Acquisition**”), a Nevada corporation that is a leading provider of compliant, sustainable payment and bank compliance solutions for high-risk industries, including cannabis businesses, for a purchase price of approximately \$7,500,000.

The Hypur Acquisition enables the Company to offer a more comprehensive suite of payment and compliance solutions for the cannabis industry, including redundant PIN debit payment processing, Hypur Pay, a leading cannabis ACH eCommerce and mobile payment solution, and Hypur Comply, a compliance platform for financial institutions serving the cannabis industry. With the Hypur Acquisition, POSaBIT now provides a one-stop shop for all payment and bank compliance needs for cannabis dispensaries, processors, cultivators, distributors, and the financial institutions that serve them.

The Hypur Acquisition was completed by way of an asset purchase agreement (the “**Agreement**”) dated April 1, 2023, by and among the Company, POSaBIT Payments Inc., a wholly owned subsidiary of the Company (“**POSaBIT Payments**”) and Hypur. Pursuant to the Agreement, POSaBIT Payments acquired the net assets of the acquired business, other than certain excluded assets and liabilities, in exchange for (1) \$1,604,000 in cash and cash equivalents (of which \$500,000 was held back (the



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Expressed in United States Dollars)

“**Cash Holdback**”) and, subject to potential indemnity claims, will be released six months after closing), plus (2) 6,210,730 common shares of the Company with a fair value of \$4,000,000 (of which, 1,242,146 common shares with a fair value of \$931,277 were held back (the “**Equity Holdback** and, subject to potential indemnity claims, will, be released either six or twelve months after closing). The Company used a discount rate of 10% in calculating the fair value of the Equity Holdback.

Pursuant to the Agreement and provided certain conditions are met, the Company agreed to issue a further 1,242,147 common shares between three months and one year after closing (the “**Contingent Consideration**”) based upon completion of certain contingent criteria and timing. In estimating the fair value of \$980,950 of these common shares, the Company considered the required timing of issuance and the anticipated completion of the conditions underlying the release. The Company used a discount rate of 10% in calculating the fair values.

Estimated fair value of net assets acquired:

	\$
Cash and cash equivalents	105,825
Inventory	237,147
Debt-free working capital acquired	342,972
Contracts	5,100,000
Technology	310,000
Tradename	30,000
Identifiable intangible assets acquired	5,440,000
Goodwill	1,733,254
Purchase price	7,516,226

Consideration:

	\$
Cash	1,104,000
Cash holdback	500,000
Total cash	1,604,000

Equity:	# of shares	\$
Common shares issued on closing	4,968,584	4,000,000
Equity Holdback (to be released 6 months after closing)	621,073	476,731
Equity Holdback (to be released 1 year after closing)	621,073	454,545
Contingent Consideration (to be released 3 months after closing)	828,512	669,678
Contingent Consideration (to be released 1 year after closing)	413,635	311,272
Total equity	7,452,877	5,912,226
Total consideration		7,516,226

During the three and six months ended June 30, 2023, Hypur operations have contributed \$1,549,262 (2022 - \$nil) and \$1,549,262 (2022 - \$nil), respectively of revenue and \$106,743 (2022 - \$nil) and \$106,743 (2022 - \$nil), respectively of earnings to the consolidated operations of the Company.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

*(Expressed in United States Dollars)***5. RECEIVABLES**

	June 30, 2023	December 31, 2022
	\$	\$
Trade receivables	478,198	348,459
Receivables due from processors	2,663,971	2,402,206
Total receivables	3,142,169	2,750,665
Allowance for expected credit losses	(9,535)	(5,544)
Total receivables, net	3,132,634	2,745,121

The receivables are generally on terms due within 30 days.

For the three and six months ended June 30, 2023, the Company recognized changes in expected credit gains (losses) of \$356 (2022 - \$(2,942)) and \$(3,991) (2022 - \$(949)), respectively and bad debts expense of \$nil (2022 - \$nil) and \$13,824 (2022 - \$nil), respectively.

