

# **POSERA-HDX LTD.**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **FOR THE THREE-MONTHS ENDED JUNE 30, 2015**

The following is the management discussion and analysis ("MD&A") of the condensed consolidated interim statements of financial position, results of operations and comprehensive loss and cash flows of Posera-HDX Ltd. for the three-months ended June 30, 2015 and should be read in conjunction with the financial statements for such periods and the accompanying notes thereto. This MD&A discusses the three-months ending June 30, 2015, compared to March 31, 2015 and June 30, 2014. For an analysis of the six-months ending June 30, 2015 compared to June 30, 2014, please read this MD&A in conjunction with the MD&A for the three-months ending March 31, 2015 and the three and six-months ending June 30, 2014. The effective date of this MD&A is August 14, 2014.

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.

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

### **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 March 31, 2015 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. The Canadian Institute of Chartered Accountants (CICA) Canadian Performance Reporting Board has issued guidelines that define standardized earnings before interest, taxes, depreciation and amortization (EBITDA).

EBITDA, Normalized EBITDA, Working Capital, Debt to Equity Ratio, Gross Payment Processing Fees or Adjusted Total Revenue are not calculations based on IFRS. EBITDA 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-HDX reports EBITDA, Normalized EBITDA, Working Capital, Debt to Equity Ratio, Gross Payment Processing Fees and Adjusted Total Revenue because they are key measures that management uses to evaluate performance of the Company, and because the Company feels that these Non-IFRS measures provide important information about the Company. EBITDA 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 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 as reported by Posera-HDX may not be comparable in all instances to EBITDA as reported by other companies.

### Non-IFRS reporting definitions:

*EBITDA:* Posera-HDX'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 capital and intangible assets, realized and unrealized exchange gain or loss, impairments and gains or losses on held for trading financial instruments, and other gains or losses on disposition of assets or extinguishment of liabilities;

*Normalized EBITDA:* Posera-HDX's management defines Normalized EBITDA as EBITDA above less certain one-time non-recurring expenditures, and non-cash stock-based compensation expense;

*Working Capital:* Posera-HDX's management defines Working Capital as its current assets less current liabilities excluding the conversion option value.

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

*Gross Payment Processing Fees:* Posera-HDX management defines gross payment processing fees as the total payment processing fees that are earned by Zomaron's third party processors, of which Zomaron receives a percentage of these fees.

*Adjusted Total Revenue:* Posera-HDX management defines adjusted total revenue, as the removal of payment processing revenue and the inclusion of gross payment processing fees.

*Reconciliation to Net Loss:* 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 payment processing revenue and certain components of POS revenues as disclosed on the statement of operations. These include POS support and maintenance contracts, POS referral revenue sharing arrangements and other recurring revenue agreements.

### Comparative Figures:

Certain prior period comparative figures have been restated to conform to the consolidated financial statements presentation adopted under IFRS.

### ***Highlights and Summary - Three-months ended June 30, 2015 (Unaudited)***

*(This section acts merely as a summary; the detailed analysis is discussed in the “Comparison of the Unaudited three-months ended June 30, 2015, June 30, 2014 and March 31, 2015”.)*

