POSaBIT Systems Corporation

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended March 31, 2024

(reported in US Dollars)

June 13, 2024

POSaBIT Systems Corporation

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended March 31, 2024
(Reported in US Dollars)

*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 June 13, 2024. 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 months ended March 31, 2024 and 2023 (the "**Interim Consolidated Financial Statements**") and the Company's audited consolidated financial statements for the years ended December 31, 2023 and 2022 (restated) (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 Canadian 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.sedar.com 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

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, Washington 98005. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

The Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on June 13, 2024. Any reference to "**note**" or "**notes**" in this MD&A, refers to the corresponding note(s) in the Consolidated Financial Statements.

Changes to Company securities

Common shares

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

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.

.

Options and RSUs

In January 2024, 400,000 RSUs with vesting during 2024, were issued.

In January 2024, 612,500 options expired, unexercised.

In February 2024, 3,400,356 warrants with an exercise price of C$0.35, expired unexercised.

Financial condition

As at March 31, 2024, the Company had assets totaling $11,829,843 and shareholders' equity of $3,836,518. This compares with assets of $13,161,317 and shareholders' equity of $5,309,513, at December 31, 2023.

During the quarter ended March 31, 2024, the Company's net assets decreased by $1,472,995, the result of a decrease in assets of $1,331,474, supplemented by an increase in liabilities of $141,521.

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

(Reported in US Dollars)

Item	Change	Explanation of change
	$	
Cash	(638,164)	Cash used for operating activities of $602,971, with a portion of operating cash payments used to pay outstanding accounts payable balances, combined with cash used for financing activities of $35,193.
Receivables	(23,852)	Decrease in receivables due to normal operational variation in invoiced receipts.
Prepaid expenses and deposits	(168,421)	The decrease is the result of normalized annual expenditures and the recording of monthly expenses.
Inventories	167,617	Finished inventory increased, as the Company hardware necessary to meet rising demand for the point of sale (POS) product.
Equipment	(8,435)	Decrease due to depreciation recognized in the period.
Revenue-generating equipment	(102,516)	Decrease due to depreciation recognized in the period.
Right-of-use asset	(30,725)	Decrease due to depreciation recognized in the period.
Contract asset	(526,978)	$249,722 accreted to income offset by $776,250 payments received. Total receipts for the period were $1,162,500, but $386,250 was allocated to support services.
Decrease in assets	**(1,331,474)**	
Accounts payable and accrued liabilities	154,536	Increase in payables due to normal operational variation in payment timing.
Government loan	(26)	The decrease is due to accretion for the quarter of $2,167 less payments made of $2,193.
Lease Liability	(29,287)	Decrease attributable to the passage of time on the office lease.
Credit facility	16,298	No drawdowns for the period. Change due entirely to interest accretion for the period.
Increase in liabilities	**(141,521)**	
Decrease in net assets	**(1,472,995)**	

Results of operations

Selected financial results of operations are summarized below:

	3 months ended March 31,			
	2024	2023 *(re-presented)*	Year-over-year change Favourable/(Unfavourable)	
	$	$	$	%
Revenue	**3,777,105**	11,569,760	(7,792,655)	(67)
Cost of goods sold	**(2,287,301)**	(9,167,266)	6,879,965	75
Gross margin	**1,489,804**	2,402,494	(912,690)	(38)
Operating expenses, excluding forex	**(3,416,608)**	(4,976,020)	1,559,412	33

	3 months ended March 31,			
	2024	2023 *(re-presented)*	Year-over-year change Favourable/(Unfavourable)	
	$	$	$	%
Forex	**(5,295)**	(257,412)	252,117	2
Loss before items below	**(1,932,099)**	(2,830,938)	898,839	32
Other income (expense)	**(8,045)**	48,010	(56,055)	(117)
Loss	**(1,940,144)**	(2,782,928)	(842,784)	(30)

In 2024, POSaBIT switched to a new set of debit processors and are no longer charging merchants for the cost of providing payment services, now only the consumer pays the fees. This has resulted in a decrease in top line revenue due to not having merchant fees included in Gross Revenue, however it has resulted in an increase in Gross Profit dollars and Gross Profit percent. Previously the merchant fees were all paid to the merchant as revenue sharing and part of our cost of goods sold.

