POSaBIT, Inc.

Management's Discussion and Analysis

Nine months ended September 30, 2018

(Expressed in United States dollars)

(As amended and restated)

March 20, 2019

POSaBIT, Inc.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Expressed in United States dollars)

Nine months ended September 30, 2018

*This management discussion and analysis ("**MD&A**") has been prepared based on information available to POSaBIT, Inc. ("**POSaBIT**" or the "**Company**") as at March 20, 2019. This MD&A is based on information available to POSaBIT and updates disclosure previously provided in the Company's Annual MD&A, up to the date of this MD&A and should be read in conjunction with the Company's amended and restated condensed interim consolidated financial statements (unaudited) and the related notes as at and for the three and nine months ended September 30, 2018 and 2017 (the "**Amended and Restated Unaudited Condensed Interim Consolidated Financial Statements**") and the Company's audited amended and restated financial statements for the years ended December 31, 2017 and 2016 (unaudited) (the "**Amended and Restated Financial Statements**"). Both the Amended and Restated Financial Statements and the Amended and Restated Unaudited Condensed Interim Consolidated Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and all amounts are expressed in United States dollars unless otherwise noted. Other information contained in this MD&A has also been prepared by management and is consistent with the data contained in the Unaudited Condensed Interim Consolidated Financial Statements. Additional information relating to the Company can be found on the Company's website at 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 and head office at 1128 8th St., Kirkland, Washington, USA, 98033.

On February 16, 2018, the Company acquired 100% of the shares of DoubleBeam, Inc. (the "**Acquisition**", "**DoubleBeam**"), a private California-based point-of-sale ("**POS**") company that specializes in point of sale payment processing. See *Acquisition of DoubleBeam* section of this Interim MD&A.

POSaBIT is a privately-held company organized for the purpose of developing and selling its blockchain based, payment processing and 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 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. Additionally, since the Acquisition, 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 released 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, Oklahoma and Oregon to begin leveraging this new offering in late 2018/early2019. 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 Fortune 500 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.

The Amended and Restated Unaudited Condensed Interim Consolidated Financial Statements were authorized for issuance by the Board of Directors of the Company on March 20, 2019.

Amended and Restated Unaudited Condensed Interim Consolidated Financial Statements

Subsequent to the issuance of the condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2018, on December 20, 2018, management became aware of the following accounting errors related to the three and nine months ended September 30, 2018 and 2017. The changes are disclosed in note 17 of the Amended and Restated Unaudited Condensed Interim Consolidated Financial Statements. Any amounts disclosed in this MD&A refer to the amended and restated amounts contained in the Amended and Restated Condensed Interim Consolidated Financial Statements, as appropriate.

(Expressed in United States dollars)

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 went 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.

(Expressed in United States dollars)

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. DoubleBeam charges a similar fee between $1,300 and $1,800 per terminal for each POS unit based on the features selected by the merchant.

Acquisition of DoubleBeam

On February 16, 2018, the Company acquired 100% of the shares of DoubleBeam, a private company based in the state of California that specializes in point of sale payment processing. The Company has acquired DoubleBeam to expand its operations and integrate DoubleBeam's structure with its own. The acquisition has been accounted for as a business acquisition and includes the operating results of DoubleBeam for the 45-day period from the acquisition date. DoubleBeam was moved to Washington state and merged with POSaBIT post-acquisition.

The total purchase price paid for DoubleBeam was $641,488 by way of the Company issuing 5,345,730 in common shares.

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

	Total
	$
Purchase price:	
Shares exchanged	641,488
	641,488
Net assets acquired:	
Cash	23,000
Accounts receivable	120,000
Inventory	18,000
Intangible assets[1]	481,488
Customer List	100,000
Accounts payable	(101,000)
	641,488

[1]Remeasurement may be made up to February 16, 2019 (one year after the transaction, per IFRS).

Since the date of acquisition, DoubleBeam has generated $359,262 of revenue, and a net loss of $120,070, before tax, from the continuing operations of the Company. If the acquisition had taken place at the beginning of the year, revenue from continuing operations may have been $500,000 and the profit from continuing operations for the period may have been $0 before tax from the continuing operations of the Company.

Transaction with Foreshore Exploration Partners Corp. ("Foreshore")

On December 14, 2018, the Company and Foreshore entered into a merger agreement that provides or a reverse three-cornered merger, whereby a wholly-owned subsidiary of Foreshore (incorporated specifically to complete the merger) and the Company will merge, and the surviving corporation (the "Resulting Issuer") will be a wholly-owned subsidiary of Foreshore and which will be renamed POSaBIT Systems Corporation. Shareholders of POSaBIT will receive in the merger 1.7539815 shares (the "Share Exchange Ratio") of Foreshore in exchange for each POSaBIT share held. Similarly, POSaBIT option holders will receive Foreshore options exercisable for 1.7539815 shares of Foreshore.

