



POSaBIT Systems Corporation

Unaudited Interim Consolidated Financial Statements
As at and for the Three Months Ended March 31, 2024 and 2023
(expressed in United States Dollars)

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of POSaBIT Systems Corporation (the “Company”) have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the three months ended March 31, 2024 and 2023 have not been reviewed by the Company's Auditor.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

As the Company is a Venture Issuer (as defined under *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

June 12, 2024

“Stephen M. Gledhill”

Stephen M. Gledhill
Chief Financial Officer

June 12, 2024



	March 31, 2024	December 31, 2023
ASSETS	\$	\$
Current assets		
Cash	883,991	1,522,155
Receivables (note 5)	1,223,659	1,247,511
Prepaid expenses and deposits (note 6)	133,136	301,557
Inventories (note 7)	181,588	13,971
Current portion of contract asset (note 9)	2,777,217	2,513,939
Total current assets	5,199,591	5,599,133
Other asset (note 24.1)	120,000	120,000
Equipment, net (note 8)	38,982	47,417
Revenue-generating equipment (note 8)	717,609	820,125
Right-of-use asset (note 8)	102,419	133,144
Contract asset (note 9)	5,651,242	6,441,498
Total assets	11,829,843	13,161,317
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities (note 10)	2,800,654	2,646,118
Current portion of lease liability (note 11)	104,184	122,580
Holdbacks payable (note 5)	500,000	500,000
Income taxes payable	123,825	123,825
Total current liabilities	3,528,663	3,392,523
Credit facility (note 14)	4,415,268	4,398,970
Government loan (note 13)	49,394	49,420
Lease Liability (note 11)	-	10,891
Total liabilities	7,993,325	7,851,804
Shareholders' equity		
Common shares (note 15.2)	27,449,828	27,449,828
Shares to be issued (note 15.3)	857,359	857,359
Contributed surplus (note 15.5)	6,511,851	6,399,470
Warrant reserve (note 15.4)	2,120,066	2,461,834
Deficit	(32,917,851)	(31,638,228)
Currency translation reserve	(184,735)	(220,750)
Total shareholders' equity	3,836,518	5,309,513
Total liabilities and shareholders' equity	11,829,843	13,161,317

Subsequent events (note 23)

"Bruce Jaffe"

(Director)

"Mike Apker"

(Director)

Approved for filing by the Board of Directors, June 13, 2024.

POSaBIT Systems Corporation
 Unaudited Interim Consolidated Statements of Loss
 For the three months ended March 31,
 (Expressed in United States Dollars)



	2024	2023 (re-presented note 23)
	\$	\$
REVENUE (note 18)	3,777,105	11,569,760
COST OF SALES		
Processing fees	1,701,969	8,212,566
Software license fees	108,667	127,266
Hardware cost of sales	456,509	201,498
Sales labour and commissions	20,156	625,936
Total cost of sales	2,287,301	9,167,266
Gross margin	1,489,804	2,402,494
OPERATING EXPENSES		
Administrative (note 20)	2,316,999	3,324,198
Amortization and depreciation	39,161	8,674
Forex	5,295	257,412
Investor relations and public reporting	3,319	53,361
Marketing	8,582	86,662
Professional fees	617,414	879,596
Share-based compensation (note 15.5)	431,133	623,529
Total operating expenses	3,421,903	5,233,432
OTHER INCOME (EXPENSES)		
Change in expected credit losses and bad debts	(20,399)	(18,171)
Change in fair value of derivative liability (note 12)	-	123,960
Interest expense	(120,783)	(13,495)
Interest accretion	(5,880)	(57,834)
Interest income	249,272	253,076
Transaction costs (note 19)	(110,255)	(239,526)
Total other expenses	(8,045)	48,010
Loss	(1,940,144)	(2,782,928)
Basic and diluted loss per common share	(0.01)	(0.02)
Basic and diluted weighted average number of common shares outstanding	156,350,176	143,398,872

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

POSaBIT Systems Corporation

Unaudited Interim Consolidated Statements of Comprehensive Loss

For the three months ended March 31,

(Expressed in United States Dollars)

	2024	2023 <i>(re-presented note 23)</i>
	\$	\$
Loss	(1,940,144)	(2,782,928)
Other comprehensive loss:		
Item that may not be reclassified to net loss -		
Foreign translation adjustment of parent	36,014	246,799
Comprehensive loss	(1,904,130)	(2,536,129)

