POSaBIT, Inc.

Annual Management's Discussion and Analysis of the

Financial Condition and Results of Operations

Year ended December 31, 2017

(As amended and restated)

POSaBIT, Inc.

ANNUAL MANAGEMENT'S DISCUSSION AND ANALYSIS
Year ended December 31, 2017

*This annual management discussion and analysis (**"MD&A"**) has been prepared based on information available to POSaBIT, Inc. (**"POSaBIT"** or the **"Company"**) as of March 20, 2019. The Annual MD&A of the operating results and financial condition of the Company as at and for the year ended December 31, 2017, should be read in conjunction with the Company's audited annual amended and restated financial statements and the related notes as and for years ended December 31, 2017 and unaudited financials for 2016 (the **"Financial Statements"**). The Financial Statements have been prepared by management and are in accordance with International Financial Reporting Standards (**"IFRS"**) and all amounts are expressed in Canadian dollars unless otherwise noted. Other information contained in this document 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 the Company's website www.posabit.com*

MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING ("ICFR")

Management is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. The Company and Management are not required to include representations relating to the evaluation, design, establishment and/or maintenance of disclosure controls and procedures (**"DC&P"**) and/or ICFR, nor has it completed such an evaluation. Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective bases DC&P and ICFR for the issuer may result in additional risks of quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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 labour costs and other costs of materials, equipment or processes to operate as anticipated; the ability to attract and retain qualified personnel; market competition; governmental regulation and approvals; and, the factors discussed in the ***Risks and uncertainties*** section of this MD&A. 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 MD&A and, unless otherwise required by applicable securities laws, POSaBIT disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

General

POSaBIT, Inc. was incorporated in the State of Washington on November 19, 2015 as a wholly-owned subsidiary of PlaceFull, Inc. ("PlaceFull"). On March 4, 2016, pursuant to a corporate spin-off transaction, POSaBIT became a separate standalone corporation. POSaBIT has its registered office and head office at 1128 8th St., Kirkland, Washington 98033. The only subsidiary of POSaBIT is DoubleBeam, Inc. ("DoubleBeam").

POSaBIT is a privately held company organized for the purpose of developing and selling its blockchain based, payment processing and point-of-sale ("POS") technologies and devices that are uniquely suited to cash-based business where traditional credit and debit card transactions are limited or prohibited, such as legal retail cannabis stores.

Since the spin-off transaction, POSaBIT has financed its growth separately from PlaceFull, and following the spin-off, completed the acquisition of DoubleBeam, a California-based POS systems company, and positioned its future growth by entering new states and markets. POSaBIT originally obtained licensing and launched only in the state of Washington with its payment-only service, ending 2017 with 23 locations. Starting in 2018, POSaBIT began selling its payment solution into Colorado, Nevada and California, and now serves over 70 merchant locations with gross transaction sales volumes nearing $2 million per month. Additionally, since the DoubleBeam acquisition in January 2018, POSaBIT has integrated its POSaBIT payment-only service with DoubleBeam's proven, full-feature POS offering to provide a full end-to-end cloud-based payment and POS offering. This new service focuses on integrating the abundance of disjointed point solutions into one complete software service. This fully integrated, customer-first offering is the next evolution of POSaBIT's product suite, and in September of 2018, POSaBIT will be releasing its offering to current and new merchant customers in the cannabis industry to provide them with a complete seed-to-sale offering. POSaBIT expects merchants in Washington State, California, Colorado and Oregon to begin leveraging this new offering in 2018. The cash-only cannabis industry is highly regulated, limiting the speed of new entrees into the software market, and provides substantial barriers to competition.

POSaBIT also maintains and operates DoubleBeam's original hospitality and food services POS offering, which serves over 200 companies in the United States. Large corporate cafeterias use the Doublebeam POS for their retail checkout experience, including companies like Nike, Albertsons, Safeway, Under Armor and Ross Dress for Less. POSaBIT will continue to focus on the broad food services business in addition to high risk, cash-only industries, such as Cannabis.

Amended and Restated Financial Statements

Subsequent to the issuance of the financial statements as at and for years ended December 31, 2018, on November 21, 2018, management became aware of the following accounting errors related to the years ended December 31, 2017 and 2016. The changes are disclosed in note 13 of the Financial Statements. Any amounts disclosed in this MD&A refer to the amended and restated amounts contained in the Financial Statements, as appropriate.