A non-offering preliminary prospectus is being filed with the securities regulatory authorities in British Columbia, Alberta and Ontario for the purpose of allowing Foreshore to comply with Policy 2 – *Qualifications for Listing* of the Canadian Securities Exchange ("CSE") in order for Foreshore to meet one of the eligibility requirements for the listing of its common shares on the CSE. Foreshore has applied to list its common shares on the CSE and the listing will be subject to it fulfilling all of the listing requirements of that exchange. In addition, as Foreshore is currently a capital pool company ("CPC") listed on the TSX Venture Exchange (the "TSXV"), it intends to delist its shares from the TSXV contemporaneously with its CSE listing.

Overall performance

As at September 30, 2018, the Company had assets totaling $3,353,711 and shareholders' equity of $1,451,594. This compares with assets of $939,446 and shareholders' deficiency of $4,133,325, as at December 31, 2017.

During the 9 months ended September 30, 2018, the Company's net assets increased by $5,584,919, the result of an increase in assets of $2,414,265 and a decrease in liabilities of $3,170,654. The increase in assets was the result of an increase in cash and cash equivalents of $408,626 (cash used for operating activities of $711,000 plus cash used for investing activities of $402,751, offset by cash provided from financing activities of $2,404,857 and increase to restricted cash of $882,480), increases in accounts receivable of $180,851, due from related parties of $1,904, inventories of $17,846, prepaid expenses of $22,111, other assets of $120,000 (comprised of a surety bond provided by Philadelphia Insurance and required for the Company's Money Transfer Licence in Washington State), net purchases of equipment of $22,261 and intangible assets of $771,507. Further net asset increases were the result of decreases in derivative liabilities, convertible debentures and convertible notes of $4,456,200. The increases were offset by a decrease in digital assets of $13,321 together with increases in accounts payable of $1,085,546 and notes payable of $200,000.

As stated, POSaBIT had significant increases in revenue over the last 9 months vs. the year prior. It is important to understand that the majority of POSaBIT's revenue is generated based on the amount of transaction volume (e.g. how much cryptocurrency is sold to customers). In 2018, POSaBIT grew each quarter so you would anticipate an increase in costs as the revenue increased. However, this increase in revenue to costs will not be proportional for two reasons. The first is due to POSaBIT processing more and the overall fees charged by the processors going down (e.g. processors provide better rates for higher volumes). The second reason has to do with the increase in subscription revenue via the new Doublebeam acquisition in 2018 (and additional revenue). This revenue was not present in 2017 but is now a part of the 2018 revenues.

Operations

As at September 30, 2018, the Company had 18 full time employees and 2 full time contractors. The Company continued to expand the number of stores in Colorado, California and Washington.

Product development efforts focused on incremental feature enhancements to the Payment service to allow for both Litecoin and Bitcoin purchases as well as EMV card compliance for debit transactions.

The majority of product planning and development focused on the new Point of Sale which was acquired from Doublebeam. An entirely new front-end console design and experience was built to support the cash-only industry. Additionally, all the necessary state requirements for seed-to-sale tracking was implemented to support the Leaf system in the State of Washington.

Lastly, the Company moved into a new corporate headquarters based in Kirkland, WA. This move tripled the amount of space and allows for the planned headcount expansion of the company in 2019.

Results of operations

9 months ended September 30, 2018 and September 30, 2017

POSaBIT incurred significant losses mostly due to finance costs and the change in fair value of derivative liability resulting in a net loss of $2,632,624 (2017 - $830,875) or $0.12 (2017 - $0.07). The significant changes are highlighted below:

Revenues $1,386,447 *(2017 - $380,278)*

The increase of approximately $1,006,000 over 2017 is due to the increase in total volume of transactions processed.

Cost of sales $1,373,290 *(2017 - $429,842)*

Processing Fees of $548,761 (2017 - $265,373)

The increase of approximately $283,000 over 2017 is mainly the result of increases in the volume of transactions processed.

Software License Fees of $172,823 (2017 - $104,517)

The increase of approximately $68,000 over 2017 is mainly the result of the larger number of roll-outs of the Company's transaction system and the corresponding licensing requirements.

Hardware cost of sales of $382,914 (2017 - $59,952)

The increase of approximately $323,000 over 2017 is mainly the result of the larger number of merchants utilizing the Company's transaction system.

Sales labor and commissions of $268,792 (2017 - $nil)

The increase of approximately $269,000 over 2017 is the result of a larger sales force to accelerate not the market as well as a larger number of merchants utilizing the Company's transaction system and the sales resulting therefrom.

Operating expenses of $1,975,055 *(2017 - $732,278)*

Professional fees of $579,964 (2017 - $102,407)

The increase of approximately $477,000 is largely the result of legal and audit-fee increases due to the Company's public-listing requirements.

Salaries and wages of $678,227 (2017 - $363,535)

The increase of approximately $315,000 is the result the Company's overall growth and requirement for increased number of personnel.

Depreciation and amortization of $233,837 (2017 - $30,037)

The increase of approximately $204,000 resulted from the increase of intangible assets of the Company resulting mainly from the DoubleBeam acquisition.

Other Expenses of $670,726 *(2017 - $49,033)*

Finance Costs of $902,513 (2017 - $53,586)

The increase of approximately $849,000 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 $(287,877) (2017 - $(1,680))

The increase of approximately $286,000 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).