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	Number	Amount					
		\$		\$	\$	\$	\$	\$	\$
December 31, 2022	139,815,388	20,069,158	-	-	3,443,880	1,725,064	357,045	(20,002,063)	5,593,084
Shares issued for cash	4,533,333	3,000,000	-	-	-	-	-	-	3,000,000
Shares issued on conversion	279,687	25,000	-	-	-	-	-	-	25,000
Fair value of issued warrants	-	(1,490,465)	-	-	-	1,490,465	-	-	-
Fair value of issued compensation warrants	-	208,069	-	-	-	-	-	-	208,069
Exercised warrants	186,732	22,253	-	-	-	-	-	-	22,253
Fair value of exercised warrants	-	15,000	-	-	-	(15,000)	-	-	-
Expiry of options	-	-	-	-	(355,687)	-	-	355,687	-
Share-based compensation	-	-	-	-	623,529	-	-	-	623,529
Loss (re-presented, note 23)	-	-	-	-	-	-	246,799	(2,782,928)	(2,536,129)
March 31, 2023	144,815,140	21,849,015	-	-	3,711,722	3,200,529	603,844	(22,429,304)	6,935,806
Share issued for cash	3,107,142	652,320	-	-	-	-	-	-	652,320
Shares issued on conversion	2,598,187	225,000	-	-	-	-	-	-	225,000
Fair value of derivative liability on converted shares	-	599,535	-	-	-	-	-	-	599,535
Shares issued for Hypur acquisition	4,968,584	4,112,033	-	-	-	-	-	-	4,112,033
Shares to be issued for Hypur acquisition	-	-	2,484,293	1,713,690	-	-	-	-	1,713,690
Transfer of shares to be issued	621,073	514,004	(621,073)	(514,004)	-	-	-	-	-
Forfeit of shares to be issued	-	-	(413,635)	(342,327)	-	-	-	342,327	-
Warrants surrendered	-	-	-	-	-	(1,077,809)	-	1,077,809	-
Fair value of issued warrants	-	(339,114)	-	-	-	339,114	-	-	-
Fair value of compensation warrants	-	-	-	-	-	208,069	-	-	208,069
Fair value of surrendered compensation warrants	-	-	-	-	-	(208,069)	-	208,069	-
Fair value of exercised agent warrants	-	(208,069)	-	-	-	-	-	-	(208,069)
Exercise of options	240,050	25,509	-	-	-	-	-	-	25,509
Fair value of exercised options	-	19,595	-	-	(19,595)	-	-	-	-
Expiry of options	-	-	-	-	(140,374)	-	-	140,374	-
Share-based compensation	-	-	-	-	2,847,717	-	-	-	2,847,717
Loss	-	-	-	-	-	-	(824,593)	(10,977,502)	(11,802,095)
December 31, 2023	156,350,176	27,499,828	1,449,585	857,359	6,399,470	2,461,834	(220,749)	(31,638,227)	5,309,515

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	Number	Amount					
		\$		\$	\$	\$	\$	\$	\$
December 31, 2023	156,350,176	27,499,828	1,449,585	857,359	6,399,470	2,461,834	(220,749)	(31,638,227)	5,309,515
Expiry of warrants	-	-	-	-	-	(341,768)	-	341,768	-
Expiry of options, RSUs	-	-	-	-	(318,752)	-	-	318,752	-
RSUs Issued	-	-	-	-	130,021	-	-	-	130,021
Share-based compensation	-	-	-	-	301,112	-	-	-	301,112
Loss	-	-	-	-	-	-	36,014	(1,940,144)	(1,904,130)
March 31, 2024	156,350,176	27,499,828	1,449,585	857,359	6,511,851	2,120,066	(184,735)	(32,917,851)	3,836,518

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

POSaBIT Systems Corporation
 Unaudited Interim Consolidated Statements of Cash Flows
 For the three months ended March 31,



	2024	2023 (represented note 23)
	\$	\$
OPERATING ACTIVITIES		
Loss	(1,940,144)	(2,782,928)
Adjustment for non-cash items:		
Change in expected credit losses and bad debts	20,399	18,171
Change in fair value of derivative liability (note 12)	-	(123,959)
Depreciation (note 8)	8,435	8,674
Depreciation on right-of-use assets (note 8)	30,725	-
Depreciation on revenue-generating equipment (note 8)	102,516	29,253
Forex	36,014	246,799
Loss on disposal of revenue-generating equipment	-	178
Interest accretion	22,178	57,834
Non-cash transaction fees	-	487
Share-based compensation	431,133	623,529
Change in non-current portion of contract asset	790,256	776,250
Working capital changes in operating assets and liabilities (note 21.1)	(104,483)	(622,396)
Net cash used for operating activities	(602,971)	(1,768,108)
INVESTING ACTIVITIES		
Purchase of equipment	-	(11,180)
Purchase of revenue-generating equipment	-	(39,941)
Net cash used for investing activities	-	(51,121)
FINANCING ACTIVITIES		
Exercise of warrants	-	22,253
Issuance of common shares for cash	-	3,000,000
Advanced on credit facility (note 14)	-	3,000,000
Repayment of government loan (note 13)	(2,193)	(2,193)
Repayment of lease liabilities (note 11)	(33,000)	-
Net cash provided by (used for) financing activities	(35,193)	6,020,060
(Decrease) increase in cash during the period	(638,164)	4,200,831
Cash, beginning of year	1,522,155	3,076,240
Cash, end of period	883,991	7,277,071

