POSERA

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year and Three-months ended December 31, 2018
Dated: April 1st, 2019

This Management's Discussion and Analysis ("MD&A") for the year and three-months ended December 31st, 2018 (fourth quarter of fiscal 2018) provides detailed information on the operating activities, performance and financial position of Posera Ltd. ("Posera" or the "Company"). This discussion should be read in conjunction with the Company's audited consolidated financial statements and accompanying notes for the year ended December 31st, 2018. The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. The information contained herein is dated as of April 1st, 2019, and is current to that date, unless otherwise stated.

This MD&A discusses the three-months ended December 31, 2018, compared to September 30, 2018 and December 31, 2017. For an analysis of the three-months ended December 31, 2018 compared to December 31, 2017 and September 30, 2018, please read this MD&A in conjunction with the MD&A for the three and nine-months ended September 30, 2018 and the three and twelve-months ended December 31, 2017.

The MD&A is the responsibility of management. The Board of Directors carries out its responsibility for the review of this disclosure directly and through its Audit Committee comprised exclusively of independent directors. The audit committee reviews and prior to publication, approves, pursuant to the authority delegated to it by the Board of Directors, this disclosure.

The Company reports its financial results in Canadian dollars and under International Financial Reporting Standards ("IFRS"). References herein to "Posera", "the Company", "we" and "our" mean Posera Ltd.

Additional information relating to the Company is available on SEDAR at www.sedar.com, and on the Company's web-site at www.posera.com.

FORWARD LOOKING STATEMENTS

This MD&A includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company's current expectations regarding future results or events. These forward-looking statements are based on a number of estimates and assumptions, including those which are identified in the "Critical Accounting Estimates and Judgments" section herein, and are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations, including the matters discussed under "Risks and Uncertainties" herein, as well as the risks and uncertainties detailed in our Annual Information Form which was filed on April 1, 2019 with the regulatory authorities.

NON-IFRS REPORTING MEASURES

Management reports on certain Non-IFRS measures to evaluate performance of the Company. Non-IFRS measures are also used to determine compliance with debt covenants and manage the capital structure. Because non-IFRS measures do not generally have a standardized meaning, securities regulations require that Non-IFRS measures be clearly defined and qualified and reconciled with their nearest IFRS measure. CPA Canada Canadian Performance Reporting Board has issued guidelines that define standardized earnings before interest, taxes, depreciation and amortization ("EBITDA").

EBITDA adjusted to exclude discontinued operations, Normalized EBITDA adjusted to exclude discontinued operations, Net Operating Working Capital and Debt to Equity Ratio are not calculations which are not based on IFRS. EBITDA adjusted to exclude discontinued operations should not be considered an alternative to net income or comprehensive income in measuring the Company's performance, nor should it be used as an exclusive measure of cash flow. Posera reports EBITDA adjusted to exclude discontinued operations, Normalized EBITDA adjusted to exclude discontinued operations, Net Operating Working Capital and Debt to Equity Ratio because they are key measures that management uses to evaluate the performance of the Company, and because the Company feels that these Non-IFRS measures provide important information about the Company. EBITDA adjusted to exclude discontinued operations is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt, and as a valuation metric. While EBITDA adjusted to exclude discontinued operations has been disclosed herein to permit a more complete comparative analysis of the Company's operating performance and debt servicing ability relative to other companies, investors are cautioned that EBITDA adjusted to exclude discontinued operations as reported by Posera may not be comparable in all instances to EBITDA adjusted to exclude discontinued operations as reported by other companies.

<u>Non-IFRS reporting definitions:</u>

EBITDA adjusted to exclude Discontinued Operations: Posera's management defines EBITDA as Net Income before interest expense, interest income, income taxes (excluding certain investment tax credits and other government assistance), amortization of property, plant and equipment, and intangible assets, realized and unrealized exchange gain or loss, impairments and gains or losses on held for trading financial instruments, gains or losses from discontinued operations and other gains or losses on disposition of assets or extinguishment of liabilities;

Normalized EBITDA adjusted to exclude Discontinued Operations: Posera's management defines Normalized EBITDA adjusted to exclude discontinued operations as EBITDA adjusted to exclude discontinued operations as defined above less certain one-time non-recurring expenditures, and non-cash stock-based compensation expense;

NON-IFRS REPORTING MEASURES *(continued)*

Net Operating Working Capital: Posera's management previously reported Working Capital as its primary metric for operating liquidity. During the second quarter of 2017, the Company concluded that Net Operating Working Capital would allow users of the management discussion and analysis to better assess the Company's overall operating liquidity. The Company defines Net Operating Working Capital as current assets less current liabilities, the value of the conversion option, deferred revenue and the current note payables. The difference between Working Capital to Net Operating Working Capital represents the exclusion of deferred revenue and the current note payables from the calculation. The Company prospectively will utilize Net Operating Working Capital in the management discussion and analysis.

Debt to Equity Ratio: Posera management defines Debt to Equity Ratio as Debt (i.e. notes payable, vehicle loans and bank indebtedness) as a percentage of shareholder's equity.

Restructuring Expense: Posera management defines Restructuring Expense as a one-time expense that has been incurred by the Company as a result of a reorganization.

Reconciliation to Net Income (Loss) to EBITDA and Normalized EBITDA and Net Operating Working Capital: There is a reconciliation for each of the Non-GAAP reporting measures to their nearest IFRS equivalent under the heading "Reconciliation of Non-IFRS measures to their Closest IFRS equivalent".

Recurring Revenue[(1)]: Includes certain components of revenues as disclosed in Note 4 to the consolidated financial statements for the years-ended December 31, 2018 and 2017. These include support and maintenance contracts, transactional processing and other recurring revenue agreements. To a minor extent, recurring revenues include payment processing revenues and referral fees earned in relation to payments processed by customers.

(1) During the year-ended December 31, 2018, the Company completed a process improvement review of its revenue reporting accounts in order to improve its operational revenue reporting. As a result of this internal process review, the Company identified additional revenues that should have been reported as recurring revenues in previous periods. For clarity, the new reporting has not resulted in a change to the total revenues reported by the Company; it has only resulted in an update to the breakdown of those total revenues, and the management category they belong to, which has resulted in the historical recurring revenues being re-presented from what had previously been reported by the Company. In the recurring revenues section of this MD&A, a reconciliation has been provided to display the difference between the historical reporting approach and the new reporting approach for recurring revenues.

Adjusted Expenditures: The Company presents in the management discussion and analysis adjusted expenditures which have been adjusted for amortization, one-time non-recurring expenses, restructuring charges and stock-based compensation. Adjusted expenditures are Non-GAAP reporting measures presented for technology expense, operations and support expense, sales and marketing expense and generation and administration expense and operating expenditures.

One-time Non-Recurring Expenses: The Company periodically incurs expenses that are considered to be one-time in nature and not expected to continue as part of the on-going operations of the Posera business. Examples of one-time non-recurring expenditures incurred by the Company relate to an office lease surrender, office move, legal costs associated with mergers and acquisition activity, tax advisory and audit costs associated with corporate acquisition and divestiture activities and separation payments.

Comparative Figures:

Certain prior period comparative figures have been re-presented to conform to the consolidated financial statements presentation as a result of the discontinued operations accounting treatment under IFRS.

Financial Highlights and Summary – Years ended December 31, 2018 and 2017

(*This section acts as a summary; the detailed analysis is discussed in the "Comparison of the years ended December 31, 2018 and 2017".)*

- Total revenue[(1)] was $9,984,120 for the year-ended December 31, 2018, a decrease of 6.5% from $10,674,447 reported for the year-ended December 31, 2017. The reduction in revenues can be explained by reduced Maitre'D revenues as a result of the divestiture of the unprofitable businesses Biz Pro, Century Cash Register and A&A in 2017, combined with some softness in the Company's European operations in 2018, but partially offset by increased KDS and SecureTablePay revenues;
- The Company's KDS revenues grew 21% during the year-ended December 31, 2018 when compared to the year-ended December 31, 2017.
- Recurring revenues[(1, 2)] adjusted for discontinued operations for the year-ended December 31, 2018 was $3,176,128, an increase to 31.8% of total sales and of $102,059 (3.3%) from recurring revenues of $3,074,269 for the year-ended December 31, 2017;
- Gross profit[(1)] was $4,460,764, or 44.7% of revenues for the year-ended December 31, 2018, representing an improved gross profit margin as a percent of sales of more than 4% compared to the year-ended December 31, 2017. The improvement in gross margin was driven by lower people-related costs in Technology and Operations & Support, partially offset by higher Costs of Inventory which resulted from more hardware shipments sales in 2018 compared to 2017;
- Operating expenses[(1)] were $7,579,247 for the year-ended December 31, 2018, an increase of $525,685 (7.5%) from $7,053,562 for the year-ended December 31, 2017. Management continues to focus on controllable costs and reported a reduction in total operating expenses in the fourth quarter of 2018 compared to the consecutive quarter, as well as the prior year comparative quarter. However, during the three-months ended December 31, 2018, the Company's Board of Directors incurred costs related to multiple unsolicited offers to purchase certain parts of Posera's business. Although none of those offers resulted in a transaction, significant legal and professional fees were incurred in the course of reviewing those offers. In addition, legal and professional fees were incurred related to the note receivable from DLT Labs Inc. The Company views these costs as being outside the normal course of business and has normalized its results for them;
- EBITDA[(1)] adjusted for discontinued operations for the year-ended December 31, 2018 was a loss of $2,891,275, a decrease of $787,289 compared to the loss of $2,103,986 for the year-ended December 31, 2017;
- Normalized EBITDA[(1)] adjusted for discontinued operations for the year-ended December 31, 2018 was a loss of $1,582,271, an increase in the loss of $227,537 (16.8%) from a loss of $1,354,734 for the year-ended December 31, 2017; and
- The Company recorded additional SecureTablePay sales from new customers in the United States ("USA"), providing further confidence in the viability of its pay-at-the-table solution for the USA market.

(1) Amount presented applies the retrospective presentation to exclude discontinued operations for the FingerPrints transaction as discussed in this MD&A on Page #10-11.

(2) Presentation of these amounts include the results from discontinued operations as discussed on Page #10-11.

(3) See the Recurring Revenues section of this MD&A which highlights the difference between the historical and new method for recording recurring revenues.

Unaudited Financial Highlights and Summary - Three-months ended December 31, 2018, compared to the three-months ended December 31, 2017 and September 30, 2018

(This section acts as a summary; the detailed analysis is discussed in the "Comparison of the Unaudited three-months ended December 31, 2018, December 31, 2017 and September 30, 2018".)