6. PREPAID EXPENSES AND DEPOSITS

	June 30, 2023	December 31, 2022
	\$	\$
Administrative	276,715	173,096
Insurance	353,129	154,986
Investor relations and public reporting	40,856	79,162
Marketing	32,686	40,543
Professional fees	-	40,000
Software sales	44,616	30,492
Total prepaid expenses	748,002	518,279
Deposits	4,219	4,219
Total	752,221	522,498



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

*(Expressed in United States Dollars)***7. 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
Purchased	560,751
Acquired through Acquisition (note 4)	237,137
Sold or rented	(406,420)
Balance, June 30, 2023	855,534

8. 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

9. EQUIPMENT AND REVENUE-GENERATING EQUIPMENT

Cost	Revenue Generating Equipment		Total
	Equipment	Equipment	
	\$	\$	\$
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	26,608	157,996	184,604
Disposals	-	(44,784)	(44,784)
June 30, 2023	228,613	683,593	912,206
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	17,125	79,731	96,856
Disposals	-	(44,606)	(44,606)
June 30, 2023	116,657	434,022	550,679



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended June 30, 2023 and 2022

(Expressed in United States Dollars)

Cost	Equipment	Revenue Generating Equipment	Total
	\$	\$	\$
Net book value			
	\$	\$	\$
December 31, 2022	102,473	171,484	273,957
June 30, 2023	111,956	249,571	361,527

10. INTANGIBLE ASSETS

Cost	Contracts	Technology	Tradenname	Total
	\$	\$	\$	\$
December 31, 2021	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
December 31, 2022	-	-	-	-
Additions (note 4)	5,100,000	310,000	30,000	5,440,000
Disposals	-	-	-	-
June 30, 2023	5,100,000	310,000	30,000	5,440,000

Accumulated amortization	Contracts	Technology	Tradenname	Total
	\$	\$	\$	\$
December 31, 2021	-	-	-	-
Amortization	-	-	-	-
Disposals	-	-	-	-
December 31, 2022	-	-	-	-
Amortization	130,770	13,479	4,287	148,536
Disposals	-	-	-	-
June 30, 2023	130,770	13,479	4,287	148,536

Net realizable value				
	\$	\$	\$	\$
December 31, 2022	-	-	-	-
June 30, 2023	4,969,230	296,521	25,713	5,291,464

11. GOODWILL

Gross carrying amount	
	\$
December 31, 2021	-
Additions	-



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Gross carrying amount	
	\$
Disposals	-
December 31, 2022	-
Acquired through Acquisition (note 4)	1,733,254
June 30, 2023	1,733,254

Accumulated impairment	
	\$
December 31, 2021	-
Depreciation and hardware cost of sales	-
Disposals	-
December 31, 2022	-
Impairment loss recognized	-
June 30, 2023	-

Carrying amount	
	\$
December 31, 2022	-
June 30, 2023	1,733,254

There have been no indications of impairment of goodwill since the completion of the Hypur Acquisition through the reporting date.

12. 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



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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 and six months ended June 30, 2023, \$80,903 (2022 - \$nil) and \$159,073 (2022 - \$nil), respectively of interest income was accreted and has been recorded in the consolidated statements of comprehensive earnings (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 license revenue	613,427
Add: accreted to interest income	159,073
Less: Current portion	(3,105,000)
Balance, June 30, 2023	8,460,000

13. ACCRUED LIABILITIES

	June 30, 2023	December 31, 2022
	\$	\$
Administrative	753,717	88,714
Cost of sales	916,111	681,349
Finance costs	23,635	24,651
Investor relations and public reporting	250	250
Professional fees	10,074	150,794
Salaries and wages	35,511	84,173
Total Accrued Liabilities	1,739,298	1,029,931

14. HOLDBACK PAYABLE

The holdback payable consists of the Cash Holdback (*note 4*).

Cash holdback	500,000
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15. 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



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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 “**Finder 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 comprehensive earnings (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 and six months ended June 30, 2023, \$106,839 (2022 - \$37,052) and \$158,202 (2022 - \$65,021), respectively of interest accretion on the Convertible Notes was recorded in the consolidated statements of comprehensive earnings (loss).

During the three and six months ended June 30, 2023, \$nil (2022 – \$nil) and \$25,000 (2022 - \$nil), respectively in face-value of the Convertible Notes was converted.

As at June 30, 2023, the Company revalued the derivative liability at \$5,003,334 and for the three and six months ended June 30, 2023, recorded a gain of \$1,645,834 (2022 – \$4,686,054) and \$1,769,794 (2022 – \$6,323,703), respectively in the consolidated statements of comprehensive earnings (loss).

