

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 months ended March 31, 2021 and 2020 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 March 31, 2021.

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 March 31, 2021.

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 March 31, 2021.

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
Michael Apker	Director
Don Tringali	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 March 31, 2021 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 June 9, 2021_____.

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	March 31, 2021	YY/MM/D
POSaBIT Systems Corporation		2021/06/09
Issuer Address		
11915 124th Ave NE		
City/Province/Postal Code	Issuer Fax No.	Issuer Telephone No.
Kirkland, WA 98034		(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	

FORM 5 – QUARTERLY LISTING STATEMENT

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Schedule A
Financial Statements

See Following pages



	2021	2020
	\$	\$
OPERATING ACTIVITIES		
Net loss for the period	(514,082)	(792,743)
Adjustment for non-cash items		
Amortization and depreciation	74,152	97,744
Change in fair value of digital assets	(2,151)	2,848
Change in expected credit losses	(8,636)	(27,371)
Change in fair value of derivative liability <i>(notes 13 & 14)</i>	322,281	-
Forex	103,346	(9,455)
Loss on disposal of equipment	1,301	928
Impairment of goodwill	-	210,500
Interest accretion	20,675	364
Share-based compensation	56,458	35,211
Transaction costs <i>(note 20)</i>	9,331	-
Working capital changes in operating assets and liabilities <i>(note 23.1)</i>	2,127,639	340,344
Net cash provided by (used for) operating activities	2,190,414	(141,640)
INVESTING ACTIVITIES		
Purchase of equipment	(54,801)	(33,866)
Net cash used for investing activities	(54,801)	(33,866)
FINANCING ACTIVITIES		
Exercise of warrants	8,890	-
Issuance of common shares for cash	2,000,000	-
Proceeds from sale of discontinued operations	65,000	-
Repayment of lease liabilities	(21,106)	(18,499)
Repayment of notes payable <i>(note 12)</i>	(200,000)	-
Repayments to related parties	(9,805)	(36,073)
Net cash provided by (used for) financing activities	1,843,979	(54,572)
Increase (decrease) in cash during the period	3,979,592	(230,078)
Cash included in assets classified as held for sale	-	(33,475)
Cash, beginning of year	977,654	404,444
Cash, end of period	4,957,246	140,891

Supplemental cash flow information *(note 23.2)*

POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

POSaBIT Systems Corporation (“**POSaBIT**” or the “**Company**”), was incorporated on June 12, 2017, pursuant to the *Business Corporations Act* (British Columbia). On April 5, 2019, the Company completed the reverse acquisition of POSaBIT, Inc. (“**POSaBIT US**”), a private company incorporated under the laws of the State of Washington, by way of a triangular merger (the “**Transaction**”). Upon completion of the Transaction, the Company changed its name to POSaBIT Systems Corporation and now primarily involve the point-of-sale arrangements designed to offer consumers an easy way to purchase goods and services. Pursuant to the Transaction, the shareholder 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 11915 124th Ave. NE, Kirkland, Washington 98034. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

These consolidated financial statements (the “**Financial Statements**”) have been prepared on the assumption that the Company will continue as a 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 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. The Company has incurred losses and has had negative cash flows from operations from its inception that have been funded through both operating and financing activities.

As at March 31, 2021, the Company has a reported a working capital deficit of \$209,082 (December 31, 2020 – \$2,236,339) and has a shareholders’ deficiency \$1,341,783 (December 31, 2020 – \$3,056,983). These factors indicate the existence of uncertainty that may cast significant doubt as to the Company’s ability to continue as a going concern. The Company may need to raise additional capital during the next twelve months and possibly beyond to support current operations and planned development and expansion activities. The Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses 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.

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**”).

The Financial Statements were approved and authorized for issuance by the Board on May 24, 2021.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

2.2 Basis of presentation and measurement

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

2.3 Basis of consolidation

The Financial Statements consolidate the accounts of the Company and its wholly-owned subsidiaries, DoubleBeam, Inc. (“**DoubleBeam**”) and POSaBIT US, Inc. (together, the “**Subsidiaries**”).

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. ADOPTION OF NEW AND REVISED STANDARDS AND RECENT PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2021. The following IFRS amended standards have been issued but not yet adopted, as they are being evaluated to determine their impact on the Company.

