POSaBIT Systems Corporation

Interim Management's Discussion and Analysis

Quarterly Highlights

Refiled

(see Notice to Reader)

Three months ended September 30, 2024

(reported in US Dollars)

NOTICE TO READER

This management's discussion and analysis document for the nine months ended September 30, 2024, as refiled, includes the correction of certain inadvertent wording included in the results of operations section of the original MD&A document. The current version of the management's discussion and analysis document includes corrected wording for the results of operations section of the document.

POSaBIT Systems Corporation

REFILED INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended September 30, 2024
(Reported in US Dollars)

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*This refiled interim management discussion and analysis – quarterly highlights ("Refiled Interim MD&A") has been prepared based on information available to POSaBIT Systems Corporation ("**POSaBIT**" or the "**Company**") at December 5, 2024. This Refiled 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 Refiled 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 nine months ended September 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 Refiled 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 November 25, 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 September 30, 2024, there were no common shares issued. Subsequent to the reporting date, 135,823 common shares were issued on the exercise of the same number of warrants.

Warrants

During the three months ended September 30, 2024, there was no warrant activity. Subsequent to the reporting date, 135,823 warrants were exercised, raising proceeds of C$16,299.

Options and RSUs

During the three months ended September 30, 2024, 30,000 options with expiry date of July 18, 2034 and exercise price of C$0.135, were issued and 2,315,39 options expired, unexercised.

During the same period, there was no RSU activity.

Subsequent to the reporting period, 2,500 options with expiry date of October 31. 2034 and exercise price of C$0.12, were issued.

Financial condition

As at September 30, 2024, the Company had assets totaling $10,643,769 and shareholders' equity of $1,738,732. This compares with assets of $13,161,317 and shareholders' equity of $5,309,513, at December 31, 2023.

During the quarter ended September 30, 2024, the Company's net assets decreased by $1,561,393, the result of a decrease in assets of $1,159,400, supplemented by an increase in liabilities of $401,993.

(Reported in US Dollars)

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

Item	**Change**	**Explanation of change**
	$	
Cash	(163,751)	Cash used for operating activities of $129,289 supplemented by cash used in financing activities of $34,462.
Receivables	(334,504)	Decrease in receivables due to normal operational variations.
Prepaid expenses and deposits	(12,463)	The decrease is the result of normalized annual expenditures and the recording of monthly expenses
Inventories	172,525	Finished inventory increased, as the Company purchased additional equipment to meet expected hardware demand for the point of sale (POS) product.
Equipment	(7,285)	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	(30,726)	Decrease due to depreciation recognized in the period.
Contract asset	(680,680)	$220,569 accreted to interest income offset by $901,249 payments received (excluding amounts remaining in accounts receivable). Total income for the period was $1,162,500, with $386,250 allocated to support services.
Decrease in assets	**(1,159,400)**	
Accounts payable and accrued liabilities	(415,108)	Increase in payables due to normal operational variation in payment timing.
Government loan	(725)	The increase is due to accretion for the quarter of $2,865 less payments made of $2,193.
Lease Liability	31,089	Decrease attributable to accreted interest expense of $1,911 less payments of $33,000.
Credit facility	(17,250)	No drawdowns for the period. Change due entirely to interest accretion for the period.
Increase in liabilities	**(401,993)**	
Decrease in net assets	**(1,561,393)**	

(Reported in US Dollars)

Results of operations

Selected financial results of operations are summarized below:

	Three months ended			
	September 30, 2024	**June 30, 2024**	**Change Fav/(Unfav)**	
	$	$	$	%
Revenue	**4,082,537**	4,264,005	(181,468)	(4)
Cost of goods sold	**(2,450,646)**	(2,073,398)	(377,248)	(18)
Gross margin	**1,631,891**	2,190,607	(558,716)	(26)
Operating expenses, excluding forex	**(3,070,372)**	(3,234,985)	164,613	5
Forex	**(304,120)**	405,351	(709,471)	175
Loss before items below	**(1,742,601)**	(639,027)	(1,103,574)	(173)
Other income (expense)	**(341,341)**	185,066	(526,407)	284
Loss	**(2,083,942)**	(453,961)	(1,629,981)	(359)

