Condensed Consolidated Interim Financial Statements of

Posera Ltd.

(formerly Posera-HDX Limited)

(Unaudited)
Three and Nine-months ended September 30, 2016 and 2015

Posera Ltd. (Formerly Posera-HDX Limited)
Consolidated Statements of Financial Position
As at September 30, 2016

(unaudited)

(in Canadian dollars)

		September 30, 2016		December 31, 2015
ASSETS (Notes 7, 9 and 14)				
CURRENT				
Cash and cash equivalents	$	1,577,834	$	1,702,972
Accounts receivable (Note 12)		3,239,497		3,592,954
Note Receivable (Note 16)		680,000		-
Current portion of lease receivable		93,642		15,206
Inventory		1,223,814		989,544
Investment credits receivable - refundable (Note 3)		435,800		186,999
Income taxes receivable (Note 10)		-		35,272
Prepaid expenses and deposits		215,783		251,782
		7,466,370		**6,774,729**
NON-CURRENT				
Property, plant and equipment (Note 4)		266,717		202,572
Deposit on leased premises		39,583		39,581
Lease receivable		76,645		15,978
Investment tax credits receivable - non-refundable (Note 3)		813,802		819,986
Intangible assets (Note 5)		1,642,009		2,476,006
Goodwill (Note 6)		4,105,908		6,462,056
	$	**14,411,034**	**$**	**16,790,908**
LIABILITIES (Notes 7, 14 and 17)				
CURRENT				
Accounts payable and accrued liabilities (Notes 12)		2,789,176		3,394,862
Provisions (Note 8)		609,304		622,218
Current portion of vehicle loans and capital leases		18,841		47,157
Current portion of notes payable (Notes 9 and 17)		1,455,874		419,614
Income taxes payable (Note 10)		-		52,057
Deferred revenue		1,999,541		1,783,116
		6,872,736		**6,319,024**
NON-CURRENT				
Deferred income tax liability (Note 10)		28,243		115,889
Vehicle loans and capital leases		39,113		92,186
Notes payable (Notes 9 and 17)		-		1,353,442
		6,940,092		**7,880,541**
EQUITY				
SHARE CAPITAL [Note 11(a)]		56,882,021		56,882,021
CONTRIBUTED SURPLUS [Notes 11(b, c) and 17]		7,432,759		7,196,429
WARRANTS [Note 11(d)]		80,133		80,133
DEFICIT		(57,561,490)		(56,164,366)
ACCUMULATED OTHER COMPREHENSIVE INCOME		637,519		916,150
		7,470,942		**8,910,367**
	$	**14,411,034**	**$**	**16,790,908**

See accompanying notes to the consolidated financial statements

Subsequent events (Note 17)

Posera Ltd. (Formerly Posera-HDX Limited)

Consolidated Statements of Operations and Comprehensive Loss

For the three and nine-months ended September 30, 2016 and 2015

(unaudited)

(in Canadian dollars, except for number of common shares)

	Three-months ended September 30,		Nine-months ended September 30,	
	2016	**2015**	**2016**	**2015**
REVENUE (Note 12, 16)				
Point of sale revenue	$ 4,168,526	$ 4,022,537	$ 12,917,338	$ 12,155,586
Payment processing revenue	-	3,346	8,237	9,197
TOTAL REVENUE	**4,168,526**	**4,025,883**	**12,925,575**	**12,164,783**
COST OF SALES (Note 12, 16)				
Cost of inventory (Note 7)	880,849	774,772	2,964,150	2,542,674
Technology (Note 3)	509,090	550,040	1,408,382	1,573,586
Operations and support	1,444,578	1,310,917	4,127,196	4,004,889
TOTAL COST OF SALES	**2,834,517**	**2,635,729**	**8,499,728**	**8,121,149**
GROSS PROFIT	**1,334,009**	**1,390,154**	**4,425,847**	**4,043,634**
OPERATING EXPENSES (Note 12, 16)				
Sales and marketing	780,645	785,678	2,339,744	2,353,548
General and administrative	1,250,428	1,266,666	3,947,643	3,852,537
Restructuring costs (Note 8)	293,458	-	1,165,674	-
TOTAL OPERATING EXPENSES	**2,324,531**	**2,052,344**	**7,453,061**	**6,206,085**
	(990,522)	**(662,190)**	**(3,027,214)**	**(2,162,451)**
OTHER EXPENSES (INCOME) (Note 16)				
Interest expense (Notes 7 and 8)	90,586	105,433	267,370	297,113
Realized and unrealized loss on foreign exchange	7,673	22,967	35,537	8,453
Interest and other income	(2,552)	(5,498)	(9,962)	(15,133)
(Gain)loss on revaluation of financial instruments (Note 16)	(131,771)	-	108,229	-
TOTAL OTHER EXPENSES	**(36,064)**	**122,902**	**401,174**	**290,433**
NET LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	**(954,458)**	**(785,092)**	**(3,428,388)**	**(2,452,884)**
INCOME TAX EXPENSE(RECOVERY)				
Current (Note 10)	74,054	124,368	107,948	359,789
Deferred (Note 10)	(38,553)	(112,164)	(249,716)	(273,297)
NET LOSS FROM CONTINUING OPERATIONS (Note 16)	**(989,959)**	**(797,296)**	**(3,286,620)**	**(2,539,376)**
Gain on disposition of subsidiary (net of tax) (Note 16)	-	-	1,959,794	-
Profit(loss) from discontinued operations (net of tax) (Note 16)	-	(41,110)	(70,298)	(63,819)
NET LOSS	**$ (989,959)**	**$ (838,406)**	**$ (1,397,124)**	**$ (2,603,195)**
Items that may be reclassified subsequently to net income				
Other comprehensive gain on foreign translation	35,450	284,541	(278,631)	560,080
NET COMPREHENSIVE LOSS	**$ (954,509)**	**$ (553,865)**	**$ (1,675,755)**	**$ (2,043,115)**
BASIC AND DILUTED LOSS PER SHARE [Note 11(e)]	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.04)
BASIC AND DILUTED LOSS FROM CONTINUING OPERATIONS PER SHARE [Note 11(e)]	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.04)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	75,838	75,838	75,838	69,687

