

POSaBIT Reports Third Quarter 2023 Financial Results

Transaction Processing Volume Has Returned to 75% of Pre-Disruption Levels with an Additional 100 Locations Expected to Commence Processing in the Coming Weeks

Implemented Cost Reduction Program with ~\$4 million of Annual Run-Rate Savings

Intends to Apply to List Common Shares on the TSX Venture Exchange (the “TSXV”)

TORONTO / SEATTLE November 30, 2023 – POSaBIT Systems Corporation (CSE: PBIT, OTC: POSAF) (the “Company” or “POSaBIT”), a leading provider of payments infrastructure in the cannabis industry, today announced its financial results for the three and nine months ended September 30, 2023.

“Since our inception, POSaBIT has remained steadfast in our dedication to delivering unparalleled payment and Point of Sale solutions to the cannabis industry. This commitment was once again demonstrated as we swiftly navigated through industry service interruptions, achieving a return to 75% of processed volume with an additional 100 locations expected to commence processing in the coming weeks. While our primary focus was on supporting our existing merchant partners, it is gratifying to note that we continued to attract new business during this period, underscoring our position as the payments leader in the cannabis industry,” said Ryan Hamlin, co-founder and CEO of POSaBIT

Hamlin continued, “In alignment with our commitment to operational excellence, we recently initiated a comprehensive cost reduction program aimed at driving efficiencies across our business, with the ultimate goal of achieving profitability. Additionally, we announced our intention to apply to list on the TSXV in order to facilitate ownership of our shares and improve trading liquidity. As we approach 2024, I am genuinely excited about the strategic initiatives and opportunities that lie ahead for POSaBIT.”

Update on PIN Debit Processing

On October 11, 2023 the Company announced a decline in its PIN Debit Processing acceptance rate. This impact was not unique to POSaBIT and impacted the entire industry. We are pleased to announce that as of today, the Company is processing 75% of prior transaction volumes with an additional 100 locations expected to commence processing shortly. While our initial focus was on existing POSaBIT merchants, we have continued to sign up new merchants, increasing our market share.

“The one constant in this industry is change. We are preparing to launch the first cannabis payments device capable of processing multiple payment methods. Our focus remains to provide our customers with a best-in-class payment solution, which includes multiple points of redundancy” said Hamlin.

Implementation of Cost Reduction Plan

In early October, the Company initiated a cost reduction plan aimed at optimizing operational efficiency and our path to profitability. We have identified strategic areas for streamlining processes, renegotiating vendor contracts, and implementing targeted resource reallocation. This initiative is designed to drive immediate and measurable savings while preserving our commitment to delivering best-in-class service to our customers. We expect annualized savings of approximately \$4 million.

Intention to Apply to List Common Shares on the TSX Venture Exchange

POSaBIT today announced that it intends to apply to list the Company's common shares (the "Common Shares") on the TSXV. The listing of the Common Shares on the TSXV remains subject to the submission by the Company of a formal listing application, the review of the TSXV and the satisfaction of all listing and regulatory requirements. There is no assurance that the Company will submit a listing application and that the TSXV will subsequently approve the listing of the Common Shares or that the Company will complete the listing on the TSXV.

Recent Operational Highlights

- Restored transaction processing levels to 75% of pre-disruption levels
- Implemented cost reduction program with ~\$4 million of annual savings
- Intends to apply to list the Common Shares on the TSXV
- Ranked 132nd on the Deloitte Technology Fast 500™, a ranking of the fastest-growing technology, media, telecommunications, life sciences, fintech, and energy tech companies in North America

Third Quarter 2023 Financial Highlights

- Transactional sales for payment services totaled \$157.9 million, up 11% compared with \$142 million in the third quarter of 2022, and down (3)% compared with \$162.6 million in Q2 2023.
- Total revenue was \$13.6 million, up 32% compared with \$10.3 million in the third quarter of 2022.
- Gross profit was \$3.2 million, or 23% of revenue, up 10% on a dollar basis compared with \$2.9 million, or 28% of revenue, in the third quarter of 2022.
- Operating loss was \$(0.26) million, inclusive of a \$0.25 million non-cash change in the fair value of foreign currencies, compared with an operating loss of \$(7,300), inclusive of a \$(0.9) million non-cash change in the fair value of foreign currencies, in the third quarter of 2022.
- Net loss was \$(7.5) million, inclusive of a \$0.4 million non-cash change in fair value of derivative liabilities and \$(5.2) million of non-cash impairment of intangible assets, compared with a net loss of \$(1.2) million, inclusive of a \$(1.0) million non-cash change in fair value of derivative liabilities in the third quarter of 2022.
- Adjusted EBITDA¹ was \$(33) thousand, or 0% of revenue, compared with \$(290,000), or (3)% of revenue, in the third quarter of 2022.

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

Balance Sheet

As of September 30, 2023, the Company had cash and cash equivalents of \$3.2 million compared to \$3.1 million as of December 31, 2022.

On November 29, 2023, POSaBIT amended its previously announced credit agreement (the “Credit Facility”) with Perga Capital Partners, LP (“Perga”). The term was extended from three years to five years with no other material changes. POSaBIT also agreed to extend the expiry date of all outstanding warrants held by Perga (the “Warrants”) by two years.