- Revenues and earnings for the combined entity for the three months-ended June 30, 2014 include no results of operations for the acquired entity Terminal Management Concepts Ltd. (“TMC”) which was acquired on December 31<sup>st</sup>, 2014, whereas revenues and earnings for the three-months ended March 31, 2015 and June 30, 2015 include the operations for the full quarterly reporting period for TMC;
- Recurring revenue for the three-months ended June 30, 2015 was \$2,143,315, an increase of \$265,023 (14.1%) from recurring revenue of \$1,878,292 for the three-months ended June 30, 2014, and an increase of \$191,751 (9.8%) from recurring revenue of \$1,951,564 for the three-months ended March 31, 2015;
- Net loss for the three-months ended June 30, 2015 was a loss of \$645,911, an increase of \$18,342 (2.9%) from a loss of \$627,569 for the three-months ended June 30, 2014, and a decrease of \$472,967 (42.3%) from a loss of \$1,118,878 for the three-months ended March 31, 2015;
- EBITDA loss for the three-months ended June 30, 2015, was \$173,033, a decrease of \$4,053 (2.9%) from a loss of \$177,086 for the three-months ended June 30, 2014, and a decrease of \$474,987 (73.3%) from a loss of \$648,020 for the three-months ended March 31, 2015;
- Normalized EBITDA profit / (loss) for the three-months ended June 30, 2015 was (\$125,043), a decrease of \$518,289 (131.8%) from \$393,246 for the three-months ended June 30, 2014, and an improvement of \$438,178 (77.8%) from (\$563,221) for the three-months ended March 31, 2015;
- Total revenue was \$5,284,556 for the three-months ended June 30, 2015, down \$50,034 (0.9%) from \$5,334,590 for the three-months ended June 30, 2014 and up \$538,495 (11.3%) from \$4,746,061 for the three-months ended March 31, 2015;
- Total point-of-sale (“POS”) revenue was \$4,697,150 for the three-months ended June 30, 2015, down \$236,365 (4.8%) from \$4,933,515 for the three-months ended June 30, 2014 and up \$419,272 (9.8%) from \$4,277,878 for the three-months ended March 31, 2015;
- Total adjusted payment processing revenue was \$587,406 for the three-months ended June 30, 2015, up \$238,541 (68.4%) from \$348,865 for the three-months ended June 30, 2014 and up \$119,223 (25.5%) from \$468,183 for the three-months ended March 31, 2015;
- Gross profit was \$2,209,753 for the three-months ended June 30, 2015, down \$84,586 (3.7%) from \$2,294,339 for the three-months ended June 30, 2014, and up \$446,227 (25.3%) from \$1,763,526 for the three-months ended March 31, 2015;
- Included in cost of sales and operating expenses for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015 were certain one-time non-recurring expenditures, non-cash amortization of intangible assets and property plant and equipment and non-cash stock-based compensation expense totaling \$402,781, \$636,342 and \$427,455 respectively;
- Posera-HDX’s cash and cash equivalents totaled \$3,542,595 as at June 30, 2015, an increase of \$1,192,521 (50.7%) from \$2,350,074 as at June 30, 2014, and an increase of \$2,713,450 (327.3%) from \$829,145 as at March 31, 2015. Bank indebtedness was \$240,010 as at June 30, 2015, a decrease of \$42,000 (14.9%) compared to \$282,010 as at June 30, 2014, and a decrease of \$60,006 (20.0%) compared to \$300,016 as at March 31, 2015; and
- Posera-HDX’s working capital totaled \$2,266,979 as at June 30, 2015, an increase of \$711,749 (45.8%) from \$1,555,230 as at June 30, 2014, and an increase of \$2,830,305 (502.4%) from (\$563,326) as at March 31, 2015.

### ***Posera-HDX's Business***

The Company is in the business of managing merchant transactions with consumers and facilitating payment with an emphasis on transaction speed, simplicity, and accuracy. Posera-HDX develops and deploys touch-screen point of sale ("POS") system software and associated enterprise management tools and has developed and deployed numerous POS applications. Posera-HDX also provides system hardware integration services, merchant staff training, system installation services, and post-sale software and hardware support services. Through the acquisition of Posera, the Company immediately acquired access to Posera's worldwide dealership network of approximately 85 resellers in 25 countries with approximately 550 representatives selling, supporting and installing its software. Posera's main software product, known as Maître 'D, has been deployed in over 20,000 locations worldwide in eight different languages.

ATM products and services are a logical extension of the Company's core offerings. During the three-months ended December 31, 2013 the Company entered into an agreement to be an Independent Sales Organization ("ISO") with TNS Smart Network Inc. to provide ATM transactional services. Acting as an ISO, HDX is now positioned very well to efficiently grow an ATM business throughout Canada via its existing team of direct sales professionals, newly acquired Zomaron sales agents and its network of sub-ISO's and reseller distribution channels.

Through the acquisition of Zomaron Inc. ("Zomaron") the Company acquired a registered reseller of Debit and Credit Card merchant services. Zomaron, an Ontario based sales organization, rounds out the Company's suite of services to include Debit and Credit Card merchant services. Founded in 2008, Zomaron provides credit and debit card processing solutions to Canadian merchants nationwide. Based in London, Ontario, Zomaron has offices in Edmonton AB, Toronto ON, and Montreal QC. Through its nation-wide network of sales representatives and strategic partnerships, Zomaron has experienced rapid growth, doubling its sales annually. Zomaron's exponential growth led it to be ranked on PROFIT magazine's 13<sup>th</sup> and 14<sup>th</sup> annual PROFIT HOT 50 issues in October 2012 and 2013 respectively. Zomaron's solutions and services can also be marketed and deployed in the United States. With each pin-pad sold, a percentage of each transaction, for the term of the agreement, is earned by Zomaron Inc. This share of Debit and Credit Card processing revenues, the Company expects, will become a significant recurring revenue stream in the future.

