POSaBIT Systems Corporation

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended June 30, 2023

(reported in US Dollars)

August 24, 2023

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*This interim management discussion and analysis – quarterly highlights ("**Interim MD&A**") has been prepared based on information available to POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**") at August 24, 2023. This Interim MD&A is based on information available to POSaBIT and updates disclosure previously provided in the Company's Annual and interim MD&A's, up to the date of this Interim MD&A and should be read in conjunction with the Company's unaudited interim consolidated financial statements and the related notes as at and for the three ended June 30, 2023 and 2022 (the "**Interim Consolidated Financial Statements**") and the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021 (the "**Audited Consolidated Financial Statements**"). Both the Audited Consolidated Financial Statements and the Interim Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and all amounts are expressed in United States Dollars unless otherwise noted. Other information contained in this Interim MD&A has also been prepared by management and is consistent with the data contained in the Interim Consolidated Financial Statements. Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca or on the Company's website at www.posabit.com.*

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 Internal Controls over Financial Reporting ("**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 basis DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION AND STATEMENTS

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

General

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 250 Howe Street, 20th floor, Vancouver, British Columbia V6C 3R8.

The Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on August 21, 2023. Any reference to "**note**" or "**notes**" in this MD&A refers to the corresponding note(s) in the Interim Consolidated Financial Statements.

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 "**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 such Equity Holdback, 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.

(Reported in US Dollars)

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**

Termination of acquisition of MJ Freeway, LLC.

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. 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).

Changes to Company securities

(Reported in US Dollars)

The Company issued the following securities during the three months ended June 30, 2023:

Common shares

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

Warrants

No warrants issued during the three months ended June 30, 2023.

Options and RSUs

In April 2023, 682,500 options issued with an exercise price of C$0.95 and with a 10-year expiry date.

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

Financial condition

As at June 30, 2023, the Company had assets totaling $27,785,516 and shareholders' equity of $14,268,820. This compares with assets of $17,996,874 and shareholders' equity of $8,223,022, at December 31, 2022.

During the quarter ended June 30, 2023, the Company's net assets increased by $4,956,152 the result of an increase in assets of $4,727,822 together with a decrease in liabilities of $55,275. The majority of the increase in assets related to the recognition of intangible assets and goodwill associated with the Hypur Acquisition.

Changes in the Company's net assets are detailed as follows:

Item	Change	Explanation of change
	$	
Cash	(3,311,105)	Cash used for operating activities of $1,677,254 plus cash used for investing activities of $1,631,658 plus cash used for financing activities of $2,193.
Receivables	250,507	The increase is mainly from operations acquired from Hypur, offset by increased collection efforts on outstanding receivables.
Sales taxes recoverable	5,407	The increase is related to the Company's net HST claim.
Prepaid expenses and deposits	283,606	The increase is the result of normalized annual expenditures and the recording of monthly expenses.
Inventories	297,490	Inventory increased $237,147 related to inventory acquired from the Hypur Acquisition. Additional increase of $60,343 is the net inventory from $278,179 of purchases, offset by $217,836 sold/rented.
Equipment	6,978	Additions of $15,428 offset by depreciation of $8,450.
Revenue-generating equipment	67,577	Additions of $118,055 offset by depreciation of $50,478
Contract asset	386,250	Accreted to revenue and interest income for the period.
Intangible assets	5,291,464	Recognition of the fair value of the assets acquired from the Hypur Acquisition. Contract $5,100,000, Technology

(Reported in US Dollars)

Item	Change	Explanation of change
	$	
		$310,000, and Tradenames $30,000; offset by $148,536 amortization expense
Goodwill	1,733,254	Recognition of the resulting Goodwill related to the Hypur Acquisition.
Change in assets, increase	**5,011,428**	
Accounts payable and accrued liabilities	(888,500)	Increase of $500,000 for Equity Holdback payable related to the Hypur Acquisition, $192,880 for state income tax liability, and $586,811 in other accrued expenses, primarily related to legal and personnel expense accruals. Trade A/P increased $301,690 as a result of normal operational variation in payment timing and the Hypur Acquisition.
Holdbacks payable	(500,000)	Cash holdback payable related to the Hypur Acquisition.
Income taxes payable	(192,880)	State income taxes calculated and payable.
Government loan	25	Decrease is related to the accretion for the quarter of $2,168 less payments made of $2,193.
Derivative liability and convertible notes	1,541,162	Decrease is related to the change in fair value of the remaining derivative liability for the quarter of $1,645,833 less interest accretion for the convertible notes of $104,672.
Credit facility	(15,082)	Increase is accretion for the quarter.
Change in liabilities, decrease	55,275	
Increase in net assets	**4,956,152**	

Results of operations

Selected financial results of operations are summarized below:

	3 months ended June 30,			
	2023	2022	Year-over-year change Favourable/(Unfavourable)	
	$	$	$	%
Revenue	**13,474,295**	8,229,936	5,244,359	64
Cost of goods sold	**(10,755,001)**	(6,268,028)	(4,486,973)	(72)
Gross margin	**2,719,294**	1,961,908	757,386	39
Operating expenses, excluding forex	**(5,911,441)**	(3,190,505)	(2,720,936)	(85)
Forex	**(123,121)**	(2,743,541)	2,620,420	96
Loss before items below	**(3,315,268)**	(3,972,138)	656,870	17
Other income (expense)	**1,680,316**	4,351,992	(2,671,676)	(61)
Earnings (loss) before income taxes	**(1,634,952)**	379,854	(2,014,806)	nm
Income taxes	**(192,880)**	-	(192,880)	nm
Earnings (loss)	**(1,827,832)**	379,854	(2,207,686)	(581)

(Reported in US Dollars)

POSaBIT's revenue growth of 64% for the quarter on a year-over-year basis reflects 52% organic growth and 12% growth attributable to the Hypur Acquisition. The Company continues to see opportunities for increasing revenues both organically and inorganically, including through increases in sales volumes at stores served by POSaBIT payments solutions, and new stores adopting POSaBIT's Point of Sales platform. The number of states where cannabis is legal in the United States continues to grow and POSaBIT is poised to capitalize with its investments in Hypur, internal sales, and marketing. POSaBIT continues to invest in growth but also diligently manages its operational costs.

Other selected financial information

"**Adjusted EBITDA**" is a non-IFRS measure used by management that does not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as net income or loss generated for the period as reported, before interest, taxes, depreciation, and amortization, and is further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains and/or losses, impairments. The Company believes this is a useful metric to evaluate its core operating performance.

	Current year quarter-over-quarter				**Year-over-year**			
	June 30, 2023	**Mar 31, 2023**	**Change Fav/(Unfav)**		**June 30, 2023**	**June 30, 2022**	**Change Fav/(Unfav)**	
	$	$	$	%	**$**	$	$	%
Revenue	**13,474,295**	11,491,590	1,982,705	17	**13,474,295**	8,229,936	5,244,359	64
Cost of goods sold	**(10,755,001)**	(9,167,266)	(1,587,735)	(17)	**(10,755,001)**	(6,268,028)	(4,486,973)	(72)
Gross margin (deficit)	**2,719,294**	2,324,324	394,970	17	**2,719,294**	1,961,908	757,386	39
Adjusted operating costs	**(4,992,813)**	(4,343,817)	(648,996)	15	**(4,992,813)**	(2,622,602)	(2,370,209)	(90)
Adjusted other costs (income)	**80,903**	78,170	2,733	3	**80,903**	-	80,903	-
Adjusted EBITDA	**(2,192,616)**	(1,941,323)	(251,293)	(13)	**(2,192,616)**	(660,694)	(1,531,920)	(232)

**Adjusted operating costs is defined as total operating expenses less share-based compensation, amortization & depreciation, and forex.*
**Adjusted other costs is defined as interest income.*

Q2 2023 revenue and gross margin increased $1.98m and $0.395m, respectively, compared to Q1, with the Hypur Acquisition contributing $1.4 million in revenue and $0.313 million in gross margin dollars for the quarter.

POSaBIT is reconfirming its revenue guidance for 2023 of $58.5M to $61.5M, gross profit dollars of $12.5M to $14.5M and slightly negative on an adjusted EBITDA basis.

(Reported in US Dollars)

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

	June 30, 2023	Mar. 31, 2023	June30, 2022
	$	$	$
Earnings (loss), as reported	**(1,827,831)**	(3,036,726)	379,854
Add-back foreign exchange gains, as reported	**123,121**	257,562	2,743,541
Add back share-based compensation, as reported	**761,642**	624,101	511,604
Add back/(deduct) change in fair values of digital assets, as reported	**-**	-	2,467
Add back/(deduct) amortization and depreciation, as reported	**156,986**	8,674	56,299
Add back/(deduct) change in expected credit losses, as reported	**(356)**	4,347	2,942
Add back bad debts, as reported	**-**	13,824	-
Add back finance costs, as reported	**87,040**	13,495	22,816
Add back/(deduct) change in fair value of derivative liability, as reported	**(1,645,834)**	(123,960)	(4,686,054)
Add back interest accretion, as reported	**106,839**	57,834	39,212
Add back income taxes, as reported	**192,880**	-	-
Add back/(deduct) transaction costs, as reported	**(7,413)**	239,526	265,910
Add back/(deduct) other income, as reported	**(139,689)**	-	-
Add back loss on disposal of assets, as reported	**-**	-	715
Adjusted EBITDA	**(2,192,615)**	(1,941,323)	(660,694)

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:

3 months ended June 30,	**2023**	2022
	$	$
Executive compensation to key managers	**675,713**	288,120
Share-based compensation to key managers	**559,874**	260,166
Totals	**1,235,587**	548,286

(Reported in US Dollars)

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.

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.

Outstanding securities

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

Security	**Number outstanding**
Common shares	149,783,724
Options (exercisable – 13,021,571)	20,203,465
Restricted share units	2,970,664
Warrants	14,201,644
Total fully diluted capitalization	187,159,497

The Company also has $790,000 of face-value convertible securities outstanding as of the date of this MD&A. Using 1.324, the June 30, 2023, exchange rate, and assuming all the outstanding convertible notes were converted, the Company would issue 8,716,333 common shares in settlement of the conversions.

Subsequent events

As detailed in the Litigation section, 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.