Principal Business and Stated Business Objectives

The POSaBIT product line is feature-rich and is the first fully integrated POS and Payment (Debit/Credit) solution for cash-only industries and the standard food services industry. POSaBIT provides visibility, compliance and increased sales to merchants, as well as an enhanced buying experience for the consumer.

- POSaBIT Payments Service is the core payment engine that leverages the public blockchain and allows customers to easily purchase cryptocurrency using a Debit or Credit card and either spend in the store or upload to a customer preferred digital wallet. This was POSaBIT's beachhead entry into the industry in January 2017.

- POSaBIT Point of Sale (Cannabis) is the cornerstone product that tracks all sales ("seed-to-sale tracking"), integrates full customer history and preferences, and offers the first fully integrated cash, debit/credit and cryptocurrency (Litecoin and Bitcoin) payment options for product. This product is expected to be live in September 2018.

- POSaBIT Point of Sale (Food Service) is POSaBIT's POS offering to the hospitality and food services industry. Currently, this product services over 200 cafes and retailers in the hospitality industry in the U.S. This is the original product offering acquired in the DoubleBeam acquisition and has been in market for over 7 years.

Target projected revenue streams

POSaBIT has 2 main revenue streams that can be further granulated as shown below. The POSaBIT payments service generates revenue via setup costs, hardware costs, transaction fees and convenience fees. The POSaBIT POS (both for the food services industry and the cash-only industry) has a traditional SaaS subscription model (pay per terminal/console on a monthly, or yearly basis).

Revenue type	**Description**
Transaction related fees	
Transaction Fees	POSaBIT charges a transaction fee for each debit or credit charge to the merchant. This fee is variable based on volume projections by merchant and can range between 1.5% and 5% per transaction.
Transaction Swipe Fees	Each debit or credit transaction includes a "per swipe" fee paid by the merchant. This fee can range between \$.25 and \$.35 per transaction.
Setup Fees	POSaBIT charges a fee per install to each merchant. This fee can range between \$250 to \$1,000 based on how complex the install is.
Convenience Fees	Convenience fees are charged to the consumer for each debit or credit transaction. The convenience fee can range from \$2.00 to \$4.50 depending up the merchant contract.
Subscription Fee	POSaBIT and Doublebeam charge merchants a monthly or yearly subscription fee per terminal/console. This fee can range from \$29 to \$250 per month. 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.
Convenience Fees	Convenience fees are charged to the consumer for each debit or credit transaction. The convenience fee can range from \$2.00 to \$4.50 depending up the merchant contract.
Hardware and Installation	
Hardware and installation	

sales

POSaBIT charges the merchant for the cost of the hardware - typically this is approximately $1,850 and covers the cost for the iPad, debit terminal, scanners, receipt printers and kiosk stand.

AMENDED AND RESTATED FINANCIAL STATEMENTS

(a) Subsequent to the issuance of the December 31, 2017 financial statements on November 21, 2018, management became aware of the following accounting errors related to the year ended December 31, 2017 that are reflected in the tables below:

(i) the fair value of digital assets was understated by $35,982 due to an error in the selection of the measurement date for valuation; and
(ii) share issuances in the amount of $2,204 were reported on the statement of changes in deficiency in 2016 (unaudited) rather than 2017.

Non-accounting changes include:

(i) mining fees on the statement of loss and comprehensive loss in the amount of $129,467 were reclassed to processing fees in the same amount to more properly describe the nature of the amount; and
(ii) a typographical error reported on the statement of cash flows in the amount of $2,045,209 as change in fair value of derivative liability under financing activities has been removed; and
(iii) certain amounts on the statement of cash flows have been adjusted to more appropriately reflect their attributes:

The following tables summarize the effects of the adjustments described above as at and for the year ended December 31, 2017:

	As at 31-Dec-17 (Previously reported)	**Adjustments**	**As at 31-Dec-17 (Restated)**
Statement of Financial Position	**$**	**$**	**$**
Digital Assets	38,067	35,982	74,049
Total Current Assets	770,617	35,982	806,599
Total Assets	903,464	35,982	939,446
Deficit	(4,425,234)	35,982	(4,389,252)
Total Shareholders Deficiency	(4,169,307)	35,982	(4,133,325)
Total Liabilities and Shareholders' Deficiency	903,464	35,982	939,446

	For the year ended 31-Dec-17 (Previously Reported)	**Adjustments**	**For the year ended 31-Dec-17 (Restated)**
Statement of Loss and Comprehensive Loss	**$**	**$**	**$**
Processing fees	288,394	129,467	417,861
Mining fees	129,467	(129,467)	-
Change in fair value of digital assets	(55,989)	(35,982)	(91,971)