In 2014, the Company completed the acquisition of Terminal Management Concepts Ltd. ("TMC"). TMC provides wireless EMV chip and PIN "pay-at-the-table" credit and debit card processing software and hardware solutions to Canadian merchants nationwide. Based in Markham, Ontario, TMC has deployed its payment software solutions through direct sales and strategic partnerships with the world's largest payment terminal manufacturers. TMC's solutions and services integrate directly with most of the leading restaurant POS applications world-wide. Because TMC's middle-ware product is POS solution agnostic, payment processing relationships can be achieved regardless of the POS solution deployed by a particular restaurant. TMC's solutions can be marketed and deployed in the United States where the requirement for "pay-at-the-table" solutions is becoming a necessary part of restaurant operations due to the introduction of EMV chip and PIN requirements and the credit card / merchant liability shift due to take place in October of 2015.

The Company's Common Shares are listed on the Toronto Stock Exchange under the symbol "HDX".

### ***Revenues and Expenses***

Posera-HDX's revenue model contemplates revenues primarily from the following sources:

- **Transaction fees from merchants.** Merchants pay fees for the processing and reporting of stored value payment transactions. The transaction fees are paid directly to HDX.

- **Revenue from the sale of HDX POS equipment.** Merchant licensees may purchase POS equipment from HDX for installation at merchant.
- **Revenue from data and application hosting fees.** Merchants or other application service providers may contract with HDX for data and application hosting services.
- **Services revenue from the delivery of consulting and system integration services.** Merchant licensees and merchants may hire HDX to install and manage POS equipment, terminals and readers at merchant locations and provide other services as required.
- **Revenue from software license agreements.** POS Software licensees and resellers may contract with Posera-HDX for the use of proprietary POS software.
- **Payments fees from merchants.** Merchants pay fees for the processing of debit and credit card payments transactions. The transaction fees are paid to a third party processor which remits residual income to the Company.
- **Revenue fees software development.** Merchants may hire HDX to develop software applications required for the POS and payment requirements.

The Company has disclosed Gross Payment Processing Fees related to its Payment Processing Revenues. Gross Payment Processing Fees represent the total amount of Payment Processing Fees underlying the processing of debit and credit card payments transactions. The transaction fees are paid by merchants to a third party processor, who then remits a residual to the Company based upon certain metrics. The Company does not have a direct relationship with the merchant to process the transactions, and is not the primary obligator of the payment processing transaction. As a result, the Company records the residual received as revenue. Although the Company records the residual received as revenue, the Company has disclosed the Gross Payment Processing Fees underlying the transactions, as it may be relevant information to benchmark the Company against others in the payment processing industry who may have dissimilar contractual arrangements between the merchants and payment processors.

Posera-HDX'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-HDX for resale, Technology costs and Operations and Support costs directly incurred to earn revenue, including amortization. Technology costs consist primarily of personnel and related costs associated with Posera-HDX technology development and maintenance, as well as external suppliers. Operations and support costs consist primarily of personnel and related costs associated with the ongoing operations and support of the Posera-HDX business, fixed hosting costs, merchant implementation costs and certain consumer and merchant support costs.

Posera-HDX operating costs are broken down into the following two categories: sales and marketing; and general and administrative. Sales and marketing costs consist primarily of personnel and related costs associated with the ongoing sales and marketing functions, as well as brand development fees, media placement fees, trade show fees, advertising and other promotional expenses. General and administrative fees consist primarily of personnel and related costs associated with Posera-HDX's senior management, administrative, legal and finance functions, as well as professional fees and other general corporate expenses.

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

Interest income on Posera-HDX corporate funds consists primarily of interest income related to its invested cash and short-term investments. Posera-HDX'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. In addition, the Company also earns interest income from investing the consumers' prepaid funds.

Interest expense relates to interest costs of vehicle loans and notes payable. The notes payable were either issued as a result of or acquired in the business combinations that Posera-HDX has completed or as a result of a term promissory note. On the date of acquisition or issuance of the notes payable, Posera-HDX fair-

valued the notes payable acquired or issued, and as a result part of the interest expense included accretion of the fair-value increment of the notes payable acquired or issued.