Financial Results

<i>in US Dollars</i>	Three months ended			Nine Months ended		
	September 30, 2023	September 30, 2022	% Chg.	September 30, 2023	September 30, 2022	% Chg.
Revenue	\$13,586,420	\$10,330,937	32%	\$38,552,305	24,879,674	55%
Cost of goods sold	\$(10,400,577)	\$(7,436,410)	(40)%	\$(30,322,844)	\$(18,537,204)	(64)%
Gross profit	\$3,185,843	\$2,894,527	10%	\$8,229,461	\$6,342,470	30%
<i>Gross profit margin</i>	<i>23%</i>	<i>28%</i>	<i>NM</i>	<i>21%</i>	<i>25%</i>	<i>NM</i>
Operating costs	\$(3,445,246)	\$(2,887,233)	19%	\$(14,713,961)	\$(12,336,527)	19%
Operating income (loss)	\$(259,403)	\$7,294	NM	(6,484,500)	\$(5,994,057)	8%
Other expenses (income)	\$(7,231,013)	\$(1,231,614)	(487)%	\$(5,677,593)	\$4,679,837	(221) %
Income Taxes	\$-	\$-	<i>NM</i>	\$(192,880)	-	<i>NM</i>
Income (loss)	\$(7,490,416)	\$(1,224,320)	(512) %	\$(12,354,973)	\$(1,314,220)	(840)%

NM - Not Meaningful

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

	Three months ended		
	September 30, 2023	September 30, 2022	June 30, 2023
<i>in US Dollars</i>			
Income (loss), as reported	(7,490,416)	(1,224,320)	\$(1,827,831)
Add back / (deduct): foreign exchange gains, as reported	(249,495)	(866,885)	\$123,121
Add back: share-based compensation, as reported	482,345	517,937	\$761,642
Add back impairments, as reported	5,160,000	-	-
Add back amortization and depreciation, as reported	(88,201)	51,289	\$156,986
Add back / (deduct): change in expected credit loss, as reported	21,732	33,575	\$(356)
Add back/(deduct) other income, as reported	260	-	(139,689)
Add back, litigation settlement, as reported	2,212,594	-	-
Add back, finance costs, as reported	95,073	19,827	\$87,040
Add back interest accretion, as reported	202,232	51,228	\$106,839
Add back / (deduct) change in fair value of derivative liability, as reported	(395,000)	1,018,756	\$(1,645,834)
Add back income taxes, as reported		-	192,880
Add back/ (deduct): transaction costs, as reported	16,254	46,459	\$(7,413)
Add back loss on disposal of assets, as reported	-	61,769	-
Adjusted EBITDA	\$(32,622)	\$(290,365)	\$(2,192,615)

Earnings Guidance

As a result of industry wide activity tied to our payment processing operations, POSaBIT is withdrawing its revenue, gross profit dollar and Adjusted EBITDA guidance for 2023. The Company is mitigating processing disruptions by moving merchants to alternative POSaBIT payment options.

Conference Call Information

Date: November 30, 2023

Time: 4:30 PM Eastern Time

Toll Free: 888-506-0062

International: 973-528-0011

Participant Access Code: 438543

Webcast URL: <https://www.webcaster4.com/Webcast/Page/2708/49500>

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: 49500

Webcast Replay URL: <https://www.webcaster4.com/Webcast/Page/2708/49500>

Financial Reports

Full details of the financial and operating results are described in the Company's consolidated financial statements for the three and nine month periods ended September 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.sedarplus.ca.

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 annual cost reductions; the submission of an application for the listing of the Common Shares on the TSXV and any subsequent listing of the Common Shares on the TSXV; 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.

Related Party Disclosure

Alex Sharp is an insider of the Company and exercises control or direction over Perga. Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”), the amendments to the Credit Facility and the Warrants, as described herein, are each a “related party transaction” by virtue of such insider participation. The Company is exempt from the formal valuation requirement of MI 61-101 in connection with the insider participation in reliance on section 5.5(b) of MI 61-101, as no securities of the Company are listed or quoted for trading on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ stock market or any other stock exchange outside of Canada and the United States. Additionally, the Company is exempt from obtaining minority shareholder approval in connection with the amendment to the Warrants in reliance on section 5.7(1)(a) of MI 61-101 as the aggregate value of the insider participation does not exceed 25% of the market capitalization of the Company. The Company is exempt from obtaining minority shareholder approval in connection with the amendment to the Credit Facility in reliance on section 5.7(1)(f) of MI 61-101 as the terms of the amendment to the Credit Facility, as determined by the board of directors of the Company, are commercially reasonable and are not less advantageous to the Company than if the Credit Facility was obtained from a person dealing at arm's length with the Company. The Company did not file a material change report in respect of the related party transaction at least 21 days before such amendments, which the Company deems reasonable in the circumstances in order to complete such amendments in an expeditious manner.

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.

Neither the Canadian Securities Exchange nor the Canadian Investment Regulatory Organization accepts responsibility for the adequacy or accuracy of this release.

Investor Relations:

investors@posabit.com

Media Relations:

Oscar Dahl

855-767-2248

oscar@posabit.com

Management:

Ryan Hamlin

Co-founder and CEO of POSaBIT

855-767-2248

investors@posabit.com