Supplemental cash flow information (note 21.2)

POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

POSaBIT Systems Corporation (“**POSaBIT**” or the “**Company**”), was incorporated on June 12, 2017, pursuant to the *Business Corporations Act* (British Columbia). On April 5, 2019, the Company completed the reverse acquisition of POSaBIT, Inc. (“**POSaBIT US**”), a private company incorporated under the laws of the State of Washington, by way of a triangular merger (the “**Transaction**”). Upon completion of the Transaction, the Company changed its name to POSaBIT Systems Corporation and now primarily involve point-of-sale arrangements designed to offer consumers an easy way to purchase goods and services. Pursuant to the Transaction, the shareholders of POSaBIT US received 1.7539815 securities of the Company for each security of POSaBIT US held including common shares, options, and warrants.

In connection with the Transaction, the Company delisted from the TSXV and obtained listing on the Canadian Securities Exchange (“**CSE**”) under the trading symbol “**PBIT**”.

The Company’s head office is located at 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.

These interim consolidated financial statements (the “**Financial Statements**”) have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. These Financial Statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and classification of assets and liabilities that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations for the foreseeable future. These adjustments could be material.

The Company has incurred a loss of \$1,940,144 (2023 - \$2,782,928, re-presented, note 27) and negative cash flow from operations of \$602,971 (2023 - \$1,768,108) for the three months ended March 31, 2024 and 2023. These conditions indicate the existence of a material uncertainty that casts significant doubt as to whether the Company can continue as a going concern.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

The Financial Statements were approved and authorized for issuance by the Board on June 12, 2024.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

(Expressed in United States Dollars)

2.2 Basis of presentation and measurement

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

2.3 Basis of consolidation

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

3. RECENT PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024. The Company has adopted the new standards, as applicable.

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.

IAS 21 – The Effects of Changes in Foreign Exchange Rates was amended in August 2023 to provide guidance on lack of exchangeability when estimating spot exchange rates. An entity shall apply the amendments for annual reporting periods on or after January 1, 2025, with early adoption permitted.

IAS 28 – Investments in Associates and Joint Ventures was amended to provide guidance with the sale or contribution of assets between and Investor and its associate or joint venture. An entity shall apply the amendments prospectively. The effective date for the amendment is yet to be determined, but early adoption is permitted.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

*(Expressed in United States Dollars)***4. BUSINESS COMBINATION (2023)****Acquisition of Hypur Inc. (“Hypur”)**

On April 1, 2023, the Company acquired certain assets of Hypur (the “**Acquisition**”), a Nevada corporation for a purchase price of approximately \$7,500,000, subject to certain contingencies. The acquisition meets the criteria of a business combination under IFRS 3, Business Combination.

The Acquisition was completed by way of an asset purchase agreement (the “**Agreement**”) dated April 1, 2023, by and among the Company, POSaBIT Payments, a wholly owned subsidiary of the Company and Hypur, in exchange for (1) \$1,654,000 in cash (of which \$500,000 was held back (the “**Cash Holdback**”)) and, subject to potential indemnity claims, would be released six months after closing), *plus* (2) 6,210,730 common shares of the Company with a fair value of \$5,140,041 (of which, 1,242,146 common shares with an estimated fair value of \$1,028,008 were held back (the “**Equity Holdback** and, subject to potential indemnity claims).

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 18 months after closing (the “**Contingent Consideration**”) based upon completion of certain contingent criteria and timing. In estimating the fair value of the contingent consideration to be \$685,682, the Company considered the required timing of issuance and the anticipated completion of the conditions underlying the release. The Company has valued the common shares based on the prevailing market value of the shares.

