



POSaBIT Systems Corporation

(formerly, Foreside Exploration Partners Corp.)

Interim Management's Discussion and Analysis

Quarterly Highlights

Three months ended June 30, 2020

August 31, 2020

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INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS
QUARTERLY HIGHLIGHTS
Three months ended June 30, 2020

*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 August 31, 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 and six months ended June 30, 2020 and 2019 (the “**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 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.



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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 8th Street, Kirkland, Washington 98033. 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 June 30, 2020, the Company has a reported working capital deficit of \$3,163,488 (December 31, 2019 – \$2,131,849) and has shareholders' deficiency \$2,740,555 (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 Consolidated 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 August 31, 2020.

Sale of DoubleBeam business

The Company reported in its prior MD&A 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.

Sale of future receipts

During the quarter ended June 30, 2020, the Company raised capital by entering into agreements (the “**Agreements**”) wherein, it has agreed to repay amounts advanced by third parties from future cash receipts over a fixed period, terminating prior to December 31, 2020. The liability against future sales receipts is detailed below:



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	June 30, 2020
\$	
Balance, January 1, 2020	-
Discounted proceeds received by the Company	175,000
Interest	67,000
Future sales receipts purchased	242,000
Payments made to June 30, 2020	(80,630)
Liability against future sales receipts, June 30, 2020	161,370

In connection with the Agreements, the Company also paid setup and origination fees totaling \$4,180, with such amounts recorded to interest expense in the consolidated statements of loss

Financial condition

As at June 30, 2020, the Company had assets totaling \$2,715,141 and shareholders' deficiency of \$2,740,555. This compares with assets of \$2,022,201 and shareholders' deficiency of 1,750,417, as at December 31, 2019.

During the quarter ended June 30, 2020, the Company's net assets decreased by \$322,983, the result of an increase in assets of \$884,871, offset by an increase in liabilities of \$1,008,188.

The significant changes in the Company's net assets are detailed as follows (analysis is net of changes resulting from amounts previously allocated to assets held for sale):

Item	Change	Explanation of change
\$		
Cash	771,189	Cash provided from operating activities of \$636,065 plus cash provided from financing activities of \$158,268 less cash used for investing activities of \$56,619. \$33,475 of cash was provided from previously classified asset held for sale.
Receivables and recoverables	691,785	Receivables increased with normal transaction volume increases as well as one-time receivables of \$145,000 due from the purchaser of DoubleBeam.
Deposits and prepaid expenses	(23,702)	The reduction is the result of normalized expensing of prepaid marketing costs.
Due to/from related parties	41,531	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	(10,722)	Finished inventory decreased as the Company utilized stockpiled inventory to meet current requirements for hardware.
Right-of-use (ROU) assets	57,980	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease as a ROU asset. Details



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Item	Change	Explanation of change
	\$	
		provided in note 9 of the Consolidated Financial Statements.
Equipment	35,186	Approximately \$57,000 of purchases offset by depreciation of approximately \$20,000 and sales (from the Sale) of approximately \$1,500
Intangible assets	(50,236)	Amortization of approximately \$50,000.
Accounts payable and accrued liabilities	(1,615,637)	Increase in payables due to normal operational variation in payment timing.
Lease liabilities	(57,947)	The Company adopted IFRS 16 as at January 1, 2019 and has recognized its office lease liability. Details provided in note 13 of the Consolidated Financial Statements.
Liabilities against future receipts	(161,370)	Details noted above and in note 14 of the Consolidated Financial Statements.
	(322,943)	

Corporate activities

Operations

POSaBIT delivered record sales and revenue in Q2 2020. Revenue grew quarter over quarter (Q2 2020 vs Q1 2020) by 58%. Key drivers included: a strong surge in cannabis related sales from Covid-19, increased awareness and utilization of POSaBIT's touchless payment system, and a large increase in new stores onboarded using POSaBIT Payments and Point of Sale services. The significant increase in sales, with a minimal increase in cost of sales resulted in a 411% increase (Q2 2020 vs Q1 2020) in gross margin dollars.

Overall net loss for Q2 2020 was \$242,307, a reduction of more than \$500,000 from Q1 2020, reflecting revenue growth, and diligent management of operating expenses.

POSaBIT maintains its forward guidance as provided in the Q1 2020 earnings release. For its full year 2020, POSaBIT forecasts approximately \$135M in transactional sales and total revenue of approximately \$8M. POSaBIT remains on track to achieve a modest profit in Q3 2020.

Related-party transactions and balances

The 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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	3 months ended June 30,	
	2020	2019
	\$	\$
Executive Compensation to key managers	134,000	134,000
Licence Fees to PlaceFull Inc.	30,000	30,000
Totals	164,000	164,000

As at June 30, 2020, the Company had loans from shareholders amounting to \$nil (December 31, 2019 - \$35,000). These loans are unsecured, interest free and due on demand.

During the three and six months ended June 30, 2020, the Company provided loans (net of repayments) to PlaceFull Inc. in the amount of \$41,531 (2019 - \$29,869) and \$77,604 (2019 - \$78,763), respectively. These loans were 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)	9,447,969
Warrants	17,378,237
Agent options	552,649

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

