



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Three and Nine-months ended September 30, 2019**

**Dated: November 14, 2019**

*This Management's Discussion and Analysis ("MD&A") for three and nine-months ended September 30<sup>th</sup>, 2019 (third quarter of fiscal 2019) 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 condensed consolidated interim financial statements and accompanying notes for the three and nine-months ended September 30<sup>th</sup>, 2019. The financial statements have been prepared in compliance with International Financial Reporting Standards applicable to the preparation of interim financial statements ("IFRS") and are reported in Canadian dollars. The information contained herein is dated as of November 14<sup>th</sup>, 2019, and is current to that date, unless otherwise stated.*

*This MD&A discusses the three and nine-months ended September 30, 2019, compared to June 30, 2019 and September 30, 2018. For an analysis of the three-months ended September 30, 2019 compared to September 30, 2018 and June 30, 2019, please read this MD&A in conjunction with the MD&A for the three and six-months ended June 30, 2019 and the three and nine-months ended September 30, 2018.*

*The management discussion and analysis 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.*

*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](http://www.sedar.com), and on the Company's web-site at [www.posera.com](http://www.posera.com).*

## **Financial Highlights and Operational Summary - Three-months ended September 30, 2019 (Unaudited)**

*(This section acts as a summary only; the detailed analysis is discussed in the "Comparison of the Unaudited three-months ended September 30, 2019, September 30, 2018 and June 30, 2019".)*

- Total revenues of \$1,732,322 for the three-months ended September 30, 2019 were 25.8% and 13.4% lower when compared to the prior year and previous quarter comparative periods. The lower revenue resulted from a reduction in software and hardware sales associated with the Maitre'D and KDS business units. The reduction in the KDS sales was driven through a large customer deployment of KDS units in the prior year, which helped boost revenues during the three-months ended September 30, 2018 but KDS sales remained relatively stable between the three-months ended September 30, 2019 and June 30, 2019 comparable periods;
- Despite lower total revenues, the Company reported a 5.1% increase in recurring revenues for the three-months ended September 30, 2019 compared to the prior year comparative period and an increase of 0.5% compared to the three-months ended June 30, 2019;
- Gross profit of \$499,447 for the three-months ended September 30, 2019 was 50.5% compared to the three-months ended September 30, 2018 due to the lower sales volumes, which was offset by a reduction in cost of sales between the quarters. Gross profit also decreased 39.8% when compared to the three-months ended June 30, 2019 due to lower revenues generated and due to an increase in the technology cost of sale expense primarily as a result of an external development contract that the Company undertook in order to invest in and enhance the functionality of the Maitre'D platform;
- Operating expenditures consisting of sales and marketing as well as general and administrative expenses were 25.5% and 16.2% lower during the third quarter of 2019 when compared to the third quarter of 2018 and the second quarter of 2019 respectively. The improvements stemmed from a reduction in facilities and communications costs, consulting and other cost rationalizations between the comparable periods. The Company expects the costs savings to continue for general administrative related costs as a result of the closure of the London corporate administration office. The benefits of the office closure will commence during the fourth quarter of 2019 but will be fully realized in the first quarter of 2020;
- Net loss for the three-months ended September 30, 2019 was a loss of \$1,559,781, a 71.6% and 57.2% increase in the loss compared to the three-months ended September 30, 2018 and June 30, 2019 respectively. The increase in the losses were driven by lower revenues and an increase in the note receivable loss allowance which was partially offset by a reduction in operating expenditures;
- EBITDA loss in the quarter of \$886,068 which was a decrease by 0.1% compared to the EBITDA loss in the three-months ended September 30, 2018; whereas the current quarter EBITDA loss grew by 5.9% compared to the second quarter of 2019 EBITDA loss, driven primarily by lower revenues, which was partially offset by a reduction in operating expenditures;
- Normalized EBITDA loss for the three-months ended September 30, 2019 was a loss of \$686,820, compared to a loss of \$335,898 for the three-months ended September 30, 2018, and a loss of \$703,338 for the three-months ended June 30, 2019;

## 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.

### Non-IFRS reporting definitions:

*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:* Includes certain components of revenues as disclosed in Note 4 to the consolidated annual audited 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.

*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.

## 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.

## **Growth Strategy and Future Outlook**

### About Posera

Posera is a leading global provider of hospitality technology, with its products supporting hospitality operations in over 45 countries. For 30 years, the Company has continuously fortified its product suite to meet the needs of a rapidly changing hospitality technology industry. With a vision to be the information technology solution for leading hospitality companies, Posera has produced comprehensive, mission-critical products and services to the hospitality industry for point-of-sale (POS), kitchen management, and payments. This suite of solutions enables hospitality merchants to operate with greater speed, quality, and efficiency. Hospitality businesses worldwide count on Posera's products to perform reliably and efficiently at the store level while providing real-time revenue and operational 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 customers while also delivering the innovation new customers are seeking. To that effect, Posera continues to enhance its core POS offerings to support mobile POS platforms, cloud functionality, smart payments, kiosks, and tablets, among other technologies. At the same time, Posera continues to seek opportunities to introduce new products, services, and strategic partnerships to broaden its product suite and further deepen and strengthen client relationships.

### Strategic Review

Given the Company has a market capitalization of less than \$50 million, it is classified as either a microcap or a nano-cap stock. The costs for the Company to remain public are onerous and disproportionate to its size, making it difficult for the Company to achieve consistent profitability and, ultimately, shareholder value. In early 2019, the Company began a "Strategic Review" and hired a strategic financial advisor to explore all potential opportunities to maximize shareholder value. The "Strategic Review" process evaluated the option of privatization as well as several unsolicited third party offers for some or all of the Posera business. The "Strategic Review" has concluded that the manner to most effectively return capital to shareholders is either through privatization or a sale of the business. The privatization will allow the Company to shed many of the burdensome public company costs while the Company executes on its revised business initiatives surrounding enhanced product offerings and growing recurring revenues from its existing installed base.

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 privatization or a sale transaction will be consummated.

### Adaption to the Current Hospitality Industry

The Company has recently completed its largest new product release in the last five years for the Maitre'D platform. The new product release introduces the option of full-service POS mobility along with an all-new front-of-house user-interface for the Maitre'D 7.08 platform. The release complements this year's earlier rollout of an updated back-office user-interface and provides for additional feature-driven releases focused on content and marketing. This product release makes the Maitre'D product offering competitive with other POS product offerings in the marketplace while still maintaining its differentiating full-feature competitive advantage.

The marketplace for technology that caters to the hospitality industry is quickly evolving; there is a growing demand among owners, managers, and end-users alike for untethered systems in favour of mobility. To win in this changing landscape, in 2019, the Company began an extensive review of its product to update its feature functionality.

### **Growth Strategy and Future Outlook (*continued*)**

The Company continues its product innovations, through the leadership of its Chief Technology Officer, Devon MacDougall. The most significant advancements have been;

- Cloud Technology
  - Built above-store and corporate cloud reporting and full cloud backup storage
  - Auto-guided, fast setup and onboarding of new clients
  - Developing menu management and other cloud functionalities
- Mobile
  - Released a Mobile POS solution on a Windows-based platform that allows for untethered operation on agile handheld tablets
  - The Company will roll out a native Android and iOS Mobile Maitre'D POS application solution in Q1 of 2020

Development for these projects is being led by the Maitre'D team, which has recently with grown with new significant additions, with additional resources established through outsourcing partners in Quebec and India. In addition to its own development activities, the Company secured partnerships that provide options to integrate cloud reporting, online ordering, in-store self-service kiosks, specialized inventory management, and smart payment devices.

