

POSaBIT Reports Second Quarter 2023 Financial Results

Revenue of \$13.5 Million; Up 65% Year-over-Year with 52% Organic Growth

*Largest Revenue Quarter in Company History
Reiterates FY 2023 Financial Guidance*

TORONTO / SEATTLE August 24, 2023 – POSaBIT Systems Corporation (CSE: PBIT, OTC: POSAF), a leading provider of payments infrastructure in the cannabis industry, today announced its financial results for the three and six months ended June 30, 2023.

“We delivered record results in the second quarter, growing 65% year over year.” said Ryan Hamlin, co-founder and CEO of POSaBIT. “Our team continues to focus on onboarding an increasing number of merchants to our compliant PIN debit solution and Point of Sale. We saw the cannabis industry begin to stabilize as we exited Q2. This is driving increasing demand for our services from both new and existing customers, resulting in an increase in same store revenue growth. During a very interesting period in the cannabis industry, POSaBIT remains in a strong position as a leader for Point of Sale and Payments solutions.”

Hamlin continued, “We are reaffirming our full-year 2023 revenue guidance of between \$58.5 and \$61.5 million, which represents growth of more than 62% at the midpoint compared to full-year 2022, gross profit of between \$12.5 and \$14.5 million, and Adjusted EBITDA¹ of slightly negative.”

Appointment of Matt Fowler as CFO

The Company also announces today, that effective August 24, 2023, it has appointed Matt Fowler as CFO and Secretary, succeeding Stephen Gledhill. Matt was, and will remain, CFO of POSaBIT US, Inc., the Company’s primary operating unit.

Recent Operational Highlights

- The newly acquired Hypur team and its products of PIN Debit, Comply (bank compliance service), B2C and B2B ACH payments have been fully integrated on schedule.
- POSaBIT has maintained a 99.9% uptime in PIN Debit and has remained processing payments as planned with no interruption.
- Promoted Chris Baker to the newly created position of Chief Operating Officer for POSaBIT US, Inc. effective August 9, 2023
- Promoted Michael J. Sinnwell Jr. to Chief Product Officer for POSaBIT US, Inc. effective August 9, 2023

Second Quarter 2023 Financial Highlights

- Transactional sales for payment services totaled \$162.6 million, up 26% compared with \$129.3 million in the second quarter of 2022, and up 19% compared with \$136.4 million in Q1 2023.
- Total revenue was \$13.5 million, up 64% compared with \$8.2 million in the second quarter of 2022.

¹ Represents a non-IFRS measure. For the relevant definition, see “*Non-IFRS Measures*” below.

- Gross profit was \$2.7 million, or 20% of revenue, up 39% on a dollar basis compared with \$2 million, or 24% of revenue, in the second quarter of 2022.
- Operating loss was \$(3.3) million, inclusive of a \$(0.12) million non-cash change in the fair value of foreign currencies, compared with an operating loss of \$(4.0) million, inclusive of a \$(2.7) million non-cash change in the fair value of foreign currencies, in the second quarter of 2022.
- Net loss was \$(1.8) million, inclusive of a \$1.6 million non-cash change in fair value of derivative liabilities, compared with a net gain of \$0.4 million, inclusive of a \$4.7 million non-cash change in fair value of derivative liabilities in the second quarter of 2022.
- Adjusted EBITDA was \$(2.2) million, or (16)% of revenue, compared with \$(0.66)M million, or (8)% of revenue, in the second quarter of 2022.

Balance Sheet

As of June 30, 2023, the company had cash and cash equivalents of \$4.0 million compared to \$3.1 million as of December 31, 2022.