See accompanying notes to the consolidated financial statements

Posera Ltd. (Formerly Posera-HDX Limited)

Consolidated Statements of Changes in Equity

For the three and nine-months ended September 30, 2016 and 2015

(unaudited)

(in Canadian dollars)

	Three-months ended September 30,				Nine-months ended September 30,			
		2016		2015		2016		2015
DEFICIT BEGINNING OF PERIOD	$	(56,571,531)	$	(52,361,976)	$	(56,164,366)	$	(50,597,187)
Net Loss		(989,959)		(838,406)		(1,397,124)		(2,603,195)
DEFICIT END OF PERIOD	**$**	**(57,561,490)**	**$**	**(53,200,382)**	**$**	**(57,561,490)**	**$**	**(53,200,382)**
ACCUMULATED OTHER COMPREHENSIVE INCOME BEGINNING OF PERIOD	$	602,069	$	500,752	$	916,150	$	225,213
Other comprehensive gain(loss) on foreign translation		35,450		284,541		(278,631)		560,080
ACCUMULATED OTHER COMPREHENSIVE INCOME END OF PERIOD	**$**	**637,519**	**$**	**785,293**	**$**	**637,519**	**$**	**785,293**
NET COMPREHENSIVE LOSS	**$**	**(954,509)**	**$**	**(553,865)**	**$**	**(1,675,755)**	**$**	**(2,043,115)**
SHARE CAPITAL BEGINNING OF PERIOD	$	56,882,021	$	56,883,636	$	56,882,021	$	53,656,082
Issued for cash consideration		-		-		-		3,579,000
Issuance costs - Cash		-		(1,615)		-		(272,928)
Issuance costs - Compensation Warrants		-		-		-		(80,133)
SHARE CAPITAL END OF PERIOD [Note 11(a)]	**$**	**56,882,021**	**$**	**56,882,021**	**$**	**56,882,021**	**$**	**56,882,021**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$	7,370,696	$	7,152,983	$	7,196,429	$	7,142,111
Stock based compensation		62,063		5,436		236,330		16,308
CONTRIBUTED SURPLUS END OF PERIOD [Note 11(b, c)]	**$**	**7,432,759**	**$**	**7,158,419**	**$**	**7,432,759**	**$**	**7,158,419**
WARRANTS BEGINNING OF PERIOD	$	80,133	$	116,270	$	80,133	$	36,137
Compensation warrants		-		-		-		80,133
WARRANTS END OF PERIOD [Note 11(d)]	**$**	**80,133**	**$**	**116,270**	**$**	**80,133**	**$**	**116,270**

See accompanying notes to the consolidated financial statements

Posera Ltd. (Formerly Posera-HDX Limited)

Consolidated Statements of Cash Flows

For the three and nine-months ended September 30, 2016 and 2015

(unaudited)

(in Canadian dollars)

	Three-months ended September 30, 2016	Three-months ended September 30, 2015	Nine-months ended September 30, 2016	Nine-months ended September 30, 2015
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING (Note 16)				
Net Loss	$ (989,959)	$ (838,406)	$ (1,397,124)	$ (2,603,195)
Items not affecting cash				
Amortization of property, plant & equipment (Note 4)	21,466	23,513	66,158	69,863
Amortization of intangible assets (Note 5)	176,007	309,581	549,998	960,678
Deferred income tax recovery (Note 10)	(38,553)	(112,164)	(249,716)	(274,071)
(Gain)loss on revaluation of financial instruments	(131,771)	-	108,229	-
Stock-based compensation expense [Note 11(b,c)]	62,064	5,436	236,331	16,308
Interest accretion (Note 9)	37,299	40,891	115,076	131,954
Gain on disposition of Subsidiary (Note 16)	-	-	(1,959,794)	-
Unrealized (gain)loss on foreign exchange	(1,054)	51,843	(5,576)	(99,342)
	(864,501)	**(519,306)**	**(2,536,418)**	**(1,797,805)**
Changes in working capital items (Note 13)	(813,294)	(156,772)	(371,433)	681,955
	(1,677,795)	**(676,078)**	**(2,907,851)**	**(1,115,850)**
FINANCING (Note 16)				
Proceeds from issuance of Common Shares	-	-	-	3,579,000
Issuance costs paid for Common Shares	-	(1,614)	-	(272,928)
Repayment of vehicle loans and capital leases	(4,961)	(18,336)	(25,663)	(51,332)
Issuance of vehicle loans	-	-	29,556	-
Repayment of notes payable (Note 9)	(162,803)	(259,290)	(392,840)	(1,115,613)
	(167,764)	**(279,240)**	**(388,947)**	**2,139,127**
INVESTING				
Acquisition of property, plant and equipment (Note 4)	(88,472)	(6,774)	(225,369)	(6,774)
Disposition of Subsidiary (net of Cash) (Note 16)	-	-	3,412,689	
Acquisition of intangible assets (Note 5)	-	-	-	(4,056)
	(88,472)	**(6,774)**	**3,187,320**	**(10,830)**
Foreign exchange gain(loss) on net cash and cash equivalents held in a foreign currency	**1,295**	**15,686**	**(15,660)**	**108,149**
NET CASH AND CASH EQUIVALENTS (OUTFLOW)INFLOW	**$ (1,932,736)**	**$ (946,406)**	**$ (125,138)**	**$ 1,120,596**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,510,570	3,302,585	1,702,972	1,235,583
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 1,577,834**	**$ 2,356,179**	**$ 1,577,834**	**$ 2,356,179**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING				
Cash and cash equivalents	$ 1,577,834	$ 2,596,178	$ 1,577,834	$ 2,596,178
Bank indebtedness (Note 7)	-	(239,999)	-	(239,999)
	$ 1,577,834	**$ 2,356,179**	**$ 1,577,834**	**$ 2,356,179**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION				
Interest paid	$ 53,287	$ 66,823	$ 154,628	172,684
Interest received	2,552	5,498	9,962	15,133
Income taxes paid	145,830	102,153	211,958	102,416
Investment credits and investment tax credits receivable received	-	-	-	417,480