Total other expenses	2,422,598	(35,982)	2,386,616
Loss and comprehensive loss	3,350,601	(35,982)	3,314,619
Basic and diluted loss per common share	(0.138)	0.002	(0.136)

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	For the year ended 31-Dec-17 (Previously Reported)	Adjustments	For the year ended 31-Dec-17 (Restated)
Statement of Changes in Deficiency	**$**	**$**	**$**
Shares Issued for Cash (Share Capital Column)	19,084	(15,380)	3,704
Shares Issued for Cash (Total Column)	44,918	40,130	85,048
Share-based Compensation (Contributed Surplus Column)	44,918	(2,204)	42,714
Share-based compensation (Share Capital Column)	-	17,584	17,584
Loss (Deficit Column and Total Column)	(3,350,601)	35,982	(3,314,619)
December 31, 2017 (Deficit Column)	(4,425,234)	35,982	(4,389,252)
December 31, 2017 (Total column)	(4,169,307)	35,982	(4,133,325)

	For the year ended 31-Dec-17 (Previously Reported)	Adjustments	For the year ended 31-Dec-17 (Restated)
Statement of Cash Flow	**$**	**$**	**$**
Net Loss for the year	(3,350,601)	35,982	(3,314,619)
Change in fair value of derivative liability	1,573,921	83,257	1,657,178
Change in fair value of digital assets	-	(91,971)	(91,971)
Financing costs	806,963	(806,963)	-
Interest accretion on convertible debentures and notes	-	721,604	721,604
Share-based compensation	-	85,048	85,048
Digital Assets	(23,306)	57,669	34,363
Net cash used for operating activities	(839,590)	84,626	(754,964)
Advances to related parties	-	(39,946)	(39,946)
Net cash used for investing activities	(136,908)	(39,946)	(176,854)
Net proceeds from issuance of common stock	89,174	(85,470)	3,704
Change in fair value of derivative liability	2,045,209	(2,045,209)	-
Advances to related parties	(39,936)	39,936	-
Advances from (repayments to) related parties	(14,452)	(90)	(14,542)
Net cash provided by financing activities	1,154,364	(45,202)	1,109,162

(b) Subsequent to the issuance of the December 31, 2017 financial statements on November 21, 2018, management became aware of the following accounting errors related to the unaudited December 31, 2016 financial statements, that are reflected in the tables below:

(i) professional fees and the change in fair value of derivative were both overstated by $50,901; and
(ii) share-based compensation was understated by $8,421 and general and administrative expense was overstated by $8,421.

Non-accounting changes include:

(i) certain amounts on the statement of cash flows have been adjusted to more appropriately reflect their attributes and typographical errors:

	For the year ended 31-Dec-16 (Unaudited) (Previously Reported)	Adjustments (Unaudited)	For the year ended 31-Dec-16 (Unaudited) (Restated)
Statement of Loss and Comprehensive Loss	**$**	**$**	**$**
Professional fees	272,350	(50,901)	221,449
Share-based compensation	37,954	8,421	46,375
General and administrative	39,508	(8,421)	31,087
Total operating expenses	831,757	(50,901)	780,856
Change in fair value of derivative liability	(50,901)	50,901	-
Total other expenses	(7,337)	(50,901)	43,564

	For the year ended 31-Dec-16 (Unaudited) (Previously Reported)	Adjustments (Unaudited)	For the year ended 31-Dec-16 (Unaudited) (Restated
Statement of Changes in Deficiency	**$**	**$**	**$**
Shares issued (unaudited)	5,768	(5,768)	-
Share-based compensation (Contributed Surplus Column)	40,607	2,204	42,811
Share-based compensation (Total column)	40,607	5,768	46,375
Share-based compensation (Share capital Column)	-	3,564	3,564
December 31, 2016 (unaudited) (Share Capital Column)	126,568	(2,204)	124,364
December 31, 2016 (unaudited) (Contributed Surplus Column)	40,607	2,204	42,811

	For the year ended 31-Dec-16 (Unaudited) (Previously reported)	Adjustment (Unaudited)	For the year ended 31-Dec-16 (Unaudited) (Restated)
Statement of Cash Flow	**$**	**$**	**$**
Net Loss for the year	(1,074,633)	54,803	(1,019,830)
Change in fair value of derivative liability	(50,901)	50,901	-
Change in fair value of digital assets	-	157	157
Interest accretion on convertible debentures and notes	-	13,881	13,881
Share-based compensation	-	46,375	46,375
Digital assets	(14,761)	(157)	(14,918)
Accounts payable and accrued liabilities	77,666	(2)	77,664
Net cash used for operating activities	(1,028,078)	155,057	(873,021)
Net Proceeds from issuance of common stock	167,175	(167,175)	-
Net proceeds from issuance of convertible debentures	955,738	(13,882)	941,856
Advances from (repayment to) related parties	14,542	66,000	80,542
Net cash provided by financing activities	1,177,455	(155,057)	1,022,398