IFRS 10 – Consolidated Financial Statements (“**IFRS 10**”) and IAS 28 – Investments in Associates and Joint Ventures (“**IAS 28**”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of the amendments to IFRS 10, is yet to be determined, however early adoption is permitted. The Company has not yet adopted this standard and is assessing its impact on its consolidated financial statements.

IAS 1 – Presentation of Financial Statements (“**IAS 1**”). In January 2020, the classification of liabilities as current or non-current was amended. An entity shall apply the amendments for annual reporting periods on or after January 1, 2023, retrospectively in accordance with IAS 8 – Accounting Policies, changes in accounting estimates and errors. The Company has not yet adopted this amendment and is currently assessing the effects on its consolidated financial statements.

IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use (“**IAS 16**”). The Standard was amended in 2020 to provide for the costs of testing whether a product is functioning properly in accordance with management’s expectations and the disclosure of those costs. An entity shall apply the amendments for annual reporting periods on or after January 1, 2022, with early adoption permitted. The Company has not yet adopted this amendment and is currently assessing the effects on its consolidated financial statements.

IAS 37 – Provisions contingent liabilities and contingent assets (“**IAS 37**”). The Standard was amended in May 2020 to expand on the definition of onerous contracts and the costs to be included in fulfilling a contract. An entity shall apply the amendments for annual reporting periods on or after January 1, 2022, with early adoption permitted. The Company has not yet adopted this amendment and is currently assessing the effects on its consolidated financial statements.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

*(Expressed in United States Dollars)***4. DIGITAL ASSETS**

Digital assets consist of Litecoin (LTC) coins.

5. RECEIVABLES

	March 31, 2021	December 31, 2020
	\$	\$
Receivables	1,739,633	1,921,568
Allowance for expected credit losses	(20,327)	(26,550)
	1,719,306	1,895,018

The receivables are generally on terms due within 30 days.

The Company adopted IFRS 9 on January 1, 2018. For the three months ended March 31, 2020, the Company recognized changes in expected credit losses of \$27,371 (2019 - \$37,142).

6. INVENTORIES

	March 31, 2021	December 31, 2020
	\$	\$
Finished goods	156,474	74,727
	156,474	74,727

7. 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.

8. RIGHT-OF-USE ASSET

The Company has recognized a right-of-use asset for its office premises with a corresponding lease liability (note 14) which is initially measured at the present value of the future lease payments. In accordance with IFRS 16, the Company then recognizes depreciation of right-of-use asset and interest expense on lease liability in the statements of income and comprehensive income.

	\$
Balance, December 31, 2019	22,042
Amortization	(16,530)
Balance December 31, 2020	25,398
Amortization	(19,047)
Balance March 31, 2021	6,351



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

*(Expressed in United States Dollars)***9. EQUIPMENT, net**

Cost	
	\$
December 31, 2019	140,397
Additions	175,932
Disposed	(20,232)
December 31, 2020	296,097
Additions	54,801
Disposed	(4,283)
March 31, 2021	346,615
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Accumulated Depreciation	
December 31, 2019	41,652
Depreciation	93,898
Disposed	(17,824)
December 31, 2020	117,726
Depreciation	33,737
Disposed	(2,982)
March 31, 2021	148,481
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Net Book Value	
December 31, 2020	178,371
March 31, 2021	198,134

10. INTANGIBLE ASSETS, net

<u>Software</u>	
Cost	
	\$
December 31, 2019	793,192
Disposals	(50,000)
December 31, 2020 and March 31, 2020	743,192
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	\$
Accumulated Amortization	
December 31, 2019	576,880
Amortization	188,425
Disposed	(42,223)
December 31, 2020	723,082
Amortization	20,110



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

March 31, 2021	743,192
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Net Book Value	
December 31, 2020	20,110
March 31, 2021	-

11. LEASE LIABILITY

The Company has recognized a right-of-use asset (note 8) for its office premises with a corresponding lease liability which is initially measured at the present value of the future lease payments. In accordance with IFRS 16, the Company then recognizes depreciation of right-of-use asset and interest expense on lease liability in profit or loss.

