Condensed Consolidated Interim Financial Statements of

Posera Ltd.

(Unaudited)
Three and Six months ended June 30, 2018 and 2017

Posera Ltd.

Consolidated Statements of Financial Position

As at June 30, 2018 and December 31, 2017

(unaudited)

(in Canadian dollars)

		June 30, 2018		December 31, 2017
ASSETS (Note 9, 12 and 14)				
CURRENT				
Cash and cash equivalents	$	8,967,264	$	11,766,994
Cash and cash equivalents - restricted cash		-		386,671
Accounts receivable		1,545,287		1,580,659
Current portion of lease and other receivables		12,699		31,804
Inventory		411,476		638,847
Note receivable (Note 8)		1,211,616		-
Investment credits receivable - refundable (Note 4)		325,266		678,801
Income taxes receivable (Note 10)		16,919		-
Prepaid expenses and deposits		103,457		141,776
		12,593,984		**15,225,552**
NON-CURRENT				
Property, plant and equipment (Note 5)		158,426		198,031
Deferred income tax assets		-		5,294
Deposit on leased premises		44,439		45,560
Lease and other receivables		-		3,011
Investment tax credits receivable - non-refundable (Note 4)		772,986		862,469
Intangible assets (Note 6)		784,272		835,343
Goodwill (Note 7)		4,102,069		3,934,613
	$	**18,456,176**	**$**	**21,109,873**
LIABILITIES (Note 12 and 14)				
CURRENT				
Accounts payable and accrued liabilities (Note 12)	$	1,595,602	$	2,575,926
Transaction payable		-		386,671
Current portion of vehicle loans and capital leases		6,752		9,000
Income taxes payable (Note 10)		354,228		262,855
Deferred revenue		1,163,873		1,158,631
		3,120,455		**4,393,083**
NON-CURRENT				
Vehicle loans and capital leases		11,111		14,512
		3,131,566		**4,407,595**
EQUITY				
SHARE CAPITAL [Note 11(a)]		62,143,008		61,804,578
CONTRIBUTED SURPLUS [Note 11(b, c)]		7,911,510		7,946,279
DEFICIT		(55,485,268)		(53,665,746)
ACCUMULATED OTHER COMPREHENSIVE INCOME		755,360		617,167
		15,324,610		**16,702,278**
	$	**18,456,176**	**$**	**21,109,873**

See accompanying notes to the consolidated financial statements

Posera Ltd.

Consolidated Statements of Operations and Comprehensive Loss

For the three and six-months ended June 30, 2018 and 2017

(unaudited)

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

	Three-months ended June 30, 2018	Three-months ended June 30, 2017	Six-Months ended June 30, 2018	Six-Months ended June 30, 2017
TOTAL REVENUE (Note 3, 14)	**$ 2,352,937**	**$ 2,954,903**	**$ 5,095,274**	**$ 5,088,415**
COST OF SALES (Note 12, 15)				
Cost of inventory	431,953	353,558	1,262,744	728,099
Technology (Note 4)	295,281	314,300	556,764	725,544
Operations and support	601,464	709,417	1,200,591	1,472,621
TOTAL COST OF SALES	**1,328,698**	**1,377,275**	**3,020,099**	**2,926,264**
GROSS PROFIT	**1,024,239**	**1,577,628**	**2,075,175**	**2,162,151**
OPERATING EXPENSES (Note 12, 15)				
Sales and marketing	456,466	594,885	1,017,784	1,068,362
General and administrative	1,445,701	1,298,434	2,719,066	2,717,843
Restructuring costs	-	(28,862)	-	(78,130)
TOTAL OPERATING EXPENSES	**1,902,167**	**1,864,457**	**3,736,850**	**3,708,075**
	(877,928)	**(286,829)**	**(1,661,675)**	**(1,545,924)**
OTHER EXPENSES (INCOME)				
Interest expense	-	(218,231)	18,878	(154,877)
Realized and unrealized (gain) loss on foreign exchange	(36,690)	100,176	(99,830)	123,277
Interest and other income (Note 8)	(33,023)	(3,981)	(58,210)	(5,781)
TOTAL OTHER (INCOME) EXPENSES	**(69,713)**	**(122,036)**	**(139,162)**	**(37,381)**
NET LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	**(808,215)**	**(164,793)**	**(1,522,513)**	**(1,508,543)**
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 10)	111,577	166,235	309,611	200,855
Deferred (Note 10)	(17,354)	51,744	(12,604)	55,071
NET LOSS FROM CONTINUING OPERATIONS	**$ (902,438)**	**$ (382,772)**	**$ (1,819,520)**	**$ (1,764,469)**
Loss from discontinued operations (net of tax) (Note 14)	-	(541,937)	-	(957,473)
NET LOSS	**$ (902,438)**	**$ (924,709)**	**$ (1,819,520)**	**$ (2,721,942)**
Items that may be reclassified subsequently to net income	-		-	
Other comprehensive gain (loss) on foreign translation	25,219	(64,318)	138,193	(78,558)
NET COMPREHENSIVE LOSS	**$ (877,219)**	**$ (989,027)**	**$ (1,681,327)**	**$ (2,800,500)**
BASIC AND DILUTED (LOSS) INCOME PER SHARE (Note 11(d))	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	119,796	94,737	119,714	92,720

