POSaBIT Systems Corporation

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended June 30, 2024

(reported in US Dollars)

August 27, 2024

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*This interim management discussion and analysis – quarterly highlights ("Interim MD&A") has been prepared based on information available to POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**") at August 27, 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 and six months ended June 30, 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 August 26, 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

During the three months ended June 30, 2024, 12,500 shares were issued on the vesting of the same number of RSUs.

Warrants

During the three months ended June 30, 2024, there was no warrant activity.

Options and RSUs

During the three months ended June 30, 2024, 220,000 options with expiry dates of May 30, 2034 and exercise price of C$0.17, were issued and 1,500,979 options expired, unexercised.

During the same period, 12,500 RSUs vested (resulting in the issuance of the same number of common shares) and 12,500 RSUs were forfeited.

Subsequent to the reporting period, 45,000 options expired, unexercised.

Financial condition

As at June 30, 2024, the Company had assets totaling $11,803,169 and shareholders' equity of $3,300,125. This compares with assets of $13,161,317 and shareholders' equity of $5,309,513, at December 31, 2023.

During the quarter ended June 30, 2024, the Company's net assets decreased by $536,393, the result of a decrease in assets of $26,674, supplemented by an increase in liabilities of $509,719.

(Reported in US Dollars)

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

Item	Change	Explanation of change
	$	
Cash	188,211	Cash provided from operating activities of $103,404 combined with cash provided from financing activities of $84,807.
Receivables	661,754	Increase in receivables due to normal operational variation of invoiced receipts.
Prepaid expenses and deposits	81,055	The increase is the result of normalized annual expenditures and the recording of monthly expenses.
Inventories	(154,124)	Finished inventory decreased, as the Company utilized hardware necessary to meet demand for the point of sale (POS) product.
Equipment	(8,249)	Decrease due to depreciation recognized in the period.
Revenue-generating equipment	(102,515)	Decrease due to depreciation recognized in the period.
Right-of-use asset	(30,726)	Decrease due to depreciation recognized in the period.
Other asset	(120,000)	Decrease due to the release of the Company's surety bond.
Contract asset	(542,080)	$234,170 accreted to interest income offset by $776,250 payments received. Total income for the period was $1,162,500, with $386,250 allocated to support services.
Decrease in assets	**(26,674)**	
Accounts payable and accrued liabilities	(523,154)	Increase in payables due to normal operational variation in payment timing.
Government loan	28	The decrease is due to accretion for the quarter of $2,165less payments made of $2,193.
Lease Liability	30,174	Decrease attributable to accreted interest expense of $2,826 less payments of $33,000.
Credit facility	(16,767)	No drawdowns for the period. Change due entirely to interest accretion for the period.
Increase in liabilities	**(509,719)**	
Decrease in net assets	**(536,393)**	

(Reported in US Dollars)

Results of operations

Selected financial results of operations are summarized below:

	Three months ended			
	June 30, 2024	June 30, 2023 *(re-presented)*	Change Fav/(Unfav)	
	$	$	$	%
Revenue	**4,264,005**	13,555,198	(9,291,193)	(69)
Cost of goods sold	**(2,073,398)**	(10,755,001)	8,681,603	81
Gross margin	**2,190,607**	2,800,197	(609,590)	(22)
Operating expenses, excluding forex	**(3,234,985)**	(5,912,012)	2,677,027	45
Forex	**405,351**	(123,271)	528,622	429
Loss before items below	**(639,027)**	(3,235,086)	2,596,059	80
Other income (expense)	**185,066**	1,862,593	(1,677,527)	(90)
Income taxes	**-**	(192,880)	192,880	100
Loss	**(453,961)**	(1,565,373)	1,111,412	71

	Three month ended			
	June 30, 2024	March 31, 2024	Change Fav/(Unfav)	
	$	$	$	%
Revenue	**4,264,005**	3,777,105	486,900	13
Cost of goods sold	**(2,073,398)**	(2,287,301)	213,903	9
Gross margin	**2,190,607**	1,489,804	700,803	47
Operating expenses, excluding forex	**(3,234,985)**	(3,416,608)	181,623	5
Forex	**405,351**	(5,295)	410,646	7,755
Loss before items below	**(639,027)**	(1,932,099)	1,293,072	67
Other income (expense)	**185,066**	(8,045)	193,111	2,400
Loss	**(453,961)**	(1,940,144)	1,486,183	77

In 2024, POSaBIT switched to a new set of debit processors and is 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 the merchant fees excluded from gross revenue. However, it has resulted in an increase in gross margin percentage. Previously, the processing fees collected and paid by merchants to POSaBIT were recorded as revenue by POSaBIT with a significant portion paid out to merchants, thereby increasing revenue and our cost of goods sold.

Other selected financial information

"**EBITDA**" and "**Adjusted EBITDA**" are non-IFRS measure used by management that does not have any prescribed meaning by IFRS and that may not be comparable to similar measures presented by other companies. The Company defines EBITDA as net income or loss generated for the period as reported, before interest, taxes, depreciation and amortization and is further adjusted to remove changes in fair values and expected credit losses, foreign exchange gains and/or losses, impairments. EBITDA is then adjusted to remove licensing revenues per IFRS and adding cash licensing fees received (the "**Contract Asset Adjustments**").

(Reported in US Dollars)

The Company believes these non-IFRS measures are useful metrics to evaluate its core operating performance and uses these measures to provide management, shareholders and others with supplemental measures of its operating performance and financial condition of the Company for the reasons noted below.

Management uses these and other non-IFRS and other financial measures to exclude the impact of certain income and expenses that must be recognized under IFRS, when analyzing underlying consolidated operating performance and cash flow, since the excluded items are not necessarily reflective of the Company's underlying operating performance or cash flow and may make comparisons of underlying financial performance between periods difficult. These items may be adjusted by the Company if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring.