Financial Results

<i>in US Dollars</i>	Three months ended			Six Months ended		
	June 30, 2023	June 30, 2022	% Chg.	June 30, 2023	June 30, 2022	% Chg.
Revenue	\$13,474,295	\$8,229,936	64%	\$24,965,885	\$14,548,737	72%
Cost of goods sold	\$(10,755,001)	\$(6,268,028)	72%	\$(19,922,267)	\$(11,100,794)	79%
Gross profit	\$2,719,294	\$1,961,908	39%	\$5,043,618	\$3,447,943	46%
<i>Gross profit margin</i>	<i>20%</i>	<i>24%</i>	<i>NM</i>	<i>20%</i>	<i>24%</i>	<i>NM</i>
Operating costs	\$(6,034,561)	\$(5,934,046)	2%	\$(11,268,715)	\$(9,449,294)	19%
Operating income (loss)	\$(3,315,267)	\$(3,972,138)	(17) %	(6,225,097)	\$(6,001,351)	4%
Other expenses (income)	\$(1,680,316)	\$4,351,992	(139)%	\$1,553,420	\$(5,911,541)	(126) %
Income Taxes	\$(192,880)	-	<i>NM</i>	\$(192,880)	-	<i>NM</i>
Income (loss)	\$1,827,831)	\$379,854	(581) %	\$ (4,864,557)	\$(89,900)	(5311)%

NM - Not Meaningful

The following tables reconcile Adjusted EBITDA to net loss, as reported.

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

The Company is reiterating its guidance for the full year 2023. The Company's guidance does not include additional acquisitions or other strategic transactions.

	As of August 24, 2023
Total Revenue	\$58.5 to \$61.5 million
Gross Profit	\$12.5 to \$14.5 million
Adjusted EBITDA	Slightly negative

Conference Call Information

Date: August 24, 2023
Time: 4:30 PM Eastern Time
Toll Free: 888-506-0062
International: 973-528-0011
Participant Access Code: 475154
Webcast URL: <https://www.webcaster4.com/Webcast/Page/2708/48956>

Conference Call Replay Information:

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

Toll Free: 877-481-4010
International: 919-882-2331
Replay Passcode: 48956
Webcast Replay URL: <https://www.webcaster4.com/Webcast/Page/2708/48956>

Financial Reports

Full details of the financial and operating results are described in the Company's consolidated financial statements for the three and six month periods ended June 30, 2023 with accompanying notes. The consolidated financial statements and additional information about POSaBIT are available on the Company's website at www.posabit.com/investor-relations or on SEDAR at www.sedar.com.

Non-IFRS Measures

Adjusted EBITDA is a non-IFRS measure used by management that does not have any prescribed meaning by IFRS and may not be comparable to similar measures presented by other companies. The Company defines Adjusted EBITDA as net income or loss generated for the period as reported, before interest, taxes, depreciation and amortization and further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains and/or losses, impairments. The Company believes this non-IFRS measure is a useful metric to evaluate its core operating performance and uses this measure to provide shareholders and others with supplemental measures of its operating performance. The Company also believes that securities analysts, investors and other interested parties, frequently use this non-IFRS measure in the evaluation of companies, many of which present similar metrics when reporting their results. We caution readers

that Adjusted EBITDA should not be substituted for determining net loss as an indicator of operating results, or as a substitute for cash flows from operating and investing activities.

Forward-Looking Statements

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

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

Forward-looking statements are subject to known and unknown risks, uncertainties and other important factors that may cause the actual results to be materially different from those expressed or implied by such forward-looking statements, including but not limited to, business, economic and capital market conditions; the ability to manage our operating expenses, which may adversely affect our financial condition; our ability to remain competitive as other better financed competitors develop and release competitive products; regulatory uncertainties; market conditions and the demand and pricing for our products; our relationships with our customers, distributors and business partners; our ability to successfully define, design and release new products in a timely manner that meet our customers’ needs; our ability to attract, retain and motivate qualified personnel; competition in our industry; our ability to maintain technological leadership; our ability to manage risks inherent in foreign operations; the impact of technology changes on our products and industry; our failure to develop new and innovative products; our ability to successfully maintain and enforce our intellectual property rights and defend third-party claims of infringement of their intellectual property rights; the impact of intellectual property litigation that could materially and adversely affect our business; our ability to manage working capital; and our dependence on key personnel. POSaBIT is an early-stage company with a short operating history; it may not achieve profitability; and it may not actually achieve its plans, projections, or expectations.

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

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

Financial Outlook

This press release contains a financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of the Company to provide an outlook for the Company's forecasted revenue, gross profit and Adjusted EBITDA for the 12 months to be ended December 31, 2023 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward-Looking Statements" herein. The actual results of the Company's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. The Company and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward-Looking Statements" herein, it should not be relied on as necessarily indicative of future results.

ABOUT POSABIT

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

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