See accompanying notes to the consolidated financial statements

Posera Ltd.

Consolidated Statements of Changes in Equity

For the three and six-months ended June 30, 2018 and 2017

(unaudited)

(in Canadian dollars)

	Three-months ended June 30,				Six-months ended June 30,			
		2018		**2017**		**2018**		**2017**
DEFICIT BEGINNING OF PERIOD	$	(54,582,830)	$	(61,642,547)	$	(53,665,748)	$	(59,845,314)
Net loss	$	(902,438)		(924,709)		(1,819,520)		(2,721,942)
DEFICIT END OF PERIOD	**$**	**(55,485,268)**	**$**	**(62,567,256)**	**$**	**(55,485,268)**	**$**	**(62,567,256)**
ACCUMULATED OTHER COMPREHENSIVE INCOME BEGINNING OF PERIOD	$	730,141	$	713,233	$	617,167	$	727,473
Other comprehensive income (loss) on foreign translation		25,219		(64,318)		138,193		(78,558)
ACCUMULATED OTHER COMPREHENSIVE INCOME END OF PERIOD	**$**	**755,360**	**$**	**648,915**	**$**	**755,360**	**$**	**648,915**
NET COMPREHENSIVE LOSS	**$**	**(877,219)**	**$**	**(989,027)**	**$**	**(1,681,327)**	**$**	**(2,800,500)**
SHARE CAPITAL BEGINNING OF PERIOD	$	62,143,008	$	59,013,305	$	61,804,578	$	56,882,021
Exercise of stock compensation (Note 11 a, b, c)		-		-		338,430		-
Issued for cash consideration (Note 11(a))		-		-		-		2,268,000
Issuance costs - cash (Note 11(a))		-		4,694		-		(132,022)
SHARE CAPITAL END OF PERIOD [Note 11(a)]	**$**	**62,143,008**	**$**	**59,017,999**	**$**	**62,143,008**	**$**	**59,017,999**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$	7,869,309	$	7,632,856	$	7,946,279	$	7,494,531
Expiry of warrants		-		80,133		-		80,133
Exercise of stock options (Note 11 (c))		-		-		(126,317)		-
Stock based compensation (Note 11 (b, c))		42,201		89,118		91,548		227,443
CONTRIBUTED SURPLUS END OF PERIOD [Note 11(b, c)]	**$**	**7,911,510**	**$**	**7,802,107**	**$**	**7,911,510**	**$**	**7,802,107**
WARRANTS BEGINNING OF PERIOD	$	-	$	80,133	$	-	$	80,133
Expiry of warrants		-		(80,133)		-		(80,133)
WARRANTS END OF PERIOD [Note 11(d)]	**$**	**-**	**$**	**-**	**$**	**-**	**$**	**-**

See accompanying notes to the consolidated financial statements

Posera Ltd.