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Posera Ltd. (formerly Posera-HDX Limited) ("Posera", or the "Company"), is domiciled in Canada and is in the business of managing merchant transactions with consumers and facilitating payments emphasizing transaction speed, simplicity and accuracy. Posera develops and deploys touch screen point-of-sale ("POS") system software and associated enterprise management tools and has developed and deployed numerous POS applications. Posera also provides system hardware integration services, merchant staff training, system installation services, distribution of electronic cash registers to a network of value added resellers across Canada and post-sale software and hardware support services. Posera licenses, distributes and markets its hospitality POS software, known as Maitre'D, throughout the Americas, Europe & Asia. Finally, the Company offers agnostic POS and payments integration applications.

Posera was founded in 2001 and is headquartered at 350 Bay Street, Suite 700, in Toronto, Canada M5H 2S6. The Company's common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "PAY", and previously "HDX".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with IFRS. As such, these condensed consolidated interim financial statements should be read in conjunction with the Company's annual financial statements for the year-ended December 31, 2015. These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 11th, 2016.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements have been prepared on the historical cost basis, except for certain held for trading financial instruments, which are carried at fair market values.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year-ended December 31, 2016, as issued and outstanding as of the date the Board of Directors approved these statements. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's annual consolidated financial statements for the year-ended December 31, 2015, except as described below.

The results for the three and nine-months ended September 30, 2016 are not necessarily indicative of the results to be expected for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

These consolidated financial statements include the accounts of Posera Ltd. and its wholly owned subsidiaries. These subsidiaries are A&A Point of Sale Solutions Inc. ("A&A"); Posera Inc. and its subsidiaries: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; and Posera USA Inc. (collectively referred to as "Posera Inc."); HDX Payment Processing Ltd. ("HDX-PP") and Terminal Management Concepts Ltd. ("TMC"). Zomaron Inc. ("Zomaron") is included as a discontinued operation in the consolidated financial statement of the Company up until the date of its disposal on April 29, 2016.

Subsidiaries are those entities (including special purpose entities) over which the Company has the power to govern financial and operating policies. Subsidiaries are fully consolidated from the date on which control is obtained and are de-consolidated from the date that control ceases. Intercompany transactions, balances, income and expenditures, and gains and losses are eliminated.

Presentation Currency

These consolidated financial statements are presented in Canadian Dollars ("CAD").

Foreign Currency Translation

The functional currencies of all consolidated entities are CAD, with the exception of Posera Inc. and certain of its subsidiaries, which have functional currencies of the United States Dollar ("USD") (Posera Inc. and Posera USA Inc.), the British Pound ("GBP") (Posera Europe Ltd.) and the Euro (Posera France SAS). The Company translates the assets and liabilities of consolidated entities with differing functional currencies to CAD at the rate of exchange prevailing at the statement of financial position date and revenues and expenses of those operations using the average rates of exchange during the period. Gains and losses resulting from this translation are recorded in accumulated other comprehensive income (loss), a component of shareholders' equity.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities' functional currency are recognized in the consolidated statements of operations, except for gains and losses resulting from intercompany balances included in the net investment in foreign operations, for which foreign exchange gains and losses are recorded in accumulated other comprehensive income (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segments

The Company has organized its business around different products and services. Each acquired business is a separate operating segment. The Company then aggregates the operating segments into reportable segments based on the similarities of the products and services that are offered to its customers, the types of customers that products and services are provided to, and the methods used to distribute products and provide services. The chief decision maker of the company was determined to be the Company's Chief Executive Officer (the "CEO"), and as such the Company determined its reportable segments based upon the reports the chief decision maker utilized to evaluate performance and allocate resources. Revenues from external customers are geographically allocated to countries based upon the place where the customers are located.

Business Combinations

Business combinations have been accounted for in accordance with IFRS 3, Business Combinations ("IFRS 3"), whereby acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, contingent consideration and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs are expensed as incurred, except for incremental costs of issuance of debt or equity instruments. The acquired identifiable assets and liabilities are recognized at their fair values at the acquisition date. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets acquired and liabilities assumed.

If the Company's interest in the net fair value of the acquired identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognized immediately as a bargain purchase gain in the consolidated statements of operations.

Subsequent to initial recognition, measurement of contingent consideration depends on whether it is an equity instrument or a financial asset or liability. Subsequent changes in the fair value of the contingent consideration that is deemed to be a financial asset or liability is recognized in the statement of operations as a gain or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Convertible debentures

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the contractual arrangement's substance, and applicable IFRS standards. If the IFRS equity classification criteria are met, the Company allocates the total face value of the convertible debenture by estimating the fair-value of the note payable component in isolation, and allocating the residual to the conversion option presented as equity. If the IFRS equity classification criteria are not met, the Company allocates the total face value of the convertible debenture by determining the fair value of the conversion option component presented as a derivative liability in isolation, with the residual being allocated to the note payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financing - Transaction Costs

Incremental costs incurred in respect of raising capital or debt are charged against the equity or debt proceeds raised, unless the instrument to which the transaction costs relate is classified as fair value through profit and loss in which case the incremental costs are expensed in the Statements of Operations immediately.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the gross inflow of economic benefits during the period, arising in the ordinary course of the Company's activities. The Company offers certain arrangements whereby a customer can purchase products and services together. Where such multiple element arrangements exist, the amount of revenue is allocated to each element based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements sold separately.