Estimated fair value of net assets acquired:

	\$
Cash	105,083
Inventory	237,147
Debt-free working capital acquired	342,230
Contracts	2,680,000
Technology	170,000
Tradename	30,000
Identifiable intangible assets acquired	2,880,000
Goodwill	4,257,493
Purchase price	7,479,723

Consideration:

	\$
Cash	1,154,000
Cash holdback (the “ Cash Holdback ”)	500,000
Total cash	1,654,000



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

*(Expressed in United States Dollars)***Consideration (continued)**

Equity:	# of shares	\$
Common shares issued on closing	4,968,584	4,112,033
Equity Holdback (to be released 6 months after closing) (the “ First Holdback ”)	621,073	514,004
Equity Holdback (to be released 1 year after closing)	621,073	514,004
Contingent Consideration (to be released 3 months after closing (employment considerations))	413,635	-
Contingent Consideration (to be released 3 months after closing (certification considerations) (the “ Forfeited Consideration ”))	413,635	342,327
Contingent Consideration (to be released 1 year after closing)	414,877	343,355
Total equity	7,452,877	5,825,723
Total consideration		7,479,723

The Company has released the First Holdback and transferred the fair value of the Forfeited Consideration of 413,635 shares (\$342,327) to retained earnings. Further, the Company is a party to a lawsuit (note 27.2) with Hypur regarding the release of the Cash Holdback.

During the year ended December 31, 2023, the Company impaired the entire goodwill and intangible assets due to the payment processor's inability to process pin debit transactions for the cannabis sector.

For the three months ended March 31, 2024, Hypur operations have contributed \$53,903 (2023 - \$nil) of revenue.

5. RECEIVABLES

	March 31, 2024	December 31, 2023
	\$	\$
Trade receivables	484,196	1,061,027
Receivables due from processors	760,442	834,871
Bad debt write-offs	(13,578)	(639,772)
Allowance for expected credit losses	(7,401)	(8,615)
Total Receivables	1,223,659	1,247,511

The receivables are generally on terms due within 30 days.

For the three months ended March 31, 2024, the Company recognized changes in expected credit losses of \$(6,821) (2023 - \$(4,347)) and bad debts expense of \$13,578 (2023 - \$13,824).



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

*(Expressed in United States Dollars)***6. PREPAID EXPENSES AND DEPOSITS**

	March 31, 2024	December 31, 2023
	\$	\$
Administrative	3,172	80,068
Insurance	28,252	154,844
Investor relations and public reporting	33,256	5,837
Marketing	2,734	764
Professional fees	30,875	14,157
Software sales	13,481	24,654
	111,770	280,324
Deposits	11,000	11,000
Canadian sales taxes recoverable	10,366	10,233
	133,136	301,557

7. INVENTORIES

	March 31, 2024	December 31, 2023
	\$	\$
Finished goods – POS equipment	181,588	13,971

8. EQUIPMENT, REVENUE-GENERATING EQUIPMENT AND RIGHT-OF-USE ASSET

Cost	Equipment	Revenue Generating Equipment	Right-of-use Asset	Total
	\$	\$	\$	\$
December 31, 2022	202,007	570,381	-	772,388
Additions	26,608	878,765	184,354	1,089,727
Disposals	-	(44,783)	-	(44,783)
December 31, 2023	228,615	1,404,363	184,354	1,817,332
Additions	-	-	-	-
Disposals	-	-	-	-
March 31, 2024	228,615	1,404,363	184,354	1,817,332

Accumulated Depreciation

	\$	\$	\$	\$
December 31, 2022	99,532	398,897	-	498,429
Depreciation and amortization	81,666	229,947	51,210	362,823
Disposals	-	(44,606)	-	(44,606)
December 31, 2023	181,198	584,238	51,210	816,646



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

(Expressed in United States Dollars)

Cost	Revenue			Total
	Equipment	Generating Equipment	Right-of-use Asset	
	\$	\$	\$	\$
Depreciation and amortization	8,435	102,516	30,725	141,676
Disposals	-	-	-	-
March 31, 2024	189,633	686,754	81,935	958,322
Net Book Value				
	\$	\$		\$
December 31, 2023	47,417	820,125	133,144	1,000,686
March 31, 2024	38,982	717,609	102,419	859,010

9. CONTRACT ASSET

During the year ended December 31, 2022, the Company entered into a software licensing agreement (the “**License Contract**”) with a large Cannabis technology company (“**Licensee**”), for the right to use the Company’s proprietary technology.

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 has assessed that the contract includes two performance obligations: 1) License of technology and 2) Support services. The Company allocated the total payment under the License Contract, as \$14,420,000 to the license and \$6,180,000 to support services.

The license of technology includes a significant financing component because of the extended payment terms, resulting in a discounted contract asset. During the year ended December 31, 2023, the Company determined there was an error made in accounting for the License Contract. The effect of the error resulted in changes to the reported comparative revenues for each interim reporting period during 2023. The Company has re-presented these amounts, as applicable (note 27).