Consolidated Statements of Cash Flows

For the three and six-months ended June 30, 2018 and 2017

(unaudited)

(in Canadian dollars)

	Three-months ended June 30,		Six-months ended June 30,	
	2018	**2017**	**2018**	**2017**
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	(902,438)	$ (924,709)	$ (1,819,520)	$ (2,721,942)
Items not affecting cash				
Amortization of property, plant & equipment (Note 5)	25,683	28,242	50,690	55,466
Amortization of intangible assets (Note 6)	32,190	165,942	64,288	326,079
Deferred income tax recovery (Note 10)	(17,354)	51,745	(12,604)	55,071
Stock-based compensation expense [Note 11(b,c)]	42,201	89,118	91,548	227,443
Interest accretion	-	-	-	6,313
Interest income (Note 8)	(11,616)	-	(11,616)	-
Gain on sale of capital assets	2,069	-	902	-
Unrealized (gain) loss on foreign exchange	(21,267)	71,145	(37,327)	83,029
	(850,532)	**(518,517)**	**(1,673,639)**	**(1,968,541)**
Changes in working capital items (Note 13)	278,259	148,414	(704,224)	(166,223)
	(572,273)	**(370,103)**	**(2,377,863)**	**(2,134,764)**
FINANCING				
Proceeds from issuance of Common Shares[(Note 11(a)]	-	-	-	2,268,000
Issuance costs paid for Common Shares [Note 11(a)]	-	4,594	-	(132,122)
Repayment of vehicle loans and capital leases	(1,799)	(11,131)	(5,475)	(17,275)
Proceeds from vehicle loans	-	-	-	81,107
Proceeds from the exercise of stock options [Notes 11(a,b, c)]	-	-	212,112	-
	(1,799)	**(6,537)**	**206,637**	**2,199,710**
INVESTING				
Acquisition of property, plant and equipment (Note 5)	(281)	(6,535)	(12,761)	(101,030)
Disposition of property, plant and equipment (Note 5)	-	-	1,667	-
Issuance of Note Receivable (Note 8)	(1,200,000)	-	(1,200,000)	-
Receipt of note receivable	-	-	-	480,000
	(1,200,281)	**(6,535)**	**(1,211,094)**	**378,970**
Foreign exchange gain on net cash and cash equivalents held in a foreign currency	**95,487**	**44,370**	**195,920**	**67,506**
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	**$ (1,678,866)**	**$ (338,805)**	**$ (3,186,400)**	**$ 511,422**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	10,646,130	1,257,271	12,153,664	407,044
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 8,967,264**	**$ 918,466**	**$ 8,967,264**	**$ 918,466**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING				
Cash and cash equivalents	**$ 8,967,264**	**$ 918,466**	**$ 8,967,264**	**$ 918,466**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION				
Interest paid	$ -	$ 36,216	$ 18,878	$ 93,259
Interest received	$ 1,068	3,981	$ 26,255	5,781
Income taxes paid	$ 31,948	106,557	$ 31,948	106,557
Investment credits and investment tax credits receivable received	$ 386,423	374,274	$ 386,423	374,274

See accompanying notes to the consolidated financial statements

1. DESCRIPTION OF BUSINESS

Posera Ltd. ("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, 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 1106 Dearness Drive, Unit #4, in London, Canada N6E 1N9. The Company's common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "PAY".

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, 2017. These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 8, 2018.

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.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year-ended December 31, 2018, 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, 2017, except as described in the "Change in Accounting Policies" section below.

The results for the three and six-months ended June 30, 2018 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 Posera Inc. and its subsidiaries: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; and Posera USA Inc. (collectively referred to as “Posera Inc.”); and HDX Payment Processing Ltd. (“HDX-PP”).

A&A Point of Solutions Inc. was amalgamated with Posera Ltd. on January 1, 2017.