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Selected annual financial information (as restated)

	2017 (as restated)	2016 (unaudited)
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	207,879	30,535
Receivables	451,668	3,750
Due from related parties	39,946	—
Digital assets	74,049	14,761
Inventories	24,094	—
Prepaid expenses	8,963	2,310
	806,599	51,356
Equipment, net	3,386	—
Intangible assets	129,461	89,132
Total assets	**939,446**	**140,488**
LIABILITIES AND SHAREHOLDERS' DEFICIENCY		
Current liabilities		
Accounts payable and accrued liabilities	616,571	77,666
Due to related parties	—	14,542
Total current liabilities	616,571	92,208
Derivative Liability	3,096,631	317,773
Convertible Debentures	1,112,069	637,965
Convertible Notes	247,500	—
Total liabilities	**5,072,771**	**1,047,946**
Shareholders' Deficiency		
Share capital	145,652	124,364
Warrants reserve	24,750	—
Contributed surplus	85,525	42,811
Deficit	(4,389,252)	(1,074,633)
Total shareholders' deficiency	(4,133,325)	(907,458)
Total liabilities and shareholders' deficiency	**939,446**	**140,488**

	2017 (as restated)	2016 (unaudited) (as restated)
	$	$
REVENUE		
Digital assets processing services	667,258	41,634
Total revenue	**667,258**	**41,634**
COST OF SALES		
Processing fees	417,861	49,260
Software license fees	139,052	118,868
Hardware cost of sales	103,265	68,916
Total cost of sales	**660,178**	**237,044**
Gross margin (loss)	**7,080**	**(195,410)**
OPERATING EXPENSES		
Professional fees	119,062	221,449
Travelling expenses	51,603	31,456
Rent	22,828	14,006
Salaries and wages	413,265	365,468
Marketing expense	49,219	14,645
Amortization expense	93,193	29,710
Meals and entertainment expense	36,014	26,660
Share-based compensation expense	85,048	46,375
General and administrative expense	64,851	31,087
Total operating expenses	**935,083**	**780,856**
OTHER EXPENSES		
Change in fair value of digital assets	(91,971)	157
Change in fair value of derivative liability	1,657,178	-
Finance Costs	806,963	43,407
Acquisition transaction costs	14,446	—
Total other expenses	**2,386,616**	**43,564**
Loss and comprehensive loss	**(3,314,619)**	**(1,019,830)**
Basic and diluted loss per common share	(0.136)	(0.046)
Basic and diluted weighted average number of common shares outstanding	24,284,087	21,985,087

	Number of Common Shares	Share Capital (restated)	Warrants Reserve	Contributed surplus (restated)	Deficit (restated)	Total
2016		$	$	$	$	$
January 1, 2016 (unaudited)	18,485,087	120,800	-	-	(54,803)	65,997
Share-based compensation (unaudited)	143,999	3,564	-	42,811	-	46,375
Loss (unaudited)	-	-	-	-	(1,019,830)	(1,019,830)
December 31, 2016 (unaudited)	**18,629,086**	**124,364**	**-**	**42,811**	**(1,074,633)**	(907,458)
Shares issued for cash	200,000	3,704	-	-	-	3,704
Share-based compensation	34,375	17,584	24,750	42,714	-	85,048
Loss	-	-	-	-	(3,314,619)	(3,314,619)
December 31, 2017	**18,863,461**	**145,652**	**24,750**	**85,525**	**(4,389,252)**	(4,133,325)

Overall performance

As at December 31, 2017, the Company had assets totaling $939,446 and shareholders' deficiency of $4,133,325. This compares to assets of $140,488 and a shareholders' deficiency of $907,458, as at December 31, 2016.

As at December 31, 2017 versus December 31, 2016

Net assets decreased by $3,225,867 during the year ended December 31, 2017. Cash increased by $177,344, the result of cash used for operations and investing of $754,964 and $176,854, respectively offset by cash provided from financing activities of $1,109,162. Other increases include receivables of $447,918 and accounts payable and accrued liabilities of $538,905, both reflecting the increased operations of the Company during 2017. Digital currencies increased by $59,288 and intangible assets by $40,329. The remainder of the increases totalling $34,133, were from increases to inventory, prepaid expenses and equipment. The increases were offset by increases to derivative liabilities, convertible debentures and convertible notes in the amounts of $2,778,858, 474,104 and 247,500, respectively.