	Three month ended			
	September 30, 2024	**September 30, 2023** ***(re-presented)***	**Change Fav/(Unfav)**	
	$	$	$	%
Revenue	**4,082,537**	13,667,314	(9,584,777)	(70)
Cost of goods sold	**(2,450,646)**	(10,400,577)	7,949,931	76
Gross margin	**1,631,891**	3,266,737	(1,634,846)	(50)
Operating expenses, excluding forex	**(3,070,372)**	(3,693,151)	622,779	17
Forex	**(304,120)**	(202,078)	(102,042)	(51)
Loss before items below	**(1,742,601)**	(628,492)	(1,114,109)	(177)
Other income (expense)	**(341,341)**	(7,039,517)	6,698,176	(95)
Loss	**(2,083,942)**	(7,668,009)	5,584,067	73

Starting in January 2024, POSaBIT's product offerings to its customers changed. Previously, the Company offered a PIN Debit payment product wherein gross revenue included both customer and merchant fees that were collected, with an offset of those merchant fees included in cost of sales. Commencing in January 2024, the Company offers a Point of Banking product, wherein only customer fees are included in gross revenue. This change in product resulted in a reduction to the Company's reported revenue with an offset to its reported cost of sales. For comparative purposes, this change does not impact the economics of the products provided by the Company as its reported gross margin is unaffected. The change in product mix does not represent a change in accounting policy with regard to revenue recognition.

The cost of goods sold amount includes a catchup, one-time payment to a channel revenue-sharing partner of $270K, of which, approximately $178K applies to the period ended June 30, 2024. Similarly, the operating costs noted above include a 9-month accrual for employee bonuses recently approved by the BoD. The entire accrual amounts to $345K, with $230K applicable to the period ended June 30, 2024.

(Reported in US Dollars)

Other selected financial information

"**EBITDA**" and "**Adjusted EBITDA**" are non-IFRS measures used by management that do 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**").

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**			
	September 30, 2024	**June 30, 2024**	**Change Fav/(Unfav)**		**September 30, 2024**	**September 30, 2023** ***(re-presented)***	**Change Fav/(Unfav)**	
	$	$	$	%	**$**	$	$	%
Revenue	**4,082,537**	4,264,005	(181,468)	(4)	**4,082,537**	13,667,314	(9,584,777)	(70)
Cost of sales	**(2,450,646)**	(2,073,398)	(377,248)	(18)	**(2,450,646)**	(10,400,577)	7,949,931	76
Gross margin (deficit)	**1,631,891**	2,190,607	(558,716)	(26)	**1,631,891**	3,266,737	(1,634,846)	(50)
Adjusted operating costs	**(2,793,013)**	(2,870,136)	77,213	3	**(2,793,013)**	(3,299,007)	505,994	15
Adjusted other costs (income)	**220,569**	234,170	(13,601)	(6)	**220,569**	272,955	(52,386)	(19)
EBITDA	**(940,553)**	(445,359)	(495,194)	(111)	**(940,553)**	240,685	(1,181,238)	(491)
Adjustments detailed below	1,088,681	542,080	546,601	100	1,088,681	(189,366)	1,278,047	675
Adjusted EBITDA	**148,128**	96,721	51,407	53	**148,128**	51,319	96,809	189

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

(Reported in US Dollars)