### ***Growth Strategy and Future Outlook***

Posera-HDX offers “turnkey” solutions including custom software development, integration of our software with appropriate industry specific hardware solutions, deployment and training of our integrated solutions, and providing the ongoing software support and hardware support of deployed solutions. Management’s strategy is focused on growing the business organically by:

- Continuing to identify vertical market segments and specific customer groupings that are ideal customers for HDX’s technology, assigning direct sales force personnel to communicate with prospective clients and client groupings.
- Marketing HDX products to merchant sites associated with restaurant chains that have pre-approved the deployment of HDX technology.
- Identifying jurisdictional technology and reporting requirements, developing tools to meet those requirements and marketing to businesses within said jurisdiction.
- Increasing incremental recurring revenue by developing new technology and enhancing existing technology features in order to increase existing HDX clients’ return on investment resulting in existing HDX clients’ purchasing additional HDX products, and expanding the HDX reseller network and marketing additional related products and technology through this reseller network.

On December 9<sup>th</sup> 2013 the Company completed the acquisition of Zomaron Inc. (“Zomaron”). The acquisition of Zomaron, a rapidly growing company with a successful and accomplished management team and over 140 sales agents, will be instrumental in the Company’s growth strategy and lays the groundwork for significant sales growth in 2014 and beyond.

The acquisition of Terminal Management Concepts (“TMC”) in December, 2014 has served to augment the company’s payments-related offerings by providing the ability for full integration with not only our POS solutions but those of our competitors as well. This is a key differentiator in our space, one that greatly strengthens the value proposition for our clients while significantly expanding the market growth opportunities for HDX. TMC’s fully integrated payments offering, coupled with wireless payment terminals, also allows the Company to deploy “pay-at-the-table” solutions, a highly desired capability and a unique opportunity for the Company. This opportunity is significant in the short-term, especially given the shift to EMV for debit and credit payments in the United States which is mandatory by October, 2015. TMC's software, in conjunction with HDX's intellectual property and services, provides merchants with a unique one-stop-shop opportunity that covers POS software, hardware, payments, digital video security, training, and help desk support.

## 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, 2014 and 2013, including the notes thereto, in particular Note 2. Posera-HDX's consolidated annual financial statements are prepared in accordance with International Financial Reporting Standards, 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, collectively referred to as ("**IFRS**"). The Consolidated Financial Statements for the years-ended December 31, 2014 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*

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, 2014 and 2013 for a complete listing of the Company's critical accounting estimates.

- a. *Intangible asset – June 30, 2015 - \$3,101,829 (June 30, 2014 - \$3,326,674, March 31, 2015 - \$3,436,150) and Goodwill – June 30, 2015 - \$7,657,565 (June 30, 2014 - \$6,611,635, March 31, 2015 - \$7,713,742)*

- 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 used in the December 31, 2014 annual consolidated financial statements and MD&A.
- b. *Investment Tax Credits Receivable – non-refundable – June 30, 2015 - \$966,463 (June 30, 2014 - \$1,157,956 March 31, 2015 - \$1,051,473)*
- *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 3. 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, 2014 annual consolidated financial statements and MD&A.*

*The presentation of the below of Selected Financial Data is for the purposes of this management discussion and analysis. The 2014 and 2013 financial data below have been prepared and presented in accordance with International Financial Reporting Standards.*

<b>Selected Financial Data for the three months ended</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>March 31, 2015</b>
Total revenue	\$ 5,284,556	\$ 5,334,590	\$ 4,746,061
Recurring revenue	2,143,318	1,878,292	1,951,564
POS revenue	4,697,150	4,933,515	4,277,878
Payment processing revenue	587,406	401,075	468,183
Net loss	(645,911)	(627,569)	(1,118,878)
Income (loss) per share			
– basic and diluted	(0.01)	(0.01)	(0.02)
Weighted average number of shares outstanding (000's) - basic	72,508	59,343	61,522
Weighted average number of shares outstanding (000's) – diluted	72,508	59,343	61,522
Cash and cash equivalents	3,542,595	2,350,074	829,145
Bank indebtedness	240,010	282,010	300,016
Working capital (as outlined on Page 22 of this MD&A)	2,266,980	1,555,230	(563,326)
Total assets	20,225,212	19,116,060	18,454,242
Long-term liabilities	2,003,669	2,395,296	2,301,412
Total shareholders' equity	12,328,515	10,603,402	9,665,640



## Comparison of the Unaudited Three-Months Ended

The table below sets out the unaudited statements of operations for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015.