During the three months ended March 31, 2024, \$249,772 (2023 - \$253,076, re-presented) of interest income and \$386,250 (2023 - \$386,250, re-presented) of support service income, which has been accreted and recorded in the consolidated statements of loss.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2024 and 2023

(Expressed in United States Dollars)

As noted above, as reported in the consolidated financial statements for the years ended December 31, 2023 and 2022 (restated) and above, the Company recorded the discounted fair value of the License Contract in 2022 and will accrete the remainder of the License Contract to interest income over the term of the contract. Actual cash received for the three months ended March 31, 2024, was \$1,162,500 (2023 - \$nil), allocated \$776,250 as to the License Contract and \$386,250 to Support Services.

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

	\$
Balance, December 31, 2022	8,029,317
Less: amount received	(1,031,089)
Add: accreted to income	1,055,959
Add: deferred revenue	901,250
Balance, December 31, 2023	8,955,437
Less: amount received	(776,250)
Add: accreted to income	249,272
	8,428,459
Less: Current portion	(2,777,217)
Balance, March 31, 2024	5,651,242

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31, 2024	December 31, 2023
	\$	\$
Accounts payable	2,265,193	966,498
Accrued liabilities	454,620	273,435
Salaries and bonuses payable	80,841	1,406,185
	2,800,654	2,646,118

11. LEASE LIABILITY

The Company has recognized a right-of-use asset (note 9) for its office premises with a corresponding lease liability which is initially measured at the present value of the future lease payments. In accordance with IFRS 16, the Company then recognizes depreciation of right-of-use asset and interest expense on lease liability in profit or loss.

The Company has entered into one lease for office space. In order to calculate the present value of the future lease payments, the Company has used a discount rate of 12% which represents its estimated incremental borrowing rate. Prior to the adoption of IFRS 16, this lease was accounted for as an operating lease. Changes to the Company's lease liability is as follows:

	\$
Balance, December 31, 2022	173,354
Lease payments	(47,903)
Interest expense	8,020
Balance, December 31, 2023	133,471



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	\$
Lease payment	(33,000)
Interest payments	3,713
	104,184
Current portion	(104,184)
Balance, March 31, 2024	-

12. CONVERTIBLE NOTES AND DERIVATIVE LIABILITY (2023)

During the three months ended March 31, 2024, \$nil (2023 - \$55,688), of interest accretion on the Convertible Notes was recorded in the consolidated statements of loss.

During the three months ended March 31, 2024, \$nil (2023 - \$25,000) in face-value of the convertible notes was converted resulting in the issuance of nil (2023 - 279,687) common shares (note 15.2.1).

For the three months ended March 31, 2024, change in the fair value of the derivative liability resulted in a gain of \$nil (2023 - \$123,960) recorded in the consolidated statements of loss.

13. GOVERNMENT LOAN

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

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company has estimated the initial carrying value of the SBA Loan at \$40,535, using a discount rate of 18%, which was the estimated rate for a similar loan without the reduced-interest component. The difference of \$109,465 will be accreted to the loan liability over the 30-year term of the SBA Loan and offset to other income on the statements of loss and comprehensive loss. For the three months ended March 31, 2024, the Company recorded interest accretion on the SBA Loan of \$2,167 (2023 - \$2,146) in the consolidated statements of loss.

14. 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**”), see note 15.4. The fair value of the Compensation Warrants of \$208,069, was estimated using the Black Scholes option model with the following assumptions: estimated life of 3 years, risk-free interest rate of 3.51%, cumulative volatility of 167.14%, dividends of \$0.00



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and an underlying share price of C\$1.12. 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.

In November 2023, the Credit Facility was amended to extend its term by two years to mature March 30, 2028 (the "Modification"). The Company completed its analysis of the Modification pursuant to IFRS 9 Financial Instruments to determine whether the amendment was a substantial or non-substantial modification. The Company determined the Modification was not substantial and has accounted for the change pursuant to a non-substantial debt modification. The fair value of the debt modification of \$189,835, resulted in a gain of \$75,975 and \$113,860 adjustment due to change in exchange rates, both recorded in the consolidated statements of earnings (loss).

Interest expense for the three months ended March 31, 2024, of \$118,101 (2023 - \$822), has been recorded in the consolidated statements of loss.

15. SHARE CAPITAL***Common and preferred shares******15.1 Authorized***

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

15.2 Issued and outstanding***2024******Three months ended March 31, 2024***

There was no share activity for the 3 months ended March 31, 2024.

2023***Year ended December 31, 2023***

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

15.2.2 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. These units were subscribed by a related party of the Company.

15.2.3 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.