The Company derives revenues from the following sources:

a) Revenue from POS systems, digital video recording ("DVR") systems and POS parts and consumables is recognized when the Company has transferred to the customer the significant risks and rewards of ownership, the Company does not retain continuing managerial involvement with or effective control of the goods, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions are generally met when the product has been installed. POS and DVR systems generally include a one-year support contract. The Company allocates revenue to each component of the transaction using the relative fair value of each separately identifiable component. The Company defers the fair value of the support services under the agreement, as deferred revenue at the time of sale. Revenue on the support services is then recognized in line with the customer support contract policy below.

b) Revenue from customer support contracts is deferred and recognized as revenue on a straight-line basis over the term of the contract.

c) Software development and hosting service revenue are accounted for as services. Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Generally, unless a more accurate measure of the stage of completion is available, Software development and hosting service revenue is recognized on a straight-line basis over the term of the contract.

d) Services revenue relates to the delivery of consulting and system integration services with revenue recognized upon delivery and acceptance by the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Software perpetual licenses are accounted for as sales of products as the customer has a perpetual right to use the software freely and the Company has no remaining obligations to perform after delivery of the software. The revenue from these products is recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the software, the Company does not retain continuing managerial involvement with or effective control over the software, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions generally are met when the application software has been delivered.

f) Revenue from processing transactions is recognized at the time the transactions are processed.

The Company has presented the revenues segmented into POS Revenues and Payment Processing Revenues. POS Revenues are those revenues earned primarily from the sale, service of POS terminal hardware and software and Payment Processing Hardware, such as Debit/Credit Card pin-pads and ATMs; whereas Payment Processing Revenues are those revenues earned from primarily the associated payment processing transactions.

Assets and Disposal Groups Held for Sale or Distribution

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Company’s accounting policies. Thereafter the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Company’s accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

Once classified as held for sale or distribution, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

Discontinued Operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statements of Operations and Comprehensive Income is re-presented in a format as if the operation had been discontinued from the start of the comparative period.

The Company presents the Results from Discontinued Operations as one net amount on the Consolidated Statements of Operations and Comprehensive Income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

IFRS standards issued but not yet effective

Standards issued but not yet effective or amended up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company has not determined if they will early adopt any standards at this time.

i) In November 2009, the IASB issued IFRS 9 as part of its plan to replace IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 requires financial assets, including hybrid contracts, to be measured at either fair value or amortized cost. In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities previously included in IAS 39. In November 2013, the IASB introduced a new hedge accounting model, and allowed early adoption of the own credit provisions of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking 'expected loss' impairment model, and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of adopting this new standard.

ii) IFRS 15 Revenue from contracts with customers, is a new standard on revenue recognition, superseding IAS 18, *Revenue*, and IAS 11, *Construction Contracts* and related interpretations. Effective for first interim periods within years beginning on/after January 1, 2018. The Company is evaluating the impact of adopting this new standard.

iii) On January 13, 2016, the IASB issued IFRS 16, Leases, which will replace IAS 17, Leases. The new standard will be mandatorily effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted. Under the new standard, all leases will be on the balance sheet of lessees, except those that meet limited exception criteria. As the company has significant contractual obligations in the form of operating leases under the existing standard, there will be a material increase to both assets and liabilities upon adoption of the new standard, and material changes to the timing of recognition of expenses associated with the lease arrangements. The company is analyzing the new standard to determine its impact on its balance sheet and statement of operations.

(in Canadian dollars, except as noted)

3. INVESTMENT CREDITS AND INVESTMENT TAX CREDITS RECEIVABLE

Investment tax credits related to Scientific Research and Experimental Design and investment credits related to Electronic Business, were recorded in the consolidated interim statements of operations as a reduction (increase) in technology expenses in the amount of $98,947 and $312,997 during the three and nine-months ended September 30, 2016 (2015 - $56,969 and $243,686) respectively. As of September 30, 2016, a subsidiary of the Company has refundable investment tax credits receivable totaling $435,800 (December 31, 2015 - $186,999), and non-refundable investment credits receivable totaling $813,802 (December 31, 2015 - $819,986) which expire according to the schedule below:

	September 30, 2016	December 31, 2015
2030	$ 46.164	$ 94,198
2031	288,103	288,103
2032	327,736	327,736
2033	31,284	31,284
2034	23,135	23,135
2035	55,530	55,530
2036	41,850	-
Total	**$ 813,802**	**$ 819,986**

In order to receive the investment credits and investment tax credits receivable the Company must file its tax returns no later than 18 months after the period to which the claim relates.

