

FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: POSaBIT Systems Corporation (the "Issuer").

Trading Symbol: PBIT

This Quarterly Listing Statement must be posted on or before the day on which the Issuer's unaudited interim financial statements are to be filed under the *Securities Act*, or, if no interim statements are required to be filed for the quarter, within 60 days of the end of the Issuer's first, second and third fiscal quarters. This statement is not intended to replace the Issuer's obligation to separately report material information forthwith upon the information becoming known to management or to post the forms required by the Exchange Policies. If material information became known and was reported during the preceding quarter to which this statement relates, management is encouraged to also make reference in this statement to the material information, the news release date and the posting date on the Exchange website.

General Instructions

- (a) Prepare this Quarterly Listing Statement using the format set out below. The sequence of questions must not be altered nor should questions be omitted or left unanswered. The answers to the following items must be in narrative form. When the answer to any item is negative or not applicable to the Issuer, state it in a sentence. The title to each item must precede the answer.
- (b) The term "Issuer" includes the Listed Issuer and any of its subsidiaries.
- (c) Terms used and not defined in this form are defined or interpreted in Policy 1 – Interpretation and General Provisions.

There are three schedules which must be attached to this report as follows:

SCHEDULE A: FINANCIAL STATEMENTS

Financial statements are required as follows:

For the first, second and third financial quarters interim financial statements prepared in accordance with the requirements under Ontario securities law must be attached.

If the Issuer is exempt from filing certain interim financial statements, give the date of the exempting order.

The interim financial statements for the three and nine months ended September 30, 2019 and 2018 are attached as Schedule A.

SCHEDULE B: SUPPLEMENTARY INFORMATION

The supplementary information set out below must be provided when not included in Schedule A.

1. Related party transactions

Provide disclosure of all transactions with a Related Person, including those previously disclosed on Form 10. Include in the disclosure the following information about the transactions with Related Persons:

- (a) A description of the relationship between the transacting parties. Be as precise as possible in this description of the relationship. Terms such as affiliate, associate or related company without further clarifying details are not sufficient.
- (b) A description of the transaction(s), including those for which no amount has been recorded.
- (c) The recorded amount of the transactions classified by financial statement category.
- (d) The amounts due to or from Related Persons and the terms and conditions relating thereto.
- (e) Contractual obligations with Related Persons, separate from other contractual obligations.
- (f) Contingencies involving Related Persons, separate from other contingencies.

All related party transactions have been disclosed in the Issuer's financial statements for the interim period ended September 30, 2019.

2. Summary of securities issued and options granted during the period.

All securities issued and options granted have been disclosed in the notes to the Issuer's financial statements for the interim period ended September 30, 2019.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

- (a) summary of securities issued during the period,

Date of Issue	Type of Security (common shares, convertible debentures, etc.)	Type of Issue (private placement, public offering, exercise of warrants, etc.)	Number	Price	Total Proceeds	Type of Consideration (cash, property, etc.)	Describe relationship of Person with Issuer (indicate if Related Person)	Commission Paid

- (b) summary of options granted during the period,

Date	Number	Name of Optionee if Related Person and relationship	Generic description of other Optionees	Exercise Price	Expiry Date	Market Price on date of Grant

3. Summary of securities as at the end of the reporting period.

A summary of securities has been provided in the Issuer's financial statements for the interim period ended September 30, 2019.

Provide the following information in tabular format as at the end of the reporting period:

- (a) description of authorized share capital including number of shares for each class, dividend rates on preferred shares and whether or not cumulative, redemption and conversion provisions,
- (b) number and recorded value for shares issued and outstanding,
- (c) description of options, warrants and convertible securities outstanding, including number or amount, exercise or conversion price and expiry date, and any recorded value, and
- (d) number of shares in each class of shares subject to escrow or pooling agreements or any other restriction on transfer.

4. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Name	Position Held
Ryan Hamlin	President, Chief Executive Officer and Director
Jon Baugher	Chief Revenue Officer and Director
Jeff Dossett	Chairman, Director
Bruce Jaffe	Director
Andrew Sweet	Chief Technology Officer
Stephen Gledhill	Chief Financial Officer and Corporate Secretary

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

Provide Interim MD&A if required by applicable securities legislation.

The interim management discussion and analysis and quarterly highlights for the three months ended September 30, 2019 are attached as Schedule C.

Certificate Of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.
2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.
3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).
4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated November 26, 2019.

Stephen Gledhill

Name of Director or Senior Officer

"Stephen Gledhill"

Signature

Chief Financial Officer

Official Capacity

Issuer Details		For Quarter Ended	Date of Report
Name of Issuer	POSaBIT Systems Corporation	September 30, 2019	YY/MM/D November 26, 2019
Issuer Address 1128 8 th Street			
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.	
Kirkland, WA 98033		(855) 767-2248	
Contact Name	Contact Position	Contact Telephone No.	
Stephen Gledhill	Chief Financial Officer	(855) 767-2248	
Contact Email Address	Web Site Address		
Investors@posabit.com	www.posabit.com		

Schedule A
Financial Statements

See Following pages



POSaBIT Systems Corporation
(formerly, Foreshore Exploration Partners Corp.)

Unaudited Interim Consolidated Financial Statements
Three and Nine Months Ended September 30, 2019 and 2018
(expressed in United States Dollars)

NOTICE TO READER

The accompanying unaudited interim consolidated financial statements of POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.) (the “Company”) have been prepared by and are the responsibility of management. These unaudited interim consolidated financial statements as at and for the three and nine months ended September 30, 2019 and 2018 have not been reviewed by the Company's auditors.