### Change in the Business Model

The business model for the Maitre'D solution has historically been primarily on a one-time licence sales model, in line with the previous industry standard. Recently, however, a new wave of competitors emerged that divided the market into merchants favouring a one-time licence in order to acquire the technology and support it themselves, such as large multi-unit restaurants with a capital expenditure budget and their own IT department, and smaller, independent merchants with a limited capital budget and no in-house IT team preferring a lighter, inexpensive system to install. The Company's business model, has been suited to merchants who preferred a one-time purchase investment in comparison to competitors offering less capable systems, but with a lower monthly software-as-a-service (SaaS) price.

The Company had much success with this business model and over the years, sold more one-time licenses to more than 25,000 merchants. The Company continued to support its large installed base, without however any additional revenue from these one-time license sales. Over time, the Company introduced subscription-based products such as DataBoard, the Embedded Maintenance Program (EMP), and SecureTablePay. These products were successfully adopted and have led to an ever-increasing recurring revenue stream for the Company. Recurring revenues for Maitre'D from these subscriptions' products accounted for 28% of total Maitre'D revenues in 2017, and now make up 43% of total Maitre'D revenues in 2019.

Beginning in the fourth quarter of 2019, the Company is introducing a complete SaaS model where merchants can purchase a Maitre'D licence on a SaaS basis. Capitalizing on the wide market acceptance of its subscription-based products, that provided recurring revenue, the Company bundled these products into SaaS packages in order to offer merchants, of any size, the best of both worlds: all the full feature capabilities of our products, with low, recurring monthly, SaaS prices. Through the SaaS initiative, the Company intends to significantly grow the percentage of recurring revenues to total revenues.

The Company has also identified a substantial number of Maitre'D merchants that purchased the original, reliable Maitre'D product as a one-time licence, and consequently developed a project called The Great Migration, aimed at migrating its 12,000-strong installed base of customers to a SaaS model that comprised all the technologically advanced product offerings. As part of The Great Migration, the Company met with over 50 of its key reseller partners across North America, over the course of many months, to incorporate

### **Growth Strategy and Future Outlook (*continued*)**

their insights and market needs. As a result, the Company has launched, with the backing of the reseller network with a direct connection to the multitude of merchants they serve, The Great Migration SaaS model to incent conversion of the installed base to the latest product versions, in a monthly subscription package.

The Company will be offering the SaaS pricing plans to all of its existing installed base and all new customers, providing them the most up-to-date, most dynamic Maitre'D product. SaaS pricing plans include the popular SecureTablePay, DataBoard, and EMP components, which previously were not a requirement. This initiative now provides the best product, service, and support in the marketplace while allowing the Company to build its recurring revenue, increasing its merchant base by selling more licences, and ensuring all new customers have the new, full featured Maitre'D.

#### Independent Product Advancements

As we have retooled the Maitre'D product to succeed in the new marketplace, the Company has also invested in holistically changing the SecureTablePay product for the US market. Notwithstanding its decade-long success story in the Canadian market, with installations and processing partners continuing to grow year after year, in order to succeed in the US market, the technology had to be redeveloped in its entirety: a new technology, with new architecture, and a new user-interface operating on new next-generation devices. The Company has now completed pilots with the newly designed SecureTablePay product on the next-generation devices, in the US market with several live installations, as well as a launch of the new SecureTablePay in the new year.

Similarly, the Company has made significant advancements to its Kitchen Display System (KDS), a kitchen display and management product, originally developed as an add-on product for the Maitre'D POS solution. In 2017, KDS was unbundled from the Maitre'D solution and the Company completed its first installation of KDS on a stand-alone basis. The Company has developed the KDS product to be capable of 3rd-party API integrations with virtually any point-of-sale ("POS") system, rendering it POS-agnostic and even allowing for its use as a white-labeled product. This enables KDS customers to integrate the KDS solution as part of their kitchen technology, regardless of POS, while generating valuable real-time reporting and operational insights. The KDS product offering has opened new markets for the Company, in the Convenience and Gas Store industries, which previously were not serviced by Posera.

For decades, the Company has been a stalwart in the hospitality industry with lots of success due to its strong, robust, Maitre'D solution. The 12,000 existing Maitre'D customers, running on earlier Maitre'D iterations, serve as a testament to the strength and reliability of the Maitre'D system. As the market shifted, the Company has had to evolve in order to succeed in the new landscape. The Company has now invested in a significant upgrade in its Maitre'D product, including cloud platforms and Mobile POS, and changed to a new SaaS business model. The investment into the future Maitre'D product has been significant, and during that time, the Company experienced slow growth while adapting to the changing market. The important innovations to the Company's product suite, as well as the roll out of its SaaS business model, are now here and ready for the market, and the Company expects to reclaim its place at the forefront of the hospitality industry software market.

### Comparison of the Unaudited Three-Months Ended

The table below sets out the unaudited statements of operations for the three-months ended September 30, 2019, September 30, 2018 and June 30, 2019. 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		
	Q3-2019 (unaudited) \$	Q3-2018 (unaudited) \$	Variance \$	Variance %	Q2-2019 (unaudited) \$	Variance \$	Variance %
<b>Total Revenue</b>	<b>1,732,322</b>	<b>2,334,761</b>	<b>(602,439)</b>	<b>(25.8%)</b>	<b>2,000,711</b>	<b>(268,389)</b>	<b>(13.4%)</b>
<b>Cost of Sales</b>							
Cost of inventory	296,452	494,617	198,165	40.1%	324,752	28,300	8.7%
Technology	305,303	275,713	(29,590)	(10.7%)	203,417	(101,886)	(50.1%)
Operations and Support	631,120	555,523	(75,597)	(13.6%)	642,868	11,748	1.8%
<b>Total Cost of Sales</b>	<b>1,232,875</b>	<b>1,325,853</b>	<b>92,978</b>	<b>7.0%</b>	<b>1,171,037</b>	<b>(61,838)</b>	<b>(5.3%)</b>
Gross Profit	499,447	1,008,908	(509,461)	(50.5%)	829,674	(330,227)	(39.8%)
Gross Profit Percentage	28.8%	43.2%		(14.4%)	41.5%		(12.7%)
<b>Operating Expenditures</b>							
Sales and Marketing	448,114	445,631	(2,483)	(0.6%)	575,190	127,076	22.1%
General and Administrative	1,005,585	1,505,785	500,200	33.2%	1,159,072	153,587	13.2%
<b>Total Operating Expenditures</b>	<b>1,453,699</b>	<b>1,951,416</b>	<b>497,717</b>	<b>25.5%</b>	<b>1,734,262</b>	<b>280,563</b>	<b>16.2%</b>
	<b>(954,252)</b>	<b>(942,508)</b>	<b>(11,744)</b>	<b>(1.3%)</b>	<b>(904,588)</b>	<b>(49,664)</b>	<b>(5.5%)</b>
<b>Other Expenses (Income)</b>							
Interest expense	2,776	-	(2,776)	100.0%	2,442	-	100.0%
Realized and unrealized (gain) loss on foreign exchange	(45,194)	(5,758)	39,436	684.9%	39,684	84,878	213.8%
Interest and other income	(57,237)	(52,473)	4,764	9.1%	(62,254)	(5,017)	(8.1%)
Loss allowance	665,040	-	(665,040)	100.0%	175,590	(489,450)	(278.8%)
<b>Total Other Expenses (Income)</b>	<b>565,385</b>	<b>(58,231)</b>	<b>(623,616)</b>	<b>(1,071%)</b>	<b>155,462</b>	<b>(409,923)</b>	<b>(263.7%)</b>
<b>Net Loss before Income Taxes</b>	<b>(1,519,637)</b>	<b>(884,277)</b>	<b>(635,360)</b>	<b>(71.9%)</b>	<b>(1,060,050)</b>	<b>(459,587)</b>	<b>(43.4%)</b>
Current tax expense (recovery)	(31,922)	(37,812)	(5,890)	(15.6%)	3,969	35,891	904.3%
Future tax expense (recovery)	72,066	62,623	(9,443)	(15.1%)	(71,855)	(143,921)	(200.3%)
<b>Net Loss</b>	<b>(1,559,781)</b>	<b>(909,088)</b>	<b>(650,693)</b>	<b>(71.6%)</b>	<b>(992,164)</b>	<b>(567,617)</b>	<b>(57.2%)</b>
Other Comprehensive (Loss) Income	(12,433)	(106,196)	93,763	88.3%	(91,281)	78,848	86.4%
<b>Net Comprehensive (Loss) Income</b>	<b>(1,572,214)</b>	<b>(1,015,284)</b>	<b>(556,930)</b>	<b>(54.9%)</b>	<b>(1,083,445)</b>	<b>(488,769)</b>	<b>(45.1%)</b>