Analysis of the Unaudited Quarterly Results	Q2-2015 (unaudited)	Q2-2014 (unaudited)	Q1-2015 (unaudited)	Q2-2015 vs. Q2-2014		Q2-2015 vs. Q1-2015	
	\$	\$	\$	\$	%	\$	%
<b>Revenue</b>							
POS	4,697,150	4,933,515	4,277,878	(236,365)	(4.8%)	419,272	9.8%
Payment processing	587,406	401,075	468,183	186,331	46.5%	119,223	25.5%
<b>Total Revenue</b>	<b>5,284,556</b>	<b>5,334,590</b>	<b>4,746,061</b>	<b>(50,034)</b>	<b>(0.9%)</b>	<b>538,495</b>	<b>11.3%</b>
<b>Cost of Sales</b>							
Cost of inventory	1,165,291	1,122,710	995,008	42,581	3.8%	170,283	17.1%
Technology	510,297	554,949	513,249	(44,652)	(8.0%)	(2,952)	(0.6%)
Operations and Support	1,399,215	1,362,592	1,474,278	36,623	2.7%	(75,063)	(5.1%)
<b>Total Cost of Sales</b>	<b>3,074,803</b>	<b>3,040,251</b>	<b>2,982,535</b>	<b>34,552</b>	<b>1.1%</b>	<b>92,268</b>	<b>3.1%</b>
Gross Profit	2,209,753	2,294,339	1,763,526	(84,586)	(3.7%)	446,227	25.3%
Gross Profit Percentage	41.8%	43.0%	37.2%		(2.8%)		12.4%
<b>Operating Expenditures</b>							
Sales and marketing	1,341,469	1,318,998	1,323,916	22,471	1.7%	17,553	1.3%
General and administrative	1,396,108	1,434,937	1,430,286	(38,829)	(2.7%)	(34,178)	(2.4%)
<b>Total Operating Expenditures</b>	<b>2,737,577</b>	<b>2,753,935</b>	<b>2,754,202</b>	<b>(16,358)</b>	<b>(0.6%)</b>	<b>(16,625)</b>	<b>(0.6%)</b>
<b>Other expenses (income)</b>							
Interest expense	103,787	96,396	93,137	7,391	7.7%	10,650	11.4%
Realized and unrealized loss on foreign exchange	(2,568)	179,389	(11,946)	(181,957)	(101.4%)	9,378	(78.5%)
Interest and other income	(6,840)	(5,525)	(2,795)	(1,315)	23.8%	(4,045)	144.7%
	<b>94,379</b>	<b>270,260</b>	<b>78,396</b>	<b>(175,881)</b>	<b>(65.1%)</b>	<b>15,983</b>	<b>20.4%</b>
<b>Net loss before income taxes</b>	<b>(622,203)</b>	<b>(729,856)</b>	<b>(1,069,072)</b>	<b>107,653</b>	<b>(14.7%)</b>	<b>446,869</b>	<b>(41.8%)</b>
Current	188,829	(253,841)	46,592	442,670	(174.4%)	142,237	305.3%
Future	(165,121)	151,554	3,214	(316,675)	(209.0%)	(168,335)	5237.6%
<b>Net loss</b>	<b>(645,911)</b>	<b>(627,569)</b>	<b>(1,118,878)</b>	<b>(18,342)</b>	<b>2.9%</b>	<b>472,967</b>	<b>(42.3%)</b>
Other comprehensive income	(43,130)	20,022	318,669	(63,152)	(315.4%)	(361,799)	(113.5%)
<b>Comprehensive loss</b>	<b>(689,041)</b>	<b>(607,547)</b>	<b>(800,209)</b>	<b>(81,494)</b>	<b>13.4%</b>	<b>111,168</b>	<b>(13.9%)</b>
<b>Non-IFRS reporting measures</b> (as outlined on Pages 20 – 22 of this MD&A):	(unaudited)	(unaudited)	(unaudited)				
<b>Recurring Revenue</b>	<b>2,143,315</b>	<b>1,878,292</b>	<b>1,951,564</b>	<b>265,023</b>	<b>14.1%</b>	<b>191,751</b>	<b>9.8%</b>
<b>EBITDA</b>	<b>(173,033)</b>	<b>(177,086)</b>	<b>(648,020)</b>	<b>4,053</b>	<b>(2.3%)</b>	<b>474,987</b>	<b>(73.3%)</b>
<b>Normalized EBITDA</b>	<b>(125,043)</b>	<b>393,246</b>	<b>(563,221)</b>	<b>(518,289)</b>	<b>(131.8%)</b>	<b>438,178</b>	<b>(77.8%)</b>