4. PROPERTY PLANT AND EQUIPMENT ("PP&E")

The following is a reconciliation of the net book value for PP&E:

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2015	**$ 1,095,100**	**$ 892,528**	**$ 202,572**
Amortization of PP&E	-	66,158	(66,158)
Additions of PP&E	225,369	-	225,369
Disposition (Note 16)	(218,172)	(123,023)	(95,149)
Translation adjustment	449	366	83
Balance – September 30, 2016	**$ 1,102,746**	**$ 836,029**	**$ 266,717**

5. INTANGIBLE ASSETS

The following is a reconciliation of the net book value for Intangible Assets:

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2015	**$ 14,969,269**	**$ 12,493,263**	**$ 2,476,006**
Amortization	-	549,998	(549,998)
Disposition (Note 16)	(405,000)	(183,136)	(221,864)
Translation adjustment	(375,652)	(313,517)	(62,135)
Balance – September 30, 2016	**$ 14,188,617**	**$ 12,546,608**	**$ 1,642,009**

(in Canadian dollars, except as noted)

6. GOODWILL

Reconciliation of Goodwill

	Net Book Value
Balance – December 31, 2015	**$ 6,462,056**
Disposition (Note 16)	(2,161,813)
Translation adjustment	(194,335)
Balance – September 30, 2016	**$ 4,105,908**

7. BANK INDEBTEDNESS

As at September 30, 2016, the Company through its subsidiary Posera Software, has a revolving line of credit of $nil (December 31, 2015 - $nil), of an available $200,000 (December 31, 2015 - $500,000). The available credit facilities relate to $200,000 (December 31, 2015 - $200,000) as an operating line of credit and $nil (December 31, 2015 - $300,000) to finance investment tax credits. These facilities bear interest at the Canadian bank prime rate plus 2.50%, with an effective interest rate of 5.25% (September 30, 2015 – 5.25%). Any amounts borrowed in relation to the investment tax credits are payable in full upon receipt of the investment tax credit receivables and are secured by a floating lien on current and future investment tax credit receivables with a current carrying value of $435,800 (December 31, 2015 - $186,999). Additionally, the facilities have a first ranking $1,000,000 (December 31, 2015 - $1,000,000) moving hypothec on the assets of Posera Software. This facility has been guaranteed up to 80% by Investissement Quebec for the portions borrowed pertaining to the investment tax credits. Posera Software must meet certain non-IFRS measures including Working Capital, EBITDA, Net Tangible Worth and Debt ratios.

8. PROVISIONS

	Provision for income tax and information return penalties	Provision for restructuring obligations	**Total**
Balance – December 31, 2015 (i)	**$ 247,218**	**$ 375,000**	**$ 622,218**
Addition (ii)	-	96,000	96,000
Settlement (ii)	-	(96,000)	(96,000)
Translation	(12,914)	-	(12,914)
Balance – September 30, 2016	**$ 234,304**	**$ 375,000**	**$ 609,304**

(i) During the year-ended December 31, 2012, the Company became aware that certain income tax and information returns were past-due, which may be subject to certain penalties provided by legislation, the amount and timing of which is not certain. The Company has filed a formal request for abatement; however, the outcome of that request is not certain. During the year-ended December 31, 2015, the Company assessed a provision in relation to certain restructuring obligations, the amount and timing of which is not certain.

(in Canadian dollars, except as noted)

8. PROVISIONS *(continued)*

(ii) During the three-months ended March 31, 2016, the Company assessed a provision in relation to certain restructuring obligations for severance to certain employees whom were terminated prior to March 31, 2016 giving rise to the obligation. This provision was settled in the three-months ended June 30, 2016.

9. NOTES PAYABLE

#	Details	Carrying Value September 30, 2016	Carrying Value December 31, 2015
1	Loan from prior Posera shareholders, with a nominal and effective interest rate of 5.00%, with monthly installments of USD $33,633 including interest, commencing June 1, 2015, and is unsecured.	$ -	$ 17,380
2	On August 12, 2016 the Company entered into an agreement with the convertible debenture holders to make a one-time payment of $95,000 USD to satisfy the $102,051 USD principal balance owing on this convertible debenture. The agreement resulted in the release of any and all security related to this convertible debenture. The convertible debenture had a nominal interest rate of 3.95% and an effective interest rate of 9.50%, with monthly installments of USD $33,633 including interest. The debenture was convertible into Common Shares until May 5, 2012 at $0.645 per Common Share. The conversion option expired unexercised. The convertible debenture was secured with the Posera assets source code, all recodes, accounts, money and proceeds derived from the source code and any part thereof; which, as at September 30, 2016 have a carrying value of $nil (December 31, 2015 - $nil).	-	402,234
3	Series I 2014 Unsecured Convertible Subordinated Debentures, with a principal amount of $1,500,000, issued with a discount of $150,000, with a nominal interest rate of 10.25%, and an effective interest rate of 20.77%, due on January 15, 2017, and convertible at $0.45 until January 15, 2016 and $0.60 until January 15, 2017 (Note 17)	1,455,874	1,353,442
	Total Notes Payable	**1,455,874**	**1,773,056**
	Current portion of the Notes Payable	1,455,874	419,614
	Long-term portion of the Notes Payable	**$ Nil**	**$1,353,442**

#	Fair Value September 30, 2016	Fair Value December 31, 2015
1	-	17,382
2	-	408,291
3	1,533,055	1,516,590
Total	**$ 1,533,055**	**$ 1,942,263**

(in Canadian dollars, except as noted)

9. NOTES PAYABLE *(continued)*

Principal and interest payments required in the next five years, by fiscal year, and thereafter are as follows:

	September 30, 2016	December 31, 2015
2016	38,438	597,723
2017	1,519,012	1,519,012
2018 and thereafter	-	-
Sub-total	**1,557,450**	**2,116,735**
Less: Interest	(101,576)	(343,679)
Total	**$ 1,455,874**	**$ 1,773,056**

For the three and nine-months ended September 30, 2016, interest expense of $76,037 and $233,757 (2015 - $79,091 and $253,923) respectively was recorded in the consolidated statements of operations in relation to notes payable.

10. INCOME TAXES

Income tax expense has been recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year for each taxable entity, less a valuation adjustment in instances where it was not probable that any future income tax assets would be realized. The estimated average annual rate used for the three and nine-months ended September 30, 2016 and 2015, by taxable entity, ranged from 0% to 34%. Certain investment tax credits were netted against the expenses which were incurred to earn the credits, see Note 3.