Other selected financial information

Adjusted Revenue, Adjusted Gross Profit and Adjusted EBITDA are non-IFRS measures used by management that do not have any prescribed meaning by IFRS and may not be comparable to similar measures presented by other companies. The Company defines Adjusted Revenue as gross revenue, minus license support revenue, plus actual licensing cash received as part of the POSaBIT licensing deal with a large technology cannabis partner. The Company defines Adjusted Gross Profit as Adjusted Revenue less company cost of goods sold. 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 these non-IFRS measures are useful metrics to evaluate its core operating performance and uses these measures 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 these non-IFRS measures in the evaluation of companies, many of which present similar metrics when reporting their results. We caution readers that Adjusted Revenue, Adjusted Gross Profit and Adjusted EBITDA are not substitutes for gross revenue, gross profit or profit/loss, respectively.

The following table reconciles Adjusted Revenue to Revenue, as reported.

in US Dollars	**March 31, 2024**
Revenue as reported	$3,777,105
Add: Cash Receipts from Licensing Contract	$1,162,500
Deduct: Licensing Support Revenue	$(386,250)
Adjusted Revenue	**$4,553,355**

The following table reconciles Adjusted Gross Profit to Gross Profit, as reported.

in US Dollars	**March 31, 2024**
Gross Profit as reported	**$1,489,804**
Add: Cash Receipts from Licensing Contract	$1,162,500
Deduct: Licensing Support Revenue as reported	$(386,250)

in US Dollars	March 31, 2024
Adjusted Gross Profit	**$2,266,054**
Adjusted Gross Profit margin	**50%**

The following table reconciles Adjusted EBITDA to Loss, as reported.

in US Dollars	March 31, 2024
Loss, as reported	**(1,940,144)**
Add-back foreign exchange gains, as reported	5,295
Add back share-based compensation, as reported	431,133
Add back/(deduct) amortization and depreciation, as reported	39,161
Add back/(deduct) change in expected credit losses, as reported	6,821
Add back bad debts, as reported	13,578
Deduct licensing revenue and interest income from licensing revenue, as reported	(635,522)
Add back cash receipts from licensing agreement	1,162,500
Add back interest accretion, as reported	5,880
Add back/(deduct) transaction costs, as reported	110,255
Adjusted EBITDA	**(801,043)**

It's worth noting that Q1 is typically a slow season for the industry, as evidenced by the reports of other participants and our own results, this was also seen in our results in Q1 of 2024. This slower period led to reduced demand from merchant customers and a decrease in average order value. Additionally, we have been prioritizing onboarding new merchants to our point of banking product. Further impacting revenue in the first quarter of 2024 was the industry wide payment disruption in late 2023, whose impact on the financial statements was primarily felt in the first quarter of 2024. Due to these factors, revenue declined in Q1 2024 compared to the previous quarter (Q4 2023), resulting in a decrease of approximately $7.79 million.

In terms of adjusted EBITDA, in Q1 2024 we saw a loss of $(801,043), compared to a loss of $(2,598,480) in Q1 2023 and $(2,482,633) in Q4 2023. Note, the Q1 2023 numbers have been updated to reflect the prior period re-statement for Licensing Revenue which adjusted the loss to just over $.8 million. Refer to our year-end 2023 financial statements for additional information.

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. 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.

(Reported in US Dollars)

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

Litigation

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.

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.

Outstanding securities

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

Security	**Number outstanding**
Common shares	156,350,176
Options (exercisable – 14,999,081)	19,013,465
Restricted share units (RSU)	3,445,654
Warrants	9,860,572
Total fully diluted capitalization	188,669,877