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

Analysis of the Unaudited Quarterly Results	Current Quarter	Comparison to Same Quarter Last Year			Comparison to Consecutive Quarter		
	Q3-2019 (unaudited) \$	Q3-2018 (unaudited) \$	Variance \$	Variance %	Q2-2019 (unaudited) \$	Variance \$	Variance %
Recurring Revenue	872,785	830,049	42,736	5.1%	868,544	4,241	0.5%
EBITDA	(886,068)	(886,458)	390	0.1%	(836,575)	(49,493)	(5.9%)
Normalized EBITDA	(686,820)	(335,898)	(350,922)	(104.5%)	(703,338)	16,518	2.4%

The presentation of the below of Selected Unaudited Quarterly Financial Data is for the purposes of this management discussion and analysis. The 2019 and 2018 financial data below have been prepared and presented in accordance with International Financial Reporting Standards.

Selected Financial Data for the three-months ended	September 30, 2019	September 30, 2018	June 30, 2019
Total revenue	\$ 1,732,322	\$ 2,334,761	\$ 2,000,711
Recurring revenue	872,785	830,049	868,544
Net loss	(1,559,781)	(909,088)	(992,164)
Income (loss) per share – basic and diluted	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding (000's) – basic and diluted	119,797	119,796	119,797
Cash and cash equivalents	3,556,069	7,102,014	4,813,088
Net operating working capital (as outlined on Page 21 of this MD&A)	4,841,893	9,911,249	6,589,601
Total assets	12,307,711	17,393,139	14,134,729
Long-term liabilities	226,895	128,979	192,703
Total shareholders' equity	9,881,178	14,335,647	11,443,599

### Comparison of the Unaudited Nine-Months Ended

The table below sets out the unaudited statements of operations for the nine-months ended September 30, 2019 and 2018. The information has been re-presented to exclude discontinued operations and display favourable and (unfavourable) dollar and percentage variances.

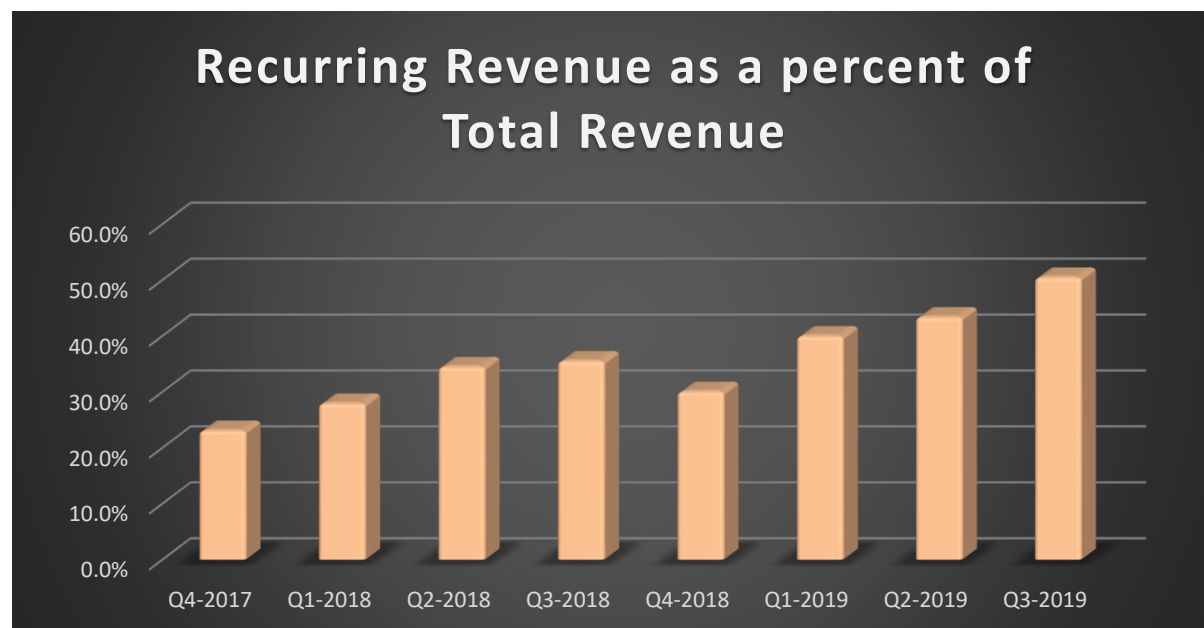
Analysis of the Unaudited Year-To-Date Results	Year-to-Date Results		Comparison to Same Quarter Last Year	
	September 30, 2019 (unaudited) \$	September 30, 2018 (unaudited) \$	Variance \$	Variance %
<b>Total Revenue</b>	<b>5,740,550</b>	<b>7,430,035</b>	<b>(1,689,485)</b>	<b>(22.7%)</b>
<b>Cost of Sales</b>				
Cost of inventory	990,193	1,757,361	767,168	43.7%
Technology	728,876	832,477	103,601	12.4%
Operations and Support	1,936,367	1,756,114	(180,253)	(10.3%)
<b>Total Cost of Sales</b>	<b>3,655,436</b>	<b>4,345,952</b>	<b>690,516</b>	<b>15.9%</b>
Gross Profit	2,085,114	3,084,083	(998,969)	(32.4%)
Gross Profit Percentage	36.3%	41.5%		(5.2%)
<b>Operating Expenditures</b>				
Sales and Marketing	1,494,110	1,463,415	(30,695)	(2.1%)
General and Administrative	3,307,347	4,224,851	917,504	21.7%
<b>Total Operating Expenditures</b>	<b>4,801,457</b>	<b>5,688,266</b>	<b>886,809</b>	<b>15.6%</b>
	<b>(2,716,343)</b>	<b>(2,604,183)</b>	<b>(112,160)</b>	<b>(4.3%)</b>
<b>Other Expenses (Income)</b>				
Interest expense	7,875	18,878	11,003	58.3%
Realized and unrealized (gain) loss on foreign exchange	39,846	(105,588)	(145,434)	(137.7%)
Interest and other income	(172,935)	(110,683)	62,252	56.2%
Loss on revaluation of financial instrument	840,630	(110,683)	(951,313)	n/m <sup>(1)</sup>
<b>Total Other Expenses (Income)</b>	<b>715,416</b>	<b>(197,392)</b>	<b>(912,808)</b>	<b>n/m<sup>(1)</sup></b>
<b>Net Loss Before Income Taxes</b>	<b>(3,431,759)</b>	<b>(2,406,790)</b>	<b>(1,024,969)</b>	<b>(42.6%)</b>
Current tax expense (recovery)	35,446	271,799	236,353	87.0%
Future tax expense (recovery)	(49,723)	50,019	99,742	199.4%
<b>Net Loss</b>	<b>(3,417,482)</b>	<b>(2,728,608)</b>	<b>(688,874)</b>	<b>(25.3%)</b>
Other Comprehensive (Loss) Income	(181,483)	31,997	(213,480)	(667.2%)
<b>Net Comprehensive (Loss) Income</b>	<b>(3,598,965)</b>	<b>(2,696,611)</b>	<b>(902,354)</b>	<b>(33.5%)</b>
<b>Comparison of the Non-GAAP Financial Report Metrics Year-To-Date</b>				
<b>Recurring Revenue</b>	<b>2,544,454</b>	<b>2,408,399</b>	<b>136,055</b>	<b>5.6%</b>
<b>EBITDA</b>	<b>(2,508,672)</b>	<b>(2,433,155)</b>	<b>(75,517)</b>	<b>(3.1%)</b>
<b>Normalized EBITDA</b>	<b>(1,958,232)</b>	<b>(1,395,256)</b>	<b>(562,976)</b>	<b>(40.3%)</b>