Results of operations

The Company generated $667,258 in operating revenue and incurred significant losses mostly due to finance costs and the change in fair value of derivative liability resulting in a net loss of $3,314,619 ending December 31, 2017.

Year ended December 31, 2017 and December 31, 2016

As at December 31, 2017, the net loss and comprehensive loss for the year was $3,314,619, or a loss of $0.136 per share. This compares to a net loss and comprehensive loss of $1,019,830, or a loss of $0.046 per share, as at December 31, 2016. The significant changes are detailed below:

Cost of Goods Increase of $660,178 *(2016: $237,044)*

Processing Fees of $417,861 (2016: $49,260)

The increase of approximately $369,000 over 2016 is due to the increase in total volume of transactions processed.

Operating expenses of $935,083 *(2016: $780,856)*

Salary and Wages of $413,265 (2016: $365,468)

The increase of approximately $48,000 was mainly the result of increased staffing for Product Development resources.

Other Expenses of $2,386,616 *(2016: $43,564)*

Finance Costs of $806,963 (2016: $43,407)

The increase of approximately $764,000 is due to the accreted value regarded as a theoretical pricing on a bond if it were to be sold and the market interest rates remained consistent at their most recent level

Change in fair value of derivative liability of $1,657,178 (2016: nil)

The increase of approximately $1,657,178 is due to amortization of the software recognized, accretion of the convertible debentures, and change in fair value of the derivative liability (convertible debentures and convertible notes).

Liquidity and capital resources

As at December 31, 2017, the Company had working capital of $190,028 (December 31, 2016: working capital deficit of $40,852) and has sustained operating losses and negative cash flows from operations since its inception. Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations associated with the financial liabilities that are settled by delivering cash or another financial asset. At its current development stage, the Company is exposed to significant liquidity risk, as it continues to have net cash outflows to support its operations.

The Company monitors its financial position on a continual basis and updates its expected use of cash resources based on the latest available data.

There are no off-statement-of-financial-position conditions that would adversely affect the Company's liquidity and the Company has not changed its approach to capital management during the year ended December 31, 2017.

Transactions with related parties

Year ended December 31, 2017 and December 31, 2016

The Company had outstanding convertible note loans obtained from its shareholders amounting to $975,000 as at December 31, 2016, which carried interest of 1% and are due upon a Series A funding round or December 31, 2018 at a $5 million cap, or 20% discount, whichever is larger.

The Company adopted a stock option plan under which it is authorized to grant options to officers, directors and employees enabling them to acquire common shares of the Company. The options granted can be exercised for up to a maximum of 10 years and vest from immediately up to four years, as determined by the Board of Directors. The option price of each option may not be less than the management determined price of the common shares on the date of the grant.

During the year ended December 31, 2017, the company granted 1,975,000 options.

The Company recognized a share-based compensation expense of $85,048 during the 12 months ending December 31, 2017 (2016: $46,375). The total fair value of options granted during the period was $154,530 (2016: $147,680) which was estimated using the Black Scholes valuation model using the following assumptions: stock price of $0.120 (2016: $0.05), expected life varies depending on agreement, $0 dividends, 70% volatility and discount rate of 1.760%.

In March 2017, 34,375 shares were issued from the exercise of stock options, and in October 2017, 200,000 common shares were issued, both issuances combining for total proceeds of $3,704.

Risk and uncertainties

Capital management

The Company's main objective in managing capital is to ensure sufficient liquidity to pursue and fund product development and sales. Secondarily, the Company strives to continue to fund research and development and pursue its growth strategy, while at the same time taking a conservative approach toward financial leverage and management of financial risk. The Company's capital is considered to be its shareholders' equity. The Company's primary uses of capital are financing operations and capital expenditures. The Company currently funds these requirements from existing cash resources and/or cash raised through the issuance of debt and/or shares. The Company's objectives when managing capital is to ensure the Company will continue to have enough liquidity so that it can provide its products and services to its customers and shareholder returns. The Company monitors its capital on the basis of the adequacy of its cash resources to fund its business plan. In order to maximize the capacity to finance the Company's ongoing growth, the Company does not currently pay a dividend to holders of its common shares.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size and stage of development of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital restrictions.