16. GOVERNMENT LOAN

Due the global outbreak of Novel Coronavirus (“**COVID-19**”), the federal US Government amended its small business administration (“**SBA**”) loan program to provide relief from the financial effects of COVID-19. On May 18, 2020, the 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 comprehensive earnings (loss). For the three and six months ended June 30, 2023, the Company recorded interest accretion on the SBA Loan of \$2,157 (2022



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- \$2,171) and \$4,314 (2022 - \$4,320), respectively in the consolidated statements of comprehensive earnings (loss).

17. 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 advisory warrants (the “**Advisory Warrants**”). The fair value of the Advisory Warrants of \$208,069 was estimated using the Black Scholes option model with assumptions as disclosed in note 18.4. The fair value of the Advisory Warrants has been offset against the face value of the Credit Facility and will be accreted over the term of the Credit Facility.

18. SHARE CAPITAL

Common shares

18.1 Authorized

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

18.2 Issued and outstanding

Six months ended June 30, 2023

- 18.2.1 In January 2023, \$25,000 of convertible debt was converted and 279,687 common shares were issued.
- 18.2.2 In January 2023, the Company completed a private placement 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 2023 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 2023 Warrants have been recorded in warrant reserves on consolidated statements of financial position.
- 18.2.3 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.
- 18.2.4 In February 2023, 81,494 warrants were exercised raising proceeds of \$7,265.
- 18.2.5 In April 2023, the Company completed the Hypur Acquisition (*note 4*), issuing 4,968,584 common shares with a fair value of \$4,000,000.



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Year ended December 31, 2022

- 18.2.6 In December 2022, 190,152 warrants were exercised, raising proceeds of \$16,600.
- 18.2.7 In November 2022, 371,883 warrants and finder warrants were exercised, raising proceeds of \$32,533.
- 18.2.8 In October 2022, 834,375 options were exercised, raising proceeds of \$29,668.
- 18.2.9 In August 2022, 54,329 warrants were exercised, raising proceeds of \$4,959.
- 18.2.10 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.
- 18.2.11 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.

18.3 Shares to be issued

Pursuant to the terms of the Hypur Acquisition, the Company will issue 1,242,146 Equity Holdback shares (note 4) with a fair value of \$931,277 and 1,242,147 Contingent Consideration shares (note 4) with a fair value of \$980,949.

18.4 Warrants

In addition to the 4,306,666, 2023 Warrants issued in January 2023 (note 18.2.2) and the 186,732 warrants exercised in January and February 2023 (notes 18.2.3 and 18.2.4), in March 2023, the Company issued the Advisory Warrants (note 17). Each Advisory Warrant is exercisable for a period of 3 years at an exercise price of C\$1.50. The fair value of the Advisory Warrants was estimated at \$208,069 using the Black-Scholes option pricing 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\$1.50. The fair value of the Advisory Warrants has been offset to the Credit Facility).

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



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	Number of warrants	Exercise price \$
Balance at June 30, 2023	14,201,644	C0.83

The outstanding issued warrants balance as at June 30, 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	Advisor warrants	300,000	C1.50
July 10, 2027	Warrants	59,633	0.14
June 30, 2023		14,246,644	C0.83

18.5 Stock options, RSUs and contributed surplus

POSaBIT has an incentive plan (the “Plan”) pursuant to which Options and Restricted Stock Units (“RSU’s”) to purchase and receive, respectively, 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, which at that time totalled 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 June 30, 2023, the Company had 3,435,871 (December 31, 2022 – 6,279,488) options and RSUs available for issuance.

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	1,882,500	C1.07
Expired	(780,625)	C0.92



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	Number of options	Weighted average exercise price (per option)
June 30, 2023	20,203,465	C0.42

For the three and six months ended June 30, 2023, the Company recognized share-based compensation expense for options of \$603,803 (2022 - \$511,604) and \$1,175,823 (2022 - \$1,171,523), respectively.