The assets of the FingerPrints business are included as discontinued operations in the consolidated financial statements of the Company up until the date of its disposal on September 14, 2017.

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.

Changes in accounting policies

This accounting policy disclosure explains the impact of the adoption of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* on the Company’s financial statements and also discloses the new accounting policies that have been applied prospectively from January 1, 2018, where they are different to those applied in prior periods.

IFRS 9 Financial Instruments

Trade receivables are subject to IFRS 9’s new expected credit loss model. The Company revised its impairment methodology under IFRS 9 by applying the simplified approach to measuring expected credit losses (ECL). The Company applied the simplified approach permitted by IFRS 9 on a modified retrospective basis, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The adoption of this accounting policy did not have an impact on the Company’s Consolidated Financial Statements for prior periods.

IFRS 15 Revenue from Contracts with Customers

The new standard was issued with the intent of significantly enhancing consistency and comparability of revenue recognition practices across entities and industries. The new standard establishes a single, principles-based five-step model to be applied to all contracts with customers and introduces new and enhanced disclosure requirements. The modified retrospective approach allows the cumulative impact of the adoption to be recognized in retained earnings as of January 1, 2018 and that the comparative figures will not be restated. The adoption of this standard did not have an impact on the Company’s Consolidated Financial Statements. For additional details on the adoption of the new standard, see Note 3.

(in Canadian dollars, except as noted)

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) On January 13, 2016 the IASB issued IFRS 16, Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided.

As the Company has significant contractual obligations in the form of operating leases under the existing standard, there will be a material increase in 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 the statement of financial position and statement of operations.

3. REVENUE

Revenue from Contracts with Customers

	Three-months ended June 30, 2018		Six-months ended June 30, 2018	
POS - Software	$	936,693	$	1,602,412
POS – Hardware		527,576		1,571,713
Support and Maintenance		562,227		1,082,680
Professional Services		188,905		576,197
Transactional Processing		137,536		262,272
Total Revenue	**$**	**2,352,937**	**$**	**5,095,274**

The Company disaggregates revenue into categories which represent its principal performance obligations and the most significant revenue streams, and consequently are considered to be the most relevant revenue information for management to consider in evaluating performance.

(in Canadian dollars, except as noted)

3. REVENUE (continued)

Performance Obligations

	Nature of Performance Obligations
POS – Software	Access for use of software
POS – Hardware	Upon delivery, shipment or installation of POS hardware
Support and Maintenance	Fulfillment of service and support contract
Professional Services	Fulfillment of professional services
Transactional Processing	Processing of transactions

Timing of Revenue Recognition

	Three-months ended June 30, 2018		Six-months ended June 30, 2018	
Revenue from products and services transferred at a point in time *(i)*	$	1,601,805	$	3,436,397
Revenue from products and services transferred over time *(ii)*		751,132		1,658,877
Total Revenue	**$**	**2,352,937**	**$**	**5,095,274**

(i) Primarily revenue from POS – Software, Hardware and Transactional Processing
(ii) Primarily revenue from Support and Maintenance and Professional Services

Geography of Revenue (iii)

	Three-months ended June 30, 2018		Six-months ended June 30, 2018	
North America	$	1,813,202	$	4,141,698
Rest of World		539,735		953,576
Total Revenue	**$**	**2,352,937**	**$**	**5,095,274**

(iii) Revenue breakdown by geography represents sales recorded by Posera's legal entities within the identified territories.

Payment Terms

Payments are received from customers on a continuous basis. POS – Hardware and Software customers typically pay an upfront deposit with the balance due after deployment has been completed. Support and Maintenance payments are typically received in advance of the contract commencement date. Professional Services payments are received continuously throughout the contract term or upon the completion of the contract. Transactional Processing payments are received monthly from processing partners.

Contract Assets

The Company has applied the optional exception to expense incremental costs associated with a contract which would otherwise have been capitalized and amortized over a period of one year or less.