Regulatory Risks

Bitcoin and cryptocurrency regulation is relatively new and evolving, and POSaBIT's ability to continue to use its system is dependent on a regulatory environment supporting its use. POSaBIT's Money Transfer License ("MTL") is granted via the Washington State Department of Financial Institutions ("DFI") and POSaBIT is obligated to perform annual onsite audits with the DFI to maintain the MTL license. Likewise, POSaBIT is subject to regulatory control on the use of Bitcoin and Litecoin processing in cannabis stores. POSaBIT business will fail if it is unable to maintain its Money Services Business ("MSB") registration or MTL license in the states that require this.

POSaBIT is dependent on the use of Bitcoin and Litecoin processing for its primary business model and faces many general risks related to Bitcoin/Litecoin processing.

POSaBIT was established to process cryptocurrency payment transactions on the POSaBIT merchant platform, and has recently expanded to include full POS functionality. General risks to POSaBIT associated with the use of cryptocurrency processing are:

- Regulation (State or Federal) that limits the ability to continue acceptance of cryptocurrency payments income or all of the applications in which it is accepted and used by the Company
- Rapidly changing exchange rates and price volatility that could result in loss on Bitcoin/Litecoin to dollar exchange transactions
- Fraud that impacts the Company's receipts at the merchant, processor or exchange level
- The emergence of available alternative payment processing systems that reduce or eliminate the Company's revenues associated with its cryptocurrency payment processing system

In the event the use of cryptocurrency processing is curtailed or restricted, or if alternative processing systems make use of Bitcoin or Litecoin less profitable, POSaBIT will not achieve its projected growth and its earning and prospects will be diminished. We will face similar risks with any cryptocurrency we feature in connection with POSaBIT's system.

Market risk

The POS equipment and services business is highly competitive, with a substantial number of large and well-entrenched competitors. We have current and potential competitors in merchant processing, almost all of which have considerably greater financial and other resources than we do. We expect new entrants to obtain licensing and directly compete with us in merchant processing based on cryptocurrency transactions. In addition, changes in the regulatory and technological environment are bringing about a global consolidation of financial services, a proliferation of competitors, and convergence among various forms of media. As a result, our profitability could face increased pressure from competition and developments of existing providers, consolidation of our customers, increased competition from new entrants and deployment of new technologies. If we are unable to respond effectively to any increased competitive pressure arising from the above factors, our revenues and results of operation could be adversely affected. Further, if our services are successful, others will enter the market, which may draw our customers away from us or preclude us from obtaining any additional customers.

Other risk factors

Key personnel

The success of the Company for the foreseeable future will depend largely upon the ability of its management team and other key personnel, including but not limited to Ryan Hamlin, President and Chief Executive Officer. The loss of any one of these individuals could have a material adverse effect on the Company's business, and the Company would need to devote substantial resources to finding replacements. The Company currently does not carry "key-man" life insurance policies covering any of these officers. Competition for qualified and experienced personnel in the technology field is generally intense, and the Company will rely heavily on its ability to attract and retain qualified personnel in order to successfully implement its business objectives. The failure to attract or retain key executives and personnel could impact the Company's operations.

Dependencies

POSaBIT may have our processing limits reduced or have our credit card and debit card processing completely shut off because it provides services in the controversial areas of both cryptocurrency sales and legal cannabis sales and certain credit and debit card companies and processors may elect (for no reason) to terminate services in either of these areas, and any such termination would have a materially negative impact on POSaBIT's business.

POSaBIT has established positive relationships with its local bank, as well as its processor and sponsor banks, that allow it to accept credit and debit cards as a form of payment for cryptocurrency. The most difficult and complex relationship is with the sponsor and acquiring banks because POSaBIT will be operating a business that is considered high risk by the debit and credit card companies. Though POSaBIT will look to build and maintain strong relationships with multiple providers in an effort to maintain its operations, there is no guarantee that it will be able to do so. Termination or limitations of services allowing our processing would have a materially negative impact on POSaBIT's business.

Disclosure of outstanding share information

The following table sets forth information concerning the outstanding securities of the Company as of December 31, 2017:

	Common Shares	Warrants	Options
2017			
January 1, 2017	18,629,086	-	3,137,833
Shares issued	200,000	-	-
Warrants	-	99,000	-
Options issued	-	-	1,975,000
Options exercised	34,375	-	(34,375)
Options terminated/forfeit	-	-	(1,560,333)
December 31, 2017	**18,863,461**	**99,000**	**3,518,125**