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.), 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

November 26, 2019

"Stephen M. Gledhill"

Stephen M. Gledhill
Chief Financial Officer

November 26, 2019

POSaBIT Systems Corporation
(formerly, Foreshore Exploration Partners Corp.)
Unaudited Interim Consolidated Statements of Financial Position
(Expressed in United States Dollars)



	September 30, 2019	December 31, 2018
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	72,095	1,433,907
Restricted cash (note 6)	-	767,246
Sales taxes recoverable	521	-
Receivables (notes 5 and 14)	1,019,196	622,044
Due from related parties (note 13)	122,277	10,749
Digital assets (note 3)	7,406	4,326
Inventories (note 7)	78,311	33,452
Prepaid expenses and deposits	140,307	46,964
Total current assets	1,440,113	2,918,688
Other asset (note 8)	120,000	120,000
Equipment, net (note 9)	89,317	26,419
Intangible assets (notes 4 and 10)	433,177	409,553
Customer lists (notes 4 and 10)	40,000	40,000
Goodwill (note 4)	511,000	511,000
Total assets	2,633,607	4,025,660
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities	3,400,261	3,248,150
Total current liabilities	3,400,261	3,248,150
Note payable (note 11)	400,000	200,000
Total liabilities	3,800,261	3,448,150
Shareholders' equity (deficiency)		
Share capital (note 12)	10,559,140	811,881
Preferred shares (note 12)	-	5,784,834
Common shares to be issued (note 12)	-	1,887,041
Warrants reserve (note 12)	186,682	24,750
Contributed surplus (note 12)	372,264	353,008
Deficit	(12,284,740)	(8,284,004)
Total shareholders' equity (deficiency)	(1,166,654)	577,510
Total liabilities and shareholders' equity (deficiency)	2,633,607	4,025,660

Approved for filing by the Board of Directors, November 26, 2019.

"Bruce Jaffe" (Director)

"Ryan Hamlin" (Director)

POSaBIT Systems Corporation

(formerly, Foreshore Exploration Partners Corp.)

Unaudited Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2019

(Expressed in United States Dollars)



	3 months ended		9 months ended	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	\$	\$	\$	\$
REVENUE				
Digital assets processing services	1,149,573	740,732	3,267,987	1,386,447
Total revenue	1,149,573	740,732	3,267,987	1,386,447
COST OF SALES				
Processing fees	540,751	248,674	1,460,224	548,761
Software license fees	139,734	76,691	367,956	172,823
Hardware cost of sales	145,719	238,999	326,381	382,914
Sales labour and commissions	163,539	148,657	549,781	268,792
Total cost of sales	989,743	716,021	2,704,342	1,373,290
Gross margin	159,830	24,711	563,645	13,157
OPERATING EXPENSES				
Amortization and depreciation	104,070	70,784	284,694	233,837
Forex	26,146	(248)	31,358	(248)
General and administration	100,056	15,661	303,487	78,508
Impairment of receivables	-	(8,344)	2,520	-
Investor relations and public reporting	8,605	-	8,830	-
Marketing	79,930	48,547	248,993	79,449
Meals and entertainment	13,567	8,359	41,474	27,141
Professional fees	34,280	231,157	230,777	579,964
Rent	18,499	16,386	53,518	40,131
Salaries and wages	489,688	234,418	1,339,376	678,227
Share-based compensation (note 12)	22,321	119,064	68,353	210,222
Travelling	59,086	34,224	147,155	83,806
Transaction costs (note 3.1(a))	(5,160)	-	1,841,002	-
Total operating expenses	951,088	770,008	4,601,537	2,011,037
OTHER EXPENSES				
Change in fair value of digital assets	(8,509)	(6,509)	3,082	(22,474)
Change in expected credit losses	3,792	7,068	31,056	-
Change in fair value of derivative liability	-	-	-	287,877
Gain on disposal of assets	-	-	-	2,326
Interest expense	(17,074)	(29,748)	(40,055)	(902,513)
Total other expenses	(21,791)	(29,189)	(5,917)	(634,744)
Loss and comprehensive loss	(813,049)	(774,486)	(4,043,809)	(2,632,634)
Basic and diluted loss per common share	(0.010)	(0.031)	(0.067)	(0.115)
Basic and diluted weighted average number of common shares outstanding	80,606,571	24,647,863	59,991,512	22,820,113

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

POSaBIT System Corporation

(formerly, Foreshore Exploration Partners Corp.)

Unaudited Interim Consolidated Statement of Changes in Equity (Deficiency)

(Expressed in United States Dollars)



	Common shares		Shares to be issued	Preferred shares		Contributed surplus	Warrants reserve	Deficiency	Total
	Number	Amount		Number	Amount				
		\$	\$		\$	\$	\$	\$	\$
January 1, 2018	18,863,461	145,652	-	-	-	85,525	24,750	(4,389,252)	(4,133,325)
Shares issued for cash	-	-	-	1,075,000	430,000	-	-	-	430,000
Shares issued conversion of debt	-	-	-	13,571,300	5,368,541	-	-	-	5,368,541
Shares issued to DoubleBeam shareholders (note 3(b))	5,345,730	641,488	-	-	-	-	-	-	641,488
Shares to be issued for cash received	-	-	1,436,790	-	-	-	-	-	1,436,790
Cost of issuance	-	-	(10,519)	-	-	-	-	-	(10,519)
Shares to be issued in settlement of accounts payable	-	-	80,469	-	-	-	-	-	80,469
Redemption of capital	(663,873)	(19,917)	-	-	-	-	-	-	(19,917)
Share-based compensation	85,520	10,177	-	-	-	200,045	-	-	210,222
Net loss	-	-	-	-	-	-	-	(2,632,876)	(2,632,876)
September 30, 2018	23,630,838	777,400	1,506,740	14,511,198	5,798,541	285,570	24,750	(7,021,876)	1,371,125
Cost of issued shares	-	-	-	-	(73,686)	-	-	-	(73,686)
Shares issued to DoubleBeam shareholders (note 3.1(b))	-	(20,488)	-	-	-	-	-	-	(20,488)
Shares issued on conversion	-	-	-	135,102	59,979	-	-	-	59,979
Shares held until completion of IPO	577,320	54,469	-	-	-	-	-	-	54,469
Shares to be issued for cash received	-	-	330,301	-	-	-	-	-	330,301
Shares to be issued on conversion	-	-	50,000	-	-	-	-	-	50,000
Exercise of options	1,250	500	-	-	-	-	-	-	500
Share-based compensation	-	-	-	-	-	67,438	-	-	67,438
Net loss	-	-	-	-	-	-	-	(1,262,128)	(1,262,128)
December 31, 2018	24,209,408	811,881	1,887,041	14,646,300	5,784,834	353,008	24,750	(8,284,004)	577,510

Continued next page

POSaBIT System Corporation

(formerly, Foreshore Exploration Partners Corp.)