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

	\$
Balance, December 31, 2019	24,301
Additions	76,188
Interest expense	4,207
Lease payments	(78,282)
Balance December 31, 2020	26,414
Interest expense	394
Lease payments	(20,106)
Balance March 31, 2021	6,702

12. NOTE PAYABLE (2020)

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 accrued interest at 18% per annum, with interest payable on a quarterly basis. Note 2 can be repaid in full at any time. Note 2 originally matured on September 30, 2020, but the expiry date has been extended to December 31, 2020. Prior to the reporting period end date, Note 2, including accrued interest, was repaid in full. For the 3 months ended March 31, 2021, interest expense of \$8,877 (2020 - \$8,975) 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 accrued interest at 18% per annum, with interest payable on a quarterly basis. Note 1 can be repaid in full at any time. Note 1 originally matured on September 30, 2020, but the expiry date was extended to December 31, 2020. Prior to December 31, 2020, Note 1, including accrued interest, was repaid in full. For the 3 months ended March 31, 2021, interest expense of \$nil (2020 - \$8,975), has been recorded.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

13. CONVERTIBLE DEBT

During the year ended December 31, 2020, the Company completed a non-brokered financing of \$1,040,000 (the “**Financing**”), by way of issuance of convertible notes (the “**Convertible Notes**”). The Convertible Notes carry an interest rate of 12.0% per annum, payable on a calendar- quarterly basis and have a maturity date of December 31, 2023. At any time prior to December 1, 2023, at the election of the holder, outstanding principal of the Convertible Notes may be converted into common shares of the Company at CDN\$0.12 per common share.

In connection with the Financing, the Company incurred cash issue costs of \$64,450 and issued 5,650,233 common-share purchase warrants (each a “**Warrant**”), each with an exercise price of C\$0.12 and maturity date of November 13, 2025 and 349,608 finder warrants (each a “**Finder Warrant**”), each with an exercise price of C\$0.12 and maturity date of November 13, 2022.

As the conversion price is a function of the market price on the date of conversion, a variable number of shares will be issued on conversion, resulting in a derivative liability. On initial recognition, first the derivative liability (the “**Initial Derivative Liability**”) of \$948,988 was recognized (note 15), with the residual value of \$91,012 allocated to the debt component. The fair value of the Finder Warrants of \$25,741 was estimated using the Black-Scholes option pricing model with the following weighted average assumptions: Risk-free rate of 0.33%, expected life of 1 year, exercise price of \$0.09, volatility of 237%, dividend yield of 0% and share price of \$0.11. \$7,893 of the fair value of the Finder Warrants and the cash costs of the issuance were deducted from the host liability with the residual value of \$82,299 being recorded as finance cost in profit and loss.

The residual value is then accreted back to the face value of the Convertible Notes over the term of the loan and the derivative liability is marked-to-market at each reporting date.

During the 3 months ended March 31, 2021, \$50,000 in face-value of the Convertible Notes was converted resulting in the issuance of 530,500 common shares (note 16.2).

Interest accretion for the Convertible Notes for the 3 months ended March 31, 2021 of \$18,271 (2020 - \$nil) has been recorded in the consolidated statements of loss. As at December 31, 2020, the Company revalued the derivative liability and recorded a loss of \$77,688 (2019 - \$nil) in the consolidated statements of loss.

14. DERIVATIVE LIABILITY

Upon issuance of the Convertible Notes and due to the variable number of shares issuable on conversion (due to the conversion price being in Canadian dollars with the underlying debt denominated in United States dollars), the Initial Derivative Liability was recognized. The fair value of derivative liabilities is recalculated at each reporting date, with the gain or loss being reported in the consolidated statement of loss.

As at March 31, 2021, the Company revalued the derivative liability and recorded a loss of \$322,381 (2020 - \$nil) in the consolidated statements of loss.

15. GOVERNMENT LOAN

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



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Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

Pursuant to IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, the benefit of a government loan at below-market rate is treated as a government grant and measured in accordance with IFRS 9 *Financial Instruments*: the benefit of below-market rate shall be measured as the difference between the initial carrying value of the loan (being the present value of a similar loan at market rates) and the proceeds received. The Company estimated the initial carrying value of the SBA Loan at \$40,535, using a discount rate of 18%, which was the estimated rate for a similar loan without the reduced-interest component. The difference of \$109,465 will be accreted to the loan liability over the 30-year term of the SBA Loan and offset to other income on the statements of loss and comprehensive loss. During the year ended December 31, 2020, the Company received \$10,000 advance grant from the government that is not required to be repaid.

During the 3 months ended March 31, 2021, the Company recorded \$2,010 (2020 - \$nil) of non-cash interest accretion.