11. SHARE CAPITAL

(a) Authorized and issued

Authorized

An unlimited number of voting common shares with no par value.

Common Shares Issued	Number of Common Shares	$
Balance December 31, 2015 and September 30, 2016	**75,837,705**	**56,882,021**

(in Canadian dollars, except as noted)

11. SHARE CAPITAL (*continued*)

(b) Stock options and stock-based compensation

Since 2002, the Company has had a stock option plan ("the Old Plan") to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants. The maximum number of Common Shares that may be reserved for issue under the Old Plan is 2,000,000 Common Shares. Options under the Old Plan vest over various periods from the date of the granting of the option. All options granted under the Old Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The majority of options granted under the Old Plan were granted to former executives of the Company.

On September 20, 2011, the shareholders of the Company approved a new stock option plan (the "Plan"). The Plan has a rolling maximum number of Common Shares that may be issued upon the exercise of stock options, but shall not exceed 10% of the issued and outstanding Common Shares at the time of grant. Any increase in the total number of issued and outstanding Common Shares will result in an increase in the available number of options issuable under the Plan, and any exercises of options will make new grants available under the Plan. Options under the Plan vest over various periods from the date of the granting of the option. All options granted under the Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The Plan was established on July 31, 2007, reapproved on June 18, 2014, and was enacted to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants.

The Company does not have any current intention to convert the options outstanding under the Old Plan into options under the Plan. The Company intends to maintain the Old Plan in place until all outstanding options under the Old Plan are exercised or have expired, at which time the Old Plan will terminate. The Company will not grant any new options under the Old Plan.

The following is a summary of the stock options granted and changes for the periods then ended.

	Three-months ended September 30, 2016	
	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning of the period	5,662,720	$ 0.24
Granted	1,438,000	0.125
Expired	(387,564)	0.25
Forfeited	(20,000)	0.125
Options outstanding, end of the period	**6,693,156**	**$ 0.21**
Options exercisable, end of the period	**4,715,156**	**$ 0.24**

(in Canadian dollars, except as noted)

11. SHARE CAPITAL (*continued*)

The following table summarizes information about options outstanding as at;

September 30, 2016

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.125	1,418,000	4.75	0.125	-	0.125
0.17	2,375,000	4.71	0.17	1,815,000	0.17
0.25	1,484,656	0.71	0.25	1,484,656	0.25
0.28	250,000	0.75	0.28	250,000	0.28
0.32	1,165,500	2.55	0.32	1,165,500	0.32
	6,693,156	**3.26**	**$0.21**	**4,715,156**	**$0.24**

December 31, 2015

	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.25	1,604,656	1.46	0.25	1,604,656	0.25
0.28	250,000	1.50	0.28	250,000	0.28
0.32	1,165,500	3.30	0.32	1,165,500	0.32
0.34	387,564	0.70	0.34	387,564	0.34
	3,407,720	**2.01**	**$0.29**	**3,407,720**	**$0.29**

Of the options outstanding as at September 30, 2016 1,625,000 (December 31, 2015 – 250,000) with an exercise price of ranging between $0.17 and $0.28, of which 1,315,000 (December 31, 2015 – 250,000) are exercisable, are consultant compensation options.

For the three and nine-months ended September 30, 2016, the Company recognized an expense of $62,064 and $236,331 (2015 – $5,436 and $16,308) respectively for the vesting of options issued to directors, officers, and employees, which is included in Operating Expenses.

(in Canadian dollars, except as noted)

11. SHARE CAPITAL *(continued)*

The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in the respective period ended:

	Three-months ended September 30, 2016	Three-months ended September 30, 2015
Risk-free rate of return	0.60%	1.65%
Expected volatility (i)	82%	104%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 5%	0 - 5%

(i) The Company estimated the expected volatility on the date of grant through reference to the historical volatility of the Company's shares over a similar period.

(c) Contributed Surplus

The following is a continuity schedule of contributed surplus.

Balance December 31, 2015	**$ 7,196,429**
Stock based compensation	236,330
Balance September 30, 2016	**$ 7,432,759**

(d) Warrants

The warrants outstanding are as follows:

	September 30, 2016		December 31, 2015	
	Number of Warrants	Carrying value	Number of Warrants	Carrying value
Outstanding share purchase warrants to purchase Common Shares at $0.40 per share. The warrants expired on April 23, 2017(i)	893,480	80,133	893,480	80,133
Total	**893,480**	**$ 80,133**	**893,480**	**$ 80,133**

(i) The value of the warrants was estimated utilizing an expected volatility of 69.37%, an expected life of 2 years, and a discount rate of 1.65%.

(e) Loss per share

The Company uses the treasury stock method of calculating the dilutive effect of options and warrants on loss per share. Stock Options, Warrants and the Conversion Option are only included in the dilution calculation if the exercise price is below the average market price for the period. The following is a summary of stock options, broker compensation options, convertible debenture and warrants:

(in Canadian dollars, except as noted)

11. SHARE CAPITAL *(continued)*

	Exercise price	Expiry	Number issued and outstanding	Number exercisable with dilutive impact	Number exercisable with anti-dilutive impact
Stock options	Note 11(b)	Note 11(b)	6,693,156	-	4,715,156
Conversion Option	Note 9	Note 9	2,500,000	-	2,500,000
Warrants	Note 11(d)	Note 11(d)	893,480	-	893,480

12. RELATED PARTY TRANSACTIONS

Posera conducts business with a company controlled by a director whom resigned from his directorship on May 24, 2016 and ceased to be a related party at that time. During the three and nine-months ended September 30, 2016, for the period that the director was still a related party until May 24, 2016, the Company recognized revenue in the amount of $nil and $47,395 respectively, compared to $7,936 and $34,344 for the three and nine-months ended September 30, 2015 respectively. Additionally, Posera recognized operating expenses and purchased products of $nil and $26,097 during the three and nine-months ended September 30, 2016 respectively, for the period that the director was still a related party until May 24, 2016, compared to $80,437 and $182,442 for the three and nine-months ended September 30, 2015 respectively. All transactions were agreed upon by the parties and were completed at the exchange amount.