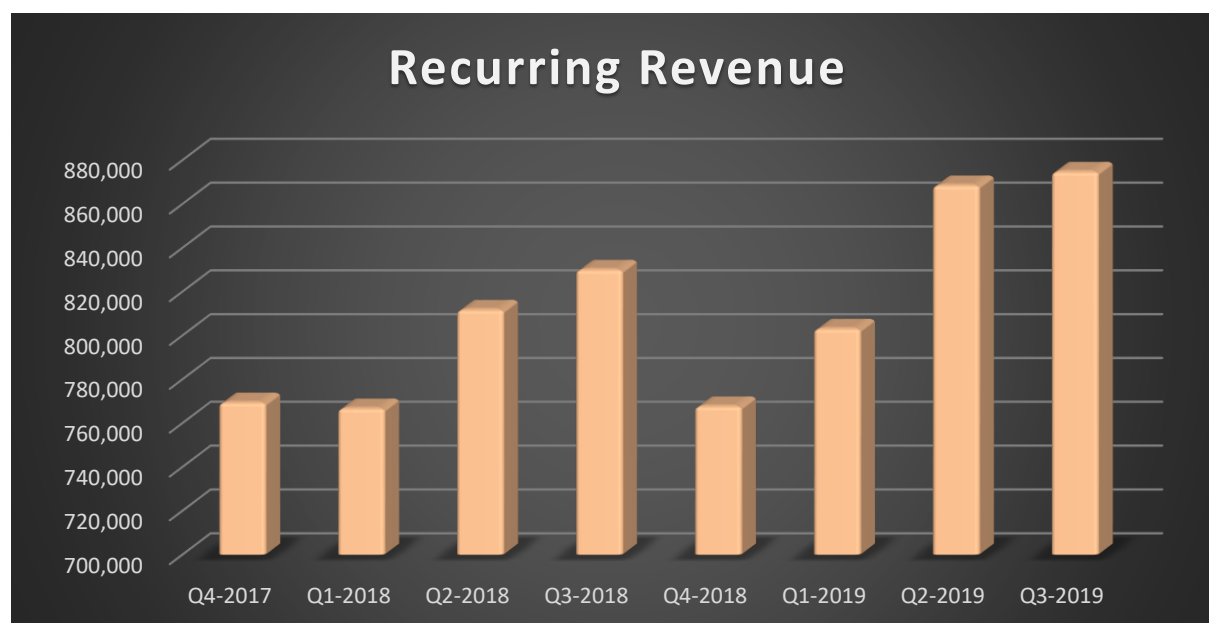
(1) n/m is not meaningful

**Comparison of the unaudited quarters ended September 30, 2019 and 2018 and June 30, 2019**
**Recurring Revenue:**
*Recurring Revenue Comparisons September 30, 2019, September 30, 2018 and June 30, 2019*

Total Recurring Revenue Reconciliation	For the quarters ended		
	September 30, 2019	September 30, 2018	June 30, 2019
Total Recurring Revenue	\$ 872,785	\$ 830,049	\$ 868,544
As a % of Total Revenue	50.4%	35.6%	43.4%

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 POS support and maintenance contracts, transaction processing and other recurring revenue agreements. To a lesser extent, recurring revenues are transactional in nature and include payment processing revenues and referral fees earned in relation to payments processed by customers. Recurring revenues for the three-months ended September 30, 2019 increased by 5.1% and 0.5% respectively when compared to the three-months ended September 30, 2018 and June 30, 2019 respectively. SecureTablePay year-to-date billings and higher Maitre'D revenue sharing arrangements led to the increase of recurring revenues recognized by the Company during the three and nine months ended September 30, 2019 compared to the three and nine months ended September 30, 2018.