16. SHARE CAPITAL

Common and preferred shares

16.1 Authorized

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

16.2 Issued and outstanding

2021

In March 2021, 74,083 finder warrants were exercised raising proceeds of \$8,890. The fair value of the exercised warrants of \$3,246 was transferred from warrant reserve to share capital.

In February 2021, the Company completed a private placement consisting of 11,029,565 units (each a “Unit”), raising gross proceeds of \$2,000,000. Each Unit consists of 1 common share and 0.3627 warrants (each full warrant, a “Warrant”). A total of 4,000,419 Warrants were issued, with each Warrant exercisable for 3 years at a price of C\$0.35. The fair value of the Warrants was estimated at \$222,690 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 0.30%, cumulative volatility of 167.14%, dividends of \$0.00 and an underlying share price of C\$0.275. There were no financing costs of the private placement.

In January 2021, \$50,000 of the Convertible Notes were converted and cancelled, resulting in the issuance of 530,500 common shares.

2020

In March 2020, the Company issued 3,024,643 common shares to POSaBIT US shareholders that had not originally received the exchange ratio upon conversion of their shares to Company shares, pursuant to the Transaction.

16.3 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.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

Total	October 5, 2021	April 5, 2022
6,130,210	3,065,105	3,065,105

16.4 Warrants

In January 2021, the Company issued 125,000 advisory warrants (each, an “**Advisor Warrant**”). Each Advisor Warrant is exercisable for a period of 2 years at an exercise price of C\$0.12. The fair value of the Advisor Warrants was estimated at \$9,331 using the Black-Scholes option pricing model with the following assumptions: estimated life of 2 years, risk-free interest rate of 0.15%, cumulative volatility of 136.47%, dividends of \$0.00 and an underlying share price of C\$0.175.

A continuity of the Company’s outstanding warrants follows:

	Number of warrants	Exercise price \$
Outstanding at December 31, 2019	17,959,346	C0.26
Issued during 2020	5,992,883	C0.12
Balance at December 31, 2020	23,930,727	C0.23
Issued during 2021	4,125,419	C0.34
Exercised	(74,083)	C0.15
	27,807,259	C0.25

The outstanding issued warrants balance as at March 31, 2020 is comprised of the following items:

Date of expiry	Type	Number of warrants	Exercise price \$
August 1, 2021	Warrants	6,026,597	C0.30
August 1, 2021	Finders warrants	135,916	C0.15
October 31, 2021	Warrants	11,178,000	C0.25
November 1, 2021	Finders warrants	342,650	C0.15
November 13, 2022	Finder warrants	174,804	C0.12
January 31, 2023	Advisor warrants	125,000	C0.12
February 22, 2024	Warrants	4,000,419	C0.35
November 13, 2025	Warrants	5,541,575	C0.12
July 10, 2027	Warrants	173,640	0.14
March 31, 2021		27,698,601	C0.25



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

*(Expressed in United States Dollars)***16.5 Stock options and 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 16,610,000. As at March 31, 2021, the Company had 3,819,506 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 December 31, 2019	12,790,494	0.10
Granted	3,956,895	0.07
Cancelled	(1,661,895)	(0.23)
Forfeit	(3,492,525)	(0.19)
Outstanding as at December 31, 2020	11,592,969	0.06
Issued	744,400	C0.275
Outstanding as at March 31, 2021	12,337,369	0.06
Exercisable, as at March 31, 2021	8,230,653	0.05

For the 3 months ended March 31, 2021, the Company recognized share-based compensation expense of \$56,458 (2020 - \$35,211).

The options outstanding and exercisable as at March 31, 2021 are comprised of the following items:

Date of expiry	Number of options outstanding	Exercise price	Weighted average remaining life (years)
January 9, 2022	1,208,270	0.05	1.0
May 9, 2022	35,080	0.40	1.3
December 5, 2025	2,635,358	0.01	4.9
March 4, 2026	2,630,973	0.05	5.2
January 9, 2028	175,398	0.05	7.0
March 28, 2028	1,613,662	C\$0.095	7.3
August 8, 2028	35,074	C\$0.095	7.6
October 4, 2029	13,154	C\$0.095	8.8
October 17, 2029	951,000	C\$0.15	8.8



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

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(Expressed in United States Dollars)

Date of expiry	Number of options outstanding	Exercise price	Weighted average remaining life (years)
October 1, 2030	2,295,000	C\$0.095	9.8
March 11, 2031	744,400	C\$0.275	10.0
Outstanding	12,337,369		7.4
Exercisable	8,230,653		6.7

17. 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.