	Three months ended		
	September 30, 2024	June 30, 2024	September 30, 2023 (*re-presented*)
	$	$	$
Earnings (loss), as reported	**(2,083,942)**	(453,961)	(7,668,009)
Add-back (deduct) foreign exchange (gains)/losses, as reported	**304,120**	(405,131)	202,078
Add back share-based compensation, as reported	**239,349**	325,874	482,345
Add back (deduct) amortization and depreciation, as reported	**38,010**	38,975	(88,201)*
Add back change in expected credit losses and bad debts, as reported	**69,247**	101,737	21,732
Add back finance costs, as reported	**119,183**	117,000	94,393
Add back interest accretion, as reported	**4,099**	4,991	202,232
Add back impairment of intangible assets, as reported	**-**	-	5,160,000
Add back transaction costs, as reported	**19,381**	62,876	15,838
Add back litigation settlements, as reported	**350,000**	-	-
Add back one-time severance costs, as reported	**-**	-	2,212,594
Add back (deduct) other income (loss), as reported	**-**	-	683
Deduct bad debt recoveries, as reported	**-**	(237,500)	-
Deduct change in fair value of derivative liability, as reported	**-**	-	(395,000)
EBITDA	**(940,553)**	(445,359)	240,685
Deduct Licensing Support revenue, as reported *(note 20)*	**(341,895)**	(386,250)	(386,250)
Deduct licensing revenue interest income, as reported	**(220,569)**	(234,170)	(272,955)
Add back cash receipts from licensing agreement, as reported *(note 10)*	**793,145**	775,000	469,839
Add back contract asset receivable as at the reporting date, as reported *(note 5)*	**450,000**	387,500	-
Add back Channel Partner revenue-sharing payments applicable to prior periods	**178,000**	-	-
Add back employee bonuses applicable to prior periods	**230,000**	-	-
Adjusted EBITDA	**148,128**	96,721	51,319

*Reflects a reallocation between depreciation and cost of sales regarding revenue generating equipment.

In Q3 2024 compared to Q3 2023 (re-presented), revenue declined by $9,584,777, or 70%. It should be noted however, that these results reflect accounting for the license contract (note 10) revenues pursuant to IFRS. Cash received for Q3 2024 was $793,145 versus cash received during Q3 2023 of $469,839, an increase of $323,906. During the same period last year, gross margin was also down by $1.6 million, or 50%.

For Q3 2024, we saw a decrease in revenues of $181,468, or 4% compared to Q2 2024. Cost of sales over the same period was up by $377,248 (including the one-time revenue-sharing payment of $376,000), or 18%, resulting in a decreased gross margin of $558,716, or 26%.

In terms of Adjusted EBITDA, Q3 2024 over Q2 2024 saw a favourable change of $51,407 or 53%, This was due to gross margin decrease of over $559,000, offset by EBITDA operating and other income (expense) adjustments of $77,123 and $(13,601), respectively. Adjusted EBITDA further reflects changes for Contract Asset adjustments of $138,601 and current year, prior-period adjustments of $408,000.

(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 Chief Executive Officer and the Chief Financial Officer. Others include the Company's Chief Operating Officer, Chief Technology Officer, Chief Product Officer and Chief Revenue Officer. Related-party compensation paid or payable to key management is detailed below:

3 months ended September 30,	**2024**	2023
	$	$
Executive compensation to key managers	**465,531**	639,862
Share-based compensation to key managers	**463,614**	290,702
Totals	**929,145**	930,564

During the three months ended September 30, 2024, the Company made related-party interest payments totaling $119,079 (2023 - $94,393) respectively, in the consolidated statements of comprehensive loss.

Litigation

The Company is, from time to time, involved in various claims and legal proceedings. When the Company cannot reasonably predict the likelihood or outcome of any claim, no provision is made within the consolidated financial statements.

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.

During the third quarter of 2024, the Company settled a lawsuit with an agent in the amount of $350,000 (the "**Settlement**"). The terms of the Settlement require the Company to make an initial payment of $225,000 and further five payments of $25,000/month. The initial payment of $225,000 and the first installment payment of $25,000, were both made subsequent to the reporting date.

Outstanding securities

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

Security	Number outstanding
Common shares	156,498,499
Options (exercisable – 15,041,454)	15,450,488
Restricted share units (RSU)	3,420,664
Warrants	9,724,749
Total fully diluted capitalization	185,094,400