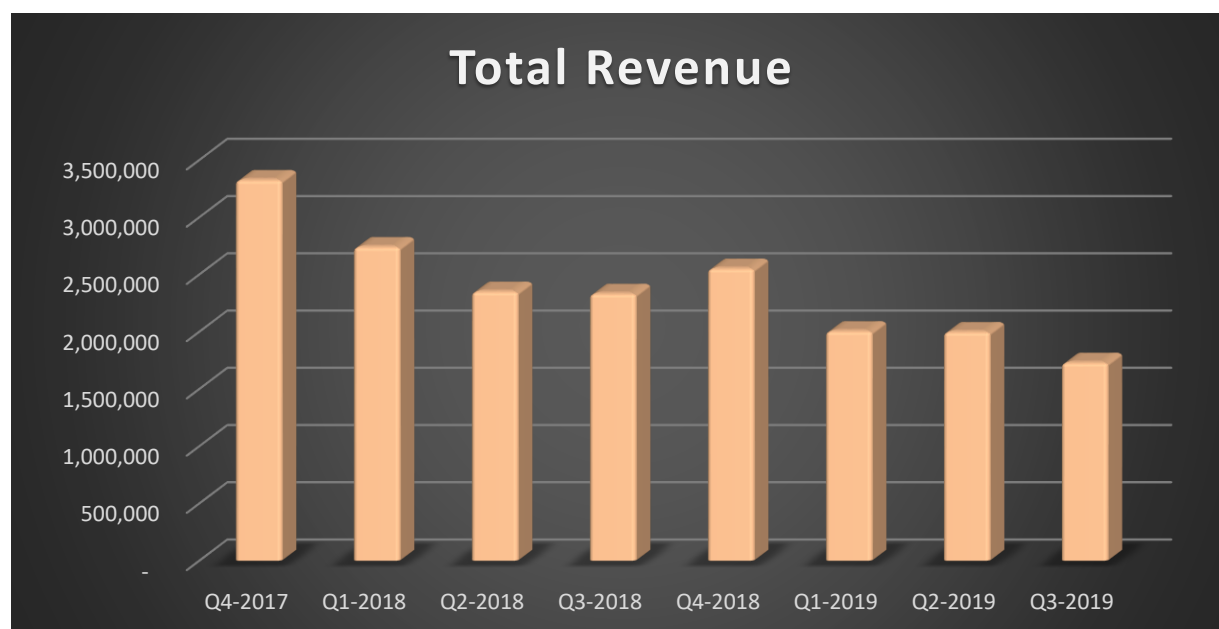



**Revenue:**

*Revenue Comparisons September 30, 2019, September 30, 2018 and June 30, 2019*

Total Revenue Reconciliation			
	For the quarters ended		
	September 30, 2019	September 30, 2018	June 30, 2019
Total Revenue	\$ 1,732,322	\$ 2,334,761	\$ 2,000,711

For the three-months ended September 30, 2019, total revenues decreased by \$602,439 (25.8%) when compared to the three-months ended September 30, 2018 and decreased by \$268,389 (13.4%) compared to the three-months ended June 30, 2019. Revenues decreased in the three-months ended September 30, 2019 when compared to the three-months ended September 30, 2018 and June 30, 2018 as a result of a reduction in software and hardware sales associated with the Maitre'D and KDS business units. The reduction in the KDS sales was driven through a large customer deployment of KDS units in the prior year, which helped boost revenues during the three-months ended September 30, 2018 but KDS sales remained relatively stable between the three-months ended September 30, 2019 and June 30, 2019 comparable periods.



#### Cost of Sales:

*Cost of Sales Comparisons September 30, 2019, September 30, 2018 and June 30, 2019*

#### Cost of Inventory

Cost of Inventory Reconciliation			
For the quarters ended			
	September 30, 2019	September 30, 2018	June 30, 2019
<b>Cost of Inventory</b>	<b>\$ 296,452</b>	<b>\$ 494,617</b>	<b>\$ 324,752</b>
<b>As a % of Total Revenue</b>	<b>17.1%</b>	<b>21.2%</b>	<b>16.2%</b>

Posera recognized cost of inventory of \$296,452 (17.1% of total revenues) for the three-months ended September 30, 2019, compared to \$494,617 (21.2% of total revenues) for the three-months ended September 30, 2018, and \$324,752 (16.2% of total revenues) for the three-months ended June 30, 2019. The decrease in the cost of inventory as a percentage of revenue between the comparative periods was driven by revenue mix. Additionally, as noted previously, during the three-months ended September 30, 2018, the Company delivered higher volumes of new KDS sales, which carry higher hardware costs, consistent with the higher overall cost of inventory reported in that period. The three-months ended September 30, 2019 and June 30, 2019 represented a higher mix of software and service revenues, and therefore cost of inventory as a percentage of sales was lower than in the comparable periods.

#### Technology Expense

Technology Expense Reconciliation			
For the quarters ended			
	September 30, 2019	September 30, 2018	June 30, 2019
<b>Technology Expense</b>	<b>\$ 305,303</b>	<b>\$ 275,713</b>	<b>\$ 203,417</b>
Less: Amortization of intangible assets	12,143	12,143	12,143
<b>Adjusted Technology Expense</b>	<b>\$ 293,160</b>	<b>\$ 263,570</b>	<b>\$ 191,274</b>
<b>As a % of Total Revenue</b>	<b>16.9%</b>	<b>11.3%</b>	<b>9.6%</b>

The adjusted technology expense increased during the three-months ended September 30, 2019 compared to the three-months ended September 30, 2018 and June 30, 2019 primarily as a result of an external development contract that the Company undertook in order to invest in and enhance the functionality of the Maitre'D platform.

#### Operations and Support Expense

<b>Operations and Support Expense Reconciliation</b>		<b>For the quarters ended</b>		
	<b>September 30, 2019</b>	<b>September 30, 2018</b>	<b>June 30, 2019</b>	
<b>Operations and Support Expense</b>	<b>\$ 631,120</b>	<b>\$ 555,523</b>	<b>\$ 642,868</b>	
<b>As a % of Total Revenue</b>	<b>36.4%</b>	<b>23.8%</b>	<b>32.1%</b>	

The operations and support expenses were \$631,120 for the three-months ended September 30, 2019; an increase of \$75,597 (13.6%) from \$555,523 in the three-months ended September 30, 2018 but decreased by \$11,748 (1.8%) from \$642,868 in the three-months ended June 30, 2019. The fluctuations in the operations and support expenditures for the three-months ended September 30, 2019 and June 30, 2018 compared to the three-months ended September 30, 2018, was driven by an external third party that was contracted assist the Company with support and deployment efforts for the SecureTablePay business. As the Company scales up to deploy the SecureTablePay product line in the US, the Company anticipates an increase in operations and support related expenditures.

#### **Operating Expenditures:**

<b>Operating Expenditures</b>		<b>For the quarters ended</b>		
	<b>September 30, 2019</b>	<b>September 30, 2018</b>	<b>June 30, 2019</b>	
<b>Operating Expenditures</b>	<b>\$ 1,453,699</b>	<b>\$ 1,951,416</b>	<b>\$ 1,734,262</b>	
Less: Amortization of intangible assets, PP&E and Leases <sup>(1)</sup>	56,040	43,907	55,870	
Less: Other One-time expenditures	189,457	524,239	117,568	
Less: Stock-based compensation	9,791	26,321	15,669	
<b>Adjusted Operating Expenditures</b>	<b>\$ 1,198,411</b>	<b>\$ 1,356,949</b>	<b>\$ 1,545,155</b>	
<b>As a % of Total Revenue</b>	<b>69.2%</b>	<b>58.1%</b>	<b>77.2%</b>	

(1) Amount includes the prospective adoption of IFRS 16 as at January 1, 2019. The amount includes \$22,472 and \$56,335 of Amortization of Lease during the three and nine-months ended September 30, 2019, whereas due to the prospective adoption of IFRS 16 the Amortization of Leases during the comparative periods was \$nil and \$nil respectively. See the Condensed Consolidated Interim Financial Statements Notes #2 and #15 for further disclosure surrounding the Company's adoption of IFRS 16.