The options outstanding and exercisable as at June 30, 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
March 4, 2026	1,835,356	C0.038	2.7
May 9, 2027	2,630,972	C0.038	3.9
January 9, 2028	1,383,667	C0.091	4.5
May 9, 2028	35,079	C0.091	4.9
October 4, 2029	726,000	C0.150	6.3
October 1, 2030	3,923,741	C0.095	7.3
March 10, 2031	634,400	C0.275	7.7
May 26, 2031	2,090,000	C0.315	7.9
July 21, 2031	325,000	C0.450	8.1
September 24, 2031	835,000	C1.230	8.2
December 15, 2031	1,300,000	C1.310	8.5
July 1, 2032	1,130,000	C0.630	9.0
November 15, 2032	1,221,750	C0.670	9.4
December 21, 2032	250,000	C1.070	9.5
January 31, 2033	1,200,000	C1.130	9.6
April 17, 2033	682,500	C0.950	9.8
Outstanding	20,203,465	C0.407	6.9
Exercisable	13,201,571	C0.202	5.8



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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	C0.834
December 31, 2022	1,228,922	C0.980
Granted	1,841,1742	C0.950
Rescinded	(100,000)	C0.630
June 30, 2023	2,970,664	C1.016

For the three and six months ended June 30, 2023, the Company recognized share-based compensation expense for RSUs of \$157,839 (2022 - \$nil) and \$209,920 (2022 - \$nil), respectively.

The RSUs outstanding as at June 30, 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	0.5
April 25, 2024	191,742	C0.970	0.8
April 17, 2025	150,000	C0.950	1.8
January 1, 2026	367,647	C1.310	2.5
July 21, 2026	361,275	C0.630	3.0
April 17, 2027	1,500,000	C0.950	3.8
Outstanding	2,970,664	C0.973	2.8

19. RELATED PARTY TRANSACTIONS

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.

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, Chief Compliance Officer, Chief Strategic Officer and Chief Financial Officer of PBIT US. Compensation paid or payable to key management is detailed below:



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	3 months ended		6 months ended	
	June 30,		June 30,	
	2023	2022	2023	2022
	\$	\$	\$	\$
Executive Compensation to key managers	675,713	288,120	1,285,157	583,514
Share-based compensation to key managers	559,874	260,166	1,000,035	595,881
Totals	1,235,587	548,286	2,285,192	1,179,395

20. 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 June 30, 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, including, 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 June 30, 2023, \$3,132,634 (December 31, 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 June 30, 2023, the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses for all but one, are nominal.

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.



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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 its capital structure, the Company may issue new shares to the shareholders, draw upon existing credit facilities, incur new credit facilities, or sell assets. There are no changes in the Company's capital management policies for the six months ended June 30, 2023 and the year ended December 31, 2022. There are no external capital management requirements or covenants as at June 30, 2023 and December 31, 2022, other than those imposed through ongoing listing requirements of the CSE.

21. 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 non-cash adjustment 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.

21.1 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 authorization" fee paid by the merchant.

Set-up fees - Installation fees to each merchant.

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

21.2 POS Services

POS Services comprise the following revenue-generating transaction services:

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.



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*(Expressed in United States Dollars)***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 June 30, 2023 and 2022:

	3 months ended		6 months ended	
	June 30, 2023	June 30, 2022 <i>(note 2.4)</i>	June 30, 2023	June 30, 2022 <i>(note 2.4)</i>
	\$	\$	\$	\$
Payment services	12,546,787	7,827,487	23,280,993	13,991,174
POS Services	927,508	402,449	1,684,892	557,563
Total revenue	13,474,295	8,229,936	24,965,885	14,548,737

During the three and six months ended June 30, 2023, Hypur operations have contributed \$1,549,262 (2022 - \$nil) and \$1,549,262 (2022 - \$nil), respectively of revenue to the Company's consolidated operations.

22. OTHER INCOME

23. On January 27, 2023, the Company signed a securities purchase agreement (the "SPA") with Akerna Corp for all the outstanding securities of Akerna Ample Exchange Inc. and all membership interests in MJ Freeway. LLC, ("Acquisition of 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, unless the Company exercised its rights under the SPA to match or better the competing offer, Akerna Corp. intended to terminate the SPA. The Company elected not to increase its offer and the SPA was terminated. Pursuant to the terms of the SPA, on June 20, 2023, the Company received \$202,820 from Akerna Corp. The Company offset \$62,961 of legal costs incurred regarding this proposed transaction. The remainder, \$136,869, has been recorded in other income in the statement of comprehensive earnings (loss).