3. REVENUE (continued)

Significant Judgements Made to Recognize Revenue

Revenue recognition

Revenue from contracts with customers is recognized when the customer obtains control of the promised asset and the Company satisfies its performance obligation. The Company offers certain arrangements whereby a customer can purchase products and services together. Where such arrangements exist, revenue is allocated to each performance obligation based on the relative fair value of the performance obligations. The fair values of each performance obligation are determined by current market prices of these performance obligations when sold separately.

Performance Obligations Satisfied Over Time

For support and maintenance contracts, the Company recognizes revenue over time. This method is the most accurate representation of the Company’s progress toward fulfilling its performance obligations. The Company’s performance obligation is satisfied equally throughout the term of the contract as support and maintenance services are available to customers during this period.

For professional services contracts, the Company recognises revenue on a percentage of completion basis based on the time spent on a specific project. This method is the most accurate representation of the Company’s progress toward fulfilling its performance obligation. The Company’s performance obligation is satisfied as time is spent on the contracted development project.

Significant Judgements Made for Performance Obligations Satisfied at A Point In Time

Revenues from Hardware, Software and Transactional Processing are recognized upon the fulfillment of the performance obligation as described above. Software revenues are recorded when customers are provided license keys to use the software, as the intellectual property exists in terms of form and function. At the time of fulfilling the performance obligation, customers have direct use of, and can obtain substantially all the remaining benefits from the license at the point in time the license transfers.

Determining the Transaction Price

All transaction prices are determined through negotiations with customers based on market rates.

(in Canadian dollars, except as noted)

4. 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 in technology expenses in the amount of $61,850 and $119,648 during the three and six-months ended June 30, 2018 (2017 - $75,012 and $175,474) respectively. As of June 30, 2018, a subsidiary of the Company has refundable investment tax credits receivable totaling $325,266 (December 31, 2017 - $678,801), and non-refundable investment credits receivable totaling $772,986 (December 31, 2017 - $862,469) which expire according to the schedule below:

	June 30, 2018	December 31, 2017
2030	$ -	$ 91,229
2031	264,913	288,103
2032	327,736	327,736
2033	31,284	31,284
2034	23,135	23,135
2035	20,983	20,983
2036	24,232	24,232
2037	55,767	55,767
2038	24,936	-
Total	**$ 772,986**	**$ 862,469**

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.

5. 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, 2017	**$ 760,410**	**$ 562,379**	**$ 198,031**
Amortization of PP&E	-	50,690	(50,690)
Additions of PP&E	12,761	-	12,761
Disposal of PP&E	(25,012)	(23,345)	(1,667)
Translation adjustment	1,737	1,746	(9)
Balance – June 30, 2018	**$ 749,896**	**$ 591,470**	**$ 158,426**

6. 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, 2017	**$ 7,032,137**	**$ 6,196,794**	**$ 835,343**
Amortization	-	64,288	(64,288)
Translation adjustment	204,395	191,178	13,217
Balance – June 30, 2018	**$ 7,236532**	**$ 6,452,260**	**$ 784,272**

(in Canadian dollars, except as noted)

7. GOODWILL

Reconciliation of Goodwill	
	Net Book Value
Balance – December 31, 2017	**$ 3,934,613**
Translation adjustment	167,456
Balance – June 30, 2018	**$ 4,102,069**

8. NOTE RECEIVABLE

On April 27, 2018, the Company provided a secured credit facility loan, with a maximum principal amount of $1,600,000, to be made available to the DLT Labs Inc. (the "borrower"), who was a related party at the time of signing, in monthly tranches not to exceed $400,000 per month at an interest rate of 8.00% per annum and is due at the earlier of October 31, 2018 and the closing of any alternative financing completed by the borrower.

	Carrying Value	
Reconciliation of Note Receivable	June 30, 2018	December 31, 2017
Loan Receivable	$ 1,211,616	$ -
Total Loan Receivable	**$ 1,211,616**	**$ -**

For the three and six-months ended June 30, 2018, the Company recorded interest income of $11,616 and $11,616 (2017 - $Nil and $Nil) respectively.