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- 15.2.4 In February 2023, 81,494 warrants were exercised raising proceeds of \$7,265.
- 15.2.5 In April 2023, the Company completed the Hypur Acquisition (note 5), issuing 4,968,584 common shares with an estimated fair value of \$4,112,033.
- 15.2.6 In September 2023, the Company issued 240,050 common shares on the exercise of the same number of options. The exercise raised gross proceeds of \$25,509 and the fair value of \$19,595, was transferred to commons shares.
- 15.2.7 In October 2023, \$225,000 of Convertible Notes were converted and 2,598,187 common shares were issued.
- 15.2.8 In November 2023, 621,073 common shares with a deemed value of \$514,004, were issued regarding the release of the First Holdback (note 5).
- 15.2.9 In December 2023, the Company completed a private placement (the “December 2023 Financing”) consisting of 3,107,142 units (each a “December 2023 Unit”), raising gross proceeds of \$652,320. Each December 2023 Unit consists of 1 common share and 0.88 warrants (each full warrant, a “December 2023 Warrant”). A total of 2,734,284, December 2023 Warrants were issued, with each December 2023 Warrant exercisable for 5 years at a price of C\$0.40. The relative fair value of the December 2023 Warrants was estimated at \$339,114 using the Black-Scholes option pricing model with the following assumptions: estimated life of 5 years, risk-free interest rate of 3.17%, cumulative volatility of 215.78%, dividends of \$0.00 and an underlying share price of C\$0.40. There were no financing costs of the private placement. The December 2023 Warrants have been recorded in warrant reserves on consolidated statements of financial position. Out of the total December 2023 unit, 2,857,929 units were issued to a related party of the Company.

15.3 Shares to be issued

Pursuant to the terms of the Acquisition (note 4), the Company expected to issue 1,242,146 Equity Holdback shares with a fair value of \$1,028,008 and up to 1,242,147 Contingent Consideration shares with a fair value of \$685,682. As at the reporting date and the date of filing, the Company has released the First Holdback (621,073 shares) and recognized the Forfeited Consideration of 413,635 shares (\$342,327, transferred to retained earnings). Further, the Company is a party to a lawsuit (note 27.2) with Hypur regarding the release of the Cash Holdback.

15.4 Warrants

During the three months ended March 31, 2024, 3,400,356 expired unexercised. The fair value of \$341,768 was transferred to retained earnings.



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A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price
		\$
Outstanding at December 31, 2022	9,781,710	C0.61
Issued during 2023	7,515,950	C0.96
Exercised	(186,732)	C0.10
Surrendered during 2023	(3,850,000)	C1.06
Balance at December 31, 2023	13,260,928	C0.68
Expired during 2024	(3,400,356)	C0.35
Balance at March 31, 2024	9,860,572	C0.44

The outstanding issued warrants balance as at March 31, 2024 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price
			\$
November 13, 2025	Warrants	1,738,533	C0.12
June 29, 2025	Warrants	1,021,456	C1.00
January 26, 2026	Warrants	4,306,666	C1.25
July 10, 2027	Warrants	59,633	0.14
December 29, 2028	Warrants	2,734,284	C0.40
March 31, 2023		9,860,572	C0.44

15.5 Stock options and contributed surplus

POSaBIT has an incentive plan (the "Plan") pursuant to which options and Restricted Stock Units ("RSU's") to purchase common shares of the Company may be granted to certain officers, directors, employees and consultants of the Company. The Plan allowed for a fixed issuance of up to 20% of the issued and outstanding common shares upon completion of the Transaction, being 16,610,000. As at March 31, 2024, the Company had 4,150,871 (December 31, 2023 – 3,928,371) options and RSUs available for issuance.



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

	Number of options	Weighted average exercise price (per option)
		\$
December 31, 2022	19,101,590	C0.38
Granted	1,982,500	C1.03
Exercised	(240,050)	C0.14
Expired	(1,218,075)	C0.86
December 31, 2023	19,625,965	C0.40
Expired	(612,500)	C1.05
March 31, 2024	19,013,465	C0.38

For the three months ended March 31, 2024, the Company recognized share-based compensation expense for options of \$301,112 (2023 - \$573,319).

The options outstanding and exercisable at March 31, 2024 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	1.9
May 9, 2027	2,630,972	0.0380	3.1
January 9, 2028	1,383,667	0.0380	3.8
May 9, 2028	35,079	0.0911	4.1
October 4, 2029	526,000	C0.150	5.5
October 1, 2030	3,843,741	C0.095	6.5
March 10, 2031	634,400	C0.275	6.9
May 26, 2031	2,090,000	C0.315	7.2
July 21, 2031	225,000	C0.450	7.3
September 24, 2031	735,000	C1.230	7.5
December 15, 2031	1,175,000	C1.310	7.7
July 1, 2032	1,095,000	C0.630	8.3
November 15, 2032	1,121,750	C0.670	8.6
December 21, 2032	250,000	C1.070	8.7
January 31, 2033	1,000,000	C1.100	8.8
April 17, 2033	380,000	C0.095	9.1
July 23, 2033	52,500	C0.790	9.3