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24. TRANSACTION COSTS

The Company incurred the following transaction costs:

	3 months ended		6 months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2021
	\$	\$	\$	\$
Acquisition costs	12,399	-	84,885	-
Advisory warrant accretion	-	-	15,569	-
Legal and advisory fees	64,785	136,910	65,089	162,372
Shareholder settlement	-	129,000	-	129,000
Software integration costs	-	-	66,570	-
	77,184	265,910	232,113	291,372

25. ADMINISTRATIVE COSTS

The Company incurred the following administrative costs:

	3 months ended		6 months ended	
	June 30, 2023	June 30, 2022 (note 2.4)	June 30, 2023	June 30, 2023 (note 2.4)
	\$	\$	\$	\$
General	567,619	466,767	1,101,627	869,047
Meals and entertainment	34,553	12,630	68,296	21,673
Rent	17,041	15,588	33,108	30,230
Salaries and wages	2,997,895	1,459,288	5,646,763	3,039,672
Travel	98,741	56,412	190,253	99,430
Total administrative costs	3,715,849	2,010,685	7,040,047	4,060,052

In April 2021, the Company leased new premises and entered into a 1-year lease. Pursuant to IFRS 16, leases with a term of 12 months or less and which do not include an option to purchase the underlying asset, may be optionally exempted from the accounting treatment pursuant to IFRS 16 and the Company has elected this optional exemption in its accounting for the new lease.

26. COMMITMENTS

Litigation

In August 2022, the Company was served a statement of complaint, filed with the Southern District of Florida, citing contractual dispute between parties. In November 2022, the Company filed a counterclaim. The Company has a receivable and payable recorded on its statement of financial position in relation to this dispute. The amounts have not been adjusted as the estimated outcome of the case is undeterminable. In July 2023, the Company engaged in an arbitration session executing a Settlement Agreement and Mutual Release. The Company is evaluating the financial impact of the legal settlement and expects a positive impact to its Q3 2023 financial results.



POSaBIT Systems Corporation

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(Expressed in United States Dollars)

In December 2022, the Company was served a statement of compliant, filed with the Washington District Court, citing contractual dispute between parties. The Company has a receivable and payable recorded on its statement of financial position in relation to this dispute. The amounts have not been adjusted as the estimated outcome of the case is undeterminable. The Company cannot reasonably predict the likelihood or outcome of the claim and does not believe that adverse decisions regarding any settlement or any amount which may be required to be paid will have a material effect on the financial condition or future results of operations.

27. ADDITIONAL CASH FLOW INFORMATION**27.1 Working capital changes in operating assets and liabilities:**

Six months ended June 30,	2023	2022
	\$	\$
Digital assets	-	10,990
Inventory	(154,331)	(16,703)
Prepaid expenses	(229,723)	(132,397)
Receivables	(405,328)	(271,391)
Net change in current portion of contract sales	(772,500)	-
Accounts payable and accrued liabilities	1,876,972	(372,881)
Sales taxes recoverable	(5,414)	142
Holdbacks payable	500,000	-
Income taxes payable	192,880	-
Working capital changes in operating assets and liabilities	1,002,556	(782,240)

27.2 Supplemental cash flow information

Six months ended June 30,	2023	2022
	\$	\$
<i>Non-cash financing activities:</i>		
Conversion of convertible debt	25,000	-
<i>Cash interest paid</i>	123,937	48,402

28. SEGMENTED INFORMATION**28.1 Operating segments**

The Company's sole operating segment is providing financial infrastructure to businesses; this includes point-of-sale hardware and software, cashless payment hardware and software and compliance software. As such, its operating segment information is the same as that reported in the Consolidated Financial Statements.



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*(Expressed in United States Dollars)***28.2 Geographic segments**

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

	June 30,		December 31,	
	2023		2022	
	\$		\$	
Non-current assets:				
Canada	-	-	-	-
United States	15,966,245		10,406,457	
Total Non-current Assets	15,966,245		10,406,457	

	3 months ended June 30,		6 months ended June 30,	
	2023	2022	2023	2022
	\$		\$	
Revenue:				
Canada	-	-	-	-
United States	13,474,295	8,229,936	24,965,885	14,548,737
	13,474,295	8,229,936	24,965,885	14,548,737

29. SUBSEQUENT EVENTS

As detailed in Note 26, Commitments, in July 2023, the Company engaged in an arbitration session executing a Settlement Agreement and Mutual Release to a contractual dispute claimed filed in August 2022. The Company is evaluating the financial impact of the legal settlement and expects a positive impact to its Q3 2023 financial results.