9. BANK INDEBTEDNESS

As at June 30, 2018, the Company, through its subsidiary, Posera Software Inc., has an outstanding balance on its revolving operating line of credit of $Nil (December 31, 2017 - $Nil), of an available $200,000 (December 31, 2017 - $200,000). This facility bears interest at the Canadian bank prime rate plus 2.50%, with an effective interest rate of 6.20% (June 30, 2017 – 6.75%). Additionally, the facility has a first ranking $1,000,000 (December 31, 2017 - $1,000,000) moving hypothec on the assets of Posera Software Inc. Posera Software Inc. must maintain minimum non-IFRS measures including Working Capital, EBITDA, Shareholders' Equity and Debt ratios. As at June 30, 2018, the Company is in full compliance with these covenants.

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 six-months ended June 30, 2018 and 2017, by taxable entity, ranged from 0% to 27%. Certain investment tax credits were netted against the expenses which were incurred to earn the credits, see Note 4.

(in Canadian dollars, except as noted)

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, 2017	**118,546,378**	**61,804,578**
Exercise of options	1,250,500	338,430
Balance June 30, 2018	**119,796,878**	**62,143,008**

(b) Stock options and stock-based compensation

On September 20, 2011, the shareholders of the Company approved the 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 15% of the issued and outstanding Common Shares at the time of grant as approved at the June 29th, 2016 annual general meeting of shareholders. Prior to the amendment to the plan approved on June 29th, 2016, the rolling maximum number of Common Shares shall not have exceeded 10% of the issued and outstanding Common Shares. 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 June 29, 2016. The Plan was enacted to encourage ownership of the Company's Common Shares by its key officers and directors, employees and consultants.

(in Canadian dollars, except as noted)

11. SHARE CAPITAL (*continued*)

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

	June 30, 2018	
	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning of the period	9,776,750	$ 0.17
Granted	-	-
Exercised	(1,250,500)	0.17
Forfeited and expired	(40,000)	0.13
Options outstanding, end of the period	**8,486,250**	**$ 0.18**
Options exercisable, end of the period	**5,860,849**	**$ 0.18**

The following table summarizes information about options outstanding as at;

June 30, 2018

	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	900,500	3.00	0.125	393,969	0.125
0.15	3,360,750	3.82	0.15	2,066,880	0.15
0.17	3,085,000	3.49	0.17	2,260,000	0.17
0.20	150,000	3.36	0.20	150,000	0.20
0.32	990,000	0.85	0.32	990,000	0.32
	8,486,250	**3.25**	**$0.18**	**5,860,849**	**$0.18**

December 31, 2017

	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	936,000	3.50	0.125	351,000	0.125
0.15	3,375,750	4.32	0.15	1,600,510	0.15
0.17	4,325,000	3.84	0.17	3,087,500	0.17
0.20	150,000	3.86	0.20	150,000	0.20
0.32	990,000	1.30	0.32	990,000	0.32
	9,776,750	**3.72**	**$0.17**	**6,179,010**	**$0.19**

Of the options outstanding as at June 30, 2018, 1,735,000 (December 31, 2017 – 2,975,000) options with an exercise price ranging from $0.15 to $0.17 (December 31, 2017 – $0.15 to $0.17), are consultant compensation options.

(in Canadian dollars, except as noted)

11. SHARE CAPITAL (*continued*)

For the three and six-months ended June 30, 2018, the Company recognized an expense of $42,201 and $91,548 (2017 – $174,267 and 174,267) respectively for the vesting of options issued to directors, officers, and employees, which is included in Operating Expenses.