- Total revenue[(1)] for the three-months ended December 31, 2018 was $2,554,085, up 9.4% compared to the third quarter of 2018; but down 23.3% compared to the fourth quarter of 2017, where the Company experienced significant sales of its Kitchen Display System ("KDS") product;
- Recurring revenues[(1, 3)] for the three-months ended December 31, 2018 were $767,729, or 30% of total revenues, down by 7.5% compared to the three-months ended September 30, 2018 due to a significant SecureTablePay annual contract that was booked in the third quarter; but flat to the recurring revenues for the three-months ended December 31, 2017;
- Gross profit[(1)] was $1,376,681, or 53.9% of revenues for the three-months ended December 31, 2018, representing an improved gross profit margin of more than 10% compared to both the three-months ended September 30, 2018 and the three-months ended December 31, 2017. The improvement in gross profit margin was driven by a change in product mix to lower combined with lower Technology and Operations & Support costs in the current quarter; and
- Normalized EBITDA[(1)] adjusted for discontinued operations profit (loss) for the three-months ended December 31, 2018 was a loss of $187,015 which was an improvement compared to a loss of $349,881 for the three-months ended December 31, 2017, and an improvement compared to the loss of $335,898 for the three-months ended September 30, 2018.

(1) Amount presented applies the retrospective presentation to exclude discontinued operations for the FingerPrints transaction as discussed in this MD&A on Page #10-11.

(2) Presentation of these amounts include the results from discontinued operations as discussed on Page #10-11.

(3) See the Recurring Revenues section of this MD&A which highlights the difference between the historical and new method for recording recurring revenues.

Posera's Business

Posera has been a leading provider of hospitality technology for more than 20 years. It facilitates merchant transactions using feature-rich and customizable all-in-one solutions for all types of restaurant, hotel, and bar concepts.

Posera's full-service solutions include SecureTablePay, an EMV compliant Pay-At-The-Table ("PATT") application, and Kitchen Display System ("KDS"), that streamlines communications between the kitchen, front of house and back office.

Posera's Maitre'D™ restaurant management system (RMS) / point-of-sale system (POS) offers a robust and comprehensive solution including hardware integration services, merchant staff training, system installation services, post-sale software, and hardware customer support. Posera's solutions are deployed globally including across the full spectrum of restaurants, from large chains and independent table service restaurants to international quick service chains, and its products are available in eight languages.

Posera Ltd.'s shares are traded on the Toronto Stock Exchange under the symbol "**PAY**".

Composition of Revenues and Expenses

Posera's revenue model includes revenues primarily from the following sources with details as to when the Company recognizes revenue based on the performance obligations:

	Nature of Performance Obligations
POS – Software	Right to use software
POS – Hardware	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

Posera's cost of sales consists primarily of the cost of POS system hardware, third party software and miscellaneous hardware and software which are purchased by Posera for resale, as well as technology costs and operations and support costs directly incurred to earn revenue, including amortization. Technology costs consist primarily of staff costs related to Posera's technology department, as well as external technology providers, hosting fees, and amortization on acquired technology. Operations and support costs consist primarily of staff costs related to Posera's operations and support department, as well as merchant implementation costs and certain consumer and merchant support costs.

Posera's operating costs are broken down into the following three categories: (1) sales and marketing, (2) general and administrative and (3) restructuring. Sales and marketing costs consist primarily of staff costs associated with the ongoing sales and marketing functions, as well as brand development fees, media placement fees, trade show fees, advertising, other promotional expenses, and amortization on acquired customer relationships. General and administrative fees consist primarily of staff costs associated with the Company's senior management, administrative, legal and finance functions, as well as professional fees, other general corporate expenses and amortization. Restructuring expenses relate to one-time non-recurring expenses that have been incurred by the Company as a result of a reorganization primarily related to severance and external consultant fees.

Stock-based compensation expense relates to charges for stock options granted to directors and employees.

Interest income on Posera corporate funds consists primarily of interest income related to its invested cash and short-term investments, as well as income earned on its notes receivable. Posera's policy is to invest its excess cash in short-term investment-grade interest bearing securities. Interest income fluctuates based upon the amount of funds available for investment and prevailing interest rates.

Interest expense relates to interest costs of vehicle loans and notes payable.

Growth Strategy and Future Outlook

Posera has been a leading provider of hospitality technology for more than 20 years. Throughout that time, the Company has continuously innovated to meet the needs of a rapidly changing industry. With a vision to be the information technology solution for leading hospitality companies, Posera delivers mission-critical products and services to the hospitality industry for POS, kitchen management, and payments. These solutions enable clients to operate with greater speed, quality, and efficiency. Hospitality companies count on Posera's products to perform reliably and efficiently at the store level while providing real-time revenue and operations data for corporate reporting.

As hospitality merchants face disruptive technological trends (digital and otherwise) affecting consumer behaviors and preferences, Posera remains committed to meeting the requirements of existing clients while also delivering the innovation new clients are seeking, including enhancing Posera's core POS offerings to support mobile payments, kiosks, and tablets. At the same time, Posera continues to seek new products, services and strategic partnerships to broaden its product suite and further deepen and strengthen client relationships.

The Maitre'D POS solution continues to be a stalwart in the hospitality industry, having been successfully deployed for 20 years, it performs well in any hospitality environment – wherever food and beverages are served. Over time, Maitre'D has achieved a significant penetration within the international restaurant management systems ("RMS") landscape, with considerable success in a range of restaurant formats, including quick service, fast casual, table service and fine dining.

The Company believes that one of the many strengths of the Maitre'D offering is its advanced suite of third-party integrations. These integrations cover everything from payments, labour management, gift and loyalty applications, to advanced integrations with hotel property management systems that deliver detailed food and beverage reporting to room folios. This strength and versatility of the Maitre'D solution has enabled Maitre'D to outperform other RMS offerings in non-traditional-restaurant hospitality sectors such as hotels, casinos, assisted care living, etc. As a result of its earlier success in these sectors, Posera has created a separate strategy focusing specifically on non-restaurant hospitality, in addition to its growth strategy for the restaurant market. Posera expects much of its future growth, particularly internationally, to come from casinos, hotels, assisted living, resorts, school cafeterias, and other similar establishments.

Posera has demonstrated its commitment to ensuring relevant, up-to-date technology to meet its customers' needs by investing in cloud-based offerings. During the third quarter of 2018, the Company launched its Databoard – Advanced Reporting web application which provides real-time, critical operational information to restaurant managers, allowing them access to comprehensive current-day reporting on desktop and mobile devices or delivered directly to email.

In 2017, the Company capitalized on another opportunity: offering KDS as a standalone product, that is, unbundled from the Maitre'D POS. KDS enables paperless kitchens for improved order visibility/tracking and prioritization, superior customer service as well as cost savings through the dramatic reduction in paper. Throughout 2018, the viability of KDS as a standalone product has been validated by its growing installed base.

Posera has devoted significant resources to the development of its SecureTablePay product, a pay-at-the-table ("PATT") middleware, with a focus on becoming one of the first to market an EMV-compliant PATT solution in the US. SecureTablePay enables mobile handheld payment terminals to interact with POS Systems, providing a direct integration to most leading POSs. With SecureTablePay, payment terminals that would otherwise be 'dumb pinpads', become 'smart terminals' that pull the transaction information directly from the RMS, perform transaction-closing tasks that are normally performed by the POS, such as bill splitting. Payment processing performed entirely on the terminal and at the point of service ensures no

Growth Strategy and Future Outlook *(continued)*

sensitive cardholder data is ever exchanged with the POS, keeping the restaurant's POS out of scope for PCI. SecureTablePay's P2PE chip card processing capability is fully EMV-compliant, reducing costly chargebacks.

The Company is pleased to announce that it has successfully begun to roll out SecureTablePay with its first major US customer in the third quarter of 2018, representing a key milestone in the launch of SecureTablePay in the US. The Briad Group, one of the fastest-growing hospitality companies in the US, with franchises covering quick service, table service and hotel management systems, has chosen SecureTablePay to be its exclusive PATT solution and will be rolling out SecureTablePay in its locations across the US.

SecureTablePay is already certified in the US with Worldpay (was Vantiv), Heartland, First Data and Sterling, and Posera is working on certifications with several other major US processors. The goal is to make SecureTablePay universal so that any hospitality merchant across the US, regardless of their POS or processor, can use SecureTablePay to allow their customers to pay securely at the table.

Amidst all the above, the hospitality POS and payment technology industries continue to face increasing challenges, including cost pressures and shrinking margins; increasing demand for new technology; and consolidation through mergers and acquisitions, particularly in the payment processing space in North America driving commoditization of POS solutions. Additionally, hospitality businesses are operating in an ever-changing environment with growing competition, especially with the entry of hardware agnostic cloud-based SaaS products that are changing cost structures and reducing customer loyalty. Posera is not immune to these challenges as it is smaller and undercapitalized compared to the larger POS companies and payment processors in the industry. To succeed in the POS and payment technology industry, providers cannot stand still. Customers demand a technology partner that not only meets their requirements today but sets the standard for innovation in the future. Recent strategic shifts and acquisitions throughout the industry underscore the requirement to adapt to the changing market to achieve continued growth and profits.

Posera began a strategic review of its business and assets several years ago which led to the divestiture of Zomaron in 2016 and the divestiture of the FingerPrints business in 2017. During 2018 the Company received several unsolicited third-party offers for some or all of the Posera business. The Company has analyzed the merits of these offers and concluded that they represent viable strategic alternatives for the Company and its shareholders. Hence the Company has hired a strategic financial advisor to engage with the parties interested in Posera as well as to explore other potential strategic opportunities to maximize shareholder value. The Company will evaluate opportunities against several criteria: potential synergies in technology or services with Posera's core capabilities; complementary customer base; compatible corporate culture; and, above all, the ability to increase value to Shareholders. That said, there can be no assurances that a transaction will be consummated.

Comparison of the Years-Ended

The table below is derived from the audited statements of operations for the years-ended December 31, 2018 and December 31, 2017, and certain unaudited Non-IFRS reporting measures.