### Sales and Marketing Expense

Sales and Marketing Expense Reconciliation			
	For the quarters ended		
	September 30, 2019	September 30, 2018	June 30, 2019
<b>Sales and Marketing Expense</b>	<b>\$ 448,114</b>	<b>\$ 445,631</b>	<b>\$ 575,190</b>
Less: Amortization of intangible assets	11,883	11,869	13,378
<b>Adjusted Sales and Marketing expense</b>	<b>\$ 436,231</b>	<b>\$ 433,762</b>	<b>\$ 561,812</b>
<b>As a % of Total Revenue</b>	<b>25.2%</b>	<b>18.6%</b>	<b>28.1%</b>

The adjusted sales and marketing expenses increased \$2,469 (0.6%) and decreased \$125,581 (22.4%) for the three-months ended September 30, 2019 compared to the three-months ended September 30, 2018 and June 30, 2019 respectively. The adjusted sales and marketing expenses decreased for the three-months ended September 30, 2019 compared to the three-months ended June 30, 2019 due to an adjustment in the incentive compensation paid and accrued for the sales and marketing team. The sales and marketing expense was relatively consistent between the three-months ended September 30, 2019 and September 30, 2018 comparable periods.

### General and Administrative ("G&A") Expense

General and Administrative ("G&A") Expense Reconciliation			
	For the quarters ended		
	June 30, 2019	June 30, 2018	June 30, 2019
<b>G&amp;A Expense</b>	<b>\$ 1,005,585</b>	<b>\$ 1,505,785</b>	<b>\$ 1,159,072</b>
Less: Stock-based compensation expense	9,791	26,321	15,669
Less: Amortization of intangible assets, PP&E and Leases <sup>(1)</sup>	44,157	32,038	42,492
Less: One-time expenditures	189,457	524,239	117,568
<b>Adjusted G&amp;A Expense</b>	<b>\$ 762,180</b>	<b>\$ 923,187</b>	<b>\$ 983,343</b>
<b>As a % of Total Revenue</b>	<b>44.0%</b>	<b>39.5%</b>	<b>41.8%</b>

(1) Amount includes the prospective adoption of IFRS 16 as at January 1, 2019. The amount includes \$22,472 and \$56,335 of Amortization of Lease during the three and nine-months ended September 30, 2019, whereas due to the prospective adoption of IFRS 16 the Amortization of Leases during the comparative periods was \$nil and \$nil respectively. See the Condensed Consolidated Interim Financial Statements Notes #2 and #15 for further disclosure surrounding the Company's adoption of IFRS 16.

The adjusted general and administrative expenditures for the three-months ended September 30, 2019 decreased \$161,007 (17.4%) and decreased \$221,163 (22.5%), when compared to the three-months ended September 30, 2018 and June 30, 2019 respectively. The decrease between the three-months ended September 30, 2019 the other comparative periods resulted from a reduction in facilities and communications costs, consulting and other cost rationalizations between the comparable periods. The Company expects the costs savings to continue for general administrative related costs as a result of the closure of the London corporate administration office. The benefits of the office closure will commence during the fourth quarter of 2019 but will be fully realized in the first quarter of 2020. The Company has continued to incur one-time expenditures relating to legal and professional fees incurred to review unsolicited offers to purchase certain parts of its business during the of the six months ended 2019 and 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 September 30, 2019 was \$2,776, compared to interest expense of \$nil and \$2,442 during the three-months ended September 30, 2018 and June 30, 2019 respectively. 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 interest and other income during the comparative period has been relatively consistent.

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 Canadian dollar, relative to the US dollar, for the three-months ended September 30, 2019 weakened by approximately 1.5%, explaining the majority of the foreign exchange gain recorded in the quarter, whereas the exchange rate was relatively unchanged during the three-months ended September 30, 2018, which led to the nominal foreign exchange gain in that quarter. For the three-months ended June 30, 2019 the Canadian dollar strengthened by approximately 2%, relative to the US dollar, resulting in the foreign exchange loss recorded in that quarter.

During the three and nine-months ended September 30, 2019 the Company applied a \$665,040 and \$840,630 (2018 - \$Nil and \$Nil) loss allowance related to the outstanding note receivable. 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 the credit risk and the likelihood of default by the borrower. The Company's accounting policies require a periodic estimation of credit losses and the Company revised its estimates from prior reporting periods, resulting in \$665,040 and \$840,630 of additional loss allowance being applied during the three and nine-months ended September 30, 2019. As at September 30, 2019, the full balance of \$2,438,896 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 September 30, 2019 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.

	2019			2018
	Q3	Q2	Q1	Q4
Total revenue	\$ 1,732,322	\$ 2,000,711	\$ 2,007,517	\$ 2,554,085
Recurring revenue	\$ 872,785	\$ 868,544	\$ 803,125	\$ 767,729
EBITDA adjusted to exclude discontinued operations <sup>(1,2)</sup>	\$ (886,068)	\$ (836,575)	\$ (786,029)	\$ (458,112)
Normalized EBITDA adjusted to exclude discontinued operations <sup>(1,2)</sup>	\$ (686,820)	\$ (703,338)	\$ (568,074)	\$ (138,018)
Net Income (Loss) <sup>(2)</sup>	\$ (1,559,781)	\$ (992,164)	\$ (865,537)	\$ (1,090,101)
Comprehensive Income (Loss) <sup>(2)</sup>	\$ (1,572,214)	\$ (1,083,445)	\$ (943,306)	\$ (915,424)
Earnings (Loss) Per Share Basic and Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Earnings (Loss) Per Share Basic and Diluted from Continuing Operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
	2018			2017
	Q3	Q2	Q1	Q4
Total revenue	\$ 2,334,761	\$ 2,352,937	\$ 2,742,337	\$ 3,327,865
Recurring revenue	\$ 830,049	\$ 811,794	\$ 766,757	\$ 769,460
EBITDA adjusted to exclude discontinued operations <sup>(1,2)</sup>	\$ (886,458)	\$ (820,055)	\$ (726,642)	\$ (463,612)
Normalized EBITDA adjusted to exclude discontinued operations <sup>(1,2)</sup>	\$ (335,898)	\$ (512,181)	\$ (547,177)	\$ (349,881)
Net Income (Loss) <sup>(2)</sup>	\$ (909,088)	\$ (902,438)	\$ (917,082)	\$ (956,135)
Comprehensive Income (Loss) <sup>(2)</sup>	\$ (1,015,284)	\$ (877,219)	\$ (804,108)	\$ (939,781)
Earnings (Loss) Per Share Basic and Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Earnings (Loss) Per Share Basic and Diluted from Continuing Operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)

(1) See EBITDA adjusted for discontinued operations and Normalized EBITDA adjusted for discontinued operations reporting measures (as outlined on Pages #19-20 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 #25 for the period Q4-2017.

**Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent**

Net Income (Loss) to EBITDA and Normalized EBITDA	2019			2018
	Q3	Q2	Q1	Q4
<b>Net Loss</b>	<b>\$ (1,559,781)</b>	<b>\$ (992,164)</b>	<b>\$ (865,537)</b>	<b>\$ (1,090,101)</b>
Interest expense	2,776	2,442	2,657	-
Exchange loss (gain)	(45,194)	39,684	45,356	(93,078)
Interest and other income	(57,237)	(62,254)	(53,444)	(64,497)
Amortization of equipment	13,526	18,396	22,579	23,930
Amortization of intangible assets	32,186	32,336	32,313	32,258
Amortization of right of use assets	22,472	17,281	16,582	-
Tax provision (recovery)	40,144	(67,886)	13,465	141,218
Loss of revaluation of financial instruments	665,040	175,590	-	592,158
<b>EBITDA</b>	<b>\$ (886,068)</b>	<b>\$ (836,575)</b>	<b>\$ (786,029)</b>	<b>\$ (458,112)</b>
One-time non-recurring expenditures and (recoveries)	189,457	117,568	201,789	301,802
Stock-based compensation expense	9,791	15,669	16,166	18,292
<b>Normalized EBITDA</b>	<b>\$ (686,820)</b>	<b>\$ (703,338)</b>	<b>\$ (568,074)</b>	<b>\$ (138,018)</b>

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

Net (Loss) Income to EBITDA and Normalized EBITDA adjusted to exclude discontinued operations <sup>(1)</sup>	2018			2017
	Q3	Q2	Q1	Q4
<b>Net (Loss) Income <sup>(1)</sup></b>	<b>\$ (909,088)</b>	<b>\$ (902,438)</b>	<b>\$ (917,082)</b>	<b>\$ (956,135)</b>
Interest expense	-	-	18,878	94,437
Exchange loss (gain)	(5,758)	(36,690)	(63,140)	(8,712)
Interest and other income	(52,473)	(33,023)	(25,187)	(28,980)
Amortization of equipment	23,843	25,683	25,007	21,512
Amortization of intangible assets	32,207	32,190	32,098	61,979
(Gains) or losses from discontinued operations	-	-	-	69,104
(Gain) on disposition of subsidiary	-	-	-	324,685
Tax provision (recovery)	24,811	94,223	202,784	(41,502)
<b>EBITDA adjusted to exclude discontinued operations<sup>(1)</sup></b>	<b>\$ (886,458)</b>	<b>\$ (820,055)</b>	<b>\$ (726,642)</b>	<b>\$ (463,612)</b>
One-time non-recurring expenditures and (recoveries)	524,239	265,673	130,118	52,314
Stock-based compensation expense	26,321	42,201	49,347	61,417
<b>Normalized EBITDA adjusted to exclude discontinued operations <sup>(1)</sup></b>	<b>\$ (335,898)</b>	<b>\$ (512,181)</b>	<b>\$ (547,177)</b>	<b>\$ (349,881)</b>

(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 previously discussed on Page #25 for the periods Q4-2017.

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

Summary of Net Operating Working Capital	September 30, 2019	September 30, 2018	June 30, 2019
<b>Equity</b>	<b>\$ 9,881,178</b>	<b>\$ 14,335,647</b>	<b>\$ 11,443,599</b>
Add: Long-term portion of vehicle loans	2,383	9,392	4,155
Add: Future income tax liability	118,620	119,587	96,224
Add: Lease liability <sup>(1)</sup>	105,892	-	92,324
Add: Deferred revenue	725,816	942,580	834,999
Less: Goodwill	(4,122,228)	(4,042,129)	(4,080,297)
Less: Intangible assets	(618,897)	(745,859)	(650,639)
Less: Long-term portion of investment tax credits receivable	(627,240)	(562,132)	(599,820)
Less: Long-term right of use assets <sup>(1)</sup>	(197,883)	-	(154,065)
Less: Deposit on leased premises	(43,282)	(43,279)	(43,279)
Less: Equipment	(122,311)	(102,558)	(69,726)
Less: Deferred income tax asset	(260,155)	-	(283,871)
<b>Net Operating Working Capital</b>	<b>\$ 4,841,893</b>	<b>\$ 9,911,249</b>	<b>\$ 6,589,601</b>

**Liquidity and Financial Resources**

As at September 30, 2019, Posera had cash and cash equivalents totaling \$3,556,069 (December 31, 2018 - \$6,413,647).

For the three-months ended September 30, 2019 and 2018, cash used by operating activities was \$1,033,929 and \$807,659 respectively. Cash used by operations for the three-months ended September 30, 2018 resulted primarily from a net loss, which was partially offset by changes in non-cash working items, amortization and stock-based compensation. Cash used by operations for the three-months ended September 30, 2019 resulted primarily from a net loss and changes in non-cash working items, which was partially offset by amortization, deferred income tax expense, the loss allowance and stock-based compensation.

For the three-months ended September 30, 2019 and 2018, cash used in financing activities were \$25,671 and \$1,799 respectively. Cash used in financing activities for the three-months ended September 30, 2018 resulted from the repayment of vehicle loans and capital leases where the cash used in financing activities for the three-months ended September 30, 2019 resulted from the repayment of vehicle loans and capital leases in addition to the payment of lease liabilities.

For the three-months ended September 30, 2019 and 2018, cash used in investing activities were \$68,315 and \$967,967 respectively. The cash used in investing activities during the three-months ended September 30, 2018 related primarily to the issuance of a note receivable, whereas the cash used in investing activities for the three-months ended September 30, 2019 related primarily to the acquisition of property, plant and equipment.

Net operating working capital at September 30, 2019 and 2018 was \$4,841,893 and \$9,911,249 respectively.

## 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 September 30, 2019, the Company had a cash balance of \$3,556,069 (December 31, 2018 - \$6,413,647), and other current assets of \$2,724,557 (December 31, 2018 - \$3,933,893) to settle current liabilities of \$2,164,549 (December 31, 2018 - \$2,604,705). 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 for the Company's the December 31, 2018 annual consolidated financial statements.

## Financial Instruments

The fair values of the financial assets and liabilities, excluding the notes payable approximate their carrying value at September 30, 2019 and December 31, 2018.

The Company's financial instruments have been summarized below:

	September 30, 2019	December 31, 2018
Financial assets at amortized cost	\$ 6,521,374	\$ 10,500,919
Financial liabilities at amortized cost	1,380,231	2,006,382

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).

The Company has not reclassified financial instruments between levels of the fair value hierarchy during year-to-date 2019 or fiscal 2019.

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 \$4,587,845 as at September 30, 2019 (December 31, 2018 - \$7,720,935). 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

## **Financial Instruments (*continued*)**

States, France and the United Kingdom. The Company has no significant concentration of receivables, which would result in unusual credit risk exposure. The aging of the Company's trade receivables has not changed significantly from December 31, 2018.

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. The loss allowance rate for trade receivables has not changed significantly from December 31, 2018 for current outstanding balances and 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 of the December 31, 2018 annual consolidated financial statements.

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 first and second quarters of 2019 and the fiscal year-ended 2018. 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 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 \$2,438,896 as at September 30, 2019 (December 31, 2018 - \$2,295,349) for which the Company has recorded past due loss allowance of \$665,040 and \$840,630 (September 30, 2018 – \$Nil and \$Nil) during the three and nine-months ended September 30, 2019.

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 and 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 8 of the accompanying financial statements for the three-months ended September 30, 2019, the Company is subject to certain externally imposed capital covenants related to bank indebtedness.