During the three and nine-months ended September 30, 2016, the Company received legal fees and disbursement invoices totaling $3,133 and $9,961 (2015 - $21,479 and $91,786), from law firms, which a director of Posera is and/or was a partner. As at September 30, 2016, the Company has a payable position of $1,157 (December 31, 2015 - $52,115) which will be settled between the related parties in the normal course of business.

This director is a partner at a law firm Posera utilizes and previously, this director was a partner of another law firm that Posera also utilizes. As the director no longer has an equity interest in the previous law firm, Posera has not included the payables to the former law firm as at September 30, 2016, June 30, 2016, March 31, 2016 or December 31, 2015, but Posera has included expenditures incurred for the period that the director was a partner at each respective firm.

(in Canadian dollars, except as noted)

12. RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management

Compensation awarded to key management includes the Company's directors, and members of the Executive team, which include the Chief Executive Officer, Chief Financial Officer, Senior Vice-President, Integration and Administration, Senior Vice-President, Special Projects and Infrastructure and Vice-President, Business Development, is as follows:

	Three-months ended September 30, 2016	Three-months ended September 30, 2015	Nine-months ended September 30, 2016	Nine-months ended September 30, 2015
Salaries and other short-term employee benefits including severance	$ 441,411	$ 265,495	$ 1,036,612	$ 837,708
Share-based payments	40,053	-	111,750	-
Total	**$ 481,463**	**$ 265,495**	**$ 1,148,362**	**$ 837,708**

The salaries, severance and short-term employee benefits are expensed as occurred, whereas the share-based payments are recorded at the date of grant and expensed over the vesting period to the Consolidated Statements of Operations and Comprehensive Loss.

-

13. CHANGES IN WORKING CAPITAL ITEMS

	Three-months September 30, 2016	Three-months September 30, 2015	Nine-months September 30, 2016	Nine-months September 30, 2015
Accounts receivable	$ (509,067)	$ 65,581	$ (31,420)	$ 352,595
Investment tax credits and investment credits receivable	(56,324)	99,972	(133,724)	494,702
Income taxes payable and recoverable	(46,547)	(69,405)	(87,597)	(14,949)
Lease receivable	(148,268)	5,550	(139,102)	16,195
Inventory	(103,759)	(72,524)	(252,154)	(267,776)
Prepaid expenses and deposits	(4,973)	16,735	49,831	753
Accounts payable and accrued liabilities	(41,766)	(305,487)	(12,483)	23,600
Provisions	-	-	-	-
Deferred revenue	97,410	102,806	235,216	76,835
Total	$ (813,294)	**$ (156,772)**	**$ (371,433)**	**$ 681,955**

(in Canadian dollars, except as noted)

14. FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities, excluding notes payable, approximate their carrying value as at September 30, 2016 and December 31, 2015. The fair value of the note payables is disclosed in Note 9. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The fair-value estimates for notes payable utilized a discounted cash-flow valuation method, with an estimated discount rate of approximately 10.00% as at September 30, 2016 (December 31, 2015 – 10.00%). Changes in assumptions could materially affect estimates.

The Company's financial instruments' carrying values by classification have been summarized below:

	September 30, 2016	December 31, 2015
Financial assets		
Loans and receivables	$ 6,237,220	$ 6,334,095
Financial liabilities		
Other financial liabilities	4,303,004	5,307,261

15. SEGMENTED INFORMATION

The Company is divided into two reportable segments: Point-of-Sale ("POS") and Payments. The POS segment focuses primarily on selling, installing and servicing POS hardware and software directly to end-users and on developing, licensing, distributing and marketing POS software indirectly through a dealer network. The Payments segment focuses primarily on selling and installing payment processing hardware and recurring payment processing services for credit and debit cards. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the profit and loss from operations before income taxes, amortization, interest, realized and unrealized foreign exchange gains or losses, other gains or losses and other comprehensive income. The Company manages each segment separately and management at the time of the acquisitions were retained. The results from discontinued operations, as disclosed in Note 16, have been excluded from the segmented results.

Disclosure by Segment

	Revenue for the three-months ended(i)		Operating profit for the three-months ended (i)	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
POS	$ 4,168,526	$ 4,019,237	$ (261,585)	$ (67,517)
Payments	-	6,646	-	(65,017)
Total	**$ 4,168,526**	**$ 4,025,883**	**$ (261,585)**	**$ (132,534)**

(in Canadian dollars, except as noted)

15. SEGMENTED INFORMATION *(continued)*

	Revenue for the nine-months ended(i)		Operating profit for the nine-months ended (i)	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
POS	$ 12,917,338	$ 12,138,347	$ (422,874)	$ (333,828)
Payments	8,237	26,346	2,652	(198,528)
Total	**$ 12,925,575**	**$ 12,164,693**	**$ (420,222)**	**$ (532,356)**

(i) Operating profit is earnings before discontinued operations, restructuring expenditures, corporate headquarters operating expenditures, interest earnings and expense, taxes, amortization, foreign exchanges losses and gains and realized currency translation gains and losses.