Analysis of the Annual Results	2018 $	2017 $		Favourable / (Unfavouable) Variance $	Variance %
Total Revenue	**9,984,120**	**10,674,447**		**(690,327)**	**(6.5)%**
Cost of Sales					
Cost of inventory	2,238,248	2,173,352		(64,896)	(3.0)%
Technology	1,051,145	1,416,029		364,884	25.8%
Operations and Support	2,233,963	2,765,911		531,948	19.2%
Total Cost of Sales	**5,523,356**	**6,355,292**		**831,936**	**13.1%**
Gross Profit	**4,460,764**	**4,319,155**		**141,609**	**3.3%**
Gross Profit Percentage	44.7%	40.5%			4.2%
Operating Expenditures					
Sales and marketing	1,871,514	2,350,951		479,437	20.4%
General and administrative	5,707,733	5,077,611		(630,123)	(12.4)%
Restructuring costs	-	(375,000)		(375,000)	n/m[(2)]%
Total Operating Expenditures	**7,579,247**	**7,053,562**		**(525,685)**	**(7.5)%**
	(3,118,483)	**(2,734,407)**		**(384,075)**	**(14.0)%**
Other expenses (income)					
Interest expense	18,878	(142)		(19,020)	n/m[(2)]%
Realized and unrealized loss on foreign exchange	(198,666)	177,265		375,931	212.1%
Interest and other income	(175,180)	(37,714)		137,466	364.5%
Loss allowance	592,158	-		(592,158)	n/m[(2)]%
	237,190	**139,409**		**(97,781)**	**70.1%**
Net loss before income taxes from Continuing Operations	**(3,355,673)**	**(2,873,816)**		**(481,856)**	**(16.8)%**
Current tax expense (recovery)	237,670	336,662		98,992	29.4%
Future tax expense (recovery)	225,366	(359,037)		(584,403)	(162.8)%
Net loss from Continuing Operations	**(3,818,709)**	**(2,851,441)**		**(967,267)**	**(33.9)%**
Gain on disposal of subsidiary	-	10,912,935		(10,912,935)	(100.0)%
Profit (Loss) from Discontinued Operations (net of tax)	-	(1,881,926)		1,881,926	100.0%
Net Income (Loss)	**(3,818,709)**	**6,179,568**		**(9,998,276)**	**(161.8)%**
Other comprehensive income	206,674	(110,306)		316,9780	(287.4)%
Net comprehensive income (loss)	**(3,612,035)**	**6,069,262**		**(9,681,296)**	**(159.5)%**

Comparison of the Non-GAAP Financial Report Metrics Year-To-Date					
	2018 $ (unaudited)	2017 $ (unaudited)		Favourable / (Unfavouable) Variance $ (unaudited)	 Variance % (unaudited)
Recurring Revenue	**3,176,328**	**3,074,269**		**102,059**	**3.3%**
EBITDA	**(2,891,275)**	**(2,103,986)**		**(787,289)**	**(37.4)%**
Normalized EBITDA	**(1,582,271)**	**(1,354,734)**		**(227,537)**	**(16.8)%**

(1) Presentation of EBITDA adjusted to exclude discontinued operations, Normalized EBITDA adjusted to exclude discontinued operations, Net Income (Loss) and Comprehensive Income / Loss include the results from discontinued operations of FingerPrints as discussed on Page #10-11 of this MD&A.

(2) n/m is not meaningful

(3) See the Recurring Revenues section of this MD&A which highlights the difference between the historical and new method for recording recurring revenues.

The presentation below of Selected Unaudited Annual Financial Data is for the purposes of this management's discussion and analysis. The 2018 and 2017 financial data below have been prepared and presented in accordance with International Financial Reporting Standards.

Selected Financial Data for the years ended	2018	2017	2016
Total revenue	$ 9,984,120	$ 10,674,447	$ 9,522,133
Recurring revenue	3,176,128	3,074,269	3,114,873
Net Income (Loss)	(3,818,709)	6,179,568	(3,680,948)
Income (Loss) per share – basic and diluted	(0.03)	0.06	(0.05)
Weighted average number of shares outstanding (000's) - basic	119,795	103,333	75,838
Weighted average number of shares outstanding (000's) – diluted	119,795	112,120	75,838
Cash and cash equivalents	6,413,647	12,153,655	407,044
Bank indebtedness	-	-	-
Net operating working capital (as outlined on Page 30 of this MD&A)	8,269,748	11,991,100	1,867,898
Total assets	16,215,319	21,109,873	12,452,559
Long-term liabilities	172,099	14,512	1,548,152
Total shareholders' equity	13,438,515	16,702,278	5,338,844

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

Disposition of FingerPrints and Discontinued Operations *(continued)*

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	12,122		
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	169,737	Vehicle loans	82,095
Total assets disposed	**$ 1,953,399**	**Total liabilities disposed**	**$ 1,761,207**

During the year-ended December 31, 2018, the Company recorded a gain on the disposal of FingerPrints of $nil (2017 - $10,912,935). The gain on the disposal is net of tax of $nil (2017 - $nil) and net of costs related to the transaction of $nil (2017 - $986,857). FingerPrints has been presented as a discontinued operation, separate from continuing operations, in the Consolidated Statements of Operations and Comprehensive Loss during the year-ended December 31, 2017.

Recurring Revenue:

Recurring Revenue Comparisons for the years ended December 31, 2018 and 2017

Total Recurring Revenue(1) Reconciliation	**For the years ended**	
	December 31, 2018	**December 31, 2017**
Total Recurring Revenue Otherwise Reportable(2)	**$ 3,176,128**	**$ 5,900,842**
Less: Recurring Revenue reclassified to discontinued operations	-	2,826,573
Total Recurring Revenue	**$ 3,176,128**	**$ 3,074,269**
As a % of Total Revenue	**31.8%**	**28.8%**

(1) See the Recurring Revenues section of this MD&A which highlights the difference between the historical and new method for recording recurring revenues.

(2) Total recurring revenue excludes the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

During the year-ended December 31, 2018, the Company completed a process improvement review of its revenue reporting accounts in order to improve its operational revenue reporting. As a result of this internal process review, the Company identified additional revenues that should have been reported as recurring revenues in previous periods. For clarity, the new reporting has not resulted in a change to the total revenues reported by the Company; it has only resulted in an update to the breakdown of those total revenues, and the management category they belong to, which has resulted in the historical recurring revenues being re-presented from what had previously been reported by the Company. On the next page of this MD&A, a reconciliation has been provided to display the difference between the historical reporting approach and the new reporting approach for recurring revenues.

The Company continues to focus on its recurring revenue model of stable, predictable recurring revenue streams. Recurring revenue will continue to benefit the Company as we focus on enhancing and growing these revenue streams. Recurring revenue is a Non-GAAP financial metric which includes certain components of POS revenues as disclosed on the statement of operations. These include annual POS

Recurring Revenue *(continued)*

support and maintenance contracts, annual KDS support and maintenance contracts, POS referral revenue sharing arrangements, annual PATT software contracts and other recurring revenue agreements.

During 2018, the Company increased its recurring revenues primarily from the annual support and maintenance contracts on its KDS sales, which are recognized over time. Additionally, it migrated its sales model for the SecureTablePay product in Canada from one-time license pricing to a recurring revenue model. Furthermore, during the third quarter of 2018, the Company deployed its first SecureTablePay solution with a customer in the USA, which included an element of recurring revenue for support and maintenance. For certain other customers in the USA, certification of SecureTablePay has been completed and Posera has progressed to pilot testing. Upon completion of those pilots, Posera and its USA payment processing partners have commenced the sell through of the SecureTablePay solution to hospitality merchants. As well, Posera continues to work with payment processors in the United States to integrate our SecureTablePay solution on their payment applications.

Reconciliation of the New vs. Historical Non-GAAP Financial Reporting Measure – Recurring Revenues	**2018**				
	Year-Ended	**Q4**	**Q3**	**Q2**	**Q1**
Recurring Revenues – new approach	**$ 3,176,128**	**$ 767,729**	**$ 830,049**	**$ 811,794**	**$ 766,556**
Recurring Revenues – historical approach	-(1)	-(1)	-(1)	735,424	675,559
Recurring Revenues - difference between new and historical approach	**$ -(1)**	**$ -(1)**	**$ -(1)**	**$ 76,370**	**$ 90,997**
	2017				
	Year-Ended	**Q4**	**Q3**	**Q2**	**Q1**
Recurring Revenues – new approach	**$ 3,074,268**	**$ 769,460**	**$ 800,383**	**$ 784,380**	**$ 720,045**
Recurring Revenues – historical approach	2,706,141	687,536	699,120	680,852	638,633
Recurring Revenues - difference between new and historical approach	**$ 368,127**	**$ 81,924**	**$ 101,263**	**$ 103,528**	**$ 81,412**

(1) Not applicable as new approach to recognizing recurring revenues was adopted during the three and nine-months ended September 30, 2018.

Comparison of the years ended December 31, 2018 and 2017

The assets of the FingerPrints business were divested on September 14, 2017 and recorded as discontinued operations during the year-ended December 31, 2017. For comparability and consistency, the following discussion and analysis considers Posera's prior results excluding those generated by the FingerPrints assets for each of the comparative reporting periods as well. The Company completed an analysis to retrospectively restate its results excluding the FingerPrints business unit, using a consistent approach to restate Posera's results for each of the comparative reporting periods. Due to the nature of certain revenues and expenses, as well as the financial systems in place, it was not possible to separately identify all FingerPrints related revenues and expenses, so this discussion and analysis captures only those items that can reasonably be identified as resulting from the FingerPrints assets. Further discussion regarding the treatment of FingerPrints asset as a discontinued operation is documented on Page #10-11 of this MD&A.

Revenue:

Revenue Comparisons for the years ended December 31, 2018 and 2017

Revenue Reconciliation	For the years ended	
	December 31, 2018	December 31, 2017
Revenue Otherwise Reportable[1]	**$ 9,984,120**	**$ 15,338,469**
Less: Revenue reclassified to discontinued operations	-	4,664,022
Recognized Revenue	**$ 9,984,120**	**$ 10,674,447**

(1) Recognized revenue assuming no application of the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

For the year-ended December 31, 2018, recognized revenue decreased by $690,327 (6.5%) when compared to the year-ended December 31, 2017. Revenues decreased between the 2018 and 2017 comparative periods as a result of the Company's exit from certain business units during fiscal 2017, namely, BizPro, Century Cash Register and A&A Point of Sale Systems due to their unprofitability, combined with lower sales in the Company's European operations. The Company's order book for sales to the hotel sector in 2019 is encouraging and management expects to see an improvement in hotel sales again.

During the year-ended December 31, 2018 the Company reported higher sales of its KDS product compared to the prior year, driven by slightly higher new installations, as well as the new recurring revenue stream for annual support and maintenance on those sales from the prior year. Posera continues to see new opportunities for its KDS product.

Cost of Sales:

Cost of Sales Comparisons for the years ended December 31, 2018 and 2017

Cost of Inventory

Cost of Inventory Reconciliation	For the years ended	
	December 31, 2018	December 31, 2017
Cost of Inventory Otherwise Reportable[1]	**$ 2,238,248**	**$ 4,030,003**
Less: Cost of Inventory reclassified to discontinued operations	-	1,856,651
Cost of Inventory	**$ 2,238,248**	**$ 2,173,352**
As a % of Total Revenue	**22.4%**	**20.4%**

(1) Cost of Inventory assuming no application of the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

Posera recognized cost of inventory of $2,238,248 (22.4% of total revenues) for the year-ended December 31, 2018, compared to $2,173,352 (20.4% of total revenues) for the year-ended December 31, 2017. The cost of inventory as a percentage of revenue increased compared to the prior year due to an increase in hardware sales in the year.

Technology Expense

Technology Expense Reconciliation	For the years ended	
	December 31, 2018	December 31, 2017
Technology Expense Otherwise Reportable(1)	**$ 1,051,145**	**$ 1,863,090**
Less: Technology reclassified to discontinued operations	-	447,061
Technology expense	**1,051,145**	**1,416,029**
Less: Amortization of intangible assets	45,571	31,827
Adjusted Technology Expense	**$ 1,005,574**	**$ 1,384,202**
As a % of Total Revenue	**10.1%**	**13.0%**

(1) Total Technology Expense assuming no application of the discontinued operations for the Fingerprints transaction as previously discussed in this MD&A on Page #10-11.