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Date of expiry	Number of options outstanding	Exercise price (per option)	Weighted average remaining life (years)
Outstanding	19,103,465	C0.381	6.0
Exercisable	14,999,081	C0.272	5.4

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

	Number of RSUs	Weighted average grant-date fair value (per RSU)
		\$
December 31, 2022	1,228,922	C0.98
Granted	1,916,742	C0.92
Expired	(100,000)	C0.63
December 31, 2023	3,045,664	C0.97
Granted	400,000	C0.40
March 31, 2024	3,445,664	C0.90

For the three months ended March 31, 2024, the Company recognized share-based compensation expense for RSUs of \$130,021 (2023 - \$50,210).

The RSUs outstanding as at March 31, 2024 are comprised of the following items:

Date of expiry / Deferral	Number of RSUs outstanding	Weighted average grant-date fair value	Weighted average remaining life until vesting (years)
December 31, 2023	400,000	C1.070	0.8
April 25, 2024	191,742	C0.970	0.1
July 6, 2024	75,000	C0.770	0.3
December 31, 2024	400,000	C0.240	0.8
April 17, 2025	150,000	C0.950	1.0
April 17, 2027	1,500,000	C0.950	3.0
January 1, 2026	367,647	C1.310	2.8
July 1, 2026	361,275	C0.630	3.3
Outstanding	3,445,664	C0.883	1.9

16. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.



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Related parties may be individuals or corporate entities. A transaction is a related party transaction when there is a transfer of resources or obligations between related parties.

The Company's transactions with related parties were, in the opinion of management, carried out on normal commercial terms and in the ordinary course of the Company's business.

Key management compensation

Key management includes those individuals having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly. Key management includes the directors, named executive officers, being the Chief Executive Officer and the Chief Financial Officer. Others include the Company's Chief Technology Officer and its Chief Revenue Officer. Related-party compensation paid or payable to key management is detailed below:

3 months ended March 31,	2024	2023
	\$	\$
Executive compensation to key managers	525,164	552,450
Share-based compensation to key managers	118,909	440,161
Totals	644,073	992,611

17. FINANCIAL RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities; and
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

At March 31, 2024, the Company's financial instruments consist of cash, receivables, license contract, and accounts payable. 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 through profit and loss.

Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management program and business practices seek to minimize any potential adverse effects on the Company's financial performance. Risk management is carried out by the senior management team.

a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to receivables and monies due from its processors.

As of March 31, 2024, \$1,223,659 (December 31, 2023 – \$1,247,511) 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



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for all receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. As at March 31, 2024, the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses for all but one, are nominal. For one processor, the Company is party to a proceeding (note 22.1) and subsequent to the reporting period, settled the dispute upon receipt of \$237,500.

The Company maintains bank deposits with reputable financial institutions.

Concentrations of credit risk that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

b) Liquidity risk

Liquidity risk is the risk that the Company is unable to generate or obtain sufficient cash or its equivalents in a cost-effective manner to fund its obligations as they come due.

c) Interest rate risk

The Company is not subject to interest rate risk.

d) Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to the shareholders and to maintain an optimal capital structure to minimize the cost of capital. The Company considers shareholders' deficiency as capital.

To maintain or adjust the capital structure, the Company may issue new shares to the shareholders, draw upon existing credit facilities or sell assets. There are no changes in the Company's capital management policies for the three months ended March 31, 2024 and 2023.

There are no external capital management requirements or covenants as at March 31, 2024 and December 31, 2023, other than those imposed through ongoing listing requirements of the CSE.

e) Foreign exchange risk

The Company's operations are mainly completed in US dollars. However, the Company is a Canadian public company and therefore has transactions denominated in the Canadian dollar. As well, it has raised capital in Canadian dollars. As such, the Company is susceptible to changes in foreign exchange rates, mainly for translation of Canadian-dollar denominated borrowings, trade payables and operating expenses. Based on Management's knowledge and experience of the financial markets, the Company believes that a 10% strengthening of the Canadian dollar against the US dollar at March 31, 2024, would have decreased the net monetary assets of the Company by \$71,000 (2023 - \$42,000). A 10% weakening of the Canadian dollar against the same would have had an equal but opposite effect.

18. REVENUE

The Company earns revenue from i) Payment services, ii) Point-of-Sale ("POS") Services, iii) Support services related to its license of technology. The Company also earns revenue from rental and sale of hardware related to its payment and POS services.



