



# **POSaBIT Systems Corporation**

(formerly, Foreside Exploration Partners Corp.)

**Interim Management's Discussion and Analysis**

**Quarterly Highlights**

**Three months ended March 31, 2020**

**July 13, 2020**

**POSaBIT Systems Corporation**  
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**INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**QUARTERLY HIGHLIGHTS**  
**Three months ended March 31, 2020**

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*This interim management discussion and analysis – quarterly highlights (“Interim MD&A”) has been prepared based on information available to POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.) (“POSaBIT” or the “Company”) as at July 13, 2020. 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, 2020 and 2019 (the “**Unaudited Interim Consolidated Financial Statements**”) and the Company’s audited consolidated financial statements for the years ended December 31, 2019 and 2018 (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](http://www.sedar.com) or on the Company’s website at [www.posabit.com](http://www.posabit.com).*

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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.



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**General**

POSaBIT Systems Corporation (formerly, Foreshore Exploration Partners Corp.) ("**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" or "Merger") (note 5.1 (a)). 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 1128 8<sup>th</sup> Street, Kirkland, Washington 98033. Its registered address in Canada is 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1.

These unaudited interim 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 the inception that have primarily been funded through financing activities.

As at March 31, 2020, the Company has a reported working capital deficit of \$2,497,408 (December 31, 2019 – \$2,131,849) and has shareholders' deficiency \$2,517,405 (December 31, 2019 – \$1,750,417). These factors indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The Company will need to raise additional capital during the next twelve months and beyond to support current operations and planned development. 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 Unaudited Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on July 13, 2020.

**Sale of DoubleBeam business**

In May 2020, the Company closed on the sale of its DoubleBeam business by way of an asset sale agreement (the "**Sale**"). The Sale closed on May 22, 2020, with the conveyance of certain assets (both tangible and intangible) by the Company and the assumption of certain liabilities by the purchaser. The purchase price was \$270,000, with three payments made over the next 180 days.

The Company evaluated its DoubleBeam business and decided to divest of it. The decision led to the classification of the DoubleBeam assets and liabilities as "held for sale". See note 14 of the Financial Statements.

With the closing of the sale, the Company completed an impairment analysis regarding the goodwill associated with the DoubleBeam purchase, which resulting in an impairment of \$211,000 being charged to income. The Company estimated the recoverable amount of goodwill based on the selling price of DoubleBeam.



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***Financial condition***

As at March 31, 2020, the Company had assets totaling \$1,526,720 and shareholders' deficiency of \$2,517,405. This compares with assets of \$2,022,201 and shareholders' deficiency of 1,750,417, as at December 31, 2019.

During the quarter ended March 31, 2020, the Company's net assets decreased by \$766,988, the result of a decrease in assets of \$495,481, supplemented by an increase in liabilities of \$271,507.

The change in the Company's net assets is detailed as follows (explanations are net of the assets and liabilities that have been allocated to "held for sale". Details of the comparative loss, cash flow information and asset and liability balance may be found in note 14 of the Financial Statements.

Item	Change	Explanation of change
	\$	
Cash	(263,553)	\$33,475 of cash is allocated to assets held for sale with the net change of \$230,078 detailed as follows: Cash used for operating activities of \$141,640 plus cash used for investing activities of \$33,866 plus financing activities using \$54,572.
Receivables	(166,868)	Receivables are down with the Company aggressively pursuing more favourable collection periods.
Deposits and prepaid expenses	(35,223)	The reduction is the result of normalized expensing of prepaid marketing costs.
Due from related party	21,073	Details disclosed in note 9 of the Consolidated Financial Statements or in the <i>Transactions with related parties</i> section of this MD&A.
Inventories	49,540	Finished inventory increased as the Company stockpiles to meet current requirement for hardware.
Right-of-use (ROU) assets	(16,530)	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease as a ROU asset. Details provided in note 9 of the Consolidated Financial Statements.
Equipment	17,405	Approximately \$35,000 of purchases offset by depreciation of approximately \$16,000 and sales of \$1,000.
Intangible assets	(77,971)	Approximately \$12,000 the result of reallocation of DoubleBeam intangibles to assets held for sale. The remaining decrease the result of amortization for the period.
Customer lists	(13,333)	Reclassification to assets held for sale.
Goodwill	(311,000)	Reclass to assets held for sale accounts for \$100,500 of the reduction along with an impairment of \$210,500 to reflect the sales price of DoubleBeam.
Accounts payable and accrued liabilities	(98,741)	Increase in payables due to normal operational variation in payment timing.



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Item	Change	Explanation of change
	\$	
Due to related parties	(15,000)	Details disclosed in note 9 of the Consolidated Financial Statements or in the <i>Transactions with related parties</i> section of this MD&A.
Lease liabilities	(18,135)	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease liability. Details provided in note 12 of the Consolidated Financial Statements.
	<b>(766,988)</b>	

**Corporate activities**

**Operations**

POSaBIT had a strong first quarter in both revenue growth and total transactions sales. Revenue grew quarterly, year-over-year by approximately 5%. While this number was slightly lower than guidance due to the uncertainties around Covid-19 and its impact on the cannabis industry, POSaBIT was able to grow revenue as well as its total merchant base. POSaBIT is seeing a significant increase in growth in Q2 sales due to Cannabis being an essential business during Covid-19. POSaBIT remains confident that its yearly 2020 forecast will exceed \$8M in total revenue and process over \$135M in transactional sales. This new forecast has been updated in our forward-looking statements and POSaBIT is now on progress to be cash-flow positive in Q3 of 2020, exceeding our previous guidance of Q4 2020. The Company has seen a spike in both the average overall sales per store and a large increase in the average dollar size per transaction, rising from \$62 USD to over \$80 USD per transaction. Additionally, POSaBIT has grown its base of Point of Sale merchants and expanded into several new US states. The Company now has merchants in 10 US states for its Point of Sale and Payments business.

**Issuance of securities**

**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:

	3 months ended	
	March 31,	
	2020	2019
	\$	\$
Executive Compensation to key managers	<b>134,000</b>	134,000



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	3 months ended March 31,	
	2020	2019
	\$	\$
Licence Fees to PlaceFull Inc.	30,000	30,000
<b>Totals</b>	<b>164,000</b>	<b>164,000</b>

As at March 31, 2020, the Company owes directors with which it has entered into loan agreements (the “**Employee Loans**”), \$20,000 (December 31, 2019 - \$35,000). The Employee Loans accrue interest at 20% per annum with interest paid quarterly and are due on October 2, 2020.

As at March 31, 2020, PlaceFull Inc. owed the company \$134,441 (December 31, 2019 - \$113,368). 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	97,252,826
Options (exercisable – 8,742,219)	9,997,969
Warrants	17,378,237
Agent options	581,109

***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			
	October 5, 2020	April 5, 2021	October 5, 2021	April 5, 2022
12,260,420	3,065,105	3,065,105	3,065,105	3,065,105