Unaudited Interim Consolidated Statement of Changes in Equity (Deficiency)

(Expressed in United States Dollars)



	Common shares		Shares to issued	Preferred shares		Contributed surplus	Warrants reserve	Deficiency	Total
	Number	Amount		Number	Amount				
		\$	\$		\$	\$	\$	\$	\$
December 31, 2018	24,209,408	811,881	1,887,041	14,646,300	5,784,834	353,008	24,750	(8,284,004)	577,510
Shares issued for cash	6,526,597	734,491	-	-	-	-	-	-	734,491
Cost of issuance	-	(60,140)	-	-	-	-	(59,660)	-	(119,800)
Fair value of issued warrants	-	(210,919)	-	-	-	-	210,919	-	-
Shares issued on conversion	549,804	50,000	(50,000)	-	-	-	-	-	-
Shares issued to Foreshore shareholders (note 3.1(a))	3,250,000	1,456,746	-	-	-	-	-	-	1,456,746
Shares issued pursuant to subscription receipts (note 3.1(a))	1,967,793	896,506	(896,506)	-	-	-	-	-	-
Shares issued to POSaBIT shareholders	2,043,780	940,535	(940,535)	-	-	-	-	-	-
Shares issued to POSaBIT shareholders pursuant to exchange ratio	18,260,929	-	-	-	-	-	-	-	-
Shares issued on conversion	14,646,300	5,784,834	-	(14,646,300)	(5,784,834)	-	-	-	-
Shares issued to POSaBIT preferred shareholders pursuant to exchange ratio	11,043,015	-	-	-	-	-	-	-	-
Options issued to Foreshore option holders (note 3.1(a))	-	-	-	-	-	112,730	-	-	112,730
Exercise of options	538,017	29,913	-	-	-	-	-	-	29,913
Fair value of exercised options	-	118,754	-	-	-	(118,754)	-	-	-
Expiry of options	-	-	-	-	-	(43,073)	-	43,073	-
Agent warrants issued Foreshore agent warrant holders (note 3.1(a))	-	-	-	-	-	-	16,126	-	16,126
Exercise of agent warrants	14,540	1,086	-	-	-	-	-	-	1,086
Fair value transfer of exercised agent warrants	-	5,453	-	-	-	-	(5,453)	-	-
Share-based compensation	-	-	-	-	-	68,353	-	-	68,353
Net loss	-	-	-	-	-	-	-	(4,043,809)	(4,043,809)
September 30, 2019	83,050,183	10,559,140	-	-	-	372,264	186,682	(12,284,740)	(1,166,654)

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

POSaBIT Systems Corporation
(formerly, Foreshore Exploration Partners Corp.)
Unaudited Interim Consolidated Statements of Cash Flows
For the nine months ended September 30,



	2019	2018
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(4,043,809)	(2,632,624)
Adjustment for non-cash items		
Amortization and depreciation	284,694	233,838
Change in fair value of derivative liability	-	(287,877)
Change in fair value of digital assets	(3,082)	58,456
Change in expected credit losses	(31,056)	10,649
Forex	(185)	-
Gain on disposal of assets	-	(2,366)
Impairment of receivables	2,520	-
Interest accretion on convertible debentures and notes	-	893,782
Stock based compensation	68,353	210,222
Non-cash transaction costs (listing fees) (note 3(a))	1,508,198	-
Changes in operating assets and liabilities:		
Sales taxes recoverable	(521)	-
Receivables	(368,616)	(35,518)
Digital assets	-	(81,117)
Inventories	(44,859)	(17,763)
Prepaid expenses	(93,343)	(22,111)
Accounts payable and accrued liabilities	152,113	1,081,430
Net cash used for operating activities	(2,569,593)	(710,999)
INVESTING ACTIVITIES		
Purchase of equipment	(79,890)	(9,117)
Purchase of intangible assets	(291,326)	(416,635)
Cash acquired on completion of Double Beam acquisition (note 3(b))	-	23,000
Cash acquired on completion of Transaction (note 3(a))	77,589	-
Net cash used for investing activities	(293,627)	(402,752)
FINANCING ACTIVITIES		
Issuance of common shares (net of costs)	614,691	495,000
Issuance of preferred shares (net of costs)	-	370,021
Issuance of convertible debentures	-	350,000
Issuance of subscription receipts (net of costs)	-	1,011,740
Issuance of note payable	200,000	200,000
Exercise of options	29,913	-
Exercise of warrants	1,086	-
Repayments to related parties	(111,528)	(21,904)
Net cash provided by financing activities	734,162	2,404,857
Net increase in cash and cash equivalents during the period	(2,129,060)	1,291,106
Change in restricted cash	767,246	(882,480)
Cash and cash equivalents, beginning of year	1,433,907	207,879
Cash and cash equivalents, end of period	72,095	616,505

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



Supplemental cash flow information

Cash interest paid	40,055	60,414
Non-cash financing and investing activities:		
Related-party debt extinguished by share redemption	-	19,917
Subscription receipts issued in settlement of accounts payable	-	80,469

POSaBIT Systems Corporation

(formerly, Foreshore Exploration Partners Corp.)

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended September 30, 2019 and 2018

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

POSaBIT Systems Corporation (“**POSaBIT**” or the “**Company**”), was incorporated as Foreshore Exploration Partners Corp. (“**Foreshore**”) on June 12, 2017, pursuant to the *Business Corporations Act* (British Columbia) and was a Capital Pool Company, pursuant to the policies of the TSX Venture Exchange (“**TSXV**”). On March 29, 2019, Foreshore obtained receipt of its final prospectus filed with regulatory authorities in British Columbia, Alberta and Ontario, in connection with its proposed reverse takeover transaction (the “**Transaction**”), with POSaBIT, Inc. Pursuant to the Transaction that was completed on April 5, 2019, Foreshore by way of a plan of merger, acquired all of the issued and outstanding shares of POSaBIT, Inc. through a merger of the Company’s wholly-owned subsidiary, POSaBIT Merger Sub, Inc. with POSaBIT, Inc. as the surviving legal subsidiary of the Foreshore. Upon completion of the merger, POSaBIT, Inc. was renamed POSaBIT US, Inc (“**POSaBIT US**”). Pursuant to the merger, existing POSaBIT US securities holders would receive 1.7539815 Company securities (common shares, options, warrants, finder/agent warrants, as applicable) for each POSaBIT US security held.