### Comparison of the unaudited quarters ended June 30, 2015 and 2014 and March 31, 2015

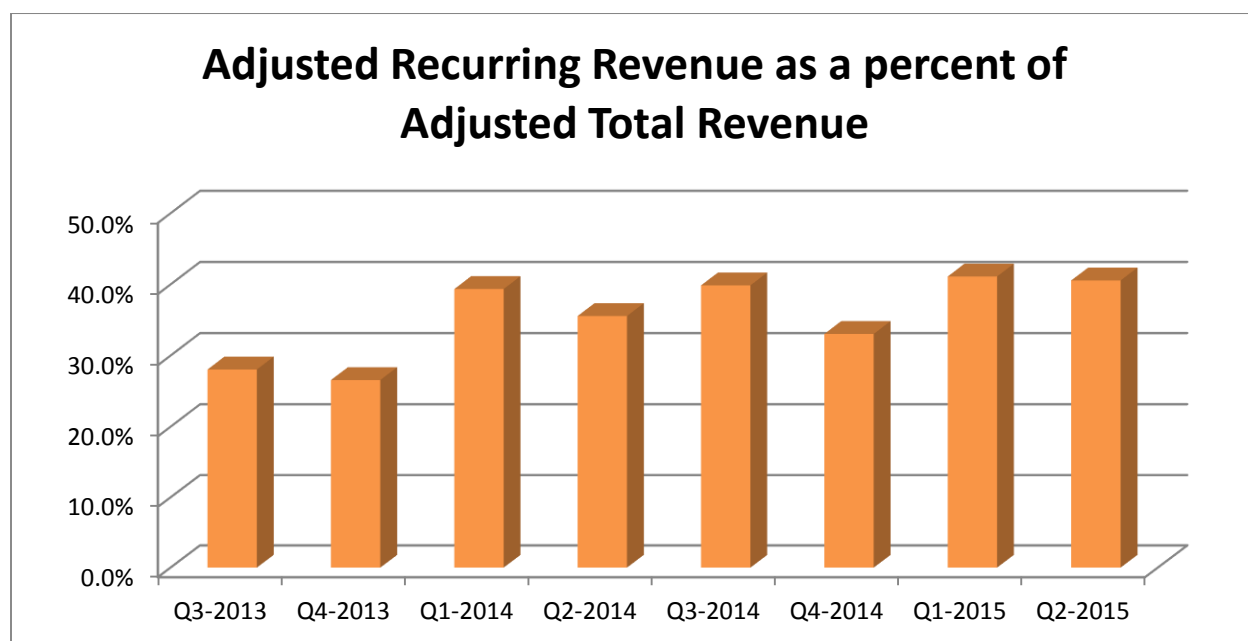
On December 31, 2014 the Company completed the acquisition of Terminal Management Concepts Ltd. (“TMC”). Other than transaction costs incurred by the Company, the acquisition of TMC did not have an impact on the Consolidated Statement of Operations and Comprehensive Income (Loss) for Posera-HDX Ltd. for the three-months ended June 30, 2014, whereas revenues and expenses were recorded for the three-months ended June 30, 2015 and March 31, 2015.