Key management compensation

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

3 months ended March 31,	2021	2020
	\$	\$
Executive compensation to key managers	215,000	134,000
Licence fees to PlaceFull Inc.	30,000	30,000
Totals	245,000	164,000

As at March 31, 2021, PlaceFull Inc. owed the company \$201,729 (December 31, 2020 - \$196,626). This loan is unsecured, interest free and due on demand.

18. 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.



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

At March 31, 2021, the Company's financial instruments consist of cash, receivables, due from related parties, accounts payable and accrued liabilities, lease liability, derivative liability and note payable for the comparative year. The fair values of cash, receivables, due from related parties, accounts payable and accrued liabilities, lease liability and note payable for the comparative year approximate their carrying values due to the relatively short-term to maturity nature. The Company classifies its derivative liability at fair value through profit and loss.

Financial risk factors

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

a) Credit risk

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

The Company believes that its receivables balance is fully collectable. As of March 31, 2021, \$1,719,306 (December 31, 2020 – \$1,895,018) in receivables was outstanding. The Company applies the simplified approach to providing for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. The loss allowance is based on the Company's historical collection and loss experience and incorporates forward-looking factors, where appropriate. As at March 31, 2021 the Company has evaluated its receivables due from its processors and determined the lifetime expected credit losses are nominal.

The Company maintains bank deposits with reputable financial institutions.

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

b) Liquidity risk

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



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

management policies for the 3 months ended March 31, 2021 and year ended December 31, 2020. There are no external capital management requirements or covenants as at March 31, 2021 and December 31, 2020.

19. REVENUE

POSaBIT has 2 main revenue streams: Payment Services and Point-of-Sale (“POS”) Services. The POSaBIT Payments Services generate revenue via setup costs, hardware costs, transaction fees and convenience fees. The POSaBIT POS has a traditional software-as-a-service subscription model (pay per terminal/console on a monthly, or yearly basis).

19.1 Payment Services

Payment Services are comprised of the following revenue generating transaction services:

Convenience fees - Charges to the end consumer for each transaction.

Set-up fees - Installation fees to each merchant.

Subscription fees - Charge merchants a monthly or yearly subscription fee per terminal/console. This fee is negotiated on a case-by-case basis with each merchant based on the volume of transactions and size of the merchant installation.

Transaction fees - Each debit charge to the merchant is variable based on volume projections by merchant. In addition, the Company also charges a “per swipe” fee paid by the merchant.

19.2 POS Services

POS Services comprise the following revenue generating transaction services:

Hardware and installation - POSaBIT charges the merchant for the cost of the hardware.

The Company generated the following revenues for the years ended December 31, 2020 and 2019 (net of revenues from discontinued operations):

3 months ended March 31,	2021	2020
	\$	\$
Payment services		
Convenience fees	2,279,704	660,069
Set-up fees	6,900	3,600
Subscription fees	-	25,993
Transaction fees	749,637	223,371
	3,036,241	913,033
POS Services	510,102	29,239
Total revenue	3,546,343	942,272



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

*(Expressed in United States Dollars)***20. TRANSACTION COSTS**

The Company incurred the following transaction costs:

	2021	2020
	\$	\$
Issuance of advisor warrants <i>(note 16.4)</i>	9,331	-
	9,331	-

21. DISCONTINUED OPERATIONS (2020)

In May 2020, the Company completed the disposition of DoubleBeam by way of an asset sale agreement (the “**Sale**”). The Sale closed on May 22, 2020 (the “**Closing**”), with the conveyance of certain assets (both tangible and intangible) by the Company and the assumption of certain liabilities by the purchaser.