3 months ended September 30, 2018 and September 30, 2017

POSaBIT had net loss of $364,457 (2017 - $368,119) or $0.02 (2017 - $0.03) per share. The significant changes are highlighted below:

Revenues $1,054,768 *(2017 - $85,969)*

The increase of approximately $969,000 over 2017 is due mainly attributable to the increase in total volume of transactions processed.

Cost of sales $669,227 *(2017 - $119,744)*

Processing Fees of $261,368 (2017 - $81,292)

The increase of approximately $180,000 over 2017 is mainly the result of increases in the volume of transactions processed.

Hardware cost of sales of $182,091 (2017 - $3,802)

The increase of approximately $178,000 over 2017 is attributable to the larger number of merchants utilizing the Company's transaction system.

Sales labor and commissions of $148,657 (2017 - $nil)

The increase of approximately $149,000 over 2017 is the result of larger sales force to accelerate not the market as well as a larger number of merchants utilizing the Company's transaction system and the sales resulting therefrom.

Operating expenses of $706,634 *(2017 - $298,547)*

Professional fees of $168,365 (2017 - $23,934)

The increase of approximately $144,000 is largely the result of legal and audit-fee increases due to the Company's public-listing requirements.

Salaries and wages of $239,610 (2017 - $131,360)

The increase of approximately $108,000 is the result the Company's overall growth and requirement for increased number of personnel.

Depreciation and amortization of $70,785 (2017 - $196)

The increase of approximately $71,000 resulted from the increase of intangible assets of the Company resulting mainly from the DoubleBeam acquisition coupled with lower intangible increases during the third quarter of 2017.

Liquidity and capital resources

As at September 30, 2018, the Company had working capital of $604,979 (December 31, 2017 - $190,028) 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 nine months ended September 30, 2018.

Corporate and financings

Financings and issuance of shares

In December 2018, $115,000 (C$150,000), or 142,533 subscription receipts were withdrawn. Each subscription receipt is exchangeable for 1.7539815 common shares of the Resulting Issuer.

In October 2018, the Company issued a convertible note with a face amount of $50,000. The note accrues interest at 1% per year and is convertible into 549,804 Resulting Issuer common shares.

In October 2018, the Company raised additional financing of $445,535 and will issue 551,967 common shares.

In September and October 2018, the Company raised additional financing of $1,022,259 (C$1,330,674) with the issuance of 1,264,432 subscription receipts at $0.808 each. Each subscription receipt is exchangeable for 1.7539815 common shares of the Resulting Issuer.

In September 2018, the Company issued 85,520 common shares with the amount of $86 at $0.001 per share, to its Chief Financial Officer

(Expressed in United States dollars)

In August 2018, the Company raised additional financing of $145,000 with the issuance of 179,637 common shares at $0.81 each. In addition, 99,127 common shares are to be issued in settlement of debt in the amount of $80,469.

In June 2018, $350,000 was raised for which 433,607 common shares are to be issued.

In May 2018, 13,571,300 preferred shares were issued with a value of $5,428,520, on the conversion of the convertible debentures and notes.

In May and June 2018, the Company issued 1,075,000 preferred shares for cash. Costs of the issuance amounted to $59,979, raising gross and net proceeds of $430,000 and $370,021, respectively.

In February 2018, 5,345,730 shares were issued as consideration for the Double Beam acquisition and in March 2018, 577,320 shares were held in escrow in connection with a possible going public transaction (note 14 - Letter of Intent).

In January 2018, the Company redeemed 663,873 shares of common stock from the CEO at $0.03.

Issuance of options

In August 2018, the Company issued 117,500 options with an exercise price of $0.40.

In May 2018, the Company issued 270,000 options with an exercise price of $0.12.

In May 2018, the Company issued 75,000 options with an exercise price of $0.05

In March 2018, the Company issued 2,026,453 options with an exercise price of $0.40.

In January 2018, the Company issued 988,873 options with an exercise price of $0.05.

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 expenses paid to PlaceFull Inc., a related company, through the Company's CEO:

	September 30, 2018	December 31, 2017
	$	$
Executive Compensation	**90,000**	120,000
Licence fees	**90,000**	120,000
Rent	**7,576**	20,174

(Expressed in United States dollars)

Totals	**187,576**	140,174

As at September 30, 2018, the Company provided loans to shareholders for an amount of $nil (December 31, 2017 - $20,000) and to PlaceFull Inc. for an amount of $90,824 (December 31, 2017 - $19,946). These loans are unsecured, interest free and due on demand.

As at September 30, 2018, the Company owed to PlaceFull Inc. an amount of $48,974 (December 31, 2017 - $nil). The payables are unsecured, interest free and due on demand.

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 9 months ended September 30, 2018. 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.

Outstanding securities

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

Security	Number outstanding	Number issuable
Common shares	23,630,838	2,055,992
Preferred shares	14,646,300	-
Subscription receipts	1,121,899	-
Options	6,995,951	-
Warrants	99,000	-