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 June 30, 2018	Three-months ended June 30, 2017
Risk-free rate of return	1.50%	1.00%
Expected volatility (i)	71%	78%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 10%	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, 2017	**$ 7,946,279**
Exercise of options	(126,317)
Stock based compensation	91,548
Balance June 30, 2018	**$ 7,911,510**

(d) 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, consultant compensation options, warrants and convertible debentures 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:

	Exercise price	Expiry	Number issued and outstanding	Number exercisable with dilutive impact	Number exercisable with anti-dilutive impact
Stock and consultant compensation options	Note 10(b)	Note 10(b)	8,486,250	2,460,849	3,400,000

(in Canadian dollars, except as noted)

12. RELATED PARTY TRANSACTIONS

During the three and six-months ended June 30, 2018, the Company received legal fees and disbursement invoices totaling $136,950 and $201,168 (2017 - $19,535 and 83,531), from a law firm, of which a director of Posera is a partner. As at June 30, 2018, the Company has a payable position of $147,923 (December 31, 2017 - $11,046) which will be settled between the related parties in the normal course of business.

Posera conducted business with a company controlled by the Executive Chairman of Posera, Mr. Owen. In fiscal year 2017, the Company incurred transaction costs related to the sale of the FingerPrints business in the amount of $660,000. The transaction costs that were charged to the Company comprised of services including, counterparty identification, negotiation, structuring, financial analytics, facility costs, management oversight and administrative related services. This transaction was recorded at the exchange amount. As at June 30, 2018, the company was in a payable position of $nil (December 31, 2017- $603,500) which was settled between the related parties in the normal course of business.

On April 27, 2018 the Company established a $1.6 million secured bridge credit facility with DLT Labs Inc. ("DLT Labs"). Mr. Loudon Owen, Executive Chairman of Posera (until his resignation from Posera on May 22, 2018) is a director and shareholder of DLT Labs. The board of directors of Posera established a special committee of independent directors comprised of Messrs. Nordholm (Chairman), Brown and Figueira to oversee the Company's relationship with DLT Labs and to make recommendations to the board of directors concerning any potential transactions between Posera and DLT Labs. The terms of the credit facility for DLT Labs were negotiated under the supervision of, and reviewed and approved by, the special committee. After receiving the unanimous recommendation of the special committee, the board of directors of Posera approved the credit facility. As at June 30, 2018, the Company has a note receivable of $1,200,000 (December 31, 2017- $nil) outstanding with DLT Labs. See note 8 for further details on the loan arrangement which was entered and recorded at the exchange amount in these interim financial statements.

Compensation of key management

Compensation awarded to key management includes the Company's directors, and members of the Executive team, which include the Executive Chairman, Chief Executive Officer, President, Chief Financial Officer, Chief Operating Officer and Senior Vice-President of Corporate Development, is as follows:

	Three-months ended June 30, 2018	Three-months ended June 30, 2017	Six-months ended June 30, 2018	Six-months ended June 30, 2017
Salaries and short-term employee benefits	$ 395,987	$ 149,904	$ 674,775	$ 319,656
Share-based payments	20,933	58,627	44,775	154,141
Total	**$ 416,920**	**$ 208,531**	**$ 719,550**	**$ 473,797**

The salaries and short-term employee benefits are expensed as incurred, 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.

(in Canadian dollars, except as noted)

13. CHANGES IN WORKING CAPITAL ITEMS

	Three-months June 30, 2018	Three-months June 30, 2017	Six-months June 30, 2018	Six-months June 30, 2017
Accounts receivable	$ (138,508)	$ 89,669	$ 219,412	$ 63,277
Investment tax credits and investment credits receivable	363,588	246,415	357,038	167,904
Income taxes payable and recoverable	(80,630)	27,302	55,202	44,332
Lease receivable	-	12,726	-	19,472
Inventory	(16,475)	(33,631)	244,527	(145,174)
Prepaid expenses and deposits	72,442	28,840	40,084	51,063
Accounts payable and accrued liabilities	44,813	(33,013)	(1,592,859)	(324,109)
Provisions	-	(253,604)	-	(255,910)
Deferred revenue	33,029	63,710	(27,628)	245,935
Total	**$ 278,259**	**$ 148,414**	**$ (704,224)**	**$ (166,223)**

14. FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities, approximate their carrying value at June 30, 2018 and December 31, 2017.