#### Recurring Revenue:

##### *Recurring Revenue Comparisons June 30, 2015, June 30, 2014 and March 31, 2015*

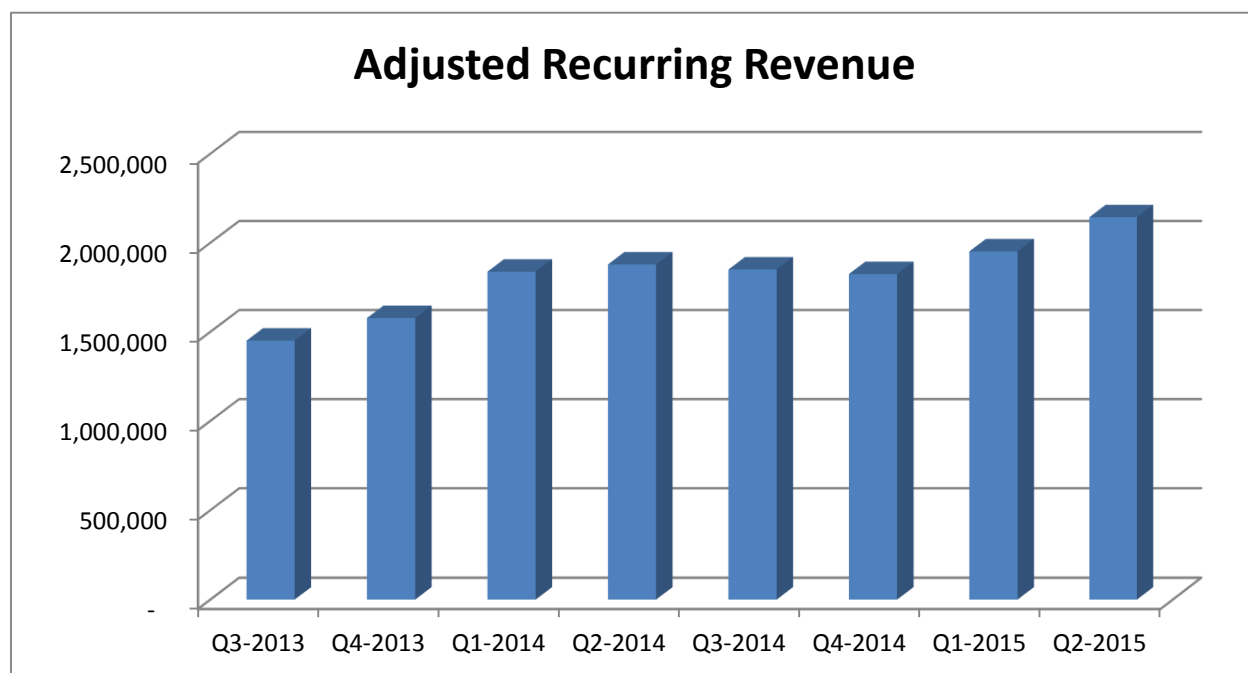
HDX recognized recurring revenue of \$2,143,318 for the three-months ended June 30, 2015 compared to \$1,930,502 for the three-months ended June 30, 2014, representing an increase of \$212,816 (11.0%), and compared to \$1,951,564 for the three-months ended March 31, 2015, representing an increase of \$191,754 (9.8%).

During the three-months ended December 31, 2014, there was a one-time adjustment to recurring revenue of \$156,629, as a result of a tax assessment. Below the Company has presented a reconciliation of the adjustment applied rateably over the comparable quarters. HDX recognized adjusted recurring revenue of \$2,143,315 for the three-months ended June 30, 2015 compared to \$1,878,292 for the three-months ended June 30, 2014, representing an increase of \$265,023 (14.1%). Additionally, during the three-months ended June 30, 2015, the adjusted recurring revenue represented 40.6% to adjusted total revenue for the Company, whereas during the three-months ended June 30, 2014, recurring revenue represented only 35.6% of adjusted total revenue. This has resulted in an increase of adjusted recurring revenue as a percentage of adjusted total revenue by 14.0%, which displays a higher quality of earning being generated by the Company as a proportion of total revenue.



Total Recurring Revenue Reconciliation	For the quarters ended		
	June 30, 2015	June 30, 2014	March 31, 2015
<b>Total Recurring Revenue</b>	<b>\$ 2,143,315</b>	<b>\$ 1,930,502</b>	<b>\$ 1,951,564</b>
Less: One-time revenue adjustment <sup>(1)</sup>	-	(52,210)	-
<b>Adjusted Total Recurring Revenue</b>	<b>\$ 2,143,315</b>	<b>\$ 1,878,292</b>	<b>\$ 1,951,564</b>

(1) During the three-months ended December 31, 2014, the Company incurred a one-time adjustment in recurring revenue, as a result of tax assessment, which transpired in the fourth quarter of 2014. The adjustment in recurring revenue resulted in a one-time decrease in recurring revenue of \$156,629 for the three-months ended December 31, 2014. The Company applied the \$156,629 rateably to the 2014 quarters to calculate the adjusted recurring revenue.



The Company continues to build 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 payment processing revenue and certain components of POS revenues as disclosed on the statement of operations. These include POS support and maintenance contracts, POS referral revenue sharing arrangements and other recurring revenue agreements.

#### Revenue:

##### *Revenue Comparisons June 30, 2015, June 30, 2014 and March 31, 2015*

HDX recognized adjusted total revenue of \$5,284,556 for the three-months ended June 30, 2015 compared to \$5,334,590 for the three-months ended June 30, 2014, representing a decrease of \$50,034 (0.9%), and compared to \$4,746,061 for the three-months ended March 31, 2015, representing an increase of \$538,495 (11.3%). Below the Company has presented a reconciliation of the adjustment applied rateably over the comparable quarters.