The adjusted technology expense decreased $378,628 (27.4%) during the year-ended December 31, 2018 compared to the year-ended December 31, 2017, primarily as a result of a reduction in people-related costs, including lower variable compensation payments made to technology employees between the comparative periods.

Operations and Support Expense

Operations and Support Expense Reconciliation	For the years ended	
	December 31, 2018	December 31, 2017
Operations and Support Expense Otherwise Reportable(1)	**$ 2,233,963**	**$ 5,296,545**
Less: Operations and Support expense reclassified to discontinued operations	-	2,530,634
Adjusted Operations and Support Expense	**$ 2,233,963**	**$ 2,765,911**
As a % of Total Revenue	**22.4%**	**25.9%**

(1) Total Operations and Support Expense assuming no application of the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

Adjusted operations and support expense for the year-ended December 31, 2018 decreased $531,948 (19.2%) when compared to the year-ended December 31, 2017. The changes in the adjusted operations and support expense between the comparative periods has stemmed from reductions in costs that were previously incurred to support the unprofitable Biz Pro, Century Cash Registers and A&A Point of Sale Systems businesses.

Operating Expenditures:

Operating Expenditures	For the years ended	
	December 31, 2018	December 31, 2017
Operating Expenditures Otherwise Reportable(1)	**$ 7,579,247**	**$ 8,853,691**
Less: Operating Expenditures reclassified to discontinued operations	-	1,800,129
Operating Expenditures	**$ 7,579,247**	**$ 7,053,562**
Less: Amortization of intangible assets and PP&E	178,645	465,312
Less: Restructuring charges	-	(375,000)
Less: Other One-time expenditures	1,221,832	367,295
Less: Stock-based compensation	136,162	382,158
Adjusted Operating Expenditures	**$ 6,042,608**	**$ 6,213,797**
As a % of Total Revenue	**60.5%**	**58.2%**

1) Total Operating Expenditures assuming no application of the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

Included in operating expenditures for the year-ended December 31, 2017 was a recovery of $375,000, as the Company assessed that there was no further obligation related to this provision and it was reversed on the Consolidated Statement of Operations and Comprehensive Loss, compared to $nil during the year-ended December 31, 2018. Other than the reversal of the provision the Company did not expect to incur further restructuring expenditures in fiscal 2017 or 2018.

Included in operating expenses for the years-ended December 31, 2018 and 2017 are one-time non-recurring expenditures relating to an office lease surrender, office move, legal costs, tax advisory and audit costs associated with corporate acquisition and divestiture activities and separation payments. These costs are not incurred in the ordinary course of business and are not expected to reoccur, resulting in their classification as one-time.

<u>Sales and Marketing Expense</u>

Sales and Marketing Expense Reconciliation	For the years ended	
	December 31, 2018	December 31, 2017
Sales and Marketing Expense Otherwise Reportable(1)	**$ 1,871,514**	**$ 3,257,845**
Less: Sales and Marketing expense reclassified to discontinued operations	-	906,894
Sales and marketing expense	**$ 1,871,514**	**$ 2,350,951**
Less: Amortization of intangible assets	47,434	341,174
Adjusted Sales and Marketing Expense	**$ 1,824,080**	**$ 2,009,777**
As a % of Total Revenues	**18.3%**	**18.8%**

(1) Total Sales and Marketing Expense assuming no application of the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

The adjusted sales and marketing expenses decreased $185,697 (9.2%) during the year-ended December 31, 2018 when compared to the year-ended December 31, 2017. The adjusted sales and marketing expenses decreased during the comparative periods commensurate with the decrease in revenues recognized between the comparative periods.

The Company has incurred costs related to tradeshows and promotional activities during all of the comparative periods and the Company will continue to attend tradeshows and undertake advertising to stimulate visibility of our products. Posera believes these activities will lead to future sales being generated for the Maitre'D and KDS POS products, as well as the SecureTablePay platform.

General and Administrative ("G&A") Expense

General and Administrative ("G&A") Expense Reconciliation	For the years ended	
	December 31, 2018	December 31, 2017
G&A Expense Otherwise Reportable[1]	**$ 5,707,733**	**$ 5,970,847**
Less: G&A expense reclassified to discontinued operations	-	893,236
G&A expense	**$ 5,707,733**	**$ 5,077,611**
Less: Stock-based compensation expense[3]	136,162	382,158
Less: Amortization of intangible assets and PP&E	131,211	124,138
Less: One-time expenditures	1,221,832	367,295
Adjusted G&A Expense	**$ 4,218,528**	**$ 4,204,020**
As a % of Total Revenue	**42.3%**	**39.4%**

(1) Total G&A Expense assuming no application of the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

The adjusted general and administrative expenditures for the year-ended December 31, 2018 increased $14,508 (0.3%) when compared to the year-ended December 31, 2017. Included in the one-time non-recurring expenditures for the year-ended December 31, 2018, the Company incurred approximately $190,000 in one-time expense related to a lease surrender fee and moving costs associated with its corporate office facility in London, Ontario. The Company has secured more cost-effective, flexible office space for its corporate office employees, reducing the monthly facility costs for that location by more than 50%. As well, included in one-time expenditures are legal and professional fees related to unsolicited offers that the Company received for certain parts of its business. None of the unsolicited offers resulted in a completed transaction, however significant costs were incurred to review those offers. Additionally, legal and professional fees were incurred related to the Company's note receivable issued to DLT Labs Inc. Management does not view any of these costs as being in the normal course of business, so has normalized results for them.

Other Expense and Income:

Interest and other income are comprised primarily of interest earned from the investing of Posera's corporate funds and from the interest earned on the note receivable that was issued by the Company during fiscal 2018. The increase in the interest and other income during fiscal 2018 reflects the Company's increased cash balance as well as interest earned on the note receivable, which was not outstanding during fiscal 2017.

Realized and unrealized (gain) / loss on foreign exchange is driven primarily by US Dollar denominated net assets on the Company's Consolidated Statements of Financial Position for its Canadian subsidiary entities. The weakening of the Canadian dollar relative to the US Dollar between December 31, 2017 and 2018 of approximately 9% resulted in an unrealized foreign exchange gain on the revaluation of those US denominated net assets.

Loss allowance is management's best estimate of the credit risk associated with the note receivable as the outstanding balance is more than 30 days past due. At December 31, 2018 the Company applied a $592,158 (2017 - $nil) loss allowance related to the outstanding note receivable, as the note receivable was more than 30 days passed due. The Company's accounting policies require a periodic estimation of credit losses. The full balance of $2,295,349 is owing and is secured by certain assets of the borrower.

US Tax Reform

During the third quarter of 2018, the Company finalized its 2017 US tax return, which included a calculation of the transition tax related to the "Tax Cuts and Jobs Act" in the United States ("US"), commonly referred to as "US tax reform" or the "Act", which was enacted by the US on December 22, 2017. As disclosed in the notes to the 2017 annual consolidated financial statements, the Company had previously provided a current tax expense of $293,444, with a deferred tax expense recovery of $98,356 during the fourth quarter of 2017, representing a net tax expenses of $195,088 in respect of this US tax reform.

Upon finalizing the 2017 US tax return during the three-months ended September 30, 2018, it was determined that $nil tax was owing in respect to the US transition tax, as the Company was able to utilize tax loss carry forwards and foreign tax credits to offset amounts that would otherwise have been payable. During the three-months ended September 30, 2018, the Company reversed all amounts that were previously captured in the Company's current tax and deferred tax expense line item on the Condensed Interim Consolidated Statements of Operations and Comprehensive Loss related to this US tax reform.

Comparison of the Unaudited Three-Months Ended

The table below sets out the unaudited statements of operations for the three-months ended December 31, 2018, December 31, 2017 and September 30, 2018. The information has been re-presented to exclude discontinued operations and display favourable and (unfavourable) dollar and percentage variances.

Analysis of the Unaudited Quarterly Results	Current Quarter	Comparison to Same Quarter Last Year			Comparison to Consecutive Quarter		
	Q4-2018 (unaudited) $	Q4-2017 (unaudited) $	Variance $	Variance %	Q3-2018 (unaudited) $	Variance $	Variance %
Total Revenue	**2,554,085**	**3,327,865**	**(773,780)**	**(23.3)%**	**2,334,761**	**219,324**	**9.4%**
Cost of Sales							
Cost of inventory	480,887	897,574	416,687	46.4%	494,617	13,730	2.8%
Technology	218,668	310,614	91,946	29.6%	275,713	57,045	20.7%
Operations and Support	477,849	676,912	199,063	29.4%	555,523	77,674	14.0%
Total Cost of Sales	**1,177,404**	**1,885,100**	**707,696**	**37.5%**	**1,325,853**	**148,449**	**11.2%**
Gross Profit	1,376,681	1,442,765	(66,084)	(4.6)%	1,008,908	367,773	36.5%
Gross Profit Percentage	53.9%	43.4%		24.2%	43.2%		24.8%
Operating Expenditures							
Sales and Marketing	408,099	696,394	288,295	41.4%	445,631	37,532	8.4%
General and Administrative	1,482,822	1,215,344	(267,478)	(22.0%)	1,505,785	22,963	1.5%
Restructuring costs	-	78,131	78,131	n/m(2)	-	-	n/m(2)
Total Operating Expenditures	**1,890,981**	**1,989,869**	**98,888**	**5.0%**	**1,951,416**	**60,435**	**3.1%**
	(514,300)	**(547,104)**	**32,804**	**6.0%**	**(942,508)**	**428,208**	**45.4%**
Other Expenses (Income)							
Interest expense	-	94,437	94,437	100.0%	-	-	n/m(2)
Realized and unrealized (gain) loss on foreign exchange	(93,078)	(8,712)	84,366	n/m(2	(5,758)	87,320	n/m(2
Interest and other income	(64,497)	(28,980)	35,517	n/m(2)	(52,473)	12,024	22.9%
Loss allowance	592,158	-	(592,158)	n/m(2)	-	(592,158)	n/m(2)
Total Other Expenses (Income)	**434,583**	**56,745**	**(377,838)**	**377.7%**	**(58,231)**	**(492,814)**	**170.6%**
Net Loss Before Income Taxes from Continuing Operations	**(948,883)**	**(603,849)**	**(345,034)**	**(57.1%)**	**(884,277)**	**(64,606)**	**(7.3%)**
Current tax expense (recovery)	(34,129)	98,160	132,289	134.8%	(37,812)	(3,683)	(9.7%)
Future tax expense (recovery)	175,347	(139,662)	(315,009)	(225.6%)	62,623	(112,724)	(180.0%)
Net Loss from Continuing Operations	**(1,090,101)**	**(562,347)**	**(527,753)**	**(93.8%)**	**(909,088)**	**(181,013)**	**(19.9%)**
Gain on disposal of subsidiary	-	(324,685)	324,685	n/m(2)	-	-	n/m(2)
Loss from discontinued operations (net of tax)	-	(69,103)	69,103	n/m(2)	-	-	n/m(2)
Net (Loss) Income(1)	**(1,090,101)**	**(956,135)**	**(133,965)**	n/m(2)	**(909,088)**	**(181,013)**	**39.8%**
Other Comprehensive (Loss) Income	174,677	16,354	158,323	968.1%	(106,196)	280,873	264.5%
Net Comprehensive (Loss) Income(1)	**(915,424)**	**(939,781)**	**24,358**	2.6%	**(1,015,284)**	**99,860**	**9.8%**

Comparison of the Unaudited Three-Months Ended *(continued)*

Non-IFRS reporting measures(as outlined on Pages 28-30 of this MD&A):	Current Quarter	Comparison to Same Quarter Last Year			Comparison to Consecutive Quarter		
	Q4-2018 (unaudited) $	Q4-2017 (unaudited) $	Variance $	Variance %	Q3-2018 (unaudited) $	Variance $	Variance %
Recurring Revenue	767,729	769,460	(1,731)	(0.2)%	830,049	(62,320)	(7.5)%
EBITDA adjusted for discontinued operations	(507,109)	(463,612)	(43,497)	(9.4)%	(886,458)	379,349	42.8%
Normalized EBITDA adjusted for discontinued operations	(187,015)	(349,881)	162,866	46.6%	(335,898)	148,883	44.3%

(1) Presentation of EBITDA adjusted for discontinued operations, Normalized EBITDA adjusted for discontinued operations, Net Income (Loss) and Comprehensive Income / Loss include the results from discontinued operations of FingerPrints as previously discussed on Page #10-11.