The debt to equity ratios as at September 30, 2019, September 30, 2018 and June 30, 2019 were as follows:

	September 30, 2019	September 30, 2018	June 30, 2019
<i>Total Debt</i>			
Vehicle loans	\$ 2,383	\$ 9,392	\$ 4,155
<b>Total Debt</b>	<b>\$ 2,383</b>	<b>\$ 9,392</b>	<b>\$ 4,155</b>
<b>Total Equity</b>	<b>\$ 9,881,178</b>	<b>\$ 14,335,647</b>	<b>\$ 11,443,599</b>
<b>Debt to Equity Ratio</b>	<b>0.02%</b>	<b>0.06%</b>	<b>0.04%</b>

The Company has arrangements in place that allow us to access the additional debt financing for funding when required through various lines of credit. The Company's credit capacity as at September 30, 2019 was \$200,000 (as at December 31, 2018 - \$200,000), of which the Company had utilized \$nil (2017 - \$nil).

## Summary of Contractual Obligations

During the three-months ended September 30, 2019, the Company didn't enter into any material contracts.

## Capital Resources

Except as otherwise disclosed, the Company does not expect to make 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.

## Disposition of FingerPrints and Discontinued Operations

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

As at August 10, 2017 the FingerPrints assets were recorded as a discontinued operation being held for sale. On September 14, 2017, the Company completed the sale of FingerPrints, to SICOM Systems Canada Inc. ("SICOM"). Consideration for the sale of FingerPrints comprised of a cash payment of \$12.2 million, which was adjusted by a working capital deficit adjustment of \$110,471 post-closing. The gain on the FingerPrints transaction was \$10,912,935, representing the purchase price less an adjustment for working capital \$110,471, less the write down on all other non-current assets of \$189,737 and less transaction costs of \$986,857. The proceeds of sale exceeded the carrying amount of the related net assets, and, accordingly, no impairment losses were recognized on the reclassification of FingerPrints as held for sale. As at September 14, 2017, the date of disposition, the disposal group comprised \$192,192 of Net Assets, as detailed below:

<b>Assets</b>		<b>Liabilities</b>	
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
<b>Total assets disposed</b>	<b>\$ 1,953,399</b>	<b>Total liabilities disposed</b>	<b>\$ 1,761,207</b>

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.

### Transactions with Related Parties

During the three and nine-months ended September 30, 2019, the Company received legal fees and disbursement invoices totaling \$nil and \$46,215 (2018 - \$224,959 and \$426,126), from a law firm, which a former director of Posera is a partner. On March 29, 2019 this director resigned from the Posera Board of Directors and therefore has since ceased being a related party. As at the day of resignation, March 29, 2019, the Company had a payable position of \$612,938 (December 31, 2018 - \$333,709) 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 September 30, 2019, the Company has a note receivable with a principal balance of \$2,438,896 and a book value of \$1,006,108 (December 31, 2018 - \$1,703,191) outstanding with DLT Labs. See Note 9 of the condensed consolidated interim financial statements for further details on the loan arrangement which was entered and recorded at the exchange amount in these condensed consolidated interim financial statements.

On March 29, 2019 the Company appointed Mr. Akash Sahai to its Board of Directors. Posera conducted business with a Company controlled by Mr. Sahai whereby he charged fees in relation to his role as Posera's Executive Vice President of Strategy and Business Development. During the three and nine-months ended September 30, 2019, the Company incurred fees for services rendered by Mr. Sahai from the Company he controls in the amount of \$75,000 and \$275,000 (three and nine-months ended September 30, 2018 - \$75,000 and \$275,000). All transactions have been recorded at the exchange amount. As at September 30, 2019, the Company is in a payable position of \$Nil (December 31, 2018 - \$nil) which will be settled between the related parties in the normal course of business.

### Compensation of key management

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

	Three-months ended September 30, 2019	Three-months ended September 30, 2018	Nine-months ended September 30, 2019	Nine-months ended September 30, 2018
Salaries and short-term employee benefits – continuing operations	\$ 194,571	\$ 181,785	\$ 758,825	\$ 856,560
Share-based payments	6,950	11,127	25,428	55,902
<b>Total</b>	<b>\$ 201,521</b>	<b>\$ 192,912</b>	<b>\$ 784,253</b>	<b>\$ 912,462</b>

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 September 30, 2019, Posera had issued and outstanding 119,796,878 common shares, and 6,894,750 options, of which 5,942,000 were exercisable at an exercise price to purchase common shares ranging from \$0.125 to \$0.20. As at November 14, 2019, Posera had issued and outstanding 119,796,878 common shares and 6,894,750 options, of which 5,994,250 were exercisable at an exercise price to purchase common shares ranging from \$0.125 to \$0.20.

## 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 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.

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:

#### Cash-generating units ("CGU"s)

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.

#### Functional currency of consolidated entities.

Under IFRS, each consolidated entity must determine its own functional currency, which becomes the currency that entity measures its results and financial position in. In determining the functional currencies of consolidated entities, the Company considered many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labour material and other costs for each consolidated entity.

## **Critical Accounting Estimates and Judgments (*continued*)**

### Discontinued Operations

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

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

### Critical accounting estimates

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 – September 30, 2019 - \$618,897 (September 30, 2018 - \$745,859, June 30, 2019 - \$650,639) and Goodwill – September 30, 2019 - \$4,122,228 (September 30, 2018 - \$4,042,129, June 30, 2019 - \$4,080,297).*
  - *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.*
  - *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.*
- b. *Investment Tax Credits Receivable – non-refundable – September 30, 2019 - \$627,240 (September 30, 2018 - \$562,132; June 30, 2019 - \$599,820).*
  - *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 4 of the Company's condensed consolidated interim financial statements. 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.*
  - *See the detailed disclosure surrounding the estimates used and sensitivity thereon in the December 31, 2018 annual consolidated financial statements.*
- c. *Note Receivable Loss Allowance – September 30, 2019 - \$1,432,788 (September 30, 2018 - \$nil and June 30, 2019 - \$767,748)*
  - *Critical estimates relate to the valuation of the note receivable loss.*
  - *See the detailed disclosure surrounding the estimates used by the Company in Note 14, of the December 31, 2018 annual consolidated financial statements.*

## **IFRS Policy Standards Issued and Applicable from January 1, 2019**

The Company has adopted IFRS 16 *Leases* from January 1, 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are recognized in the opening balance sheet on January 1, 2019.

### *Adjustments recognized on adoption of IFRS 16*

On adoption of IFRS 16, the Company recognized lease liabilities in relation to the leases which had been previously classified as "operating leases" under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 5.95%.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the Consolidated Statement of Financial Position as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

## **IFRS Policy Standards Issued and Applicable from January 1, 2019 (*continued*)**

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment such as photocopiers.

The Company has elected not to recognize right-of-use assets and lease liabilities for the short-term leases that have a lease term of 12 months or less from January 1, 2019 and the leases with low-values. These lease payments have been treated as expenses directly over the remaining lease periods.

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

- right-of-use assets increase by \$179,928
- lease liabilities increase by \$179,928

## **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 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.

No changes were identified through management's evaluation of the controls over financial reporting. Throughout the remainder of 2019 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 rigorous 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.

## **Disclosure Controls and Procedures ("DC&P") and Internal Controls Over Financial Reporting (*continued*)**

### *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.

### *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](http://www.sedar.com) and [www.posera.com](http://www.posera.com).

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