Reconciliation between the total consolidated operating profit and the net income (loss) per the consolidated financial statements is as follows:

	Three-months ended September 30, 2016	Three-months ended September 30, 2015	Nine-months ended September 30, 2016	Nine-months ended September 30, 2015
Total segmented operating loss	$ (261,585)	$ (132,534)	$ (420,222)	$ (532,356)
Corporate headquarter operating expenditures	(238,006)	(228,151)	(848,930)	(694,521)
Restructuring expenditures	(293,458)	-	(1,165,674)	-
Other non-operating expenditures	(196,910)	(436,611)	(851,794)	(1,312,499)
Gain on disposition of subsidiary	-	-	1,959,794	-
Discontinued operations	-	(41,110)	(70,298)	(63,819)
Net Income(Loss)	**$ (989,959)**	**$ (838,406)**	**$ (1,397,124)**	**$ (2,603,195)**

16. DISPOSITION OF ZOMARON AND DISCONTINUED OPERATIONS

During the three-months ended March 31, 2016, the Company decided to divest of its wholly owned subsidiary Zomaron Inc., which is within the Payments Segment following the decision to focus Company resources and capital investment in targeted growth opportunities in the core markets of the Company's Point-of-Sale and SecureTablePay platforms.

On April 29, 2016, the Company completed the sale of Zomaron Inc., to a company established by Zomaron's current operating management team, for an amount totalling $4.5 million. Consideration for the sale of Zomaron shares comprised of a cash payment of $2.0 million on closing. Additionally, on closing Posera received a repayment of an existing intercompany debt in the amount of $1.3 million. Further, the buyers have assumed a secured note payable with an estimated value on the date of disposition of $1.2 million, $0.4 million of which is unconditionally due on or before December 31, 2016, and $0.8 million of which is repayable at an amount that is dependent on certain variables, including Posera's share price.

(in Canadian dollars, except as noted)

16. DISPOSITION OF ZOMARON AND DISCONTINUED OPERATIONS *(continued)*

See below for a reconciliation of the Note Receivable Balance issued as part of the Zomaron Disposition:

	Note Receivable	
Balance – March 31, 2016	$	Nil
Zomaron Disposition		1,200,000
Payments received		(400,000)
Revaluation		(120,000)
Balance – September 30, 2016	**$**	**680,000**

As at April 29th, 2016, the disposal group comprised $2,365,207 of Net Assets, as detailed below:

	Assets			Liabilities	
Cash and cash equivalents	$	287,311			
Accounts receivable		472,691			
Prepaid expenses and deposits		10,815	Accounts payable		
Property, plant and equipment		95,149	and other accrued charges	$	796,816
Intangible assets		221,864	Vehicle loans		
Goodwill		2,161,813	and capital leases		87,620
Total assets disposed	**$**	**3,249,643**	**Total liabilities disposed**	**$**	**884,436**

The Company recorded a gain on the disposal of Zomaron of $1,959,794, being a gain of $2,134,794 less tax of $175,000. The Company incurred transaction costs related to the disposition of Zomaron of $70,814 and $70,814 during the three and nine-months ended September 30, 2016 respectively, which has been recorded in General and Administrative in the Statement of Operations.

Zomaron has been presented as a discontinued operation, separate from continuing operations, in the Consolidated Statements of Operations and Comprehensive Loss during the period, and has been re-presented in a format as such in the comparative period.

(in Canadian dollars, except as noted)

16. DISPOSITION OF ZOMARON AND DISCONTINUED OPERATIONS *(continued)*

The results of the discontinued operation, which are presented as one net amount on the Consolidated Statements of Operations and Comprehensive Loss during the periods are summarized below:

	Three-months ended September 30, 2016(i)	Three-months ended September 30, 2015	Nine-months ended September 30, 2016(i)	Nine-months ended September 30, 2015
Revenue	$ -	$ 1,046,939	$ 1,279,183	$ 2,938,656
Cost of inventory	-	209,346	254,075	601,743
Operations and support	-	87,950	124,375	267,471
Total Cost of Sales	**-**	**297,296**	**378,450**	**869,2148**
Gross Profit	**-**	**749,643**	**900,733**	**2,069,442**
Sales and marketing	-	642,137	779,259	1,739,652
General and administrative	-	146,335	189,438	386,858
Total Operating expenses	**-**	**788,472**	**968,697**	**2,126,510**
Interest expense	-	2,281	2,334	7,525
Net Income(loss) before income taxes from discontinued operations	**-**	**(41,110)**	**(70,298)**	**(64,593)**
Deferred tax recovery	-	-	-	(774)
Net Income(loss) from discontinued operations	**$ -**	**$ (41,110)**	**$ (70,298)**	**$ (63,819)**

(i) Three and nine-months ended September 30, 2016 includes results until the date of disposition, being April 29, 2016.

Cash flows from (used in) Discontinued Operations included in the Consolidated Statements of Cash Flows are detailed below:

	Three-months ended September 30, 2016	Three-months ended September 30, 2015	Nine-months ended September 30, 2016	Nine-months ended September 30, 2015
Cash flow from Operations	$ -	$ 12,654	$ 139,141	$ 92,496
Cash flow used in Financing	-	(13,877)	(12,835)	(38,029)
Total Cash flow from (used in) Discontinued Operations	**$ -**	**$ (1,223)**	**$ (126,306)**	**$ 54,467**

17. SUBSEQUENT EVENTS

1. On November 11, 2016, the Company entered into an agreement with the Unsecured Convertible Subordinated Debenture holders in order to extend the payment terms of the principal amount, totalling $1,500,000, from January 15, 2017 to January 15, 2019 with the nominal interest rate remaining at 10.25%.

2. On November 11, 2016, the Company negotiated a $1,500,000 stand-by operating facility, which may be drawn upon by the Company at any time with 5 business days' notice to the accredited lender. The interest rate on any funds drawn is 10% per annum and the stand-by charge is 2.5%. The stand-by operating facility expires December 31, 2018 and can be cancelled by the Company at anytime with 30-days notice to the lender at no additional cost.