The presentation of the below of Selected Unaudited Quarterly Financial Data is for the purposes of this management discussion and analysis. The 2018 and 2017 financial data below have been prepared and presented in accordance with International Financial Reporting Standards.

Selected Financial Data for the three months ended	December 31, 2018	December 31, 2017	September 30, 2018
Total revenue	$ 2,554,085	$ 3,327,865	$ 2,334,761
Recurring revenue	767,729	769,460	830,049
Net income (loss)	(1,090,101)	(956,135)	(909,088)
Income (loss) per share – basic and diluted	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding (000's) - basic	119,797	118,520	119,796
Weighted average number of shares outstanding (000's) – diluted	119,797	127,307	119,796
Cash and cash equivalents	6,413,647	12,153,665	7,102,014
Net operating working capital (as outlined on Page 30 of this MD&A)	8,269,748	11,991,100	9,911,249
Total assets	16,215,319	21,109,873	17,393,139
Long-term liabilities	172,099	14,512	128,979
Total shareholders' equity	13,438,515	16,702,278	14,335,647

Comparison of the unaudited quarters ended December 31, 2018 and 2017 and September 30, 2018

The assets of the FingerPrints business were divested on September 14, 2017 and recorded as discontinued operations during the three and nine-months ended September 30, 2017. For comparability and consistency, the following discussion and analysis considers Posera's prior results excluding those generated by the FingerPrints assets for each of the comparative reporting periods as well. The Company completed an analysis to retrospectively restate its results excluding the FingerPrints business unit, using a consistent approach to restate Posera's results for each of the comparative reporting periods. Due to the nature of certain revenues and expenses, as well as the financial systems in place, it was not possible to separately identify all FingerPrints related revenues and expenses, so this discussion and analysis captures only those items that can reasonably be identified as resulting from the FingerPrints assets. Further discussion regarding the treatment of FingerPrints asset as a discontinued operation is documented on Page #10-11of this MD&A.

Recurring Revenue:

Recurring Revenue Comparisons December 31, 2018, December 31, 2017 and September 30, 2018

Total Recurring(1) Revenue Reconciliation	For the quarters ended		
	December 31, 2018	December 31, 2017	September 30, 2018
Total Recurring Revenue	$ 767,729	$ 769,460	$ 830,049
As a % of Total Revenue	30.1%	23.1%	35.6%

(1) See the Recurring Revenues section of this MD&A which highlights the difference between the historical and new method for recording recurring revenues.

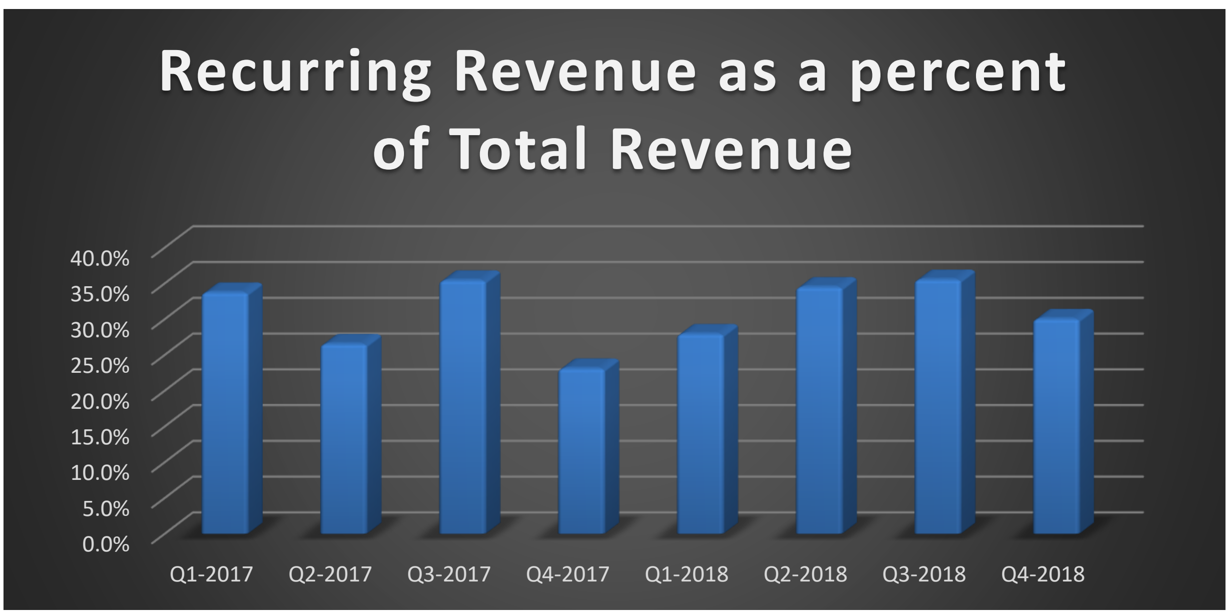
During the three-months ended September 30, 2018, the Company completed a process improvement review of its revenue reporting accounts in order to improve its operational revenue reporting. As a result of this internal process review, the Company identified additional revenues that should have been reported as recurring revenues in previous periods. For clarity, the new reporting has not resulted in a change to the total revenues reported by the Company; it has only resulted in an update to the breakdown of those total revenues, and the management category they belong to, which has resulted in the historical recurring revenues being re-presented from what had previously been reported by the Company. In the recurring revenues section of this MD&A, a reconciliation has been provided to display the difference between the historical reporting approach and the new reporting approach for recurring revenues.

Recurring revenues for the fourth quarter of 2018 were unchanged from the comparative quarter in the prior year, but the Company did see a reduction in recurring revenues compared to the consecutive quarter however, driven by the purchase of a significant annual software license in the third quarter of 2018 by one of the its Canadian SecureTablePay customers. As disclosed in this MD&A’s comparison of recurring revenues for the year ended December 2018, the Company revised its sales model for its SecureTablePay product in Canada, moving away from a one-time license fee model, to an annual recurring model.

Recurring Revenue *(continued)*

Reconciliation of the New vs. Historical Non-GAAP Financial Reporting Measure – Recurring Revenues	**2018**			
	Q4	**Q3**	**Q2**	**Q1**
Recurring Revenues – new approach	**$ 767,729**	**$ 830,049**	**$ 811,794**	**$ 766,556**
Recurring Revenues – historical approach	-[(1)]	-[(1)]	735,424	675,559
Recurring Revenues - difference between new and historical approach	**$ -[(1)]**	**$ -[(1)]**	**$ 76,370**	**$ 90,997**
	2017			
	Q4	**Q3**	**Q2**	**Q1**
Recurring Revenues – new approach	**$ 769,460**	**$ 800,383**	**$ 784,380**	**$ 720,045**
Recurring Revenues – historical approach	687,536	699,120	680,852	638,633
Recurring Revenues - difference between new and historical approach	**$ 81,924**	**$ 101,263**	**$ 103,528**	**$ 81,412**

(1) Not applicable as new approach to recognizing recurring revenues was adopted during the three-months ended September 30, 2018.



Revenue:

Revenue Comparisons December 31, 2018, December 31, 2017 and September 30, 2018

Total Revenue Reconciliation	For the quarters ended		
	December 31, 2018	December 31, 2017	September 30, 2018
Total Revenue Otherwise Reportable(1)	$ 2,554,085	$ 3,327,865	$ 2,334,761

(1) Total Revenue excludes the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

For the three-months ended December 31, 2018, total adjusted revenues decreased by $773,780 (23.3%) when compared to the three-months ended December 31, 2017 while increasing by $219,324 (9.4%) compared to the three-months ended September 30, 2018. Revenues decreased between the three-month comparative periods ended December 31st as a result of a significant sale of its KDS product in the fourth quarter of 2017. The increase in revenues between consecutive quarters is explained by the recognition of revenues associated with SecureTablePay development efforts in the USA for two payment processing partners.

Cost of Sales:

Cost of Sales Comparisons December 31, 2018, December 31, 2017 and September 30, 2018

Cost of Inventory

Cost of Inventory Reconciliation	**For the quarters ended**		
	December 31, 2018	**December 31, 2017**	**September 30, 2018**
Cost of Inventory Otherwise Reportable(1)	**$ 480,887**	**$ 926,025**	**$ 494,617**
Less: Cost of Inventory reclassified to discontinued operations	-	28,451	-
Adjusted Cost of Inventory	**$ 480,887**	**$ 897,574**	**$ 494,617**
As a % of Total Revenue	**18.8%**	**27.0%**	**21.2%**

(1) Total Cost of Inventory excludes the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

Posera recognized adjusted cost of inventory of $480,887 (18.8% of total revenues) for the three-months ended December 31, 2018, compared to $897,574 (27.0% of total revenues) for the three-months ended December 31, 2017, and $494,617 (21.2% of total revenues) for the three-months ended September 30, 2018. The decrease in the cost of inventory as a percentage of revenue between the comparative periods was driven by revenue mix. The three-months ended December 31, 2018 included a lower mix of hardware revenues, which drove the lower cost of inventory.

Technology Expense

Technology Expense Reconciliation[1]	For the quarters ended		
	December 31, 2018	December 31, 2017	September 30, 2018
Technology Expense Otherwise Reportable[1]	**$ 218,668**	**$ 310,614**	**$ 275,713**
Less: Amortization of intangible assets	12,143	12,143	12,143
Adjusted Technology Expense	**$ 206,525**	**$ 298,471**	**$ 263,570**
As a % of Total Revenue	**8.1%**	**9.0%**	**11.3%**

(1) Total Technology Expense excludes the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

The adjusted technology expense decreased during the three-months ended December 31, 2018 compared to the three-months ended December 31, 2017 and September 30, 2018, as a result of lower people-related costs between the comparative periods.