In connection with the Transaction, Foreshore delisted from the TSXV and obtained listing on the Canadian Securities Exchange (“**CSE**”) under the trading symbol “**PBIT**”. Details of the Transaction are disclosed in note 4(a).

The Company’s head office is located at 1128 8th Street, Kirkland, Washington 98033. It’s registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1. The Company’s operations primarily involve point-of-sale arrangements designed to offer consumers an easy way to acquire digital currency and use it to purchase goods and services.

These unaudited interim consolidated financial statements (the “**Consolidated Financial Statements**”) have been prepared using International Financial Reporting Standards (“**IFRS**”) applicable to going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. The Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and consolidated statement of financial position classifications 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. Such adjustments could be material.

As at September 30, 2019, the Company has a reported working capital deficit of \$1,960,148 (December 31, 2018 – \$329,462) and has shareholders’ deficiency \$1,166,654 (December 31, 2018 – equity of \$577,510). The Company’s ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors indicate the existence of a material uncertainty which may cast significant doubt upon the Company’s ability to continue as a going concern.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These unaudited interim consolidated 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**”).



POSaBIT Systems Corporation

(formerly, Foreshore Exploration Partners Corp.)

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended September 30, 2019 and 2018

(Expressed in United States Dollars)

The Consolidated Financial Statements were approved and authorized for issuance by the Board on November 26, 2019.

2.2 Basis of presentation and measurement

The Consolidated Financial Statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured on amortized cost or at fair value. In addition, these unaudited interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Foreign currency transactions are recorded at the exchange rate as at the date of the transaction. At each statement of financial position date, monetary assets and liabilities are translated using the period end foreign exchange rate. Non-monetary assets and liabilities in foreign currencies other than the functional currency are translated using the historical rate. All gains and losses on translation of these foreign currency transactions are included in the profit and loss.

2.3 Basis of consolidation

The Consolidated Financial Statements consolidate the accounts of the Company and its wholly-owned subsidiaries, DoubleBeam, Inc. (“**DoubleBeam**”) and POSaBIT US, Inc. POSaBIT US acquired all of the issued and outstanding shares of Doublebeam on February 16, 2018 (note 3(b)). All intercompany transactions, balances and unrealized gains and losses from intercompany transactions are eliminated on consolidation. Subsidiaries are entities 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. BUSINESS COMBINATIONS

3.1 Transaction with Foreshore

The Company completed the Transaction on April 5, 2019. The Transaction constitutes a reverse-takeover of Foreshore but does not meet the definition of a business combination, and therefore *IFRS 3 Business Combinations* is not applicable. As a result, and in accordance with reverse take-over accounting for a transaction that is **not** considered a business combination:

- a) Foreshore is treated as the acquiree and POSaBIT is treated as the acquirer and therefore, the go-forward entity is deemed to be a continuation of POSaBIT and POSaBIT is deemed to have acquired control of the assets and business of Foreshore in the consideration of the issuance of capital, options and warrants, as applicable.

For accounting purposes, POSaBIT is deemed to have issued the following securities in exchange for the net assets of Foreshore:

The fair value of the consideration issued for the net assets of Foreshore is as follows:



POSaBIT Systems Corporation

(formerly, Foreshore Exploration Partners Corp.)

Notes to the Unaudited Interim Consolidated Financial Statements

For the three and six months ended September 30, 2019 and 2018

(Expressed in United States Dollars)

	\$
3,250,000 common shares valued at \$0.45 per share	1,456,746
300,000 Options (note 4 (a)(i))	112,730
43,000 Agent Options (note 4 (a) (ii))	16,126
	1,585,602

Allocated to Foreshore's net assets:

	\$
Cash	77,589
Accounts payable	(185)
Net assets	77,404
Cost of listing (transaction cost)	1,508,198
	1,585,602

- i) The fair value of the options was calculated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.59%, volatility of 80.355%, share price of \$0.45 and dividends of nil.
 - ii) The fair value of the Agent Options was calculated using the Black-Scholes option pricing model with the following assumptions: Risk-free interest rate of 1.59%, volatility of 80.355%, share price of \$0.45 and dividends of nil.
 - iii) In addition to the cost of listing transaction fees of \$1,508,198, the Company incurred legal fees of \$228,719 and audit costs of \$83,597, all of which are included as transaction costs on the unaudited interim consolidated statements of loss and comprehensive loss.
- b) Foreshore's share capital (net of issuance costs) and contributed surplus are eliminated by a charge to retained earnings.
 - c) The assets and liabilities of Foreshore are included in the consolidated statements of financial position at their historical carrying values, which approximates their fair values. The assets and liabilities of POSaBIT are included in the consolidated financial statements of financial position at their fair values.

3.2 Acquisition of DoubleBeam (2018)

On February 16, 2018, the Company acquired 100% of the shares of DoubleBeam ("Acquisition"), an unlisted company based in the state of California that specializes in point of sale payment processing. The Company has acquired DoubleBeam to expand its operations and integrate DoubleBeam's structure with its own. The Acquisition has been accounted for using the acquisition method.

The total purchase price paid for DoubleBeam was \$621,000 by way of the Company issuing common shares in the amount for 22.7% of the fair value of its common shares on February 16, 2018.

The fair value of the identifiable assets and liabilities of DoubleBeam as at the date of acquisition were:



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	Total
	\$
Purchase Price:	
Shares exchanged	621,000
	621,000
Net assets acquired:	
Cash	17,400
Accounts receivable	45,600
Equipment	18,000
Intangible assets	51,000
Customer list and software	40,000
Accounts payable	(62,000)
Goodwill	511,000
	621,000

4. DIGITAL ASSETS

Digital assets consist of Bitcoin (BTC) and Litecoin (LTC) coins.

5. RECEIVABLES

	September 30, 2019	December 31, 2018
	\$	\$
Receivables	1,037,631	778,869
Impairment of receivables	(2,520)	(65,475)
Allowance for expected credit losses	(15,915)	(45,310)
	1,019,196	622,044

The receivables are generally on terms due within 30 days.

The Company adopted IFRS 9 on January 1, 2018. For the three and nine months ended September 30, 2019, the Company recognized expected credit recoveries of \$3,792 (2018 - \$7,068) and \$31,056 (2018 - \$nil), respectively.