The following is a summary of the financial performance and cash flow information of discontinued operations:

3 months ended March 31,	2021	2020
	\$	\$
Revenue		
Digital processing services	-	735,123
Processing fees	-	70,562
Software license fees	-	86,791
Hardware cost of sales	-	241,244
Sales labour and commissions	-	35,114
Cost of sales	-	433,711
Gross Margin	-	301,412
Administrative <i>(note 25)</i>	-	256,252
Amortization and depreciation	-	16,111
Marketing expense	-	23
Professional fees	-	28,548
Operating costs	-	300,934
Change in expected credit losses	-	(11,556)
Loss on disposal of assets	-	(949)
Impairment of goodwill and customer lists	-	(200,000)
Other expenses	-	(212,505)
Loss from discontinued operations	-	(212,027)
Loss per share from discontinued operations	-	(0.00)
Cash provided from (used for) discontinued operations	-	13,315
Cash used for discontinued investing activities	-	(16,672)



POSaBIT Systems Corporation

Notes to the Unaudited Interim Consolidated Financial Statements

For the three months ended March 31, 2021 and 2020

(Expressed in United States Dollars)

25. SEGMENTED INFORMATION**Operating segments**

The Company's sole operating segment is the provision of point-of-sale arrangements designed to offer consumers an easy way to acquire digital currency and use it to purchase goods and services. As such, its operating segment information is the same as that reporting in the Consolidated Financial Statements.

Geographic segments

The Company operates in two geographic segments being Canada and the United States.

	March 31, 2021	December 31, 2020
	\$	\$
Non-current assets:		
Canada	-	-
United States	324,485	343,879
	324,485	343,879
<hr/>		
3 months ended March 31,	2021	2020
	\$	\$
Revenue		
Canada	-	-
United States	3,546,343	942,272
Total revenues	3,546,343	942,272

26. SUBSEQUENT EVENTS**26.1 Conversion of note**

In May 2021, \$20,000 in face-value of the Convertible Notes was converted resulting in the issuance of 210,516 common shares.

26.2 Finder warrant exercise

In May 2021, 4,889 finder warrants were exercised raising proceeds of \$466.

26.3 Warrant exercise

In May 2021, 108,658 warrants were exercised raising proceeds of \$10,348.

26.4 Option exercise

In May 2021, 11,102 options were exercised raising proceeds of \$1,176.



Schedule B
Supplementary Information

Included in Schedule A

Schedule C
Management's Discussion & Analysis

See Following pages



POSaBIT Systems Corporation

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended March 31, 2021

(reported in US Dollars)

May 25, 2021

POSaBIT Systems Corporation

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended March 31, 2021 (Reported in US Dollars)

This interim management discussion and analysis – quarterly highlights (“Interim MD&A”) has been prepared based on information available to POSaBIT Systems Corporation (“POSaBIT” or the “Company”) at May 25, 2021. This Interim MD&A is based on information available to POSaBIT and updates disclosure previously provided in the Company’s Annual and interim MD&A’s, up to the date of this Interim MD&A and should be read in conjunction with the Company’s unaudited interim consolidated financial statements and the related notes as at and for the three months ended March 31, 2021 and 2020 (the “Consolidated Financial Statements”) and the Company’s audited consolidated financial statements for the years ended December 31, 2020 and 2019 (the “Audited Consolidated Financial Statements”). Both the Audited Consolidated Financial Statements and the 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 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.



POSaBIT Systems Corporation
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended March 31, 2021
(Reported in US Dollars)

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 the point-of-sale arrangements designed to offer consumers an easy way to purchase goods and services. Pursuant to the Transaction, the shareholder 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 11915 124th Ave. NE, Kirkland, Washington 98034. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

The unaudited interim consolidated financial statements have been prepared on the assumption that the Company will continue as a 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 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. The Company has incurred losses and has had negative cash flows from operations from the inception that have primarily been funded through financing activities.

As at March 31, 2021, the Company has a reported working capital deficit of \$209,082 (December 31, 2020 – \$2,236,339) and has a shareholders' deficiency \$1,341,783 (December 31, 2020 – \$3,056,983). These factors indicate the existence of uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The Company may need to raise additional capital during the next twelve months and possibly beyond to support current operations and planned development and expansion activities. The Financial Statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses 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.

The Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on May 24, 2021. Any reference to “notes” in this MD&A, refers to the corresponding note in the Consolidated Financial Statements.

Financing

During the quarter ended March 31, 2021, the Company completed a private placement consisting of 11,029,565 units (each a “**Unit**”), raising gross proceeds of \$2,000,000. Each Unit consists of 1 common share and 0.3627 warrants (each full warrant, a “**Warrant**”). A total of 4,000,419 Warrants were issued, with each Warrant exercisable for 3 years at a price of C\$0.35. The fair value of the Warrants was estimated at \$222,690 using the Black-Scholes option pricing model with the following assumptions: estimated life of 3 years, risk-free interest rate of 0.30%, cumulative volatility of 167.14%, dividends of \$0.00 and an underlying share price of C\$0.275. There were no financing costs of the private placement.