Operations and Support Expense

Operations and Support Expense Reconciliation	For the quarters ended		
	December 31, 2018	December 31, 2017	September 30, 2018
Operations and Support Expense Otherwise Reportable[1]	**$ 477,849**	**$ 817,214**	**$ 555,523**
Less: Operations and Support expense reclassified to discontinued operations	-	140,301	-
Adjusted Operations and Support Expense	**$ 477,849**	**$ 676,913**	**$ 555,523**
As a % of Total Revenue	**18.7%**	**20.3%**	**23.8%**

(1) Total Operations and Support Expense excludes the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

The adjusted operations and support expenses were $477,849 in the three-months ended December 31, 2018 which represented an 29.4% decrease in the expense compared to the same period in 2017 and a 14.0% decrease in the expense over the three-months ended September 30, 2018. The changes in the adjusted operations and support expense between the comparative periods has stemmed from reductions in operations and support people-related costs between the comparative periods.

Operating Expenditures:

Operating Expenditures	For the quarters ended		
	December 31, 2018	December 31, 2017	September 30, 2018
Operating Expenditures Otherwise Reportable(1)	**$ 1,890,981**	**$ 1,967,947**	**$ 1,951,416**
Less: Operating Expenditures reclassified to discontinued operations	-	(21,922)	-
Operating Expenditures	**$ 1,890,981**	**$ 1,989,869**	**$ 1,951,416**
Less: Amortization of intangible assets and PP&E	44,045	71,346	43,907
Less: One-time expenditures	301,802	52,514	524,239
Less: Restructuring costs	-	78,131	-
Less: Stock-based compensation	18,292	61,417	26,321
Adjusted Operating Expenditures	**$ 1,526,842**	**$ 1,726,461**	**$ 1,356,949**
As a % of Total Revenue	**59.8%**	**51.9%**	**58.1%**

(1) Total Operations and Support Expense excludes the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

Sales and Marketing Expense

Sales and Marketing Expense Reconciliation	For the quarters ended		
	December 31, 2018	December 31, 2017	September 30, 2018
Sales and Marketing Expense Otherwise Reportable(1)	**$ 408,099**	**$ 696,394**	**$ 445,631**
Less: Amortization of intangible assets	11,884	40,686	11,869
Adjusted Sales and Marketing Expense	**$ 396,215**	**$ 655,708**	**$ 433,762**
As a % of Total Revenue	**15.5%**	**19.7%**	**18.6%**

(1) Total Sales and Marketing Expense excludes the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

The adjusted sales and marketing expenses decreased $259,493 (39.6%) and decreased $37,547 (8.7%) for the three-months ended December 31, 2018 compared to the three-months ended December 31, 2017 and September 30, 2018 respectively. The adjusted sales and marketing expenses decreased for the three-months ended December 31, 2018 compared to the three-months ended December 31, 2017 commensurate with the decrease in revenues and associated commissions earned by sales and marketing employees. The reduction in sales and marketing costs between the third and fourth quarter of 2018 related to the reversal of a provision for variable compensation due to not achieving higher sales than the year prior.

Throughout fiscal 2018, the Company incurred costs related to tradeshows and promotional activities and the Company will continue to attend tradeshows and undertake advertising to stimulate visibility of our products. Posera believes these activities will lead to future sales being generated for the Maitre'D and KDS POS products, as well as the SecureTablePay platform.

General and Administrative ("G&A") Expense

General and Administrative ("G&A") Expense Reconciliation	For the quarters ended		
	December 31, 2018	December 31, 2017	September 30, 2018
G&A Expense Otherwise Reportable(1)	**$ 1,482,882**	**$ 1,193,422**	**$ 1,505,785**
Less: G&A expense reclassified to discontinued operations	-	(21,922)	-
G&A expense	**$ 1,482,882**	**$ 1,215,344**	**$ 1,505,785**
Less: Amortization of intangible assets and PP&E	32,161	30,660	32,038
Less: One-time expenditures	264,467	52,514	524,239
Less: Stock-based compensation expense	18,292	61,417	26,321
Adjusted G&A Expense	**$ 1,167,902**	**$ 1,070,753**	**$ 923,187**
As a % of Total Revenue	**45.7%**	**32.2%**	**39.5%**

(1) Total G&A Expense excludes the discontinued operations for the FingerPrints transaction as previously discussed in this MD&A on Page #10-11.

The adjusted general and administrative expenditures for the three-months ended December 31, 2018 increased $97,149 (9.1%) and increased $244,715 (26.5%), when compared to the three-months ended December 31, 2017 and September 30, 2018 respectively. The increase was driven by legal and professional fees incurred to review unsolicited offers to purchase certain parts of its business during the fourth quarter of 2018. Posera views these costs as outside of the normal course of business and has treated them as one-time expenditures.

Other Expense and Income:

Interest expense for the three-months ended December 31, 2018 was $nil, compared to interest expense of $94,437 and $nil during the three-months ended December 31, 2017 and September 30, 2018 respectively. The reduction in interest expense is a result of the repayment of the note payable which had a $1,500,000 principal balance outstanding during the three-months ended December 31, 2017, and that note payable was not outstanding during the other comparative periods.

Interest and other income are comprised primarily of interest earned from the investing of Posera's corporate funds and from the interest earned on the note receivable that was issued by the Company during fiscal 2018. The increase in the interest and other income during the three-months ended December 31, 2018 reflects the Company's increased cash balance as well as interest earned on the note receivable, which was not outstanding during the three-months ended December 31, 2017.

Realized and unrealized loss / (gain) on foreign exchange is driven primarily by US dollar denominated net assets on the Company's Consolidated Statements of Financial Position for its Canadian subsidiary entities. The weakening of the Canadian dollar relative to the US dollar between the three-months ended December 31, 2018 and 2017 of approximately 9% resulted in an unrealized foreign exchange gain on the revaluation of those US denominated net assets, compared to an approximate 3.0% weakening of the Canadian dollar relative to the US Dollar between the three-months ended September 30, 2018 and December 31, 2018 resulting in an increase in the for foreign exchange gain.

Loss allowance is management's best estimate of the credit risk associated with the note receivable as the outstanding balance is more than 30 days past due. At December 31, 2018 the Company applied a $592,158 (2017 - $nil) loss allowance related to the outstanding note receivable, as the note receivable was more than 30 days passed due. The Company's accounting policies require a periodic estimation of credit losses. The full balance of $2,295,439 is owing and is secured by certain assets of the borrower.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended December 31, 2018 as prepared in accordance with IFRS and certain Non-IFRS measurements. The information has been derived from our unaudited quarterly financial statements that, in management's opinion, have been prepared on a basis consistent with the audited financial statements for the years ended December 31, 2018 and 2017 and include all adjustments necessary for a fair presentation of information presented. The Earnings (Loss) Per Share – Basic and Diluted per quarter may not aggregate to the Earnings (Loss) Per Share – Basic and Diluted in the annual financial statements due to rounding.

Summary of Unaudited Quarterly Results	**2018**			
	Q4	**Q3**	**Q2**	**Q1**
Total revenue	$ 2,554,085	$ 2,334,761	$ 2,352,937	$ 2,742,337
Recurring revenue	$ 767,729	$ 830,049	$ 811,794	$ 766,556
EBITDA adjusted for discontinued operations(1,2)	$ (507,109)	$ (886,458)	$ (820,055)	$ (726,642)
Normalized EBITDA adjusted for discontinued operations(1,2)	$ (187,015)	$ (335,898)	$ (512,181)	$ (547,177)
Net Loss(2)	$ (1,030,101)	$ (909,088)	$ (902,438)	$ (917,082)
Comprehensive Loss(2)	$ (372,268)	$ (1,015,284)	$ (877,219)	$ (804,108)
Loss Per Share Basic and Diluted	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
Loss Per Share Basic and Diluted from Continuing Operations	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)
	2017			
	Q4	**Q3**	**Q2**	**Q1**
Total revenue	$ 3.327,865	$ 2,258,166	$ 2,954,903	$ 2,133,512
Recurring revenue	$ 769,460	$ 800,383	$ 784,380	$ 720,045
EBITDA adjusted for discontinued operations(1,2)	$ (463,612)	$ (475,995)	$ (92,645)	$ (1,071,734)
Normalized EBITDA adjusted for discontinued operations(1,2)	$ (349,881)	$ (356,839)	$ 102,832	$ (750,846)
Net Income (Loss)(2)	$ (956,135)	$ 9,857,645	$ (924,709)	$ (1,797,233)
Comprehensive Income (Loss)(2)	$ (939,781)	$ 9,809,543	$ (989,027)	$ (1,811,473)
Earnings (Loss) Per Share Basic and Diluted	$ (0.01)	$ 0.10	$ (0.01)	$ (0.02)
Earnings (Loss) Per Share Basic and Diluted from Continuing Operations	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.02)

(1) See EBITDA adjusted for discontinued operations and Normalized EBITDA adjusted for discontinued operations reporting measures (as outlined on Pages #28 – 30 of this MD&A)
(2) Presentation of EBITDA adjusted for discontinued operations, Normalized EBITDA adjusted for discontinued operations, Net Income (Loss) and Comprehensive Income / Loss include the results from discontinued operations of FingerPrints as previously discussed on Page #10-11 for the periods Q1-2017 to Q4-2017.

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent

Net Loss to EBITDA and Normalized EBITDA adjusted for discontinued operations(1)	**2018**			
	Q4	Q3	Q2	Q1
Net Loss(1)	**$ (546,940)**	**$ (909,088)**	**$ (902,438)**	**$ (917,082)**
Interest expense	-	-	-	18,878
Exchange gain	(93,078)	(5,758)	(36,690)	(63,140)
Interest and other income	(64,497)	(52,473)	(33,023)	(25,187)
Amortization of equipment	23,930	23,843	25,683	25,007
Amortization of intangible assets	32,258	32,207	32,190	32,098
Tax provision	141,218	24,811	94,223	202,784
EBITDA adjusted for discontinued operations(1)	**$ (507,109)**	**$ (886,458)**	**$ (820,055)**	**$ (726,642)**
One-time non-recurring expenditures	301,802	524,239	265,673	130,118
Stock-based compensation expense	18,292	26,321	42,201	49,347
Normalized EBITDA adjusted for discontinued operations (1)	**$ (187,015)**	**$ (335,898)**	**$ (512,181)**	**$ (547,177)**

(1) Presentation of EBITDA adjusted for discontinued operations, Normalized EBITDA adjusted for discontinued operations, Net Income (Loss) and Comprehensive Income / Loss include the results from discontinued operations of FingerPrints as previously discussed on Page #10-11 for the periods Q1-2017 to Q4-2017.