6. RESTRICTED CASH

In September 2018, POSaBIT issued 1,264,432 subscription receipts for common shares to be issued, raising \$882,480 (C\$965,520) in cash, \$60,000 in digital assets and a reduction of \$80,469 in accounts payable and accrued liabilities. On December 14, 2018, a subscriber withdrew \$115,234 (C\$150,000) in subscription receipts, representing 142,533 shares to issued. The funds were held in trust by the escrow agent and were released upon completion of a go-public



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transaction (note 3(a)). As noted above, as at June 30, 2019, all restricted funds have been released to the Company (December 31, 2018 - \$767,246).

See note 16 for details of the transaction, which comprises consideration received by the POSaBIT shareholders and subscription receipt holders pursuant to a merger (the "Merger") in consideration for their POSaBIT shares and subscription receipts, being 1.7539815 Foreshore shares for each POSaBIT share or subscription receipt held.

7. INVENTORIES

	September 30, 2019	December 31, 2018
	\$	\$
Finished goods	78,311	33,452
	78,311	33,452

8. OTHER ASSET

The other asset in the amount of \$120,000 is a surety bond provided by Philadelphia Insurance and required for the Company's Money Transfer Licence in Washington State.

9. EQUIPMENT, net

Cost	\$
January 1, 2018	15,511
Additions from the acquisition (note 4)	18,000
December 31, 2018	37,419
Additions	79,890
September 30, 2019	117,309
Accumulated Depreciation	
January 1, 2018	522
Depreciation	10,478
December 31, 2018	11,000
Depreciation	16,992
September 30, 2019	27,992
Net Book Value	
December 31, 2018	26,419
September 30, 2019	89,317



10. INTANGIBLE ASSETS, net

Intangible assets relate to software internally generated and acquired from DoubleBeam and a customer list acquired from DoubleBeam.

Software

	\$
January 1, 2018	251,845
Additions	491,350
Additions from acquisition (note 4)	50,000
December 31, 2018	793,195
Additions	291,325
September 30, 2019	1,084,520

Accumulated Amortization

January 1, 2018	122,383
Amortization	261,258
December 31, 2018	383,641
Amortization	267,702
September 30, 2019	651,343

Net Book Value

December 31, 2018	409,553
September 30, 2019	433,177

Customer List

	\$
December 31, 2018 and September 30, 2019	40,000

11. NOTE PAYABLE

On May 6, 2019, the Company issued an unsecured note payable ("**Note 2**") in the amount of \$200,000. Starting May 6, 2019, Note 2 accrues interest at 18% per annum, with interest payable on a quarterly basis. Note 2 can be repaid in full at any time. There is a 9% penalty if repaid within the first six months of issuance, and no penalty after six months. Note 2 matures on September 30, 2020. For the 3 and 9 months ended September 30, 2019, interest expense of \$9,074 (2018 - \$nil) and \$15,091 (2018 - \$nil), respectively, has been recorded.

On September 20, 2018, the Company issued an unsecured note payable ("**Note 1**") in the amount of \$200,000. Starting October 1, 2018, Note 1 accrues interest at 18% per annum, with interest payable on a quarterly basis. Note 1 can be repaid in full at any time. There is a 9% penalty if repaid within the first six months of issuance, and no penalty after six months. Note 1 matures on



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September 30, 2020. For the 3 and 9 months ended September 30, 2019, interest expense of \$8,001 (2018 - \$296) and \$24,964 (2018 - \$296), respectively, has been recorded.

12. SHARE CAPITAL

Common and preferred shares

12.1 Authorized

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

12.2 Issued and outstanding

2019

(i) In September 2019, the Company issued 175,398 common shares on the exercise of options, raising \$5,000. The fair value of the exercised options of \$3,773 was transferred from contributed surplus to share capital.

(ii) In August 2019, the Company completed a private placement (the "**Financing**") with the issuance of 6,026,597 units (a "**Unit**"), raising gross proceeds of \$711,692. Each Unit consisted of one common share of the Company and 1 share purchase warrant (a "**Warrant**"). Each Warrant is exercisable into one common share for \$0.30, for a period of 2 years. The fair value of \$210,919 of the issued warrants was estimated using the Black-Scholes option pricing model with variables as disclosed in note 12.5.

In concert with completing the Financing, the Company incurred \$119,800 in cash in incurred \$60,000 of corporate finance costs that were settled with the issuance of 500,000 common shares. The cash costs incurred have been split between common shares (\$60,140) and warrant reserve (\$59,660) on the same basis as the fair value of the warrants.

(iii) In June 2019, the Company issued 300,000 common shares on the exercise of options that raised \$22,413. The fair value of the exercised options of \$112,730 was transferred from contributed surplus to share capital.

(iv) In June 2019, the Company issued 52,619 common shares on the exercise of options, raising \$1,500. The fair value of the exercised options of \$2,073 was transferred from contributed surplus to share capital.

(v) In June 2019, the Company issued 549,804 common shares with a deemed value of \$50,000, on the conversion of a note obligation existing prior to the completion of the Transaction.

(vi) In April 2019, 14,540 common shares were issued on the exercise of finder's warrants, raising \$1,086. The fair value of the exercised warrants of \$5,453 was transferred from warrants reserve to share capital.

(vii) In April 2019, the Company completed the Transaction (note 3) resulting in the issuance of 72,181,225 common shares with a deemed value of \$8,505,946, as follows:

- 44,524,117 common shares issued to existing POSaBIT US shareholders;
- 1,967,793 common shares issued to subscription receipt holders of the Company;
- 25,689,315 common shares issued to POSaBIT US preferred shareholders



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Contemporaneously, 3,250,000 common shares with a deemed value of \$1,456,746 (note 3(a)) were issued to existing Foreshore shareholders, in exchange for the issued and outstanding common shares of Foreshore.

- (viii) In January 2019, the POSaBIT US issued 10,000 common shares on the exercise of options that raised \$1,000. The fair value of the exercised options of \$178 was transferred from contributed surplus to share capital.