As these measures do not have standardized meanings prescribe by IFRS, they may not be comparable to similarly-titled measures presented by other publicly-traded companies and should not be construed as an alternative to other financial measures determined in accordance with IFRS. The Company cautions readers that EBITDA and Adjusted EBITDA are not substitutes for profit/loss or cash flow from operations, respectively.

	Three months ended				**Three months ended**			
	June 30, 2024	**Mar 31, 2024**	**Change Fav/(Unfav)**		**June 30, 2024**	**June 30, 2023** *(re-presented)*	**Change Fav/(Unfav)**	
	$	$	$	%	**$**	$	$	%
Revenue	**4,264,005**	3,777,105	486,900	13	**4,264,005**	13,555,198	(9,291,193)	(69)
Cost of sales	**(2,073,398)**	(2,287,301)	213,903	9	**(2,073,398)**	(10,755,001)	8,681,603	81
Gross margin (deficit)	**2,190,607**	1,489,804	700,803	47	**2,190,607**	2,800,197	(609,590)	(22)
Adjusted operating costs	**(2,870,136)**	(2,946,314)	76,178	3	**(2,870,136)**	(4,992,812)	2,122,676	43
Adjusted other costs (income)	**234,170**	249,772	(15,102)	(6)	**234,170**	263,180	(29,010)	(11)
EBITDA	**(445,359)**	(1,207,238)	761,879	63	**(445,359)**	(1,929,435)	1,484,076	77
Licencing Contract adjustments	542,080	523,174	18,906	4	542,080	(649,430)	1,191,510	184
Adjusted EBITDA	**96,721**	(684,064)	780,785	114	**96,721**	(2,578,865)	2,675,586	103

The following table reconciles EBITDA and Adjusted EBITDA to net loss for the three months ended June 30, 2024, as reported in the Interim Consolidated Financial Statements:

(Reported in US Dollars)

	June 30, 2024	Mar. 31, 2024	June 30, 2023 (*re-presented*)
	$	$	$
Loss, as reported	**(453,961)**	(1,940,144)	(1,565,373)
Add-back (deduct) foreign exchange (gains)/losses, as reported	**(405,351)**	5,295	123,271
Add back share-based compensation, as reported	**325,874**	431,133	762,214
Add back amortization and depreciation, as reported	**38,975**	39,161	156,986
Add back/(deduct) change in expected credit losses, as reported	**(6,144)**	6,821	(356)
Add back bad debts, as reported	**107,881**	13,578	-
Add back finance costs, as reported	**117,000**	120,783	87,040
Add back/(deduct) change in fair value of derivative liability, as reported	**-**	-	(1,645,834)
Add back interest accretion, as reported	**4,991**	5,880	106,839
Add back income taxes, as reported	**-**	-	192,880
Add back/(deduct) transaction costs, as reported	**62,876**	110,255	(7,413)
Deduct bad debt recoveries	**(237,500)**	-	-
Deduct other income, as reported	**-**	-	(139,689)
EBITDA	**(445,359)**	(1,207,238)	(1,929,435)
Deduct Licensing Support revenue, as reported *(note 20)*	**(386,250)**	(386,250)	(386,250)
Deduct licensing revenue interest income, as reported	**(234,170)**	(253,076)	(263,180)
Add back cash receipts from licensing agreement, as reported *(note 10)*	**775,000**	1,162,500	-
Add back contract asset receivable as at the reporting date, as reported	**387,500**	-	-
Adjusted EBITDA	**96,721**	(684,064)	(2,578,865)

In Q2 2024 compared to Q2 2023 (re-presented), revenue declined by $9,291,193, or 69%. It should be noted however, that these results reflect accounting for the license contract (note 10) revenues pursuant to IFRS. Cash received for Q2 2024 was $775,000 versus cash received during Q2 2023 of $nil, a increase of $775,000. Additionally, as mentioned above, in 2024 POSaBIT switched to a new set of debit processors and is no longer charging merchants for the cost of providing payment services. Now, only the consumer pays the fees. This has resulted in a significant decrease in top line revenue due to the merchant fees excluded from gross revenue. However, this has resulted in an increase in gross margin percentage and gross margin dollars.

During the same period last year, gross margin was also down by $0.61 million, or 22%.

For Q2 2024, we saw an increase in revenues of $486,900, or 13% compared to Q1 2024. Cost of sales over the same period was down by $213,903, or 9%, resulting in an increased gross margin of $700,803, or 47%.

In terms of Adjusted EBITDA, Q2 2024 over Q1 2024 saw a favourable change of $780,785 or 114%, This was due gross margin improvement of over $700,000 together with EBITDA operating and other expense changes of $76,178 and $(15,102), respectively. Adjusted EBITDA further reflects changes in Contract Asset Adjustments of $18,906.

(Reported in US Dollars)

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.

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 Operating Officer, Chief Technology Officer and its Chief Revenue Officer. Related-party compensation paid or payable to key management is detailed below:

3 months ended June 30,	**2024**	2023
	$	$
Executive compensation to key managers	**664,077**	675,713
Share-based compensation to key managers	**95,271**	559,874
Totals	**759,348**	1,235,587

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, of which have resulted in two separate lawsuits, both regarding contractual disputes between the Company and a vendor.

The Company cannot reasonably predict the likelihood or outcome of the lawsuits. 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.

Channel Partner recovery

In June 2024, the Company received a settlement of $237,500 from an outstanding claim due to POSaBIT from a previous channel partner.

Outstanding securities

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

Security	Number outstanding
Common shares	156,362,676
Options (exercisable – 15,781,496)	17,748,386
Restricted share units (RSU)	3,420,664
Warrants	9,860,572
Total fully diluted capitalization	187,392,298