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent *(continued)*

Net Income (Loss) to EBITDA and Normalized EBITDA adjusted for discontinued operations[(1)]	**2017**			
	Q4	Q3	Q2	Q1
Net Income (Loss)[(1)]	**$ (956,135)**	**$ 9,857,645**	**$ (924,709)**	**$ (1,797,233)**
Interest expense	94,437	60,298	(218,231)	63,354
Exchange loss (gain)	(8,712)	62,700	100,176	23,101
Interest and other income	(28,980)	(2,953)	(3,981)	(1,800)
Loss on revaluation of financial instrument	-	-	-	-
Amortization of equipment	21,512	28,923	28,242	27,224
Amortization of intangible assets	61,979	136,462	165,942	160,137
Losses from discontinued operations	69,104	855,349	541,937	415,536
Loss (Gain) on disposition of subsidiary	324,685	(11,237,620)	-	-
Tax provision (recovery)	(41,502)	(236,799)	217,979	37,947
EBITDA adjusted for discontinued operations[(1)]	**$ (463,612)**	**$ (475,995)**	**$ (92,645)**	**$ (1,071,734)**
One-time non-recurring expenditures	52,314	25,858	106,359	182,563
Stock-based compensation expense	61,417	93,298	89,118	138,325
Normalized EBITDA adjusted for discontinued operations [(1)]	**$ (349,881)**	**$ (356,839)**	**$ 102,832**	**$ (750,846)**

(1) Presentation of EBITDA adjusted for discontinued operations, Normalized EBITDA adjusted for discontinued operations, Net Income (Loss) and Comprehensive Income / Loss include the results from discontinued operations of FingerPrints as previously discussed on Page #10-11 for the periods Q1-2017 to Q4-2017.

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent *(continued)*

	December 31, 2018	December 31, 2017	September 30, 2018
Equity	**$ 13,438,515**	**$ 16,702,278**	**$ 14,335,647**
Add: Long-term portion of vehicle loans	7,659	14,512	9,392
Add: Future income tax (asset) liability	164,440	-	119,587
Add: Deferred revenue(1)	526,913	1,158,631	942,580
Less: Goodwill	(4,229,475)	(3,934,613)	(4,042,129)
Less: Intangible assets	(728,418)	(835,343)	(745,859)
Less: Long-term portion of investment tax credits receivable	(603,653)	(862,469)	(562,132)
Less: Long-term portion of lease receivable	-	(3,011)	-
Less: Deposit on leased premises	(43,278)	(45,560)	(43,279)
Less: Equipment	(86,898)	(198,031)	(102,558)
Less: Deferred Income Tax Asset	(176,057)	(5,294)	-
Net operating working capital	**$ 8,269,748**	**$ 11,991,100**	**$ 9,911,249**

Liquidity and Financial Resources

As at December 31, 2018, Posera had cash and cash equivalents totaling $6,413,647 (2017 - $12,153,665), which includes $nil (2017 - $386,671) of restricted cash. As at December 31, 2018, Posera's cash and cash equivalents net of restricted cash totaled $6,413,647 (December 31, 2017 - $11,766,994).

For the years ended December 31, 2018 and 2017, cash used by operating activities was ($3,759,008) and ($4,094,131) respectively. Cash used by operations for the year-ended December 31, 2017 resulted from a loss from continuing operations and a deferred income tax recovery, which was partially offset by non-cash items such as amortization and stock-based compensation. Cash used by operations for the year-ended December 31, 2018 resulted from the net operating loss and changes in working capital items, which were partially offset by items not affecting cash such as amortization, deferred income tax expenses and stock-based compensation.

For the years ended December 31, 2018 and 2017, cash provided by / (used in) financing activities were $203,040 and $3,473,119 respectively. Cash provided by financing activities for the year-ended December 31, 2017 resulted primarily from the proceeds of an issuance of Common Shares, which was reduced by the repayment of the notes payable, where the cash provided by financing activities for the year ended December 31, 2018 resulted primarily from the proceeds received from the exercise of stock options.

For the years ended December 31, 2018 and 2017, cash provided by / (used in) investing activities was ($2,224,492) and $12,408,424 respectively. The cash provided by investing activities during the year-ended December 31, 2017 related primarily due to the disposition of the FingerPrints assets and the receipt of the note receivable, which was partially offset by the purchase of property plant and equipment. The cash used in investing activities during the year-ended December 31, 2018 relates to the issuance of a note receivable and the acquisition of property plant and equipment which was reduced by the disposition of property, plant and equipment.

Commitments

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial obligations when due through periodic monitoring of working capital balances.

As at December 31, 2018, the Company had a cash balance, inclusive of restricted cash, of $6,413,647 (2017 - $12,153,665), and other current assets of $3,933,893 (2017 - $3,028,792) to settle current liabilities of $2,604,705 (2017 - $4,393,083). All the Company's current financial liabilities have contractual maturities that range between 30 and 90 days and are subject to normal trade terms excluding vehicle loans disclosed separately in Note 15.

The following are the commitments to be settled in cash. The amounts presented represent the future undiscounted principal and interest cash flows, and therefore do not equate to the carrying amounts on the Consolidated Statement of Financial Position.

	2019	2020	2021	2022	2023 and thereafter	Total
Accounts payable and accrued liabilities (Note 12)	1,991,870	-	-	-	-	1,991,870
Vehicle loans (Note 15)	6,853	7,061	598	-	-	14,512
Income taxes payable (Note 16)	53,071	-	-	-	-	53,071
Operating leases	232,926	4,881	2,100	2,100	1,925	243,932
Total	**$ 2,284,720**	**$ 11,942**	**$ 2,698**	**$ 2,100**	**$ 1,925**	**$ 2,303,385**

Net operating working capital at December 31, 2018 and 2017 was $8,269,748 and $11,991,100 respectively.

Financial Instruments

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

The Company's financial instruments have been summarized below:

	December 31, 2018	December 31, 2017
Financial assets at amortized cost	$ 10,500,919	$ 15,310,409
Financial liabilities at amortized cost	2,006,382	2,986,109

The following provides the fair value hierarchy for the financial instrument's measurement subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial Instruments *(continued)*

The Company has not reclassified financial instruments between levels of the fair value hierarchy in fiscal 2018 and 2017.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below.

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and, accounts receivable in the aggregate amount of $7,720,935 as at December 31, 2018 (2017 - $13,734,324). Cash and cash equivalents are held with certain Canadian, US and European financial institutions with high credit worthiness. The Company has adopted a credit policy under which the balance of new customers are analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are primarily located in Canada, the United States, France and the United Kingdom. The Company has no significant concentration of receivables, which would result in unusual credit risk exposure. As at December 31, 2018, trade receivables of $947,194 (December 31, 2017 - $1,109,779) were current and not impaired, $296,563 (December 31, 2017 - $362,660) were past due but not impaired and $63,523 (December 31, 2017 - $108,220) were impaired.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical credit losses experienced over the last two years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. On that basis the loss allowance rate for trade receivables was determined to be between 1.7% for current outstanding balances and 42.5% for balances greater than 90 days.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward-looking estimates at the end of each reporting period. See the sensitivity of the significant judgement in Note 2.

The following table summarizes the changes in the allowance for doubtful accounts for trade receivables:

	December 31, 2018	December 31, 2017
Balance – Beginning of year	**$ 108,220**	**$ 140,825**
Receivables written off as uncollectible	(91,902)	(129,355)
Net provision for impairment	45,813	96,872
Translation adjustment	1,392	(122)
Balance – End of year	**$ 63,523**	**$ 108,220**
Accounts receivable – gross	**1,370,811**	**1,688,879**
Accounts receivable – net	**$ 1,307,288**	**$ 1,580,659**

All of the Company's debt investments are recorded at amortized cost and the Company recognized a loss allowance associated with the debt investment during the 2018 fiscal year-ended. Management considered the credit risk associated with the debt investment when assessing the loss allowance. In determining the probability weighted default model, management considered a range of scenarios including the full repayment of the note and the potential of default. Management has assigned probabilities to each scenario

Financial Instruments *(continued)*

based on its best estimates and considerations around the valuation of the collateral security in place for the note. Additionally, the Company has included the administrative costs required to administer the collection if the note were in default. The Company's credit risk attributable to the note receivable in the aggregate amount of $2,295,349 as at December 31, 2018 (2017 - $Nil) for which the Company has recorded past due loss allowance of $592,158 (December 31, 2017 – $Nil).

No financial assets are past due except for trade and note receivables.

Capital Structure

The Company's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may issue new shares, sell assets to reduce debt or issue new debt.

The Company monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as the sum of bank indebtedness, and current and long-term notes payable and vehicle loans as shown in the Consolidated Statement of Financial Position. Total equity is the equity of the Company in the consolidated statements of financial position. As disclosed in Note 17 of the accompanying financial statements for the year-ended December 31, 2018, the Company is subject to certain externally imposed capital covenants related to bank indebtedness.

The debt to equity ratios as at December 31, 2018, December 31, 2017 and September 30, 2018 were as follows:

	December 31, 2018	**December 31, 2017**	**September 30, 2018**
Total Debt			
Vehicle loans	$ 7,659	$ 14,512	$ 9,392
Total Debt	**$ 7,659**	**$ 14,512**	**$ 9,392**
Total Equity	**$ 13,438,515**	**$ 16,702,278**	**$ 14,335,647**
Debt to Equity Ratio	**0.1%**	**0.1%**	**0.1%**

The Company has arrangements in place that allow it to access additional debt financing for funding when required through various lines of credit. The Company's credit capacity as at December 31, 2018 was $200,000 (2017 - $200,000), of which the Company had utilized $nil (2017 - $nil).

Summary of Contractual Obligations

During the three-months ended December 31, 2018, the Company did not enter into any material contracts.

Capital Resources

Except as otherwise disclosed, the Company does not expect to make any material capital expenditures in the near future. Posera has invested in and developed an information systems infrastructure that will scale to meet the majority its anticipated market requirements. Posera continues to pursue selective acquisitions which the Company expects will be primarily focused on POS services companies that can be acquired at attractive multiples.

Financial arrangements not presented in the consolidated statements of financial position

The Company does not have any financial arrangements not presented in the consolidated statements of financial position arrangements that would ordinarily be considered ‘off balance sheet’ financing.

Transactions with Related Parties

During the year ended December 31, 2018, the Company received legal fees and disbursement invoices totaling $599,835 (2017 - $251,148), from a law firm, which a director of Posera is a partner. As at December 31, 2018, the Company has a payable position of $333,709 (December 31, 2017 - $11,046) which will be 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, former Executive Chairman of Posera (resigned 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 (former 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. On August 1, 2018 and August 17, 2018, the Company amended the original terms of the secured credit loan facility by increasing the maximum principal amount available to DLT under the facility to $1,700,000 and $2,200,000 respectively. As at December 31, 2018, the Company has a note receivable of $2,295,349 (December 31, 2017- $nil) outstanding with DLT Labs. See Note 14 for further details on the loan arrangement which was entered and recorded at the exchange amount in these interim financial statements.

Posera conducted business with a company controlled by the former 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 December 31, 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.