2018

- (ix) In October 2018, the Company raised additional financing of \$445,535 with the issuance of 551,967 common shares at \$0.81 each.
- (x) In October 2018, the Company issued a convertible note with a face amount of \$50,000. The note accrues interest at 1% per year, which converted to 549,804 Resulting Issuer (as defined hereinafter) common shares to be issued.
- (xi) In September 2018, the Company issued 85,520 common shares with a fair value of \$10,177. The fair value of the shares issued were estimated using the Black-Scholes valuation model using the following assumptions: Risk-free interest rate of 2.12%, volatility of 7.5%, dividend yield of nil, share price on issuance of \$0.12 and an issue price of \$0.001 per share.
- (xii) On May 11, 2018, 13,571,300 preferred shares were issued with a value of \$5,428,520, on the conversion of the convertible debentures and notes.
- (xiii) In May and June 2018, the Company issued 1,075,000 preferred shares for cash with costs of issuance of \$73,686, raising gross and net proceeds of \$430,000 and \$356,314, respectively.
- (xiv) In February 2018, 5,345,730 common shares were issued as consideration for the DoubleBeam acquisition.
- (xv) In January 2018, the Company redeemed 663,873 shares of common stock from the CEO at \$0.03 per share.

12.3 Common shares to be issued**2018**

- (xvi) In September 2018, gross proceeds of \$907,025 were raised with the issuance of 1,121,899 subscription receipts. Costs of the issuance amounted to \$10,519.
- (xvii) In August 2018, \$145,000 was raised for which 179,638 common shares of POSaBIT US were to be issued. In addition, 99,127 common shares are to be issued in settlement of debt in the amount of \$80,469.
- (xviii) In June 2018, \$350,000 was raised for which 433,608 common shares are to be issued.
- (xix) In March 2018, 577,320 common shares of POSaBIT US were held in escrow pending the completion of the going-public transaction.



12.4 Escrowed securities

Subject to the policies of the CSE, the following table summarizes the remaining common shares of the Company that are subject to escrow provisions together with the date of general release.

Total	Release date					
	October 5, 2019	April 5, 2020	October 5, 2020	April 5, 2021	October 5, 2021	April 5, 2022
18,390,630	3,065,105*	3,065,105	3,065,105	3,065,105	3,065,105	3,065,105

*Released subsequent to the reporting date (note 16.2).

12.5 Warrants reserve

A continuity of the Company's outstanding warrants follows:

	Number of warrants	Exercise price	Fair value
		\$	\$
Balance at January 1, 2018 and December 31, 2018 (POSaBIT US)	99,000	0.25	24,750
Cancelled pursuant to the Transaction	(99,000)	0.25	-
Issued to POSaBIT US warrant holders pursuant to the Transaction	173,640	0.14	-
Issued to Foreshore agent option holders pursuant to the Transaction	43,000	0.06	16,126
Issued pursuant to the Financing (note 12(2)(i))	6,026,597	0.30	210,919
Agent options exercised	(14,540)	0.06	(5,453)
Issuance costs allocated to warrants (note 12(2)(i))			(59,660)
Outstanding at September 30, 2019	6,228,697		186,682

The outstanding issued warrants balance as at September 30, 2019 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price	Fair value
			\$	\$
August 1, 2021	Warrants	6,026,597	0.30	210,919
July 10, 2027	Warrants	173,640	0.35	44,308
May 29, 2020	Agent options	28,460	0.06	10,673
Issuance costs allocated to warrants		-	-	(59,660)
		6,228,697		186,682

The fair value of the issued warrants of \$210,919, was estimated using the Black-Scholes option-pricing model with the following assumptions: Term of 10 years; share price on issuance of C\$0.30, risk-free interest rate of 1.46%, cumulative volatility of 106.07% and dividends of \$nil.



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12.6 Contributed surplus

POSaBIT has a stock option plan (the “Plan”) pursuant to which options to purchase common shares of the Company may be granted to certain officers, directors, employees and consultants of the Company. The Plan allows for a fixed issuance of up to 20% of the issued and outstanding common shares upon completion of the Transaction, being 15,192,260. As at September 30, 2019, the Company had 4,126,626 options available for issuance. A continuity of the unexercised options to purchase common shares is as follows:

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

	Number of options	Weighted average exercise price
		\$
Outstanding, as at January 1, 2018, POSaBIT US	3,518,125	0.05
Issued during 2018, POSaBIT US	3,477,826	0.26
Exercised/cancelled during 2018, POSaBIT US	(1,250)	0.40
Outstanding, as at December 31, 2018, POSaBIT US	6,994,701	0.16
Exercised/cancelled prior to completion of the Transaction, POSaBIT US	(150,000)	0.05
Outstanding at April 5, 2019 (date of Transaction)	6,844,701	0.16
Cancelled pursuant to the Transaction	(6,844,701)	0.16
Issued to POSaBIT US option holders pursuant to the Transaction	12,005,467	0.09
Issued to Foreshore option holders pursuant to the Transaction (note 3(a))	300,000	0.06
Exercised	(528,017)	0.04
Expired	(711,456)	0.04
Outstanding, as at September 30, 2019	11,065,994	0.10
Exercisable, as at September 30, 2019	7,385,740	0.07

The Company recognized share-based compensation expense of \$22,321 (2018 - \$119,064) and \$68,353 (2018 - \$21,222), respectively, for the three and nine months ended September 30, 2019. The fair value of the options issued during the nine months ended September 30, 2019 was \$112,730, being the fair value of the options issued to Foreshore option holders pursuant to the Transaction.

13. 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.

Included in operating expenses are licence fees paid to PlaceFull Inc., a company in which the CEO owns significant shareholdings.



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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 September 30		9 months ended September 30	
	2019	2018	2019	2018
	\$	\$	\$	\$
Executive Compensation to key managers	134,000	94,000	396,961	309,574
Licence Fees to PlaceFull Inc.	31,010	44,000	97,070	111,000
Totals	165,010	138,000	494,031	420,574

At September 30, 2019, the Company made loans to shareholders/employees amounting to \$122,277 (December 31, 2018 - \$10,749). These loans are unsecured, interest free and due on demand.