Option and warrant exercises

During the period from January 1, 2021 through the date of this MD&A, 187,630 warrants were exercised raising proceeds of \$19,704. Also during this period, 11,102 options were exercised, raising proceeds of \$1,176.



POSaBIT Systems Corporation

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended March 31, 2021 (Reported in US Dollars)

Conversions

During the period from January 1, 2021 through the date of this MD&A, \$70,000 in face-value of the convertible notes (note 13) were converted to equity, with the issuance of 741,016 common shares.

Financial condition

As at March 31, 2021, the Company had assets totaling \$7,492,501 and shareholders' deficiency of \$1,341,783. This compares with assets of \$3,685,719 and shareholders' deficiency of 3,056,985, at December 31, 2020.

During the quarter ended March 31, 2021, the Company's net assets increased by \$1,715,202, the result of an increase in assets of \$3,806,782, offset by an increase in liabilities of \$2,091,580.

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

Item	Change	Explanation of change
	\$	
Cash	3,979,592	Cash provided from operating activities of \$2,190,414 plus cash provided from financing activities of \$1,843,979 less cash used for investing activities of \$54,801.
Receivables and sales taxes recoverable	(175,909)	Receivables decreased with increased collection efforts and procedures.
Prepaid expenses	(6,210)	The decrease is the result of normalized recording of expenses.
Digital assets	2,151	Normal mark-to-market change.
Due from sale of discontinued operations	(65,000)	The final installment of the sale price of DoubleBeam operations was received by the Company.
Due to/from related parties	9,805	Details disclosed in note 17 of the Consolidated Financial Statements or in the <i>Transactions with related parties</i> section of this MD&A.
Inventories	81,747	Finished inventory increased as the Company geared up for increased requirements resulting from increased sales.
Right-of-use (ROU) assets	(19,047)	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease as a ROU asset. The change reflects the depreciation recorded on the ROU assets for the quarter.
Equipment	19,763	Approximately \$54,000 of purchases offset by depreciation of approximately \$34,000
Intangible assets	(20,110)	Change due entirely to amortization recorded for the quarter.
Change in assets	3,806,782	
Accounts payable and accrued liabilities	(2,018,631)	Increase in payables due to normal operational variation in payment timing.
Lease liabilities	19,712	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease liability. The decrease in



POSaBIT Systems Corporation

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended March 31, 2021 (Reported in US Dollars)

Item	Change	Explanation of change
	\$	liability is a result of an increase of \$394 due to interest less payments of \$20,106
Notes payable	200,000	Note 2 (note 12) was repaid in full.
Government loan	(2,009)	The increase is due entirely to accretion for the quarter.
Derivative liability	(285,727)	Change in fair value of the remaining derivative liability for the quarter. Amount is net of fair value related to portion converted (note 13) for the quarter, being \$37,000.
Convertible notes	(4,925)	Conversion of \$50,000 face-value note less interest accretion of \$18,000 less fair value change of \$37,000
Change in liabilities	(2,091,580)	
	1,715,202	

Results of operations

Selected financial results of operations are summarized below:

	3 months ended March 31,			
	2021	2020	Year-over-year change Favourable/(Unfavourable)	
	\$	\$	\$	%
Revenue	3,546,343	942,272	2,604,071	276.4
Cost of goods sold	(2,646,627)	(871,439)	(1,775,188)	(203.7)
Gross margin	899,716	70,833	828,883	1,170.2
Operating costs	(1,046,041)	(629,545)	(416,496)	(66.2)
	(146,325)	(558,712)	412,387	73.8
Other expenses (income)	(367,757)	3,637	(371,384)	(10,329.4)
Loss	(514,082)	(555,085)	41,003	7.4

POSaBIT continues to experience significant growth for the last 5 consecutive quarters. This is due to an increase in the volume of stores served by POSaBIT payments and POSaBIT Point of sales, as well as an overall increase in cannabis consumption in the United States. This resulted in exceptional year over year revenue and gross margin growth. POSaBIT continues to invest in growth but also diligently manage our operational costs. This resulted in POSaBIT's third consecutive adjusted EBITDA profitable quarter.

Other selected financial information

"Adjusted EBITDA" is a 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 Adjusted 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. The Company believes this is a useful metric to evaluate its core operating performance.