Transactions with Related Parties *(continued)*

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:

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and short-term employee benefits – continuing operations(i)	$ 1,037,406	$ 1,110,970
Share-based payments	64,374	214,729
Total	**$ 1,101,780**	**$ 1,325,699**
Salaries and short-term employee benefits – gain on disposition of subsidiary(i)	-	95,000
Salaries and short-term employee benefits – discontinued operations(ii)	-	110,000
Total Presented in Continuing Operations	**$ 1,101,780**	**$ 1,120,699**

(i) *Of the $95,000 included in salaries and short-term employee benefits – gain on disposition of subsidiary, $95,000 was paid to the executives during the year-ended December 31, 2017.*

(ii) *Of the $110,000 included in salaries and short-term employee benefits – discontinued operations, the entire amount was accrued and paid during fiscal 2018.*

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.

Share Capital

As at December 31, 2018, Posera had issued and outstanding 119,796,878 common shares, and 8,443,250 options, of which 6,617,313 were exercisable at an exercise price to purchase common shares ranging from $0.125 to $0.32. As at April 1, 2019, Posera had issued and outstanding 119,796,879 voting common shares and 8,395,250 options, of which 6,636,969 were exercisable at an exercise price to purchase common shares ranging from $0.125 to $0.32.

Critical Accounting Estimates and Judgments

This MD&A should be read in conjunction with the Company's audited Consolidated Financial Statements for the years-ended December 31, 2018 and 2017, including the notes thereto, in particular Note 2. Posera's consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards, collectively referred to as ("IFRS"), while the condensed consolidated interim financial statements referred to throughout this management discussion and analysis are prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The Consolidated Financial Statements for the year-ended December 31, 2018 outline the accounting principles and policies used to prepare our financial statements. Accounting policies are critical if they rely on a substantial amount of judgment in their application or if they result from a choice between accounting alternatives and that choice has a material impact on the reported results or financial position.

Critical Accounting Estimates and Judgments *(continued)*

The Company has considered in determining its critical accounting estimates, trends, commitments, events or uncertainties that it reasonably expects to materially affect the methodology or assumptions, subject to the items identified in the Caution regarding forward-looking statements section of this MD&A.

Critical accounting judgments

The preparation of annual consolidated financial statements in conformity with IFRS 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. The following are the significant accounting judgments that were made in the preparation of the financial statements:

<u>Cash-generating units ("CGU"s)</u>

In testing for impairment of certain assets that do not have independent cash inflows, the Company is required to group non-goodwill long-lived assets into CGUs which is the lowest level of assets that produce cash inflows which are independent of other assets. Goodwill is allocated to each CGU, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which goodwill is monitored for internal management purposes and is not larger than an operating segment.

<u>Functional currency of consolidated entities.</u>

The Company has multiple integrated business units and as a result of the disposal of the Fingerprints business, the Company re-presented the comparative Consolidated Statements of Operations and Comprehensive Income. The Company, on a best efforts basis, separated the revenues and costs directly attributable to the Fingerprints business to discontinued operations.

<u>Discontinued Operations</u>

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.

<u>Critical accounting estimates</u>

The following are some of the estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year. Refer to Note 2 of the Annual Consolidated Financial Statement and MD&A for the years-ended December 31, 2018 and 2017 for a complete listing of the Company's critical accounting estimates.

a. Intangible assets – December 31, 2018 - $728,418 (December 31, 2017 - $835,343) and Goodwill – December 31, 2018 - $4,229,475 (December 31, 2017 - $3,934,613).
   - *Critical estimates relate to the valuation of intangible assets and goodwill acquired in business combinations and the potential or actual impairment of intangible assets and goodwill as part of the CGU impairment testing.*

Critical Accounting Estimates and Judgments *(continued)*

- *See the detailed disclosure surrounding the estimates, useful lives and amortization policy used by the Company in Note 2 of the December 31, 2018 annual consolidated financial statements.*
- *See the detailed disclosure of the discontinued operations impact to Intangible Assets and Goodwill in Notes 9 and 10 of the December 31, 2018 year-ended consolidated financial statements.*

b. *Investment Tax Credits Receivable – non-refundable – December 31, 2018 - $603,653 (December 31, 2017 - $862,469).*
   - *Management estimates that the non-refundable Investment Tax Credits receivable will be recoverable before expiry. See detailed disclosure surrounding the expiry dates for non-refundable Investment Tax Credits Receivable in Note 6. An annualized 2.50% decrease in the forecasted taxable income of the entity with the Non-Refundable Investment Tax Credits Receivable would not cause any of the tax credits to expire before use.*

c. *Provisions – December 31, 2018 - $nil (December 31, 2017 - $nil)*
   - *See detailed disclosure surrounding the provision in Note 13.*
   - *See the detailed disclosure surrounding the estimates used and sensitivity thereon in the December 31, 2018 annual consolidated financial statements.*

d. *Note Receivable Loss Allowance – December 31, 2018 - $592,158 (December 31, 2017 - $nil)*
   - *As the note receivable is more than 30 days past due, management has estimated credit losses using a probability weighted default model. The inputs used in the model were based on management's best estimates of credit risk and the likelihood of default by the borrower. If the probability weighted default model increased the probability of no repayment by 5% the loss allowance would increase by $115,872. The Company has estimated a loss allowance for the note receivable as disclosed in the Note Receivable Note 14 of the December 31, 2018 annual consolidated financial statements.*

IFRS Policy Standards Issued and Applicable from January 1, 2018

i) In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduced new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 waseffective for annual periods beginning on or after January 1, 2018. The Company did not early adopt this standard. The Company has retrospectively applied the treatment for IFRS 9 but has not included comparative information prior to fiscal 2018. The new standard did not result in a material impact for the Company upon adoption on January 1, 2018.

Additionally, the new impairment model required the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under IAS 39. The impairment model applies to financial assets classified at amortized cost, debt instruments measured at FVOCI, contract assets under IFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. The implementation of this new standard has not resulted in a material impact on the loss allowance for trade creditors.

IFRS Policy Standards Issued and Applicable from January 1, 2018 *(continued)*

The newly adopted standard also introduced expanded disclosure requirements and changes in presentation. The additional disclosures have been reflected in these Consolidated Annual Financial Statements for the Company.

ii) In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which established a single comprehensive model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and timing of when it is recognized. IFRS 15 has now superseded the current revenue recognition guidance, which was found across several standards and interpretations including IAS 11, Construction Contracts and IAS 18, Revenue. The core principles of IFRS 15 are that an entity is to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the amount an entity expects to be entitled in exchange for those goods and services. The newly adopted standard has also resulted in enhanced disclosures about revenue that have resulted in the Company providing more comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with its customers. The Company has analyzed its customer relationships to implement IFRS 15. This standard was applicable for annual periods beginning on January 1, 2018 and the Company implemented using the modified retrospective approach as of January 1, 2018. The modified retrospective approach allows the cumulative impact of the adoption to be recognized in retained earnings as of January 1, 2018 and that comparatives will not be restated. Based on the Company’s implementation of IFRS 15, the new standard did not materially impact on the Company’s Consolidated Annual Financial Statements and revenue recognition policies.

Disclosure Controls and Procedures (“DC&P”) and Internal Controls Over Financial Reporting

The Company’s management, including the Chief Executive Office (“CEO”) and the Chief Financial Officer (“CFO”), are responsible for establishing and maintaining disclosure controls and procedures for the Company. As such, the Company maintains a set of disclosure controls and procedures designed to ensure that the information required to be disclosed in filings is recorded, process, summarized and reported with the time periods specified in the Canadian Securities Administrators rules and forms. An evaluation of the design of and operating effectiveness of the Company’s disclosure controls and procedures was conducted during the fiscal year-ended December 31, 2018 under the supervision of the CEO and CFO as required by Canadian Securities Administrators Multilateral National Instrument 52-109, *Certification of Disclosure in Issues’ Annual and Interim Filings.* The evaluation included review, enquiries and other procedures considered appropriate in the circumstances. Based on that evaluation, the CEO and CFO have concluded that such disclosure controls and procedures are effective.

The CEO and CFO are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company’s management, under the supervision of the CEO and CFO have evaluated whether there were changes to the Company’s internal controls over financial reporting during the year-ended December 31, 2018 that

Disclosure Controls and Procedures (“DC&P”) and Internal Controls Over Financial Reporting *(continued)*

have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Throughout the remainder of fiscal 2019, the Company aims to continue to improve process documentation to highlight the controls in place which are addressing the key risks, in addition to developing more formal documentation surrounding management’s analysis of monthly and quarterly financial reports.

Recent changes identified relate to the following;

i) The assets of the FingerPrints business were divested on September 14, 2017 and recorded as discontinued operations during the three-months ended September 30, 2017. Due to the integrated nature of FingerPrints within the Posera Ltd. legal entity, management completed a manual analysis to retrospectively restate Posera’s Consolidated results to exclude the FingerPrints business unit. Due to the manual nature of the exercise, risks do exist that not all of the relevant FingerPrints revenues and expenses have been captured in the analysis and recorded as discontinued operations.

No other changes were identified through management’s evaluation of the controls over financial reporting. Throughout the remainder of 2019 and into fiscal 2020 the Company aims to improve;

- process documentation to highlight the controls in place which are addressing the key risks; and
- enhancement of formal documentation surrounding management’s analysis of monthly and quarterly financial reports.

Management of the Company believes in and are committed to establishing thorough DC&P and ICFR. Our management team will continue to evaluate the effectiveness of our overall control environment and will continue to refine existing controls as they, in conjunction with the Audit Committee, Board of Directors, CEO and CFO, deem necessary. It should be noted that the control deficiencies identified by the Company did not result in adjustment to our annual audited Consolidated Financial Statements for the year ended December 31, 2018.

Period-end Financial Reporting Process

The Company did not maintain consistently and effective controls over the period-end financial reporting process throughout the year, specifically:

- Although controls are performed, adequate evidence does not always exist demonstrating the performance of controls such as review of account reconciliations, spreadsheets and significant account balances requiring the use of accounting estimates.

Payment Disbursement Review Process

In one of the Company’s wholly owned subsidiaries, the Company did not maintain consistent review practices prior to the release of vendor payments for a portion of the current year-ended. The Company has installed new policies and procedures to avoid this segregation of duties issue moving forward. The Company has tested the disbursements within the impacted entity and for the specific period for which the control was not operating effectively and have concluded that no erroneous transactions took place, therefore resulting in no known financial reporting errors.

Limitation of Control Procedures

Management, including the CEO and CFO, does not expect that the Company's disclosure controls or internal controls over financial reporting will prevent or detect all errors and all fraud or will be effective under all future conditions. A control system is subject to inherent limitations and, no matter how well designed and operated, can only provide reasonable, not absolute assurance that the control system objectives will be met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Risks and Uncertainties

The Company is exposed to a variety of risks in the normal course of operations. The Annual Information Form of the Company which was filed on April 1, 2019, provides a detailed review of the risks that could affect its financial condition, results of operation or business that could cause actual results to differ materially from those expressed in our forward-looking statements. In management's opinion, there has been no material change in the nature or magnitude of the risks faced by the Company.

Additional Information

Additional information related to the Company can be found on SEDAR at www.sedar.com and www.posera.com.

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