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Three months ended March 31,	2024	2023 <i>(re-presented – note 27)</i>
	\$	\$
Payment services	2,632,151	10,735,106
POS services	758,704	448,404
Support services	386,250	386,250
	3,777,105	11,569,760

Included in POS services is \$240,896 (2022 - \$257,970) relating to the sale of hardware and installation services that have been recognized at a point in time. Revenue from the License of technology is recognized at a point in time.

For accounting purposes, license of technology income was discounted and recognized in a prior period (see note 9), with the remaining amount being accreted to interest income over the contract period. The actual cash received during the three months ended March 31, 2024, was \$1,162,500 (2023 - \$nil).

19. TRANSACTION COSTS

The Company incurred the following transaction costs:

3 months ended March 31,	2024	2023
	\$	\$
Abandoned acquisition costs	-	201,380
Compensation warrants accretion	-	487
Finance transaction fees	41,298	-
Legal and advisory fees	67,607	304
Software integration costs	1,350	37,355
Total Transaction Costs	110,255	239,526

20. ADMININSTATIVE COSTS

The Company incurred the following administrative costs:

3 months ended March 31,	2024	2023
	\$	\$
General	402,125	550,075
Meals and entertainment	12,266	33,743
Salaries and wages	1,894,243	2,648,868
Travel	8,365	91,512
Total administrative costs	2,316,999	3,324,198



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*(Expressed in United States Dollars)***21. ADDITIONAL CASH FLOW INFORMATION****21.1 Working capital changes in operating assets and liabilities:**

3 months ended March 31,	2024	2023 <i>(re-presented note 27)</i>
	\$	\$
Sales taxes recoverable	10,233	(7)
Receivables	3,453	(155,177)
Change in current portion of contract asset	(263,278)	(1,415,576)
Inventory	(167,617)	(93,988)
Prepaid expenses	158,188	53,833
Accounts payable and accrued liabilities	154,538	988,499
Working capital changes in operating assets and liabilities	(104,483)	(622,416)

21.2 Supplemental cash flow information

3 months ended March 31,	2024	2023
	\$	\$
Non-cash financing activities:		
Conversion of convertible debt	-	25,000
Cash interest paid	118,101	24,288

22. COMMITMENTS AND LITIGATION**22.1 Litigation**

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

The Company cannot reasonably predict the likelihood or outcome of the claim. The Company does not believe that adverse decisions regarding any settlement or any amount which may be required to be paid by reasons thereof, will have a material effect on the financial condition or future results of operations.

22.2 Hypur litigation

On February 13, 2024, the Company was served with a statement of claim filed in Delaware court against the Company regarding a contractual dispute between the Company and HPR holdings Inc, the entity formally known as Hypur, Inc, from which the Company purchased assets on April 1, 2023. The Company believes this claim is without merit.



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*(Expressed in United States Dollars)***23. RE-PRESENTED INFORMATION**

As reported in its annual consolidated financial statements as at and for the years ended December 31, 2023 and 2022, during the year ended December 31, 2023 (the “AFS”), the Company determined there was an error made in accounting for the contract asset (note 9). IFRS 15 requires that when the amount of consideration promised by a customer includes a significant financing component, an entity shall use the estimated discount rate that would reflect the credit characteristics of the party receiving the financing. The Company originally estimated a discount rate of 2.8% but then subsequently determined that this discount rate did not reflect the credit characteristics of the party receiving the financing. The Company has assessed that an estimated discount rate of 12%, better reflects the credit characteristics of the customer. Furthermore, it was determined that the discounting method was not applied correctly to the contract asset.

The AFS were restated to correct the noted errors and each of the Company's interim consolidated financial statements will re-present the applicable 2023 comparable information.

The following tables summarize the effects of the adjustments described above as at and for the three months ended March 31, 2023:

Three months ended March 31,	2023 (previously reported)	Adjustments	2023 (re-presented)
Statement of loss	\$	\$	\$
Licensing technology	308,080	(308,080)	-
Support services	-	386,250	386,250
Total revenue	11,491,590	78,170	11,569,760
Gross margin	2,324,324	78,170	2,402,494
Interest income	78,170	174,905	253,076
Total other income (expense)	(108,725)	174,905	66,181
Loss prior to income taxes	(3,036,004)	253,076	(2,782,928)
Loss	(3,036,004)	253,076	(2,782,928)
Basic earnings (loss) per share	0.02	(0.00)	0.02

24. SUBSEQUENT EVENTS

- 24.1 In April 2024, the Company was refunded \$120,000 for the surety bond that was shown as other asset on the consolidated statement of financial position.
- 24.2 In June 2024, the Company received a settlement of \$237,500 from an outstanding claim due to POSaBIT from a previous channel partner.