During the nine months ended September 30, 2019 (year ended December 31, 2018), related parties subscribed for, or were otherwise issued, the following securities (including those issued by the Company for POSaBIT US shares pursuant to the Transaction):

	2019	2018 (POSaBIT US)
	#	#
Common shares	20,064,567	199,040
Redemption of common shares	-	(663,873)
Preferred shares (issued for cash)	-	37,500
Preferred shares (issued on conversion of debt)	-	3,641,303
Shares to be issued	-	30,972
Total	20,064,567	3,322,942

14. 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 September 30, 2019, the Company's financial instruments consist of cash and cash equivalents, receivables, due from related parties, accounts payable and accrued liabilities, and note payable and for the comparative year, derivative liability. The fair values of cash and cash equivalents, accounts receivable, due from related parties, and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term to maturity nature. The Company



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classifies its notes payable as FVTPL. The inputs used to fair value the notes payable are as follows:

September 30, 2019	Level 1	Level 2	Level 3	30-Jun-19
	\$	\$	\$	\$
Financial Liabilities				
Note payable	-	400,000	-	400,000
	-	400,000	-	400,000

December 31, 2018	Level 1	Level 2	Level 3	31-Dec-18
	\$	\$	\$	\$
Financial Liabilities				
Note payable	-	200,000	-	200,000
	-	200,000	-	200,000

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.

The Company believes that its receivables balance is fully collectable. As of September 30, 2019, \$1,019,196 (December 31, 2018 – \$622,044) in receivables remains 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 for all receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate at each aging category of receivables:

September 30, 2019	1-30	31-60	61-90	>90	Total
Accounts receivable outstanding	891,579	7,820	1,380	134,333	1,035,112
Expected loss rate (%)	1.0	3.0	3.5	5.0	
Loss allowance provision	8,916	235	48	6,717	15,916
Accounts receivable, net	882,663	7,585	1,332	127,616	1,019,196



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December 31, 2018	1-30	31-60	61-90	>90	Total
Accounts receivable outstanding	514,700	62,981	3,766	85,871	667,354
Expected loss rate	7%	6%	6%	6%	
Loss allowance provision	36,029	3,865	264	5,152	45,310
Accounts receivable, net	478,671	59,116	3,502	80,719	622,044

The Company maintains bank deposits with reputable financial institutions.

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. The Company's liquidity risk is subject to a Note which has interest and repayment terms.

c) Interest rate risk

The Company is subject to interest rate risk on future cash flows as the note payable bears a fixed rate of interest. The related party loans are interest free.

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' equity 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 nine months ended September 30, 2019 or the year ended December 31 2018. There are no external capital management requirements or covenants as at September 30, 2019 and December 31, 2018.

15. COMMITMENTS

Software Licence

The Company has a software licence agreement with PlaceFull, requiring it to pay \$10,000 per month to PlaceFull to use their payment, billing and customer management software perpetually until either party terminates the agreement.

Operating Lease

The Company has an operating lease agreement with The Perrin Building., requiring it to pay \$5,609 per month from May 1, 2018 to April 30, 2019, and \$5,889 from May 1, 2019 to April 2020.

Year	Total
	\$
2019 (remainder)	17,667
2020	23,555
Total	41,223



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The Company also has additional consulting commitments summarized in the table below.

	2019	2020
	\$	\$
Consulting	16,500	-
Totals	16,500	-

Consulting commitments are due entirely to a company controlled by the Company's CFO.

16. SUBSEQUENT EVENTS

16.1 Issuance of options

In October 2019, the Company issued 1,724,500 options to participants of its stock option plan. The options were issued with varying vesting periods, an exercise price of C\$0.11 and a 10-year expiry.

16.2 Issuance of escrowed securities

On October 5, 2019, 3,065,105 common shares were released from escrow.



Schedule B
Supplementary Information

Included in Schedule A

Schedule C
Management's Discussion & Analysis

See Following pages



POSaBIT Systems Corporation

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Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended September 30, 2019

November 26, 2019

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INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended September 30, 2019

This interim management discussion and analysis – quarterly highlights (“Interim MD&A”) has been prepared based on information available to POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.) (“POSaBIT” or the “Company”) as at November 26, 2019. 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 nine months ended September 30, 2019 and 2018 (the “Unaudited Interim Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended October 31, 2018 and 2017 (the “Audited Consolidated Financial Statements”). Both the Audited Consolidated Financial Statements and the Unaudited 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 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 *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 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.



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INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended September 30, 2019

General

POSaBIT Systems Corporation was incorporated as Foreshore Exploration Partners Corp. ("**Foreshore**") on June 12, 2017, pursuant to the *Business Corporations Act* (British Columbia) and was a Capital Pool Company, pursuant to the policies of the TSX Venture Exchange ("**TSXV**"). On March 29, 2019, Foreshore obtained receipt of its final prospectus filed with regulatory authorities in British Columbia, Alberta and Ontario, in connection with its proposed reverse takeover transaction (the "**Transaction**"), with POSaBIT, Inc. Pursuant to the Transaction that was completed on April 5, 2019, Foreshore by way of a plan of merger, acquired all of the issued and outstanding shares of POSaBIT, Inc. through a merger of the Company's wholly-owned subsidiary, POSaBIT Merger Sub, Inc. with POSaBIT, Inc. as the surviving legal subsidiary of the Foreshore. Upon completion of the merger, POSaBIT, Inc. was renamed POSaBIT US, Inc ("**POSaBIT US**"). Pursuant to the merger, existing POSaBIT US securities holders would receive 1.7539815 Company securities (common shares, options, warrants, finder/agent warrants, as applicable) for each POSaBIT US security held.

In connection with the Transaction, Foreshore delisted from the TSXV and obtained listing on the Canadian Securities Exchange ("**CSE**") under the trading symbol "**PBIT**". Details of the Transaction are disclosed in note 4(a) of the Unaudited Interim Consolidated Financial Statements.

The Company's head office is located at 1128 8th Street, Kirkland, Washington 98033. It's registered address in Canada is 110 Yonge Street, Suite 400, Toronto, Ontario, M5C 1T4. The Company's operations primarily involve point-of-sale arrangements designed to offer consumers an easy way to acquire digital currency and use it to purchase goods and services.

The Unaudited Interim Consolidated Financial Statements have been prepared using International Financial Reporting Standards ("**IFRS**") applicable to going concern, which contemplates the realization of assets and settlement of liabilities as they fall due in the normal course of business for the foreseeable future. The Consolidated Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and consolidated statement of financial position classifications 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. Such adjustments could be material.

As at September 30, 2019, the Company has a reported working capital deficit of \$1,968,742 (December 31, 2018 – \$329,462), shareholders' deficiency \$1,175,248 (December 31, 2018 – equity of \$577,510) and has used cash of \$2,569,593 for the nine months ended September 30, 2019, for operating activities. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs. These factors indicate the existence of a material uncertainty which may cast significant doubt upon the Company's ability to continue as a going concern.