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

	June 30, 2018	December 31, 2017
Financial assets		
Loans and receivables	$ 13,714,888	$ 15,310,409
Financial liabilities		
Other financial liabilities	1,616,061	2,986,109

(in Canadian dollars, except as noted)

15. DISPOSITION OF FINGERPRINTS AND DISCONTINUED OPERATIONS

During the year-ended December 31, 2017, the Company sold its FingerPrints business, which allows the Company to focus its resources and capital investment on its Maitre'D, Kitchen Display Systems ("KDS") and SecureTablePay product offerings.

As at August 10, 2017 the FingerPrints assets were recorded as a discontinued operation being held for sale. On September 14, 2017, the Company completed the sale of FingerPrints, to SICOM Systems Canada Inc. ("SICOM"). Consideration for the sale of FingerPrints comprised of a cash payment of $12.2 million, which was adjusted by a working capital deficit adjustment of $110,471 post-closing. The gain on the FingerPrints transaction was $10,912,935, representing the purchase price less an adjustment for working capital $110,471, less the write down on all other non-current assets of $189,737 and less transaction costs of $986,857. The proceeds of sale exceeded the carrying amount of the related net assets, and, accordingly, no impairment losses were recognized on the reclassification of FingerPrints as held for sale.

As at September 14, 2017, the date of disposition, the disposal group comprised $192,192 of Net Assets, as detailed below:

	Assets		**Liabilities**
Accounts receivable	1,028,319		
Other receivables	13,163		
Inventory	648,196	Accounts payable and	
Deposits on leased premises	11,870	accrued liabilities	390,051
Property plant and equipment	82,882	Deferred revenue	1,289,061
Intangible assets	168,969	Vehicle loans	82,095
Total assets disposed	**$ 1,953,399**	**Total liabilities disposed**	**$ 1,761,207**

During the year-ended December 31, 2017, the Company recorded a gain on the disposal of FingerPrints of $10,912,935. The gain on the disposal is net of tax of $nil (2016 - $nil) and net of costs related to the transaction of $986,857 (2016 - $nil). FingerPrints has been presented as a discontinued operation, separate from continuing operations, in the Consolidated Statements of Operations and Comprehensive Loss during the years-ended December 31, 2017 and 2016 respective comparative period.

During the year-ended December 31, 2017, the Company assessed a reversal of impairment of $88,527 (2016 - $nil) related to Intangible assets of the FingerPrints business. The reversal occurred as the assets had previously been impaired due to downward revisions to the recoverable amount of these assets. As the Company disposed of the assets of the FingerPrints business for a gain, a revision to the recoverable amount was applied to reverse the impairment of FingerPrints intangible assets that was previously recognized. The reversal of the impairment was limited to the carrying amount for the assets that would have been recorded had no impairment previously been recognized.

(in Canadian dollars, except as noted)

15. DISPOSITION OF FINGERPRINTS 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 June 30, 2018	Three-Months Ended June 30, 2017(i)	Six-Months Ended June 30, 2018	Six-Months Ended June 30, 2017(i)
Revenue	$ -	$ 1,437,321	$ -	$ 3,251,616
Cost of inventory	-	545,712	-	1,140,744
Technology	-	147,570	-	293,705
Operations and support	-	793,488	-	1,681,425
Total Cost of Sales	-	**1,486,770**	-	**3,115,874**
Gross Profit	-	**(49,449)**	-	**135,742**
Sales and marketing	-	258,787	-	577,342
General and administrative	-	204,839	-	437,742
Restructuring costs	-	28,862	-	78,131
Total Operating expenses	-	**492,488**	-	**1,093,215**
Net Income / (loss) before income taxes from discontinued operations	-	**(541,937)**	-	**(957,473)**
Net Income / (loss) from discontinued operations	**$ -**	**$ (541,937)**	**$ -**	**$ (957,473)**

(i) FingerPrints Statement of Operations and Comprehensive Loss results from January 1, 2017 to March 31, 2017 and April 1, 2017 to June 30, 2017.