POSaBIT Systems Corporation

INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS QUARTERLY HIGHLIGHTS Three months ended March 31, 2021 (Reported in US Dollars)

	Current year quarter-over-quarter				Year-over-year			
	March 31, 2021	December 31, 2020	Change Fav/(Unfav)		March 31, 2021	March 31, 2020	Change Fav/(Unfav)	
	\$	\$	\$	%	\$	\$	\$	%
Revenue	3,546,343	3,057,600	488,743	16	3,546,343	942,272	2,604,071	276
Cost of goods sold	(2,646,627)	(2,260,858)	(385,858)	(17)	(2,646,627)	(871,439)	(1,775,188)	(204)
Gross margin (deficit)	899,716	796,742	102,974	13	899,716	70,833	828,883	1,170
Adjusted operating costs	(808,275)	(824,453)	16,178	2	(808,275)	(506,636)	(301,639)	60
Adjusted other costs (income)	(20,676)	100,422	(121,098)	(121)	(20,676)	(364)	(20,312)	(5,580)
Adjusted EBITDA	70,765	72,711	(1,946)	(3)	70,765	(436,167)	506,932	116

The following table reconciles Adjusted EBITDA to net loss, as reported in the Consolidated Financial Statements.

	March 31, 2021	March 31, 2020	December 31, 2020*
	\$	\$	
Loss from continuing operations, as reported	(514,082)	(555,085)	(257,286)
Add back finance costs, as reported	34,186	19,605	29,082
Add back depreciation and amortization, as reported	74,152	96,449	77,053
Add back/(deduct) change in fair values of financial instruments as reported	(2,151)	2,847	(2,076)
Add back/(deduct) change in expected credit losses, as reported	(8,636)	(27,371)	66,627
Add back change in fair value of derivative liability, as reported	322,381	-	77,688
Add back loss on disposal of assets, as reported	1,301	928	242
Add back share-based compensation, as reported	56,458	35,211	53,560
Add back loss on disposal of discontinued business, as reported	-	-	197,580
(Deduct)/add back foreign exchange (gains)/losses	107,156	(8,751)	(169,759)
Adjusted EBITDA	70,765	(436,167)	72,711

*As final quarter amounts are not reported in the Audited Consolidated Financial Statement, this as per the Company's Annual MD&A.

As mentioned above, POSaBIT delivered record-setting sales and Adjusted EBITDA profitability in Q1 2021. Revenue grew between Q1 2021 vs. Q1 2020 by 276% - increasing by over \$2.6M quarter-over-quarter. Similarly, growth in revenues for the first quarter of 2021 over the previous quarter was 626% - increasing by over \$3M. Gross margin dollars increased \$828,883 and 796,742 between Q1 2021 versus Q1 2020 and Q1 2021 versus Q4 2020, respectively. Adjusted EBITDA dollars remained steady at \$70,765 versus \$72,711 between Q1 2021 and Q4 2020, respectively. Growth drivers include expansion of POSaBIT into 1 new state, continued strong sales due to POSaBIT's contactless payment system, the launch of the new POSaBIT ACH payments business and the continued increase in stores using POSaBIT for both Payments and Point of Sale.

POSaBIT maintains its forward guidance as provided in its full year ending 2020 earnings release. The Company forecasts for 2021, a doubling of transactional sales and an increase in total revenue of approximately \$6.7M to \$8.2M over 2020, to approximately \$14.5M to \$16M. POSaBIT anticipates growth in gross margin to 28% - 32% for the full year ending 2021. POSaBIT also updates its forecast to now have its fourth consecutive adjusted EBITDA profitable quarter in Q2 2021.



POSaBIT Systems Corporation
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended March 31, 2021
(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.

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

Key management compensation

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

3 months ended March 31,	2021	2020
	\$	\$
Executive compensation to key managers	215,000	134,000
Licence fees to PlaceFull Inc.	30,000	30,000
Totals	245,000	164,000

As at March 31, 2021, PlaceFull Inc. owed the company \$201,729 (December 31, 2020 - \$196,626). This loan is 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	109,217,250
Options (exercisable – 8,226,002)	12,326,267
Warrants	27,045,231
Agent options	648,481



POSaBIT Systems Corporation
INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended March 31, 2021
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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	October 5, 2021	April 5, 2022
6,130,210	3,065,105	3,065,105