The Unaudited Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on November 26, 2019.

Financial condition

As at September 30, 2019, the Company had assets totaling \$2,625,013 and shareholders' deficiency of \$1,175,248. This compares with assets of \$4,025,660 and shareholders' equity of \$577,510, as at December 31, 2018.

During the quarter ended September 30, 2019, the Company's net assets decreased by \$179,631, the result of a decrease in assets of \$351,349, offset by an increase in liabilities of \$171,718. The decrease in assets was the result of a decrease in cash of \$316,315 (cash used for operating activities of \$803,422, plus cash used for investing activities of \$132,966 offset with cash provided from financing activities of \$620,073), receivables decreased by \$167,760, digital asset by \$8,510, due from related parties by a de minimis \$382 and intangible assets by \$20,813



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(purchases of \$74,726 less amortization of \$95,539). These decreases were offset with increases to prepaid expenses of \$106,350, finished inventory of \$5,851, sales taxes recoverable (HST) of \$521 and equipment of \$49,709 (purchases of \$58,239 less depreciation and amortization of \$8,530).

The decrease in liabilities of \$171,718, resulted solely from a decrease in accounts payable and accrued liabilities.

Corporate activities

Operations

POSaBIT continued its revenue growth in 2019 with an increase of 136% in Q1 through Q3 over the same period in 2018. This growth was driven by continued expansion into Washington, Nevada, California, Colorado, Oklahoma and Arizona for both the POSaBIT payments and point of sale business. Overall transactional sales have increased from \$11.7M USD at this time last year to over \$42.6M, in 2019. Net losses decreased 47% in Q3 over Q2 2019 this year due to an increase in overall revenue as well as a decrease in operating expenses from scaled operations. The company continues to see strong adoption of its fully-featured point of sales solution, in addition to its longstanding payments-only business. POSaBIT is fully-integrated with both Leaf Data Systems and Metrc for state seed-to-sale tracking and compliance. Point of sales growth in Q3 was primarily driven by strong sales in Washington State, California and Colorado.

Issuance of securities

Common shares:

- (i) On October 5, 2019, 3,065,105 common shares were released from escrow pursuant to the policies of the CSE.
- (ii) In September 2019, the Company issued 175,398 common shares on the exercise of options, raising \$5,000. The fair value of the exercised options of \$3,773 was transferred from contributed surplus to share capital.
- (iii) In August 2019, the Company completed a private placement (the "**Financing**") with the issuance of 6,026,597 units (a "**Unit**"), raising gross proceeds of \$711,692. Each Unit consisted of one common share of the Company and 1 share purchase warrant (a "**Warrant**").

In concert with completing the Financing, the Company incurred \$119,800 in cash in incurred \$60,000 of corporate finance costs that were settled with the issuance of 500,000 common shares. The cash costs incurred have been split between common shares (\$60,140) and warrant reserve (\$59,660) on the same basis as the fair value of the warrants.

Options:

- (iv) In October 2019, the Company issued 1,724,500 options to participants of the Company's stock option plan. The options vest over varying periods, have a 10-year maturity and were issued with an exercise price of C\$0.11.
- (v) In September 2019, 175,398 options were exercised (see (i) above), raising proceeds of \$5,000.
- (vi) In July 2019, 711,456 options expired. The average exercise price of the expired options was \$0.04.



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Warrants:

- (vii) In August 2019, pursuant to the Financing, the Company issued 6,026,597 Warrants. Each Warrant is exercisable into one common share for \$0.30, for a period of 2 years. The fair value of \$210,919 of the issued warrants was estimated using the Black-Scholes option pricing model with the following variables: Term of 10 years; share price on issuance of C\$0.30, risk-free interest rate of 1.46%, cumulative volatility of 106.07% and dividends of \$nil.

Update of forward-looking information

In its press release dated November 26, 2019, the Company updated the following items in its financial outlook to the end of 2019:

1. Revenue growth has been reduced to approximately 70% to 90%, year-over-year from previously reported expectations of growth of 80% to 100%. The decreased change in revenue growth is attributable to the average store processing less than the projected \$350,000 to \$500,000 a year. Actual data along with our forecast is now assuming stores to process between \$300,000 to \$450,000 a year.
2. Cost of sales has been reduced to approximately \$3.5M to \$4.0M for 2019, down from previous estimates of \$5.5M to \$6M. The expected decrease results from decreases in both processing fees paid by POSaBIT and overall hosting costs.
3. Transaction sales growth is now estimated at approximately 150% year-over-year, to approximately \$55M. This compares to previous estimates of a 400% year-over-year increase, to approximately \$100M. The estimate now assumes average store processing between \$300,000 and \$450,000 using POSaBIT's service.
4. The expansion of the Company's services to an additional 7 to 8 recreational and medical states is a revision from its previous expectations of an additional 5 recreational states and 10 medical states. Prior expectations anticipated the addition of 4 states during the third quarter of 2019 and 6 states during the final quarter of 2019. The third quarter actually saw the addition of 2 states to the Company's footprint and as such it has revised its fourth quarter forecast to the addition of 2 additional states.

Related-party transactions and balances

The Interim Consolidated Financial Statements include balances and transactions with directors and/or officers of the Company and/or corporations related to or controlled by them. These transactions are measured and recorded at an arm's-length basis, being the amounts agreed to by the related parties.

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:

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	2019	2018
	\$	\$



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Executive Compensation to key managers	134,000	94,000
Licence Fees to PlaceFull Inc.	31,010	44,000
Totals	165,010	138,000

At September 30, 2019, the Company made loans to shareholders/employees amounting to \$122,277 (December 31, 2018 - \$10,749). These loans are unsecured, interest free and due on demand

Outstanding securities

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

Security	Number outstanding
Common shares	83,050,183
Options (exercisable – 7,845,334)	12,790,494
Warrants	6,200,237
Agent options	28,460



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Escrowed securities

As of the date of the MD&A and subject to the policies of the CSE, the following table summarizes the remaining common shares of the Company that are subject to escrow provisions together with the date of general release.

Total	Release date				
	April 5, 2020	October 5, 2020	April 5, 2021	October 5, 2021	April 5, 2022
15,325,525	3,065,105	3,065,105	3,065,105	3,065,105	3,065,105