<b>Total Revenue Reconciliation</b>	<b>For the quarters ended</b>		
	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>March 31, 2015</b>
<b>Total Revenue</b>	<b>\$ 5,284,556</b>	<b>\$ 5,334,590</b>	<b>\$ 4,746,601</b>
Less: One-time revenue adjustment <sup>(1)</sup>	-	(52,210)	-
<b>Adjusted Total Revenue</b>	<b>\$ 5,284,556</b>	<b>\$ 5,282,380</b>	<b>\$ 4,746,601</b>

(1) During the three-months ended December 31, 2014, the Company incurred a one-time adjustment in revenue, as a result of tax assessment, which transpired in the fourth quarter of 2014. The adjustment in revenue resulted in a one-time decrease in revenue of \$156,629 for the three-months ended December 31, 2014. The Company applied the \$156,629 ratably to the 2014 quarters to calculate the adjusted total revenue.

Total revenue is comprised of two separate components, POS revenue and payment processing revenue.

#### Point-of-sale (“POS”) revenue

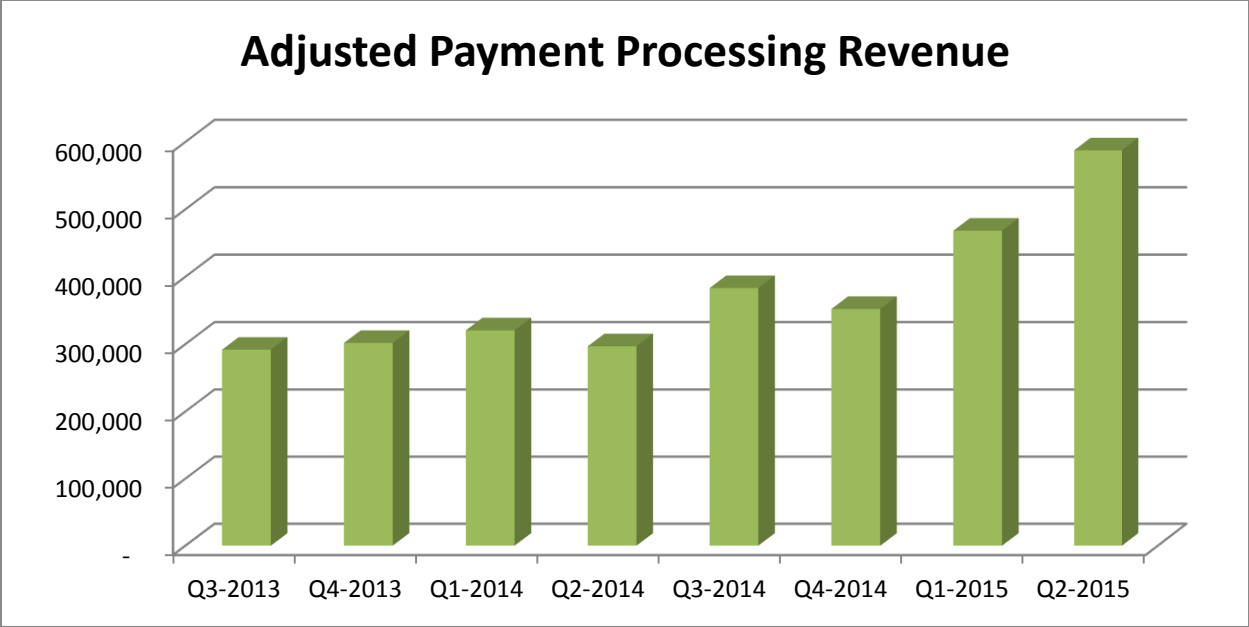
POS revenue for the three-months ended June 30, 2015 was \$4,697,150, a decrease of \$236,365 (4.8%) and an increase of \$419,272 (9.8%) compared to the POS revenue for the three-months ended June 30, 2014 and March 31, 2015 of \$4,933,515 and \$4,277,878 respectively. The decrease in POS revenues during the three-months ended June 30, 2015 compared to the three-months ended June 30, 2014 resulted primarily as the Company’s independent sales agents have been targeting higher volume customers during fiscal 2015. This focus has resulted in fewer one-time POS payment terminal revenues being generated when compared to the three-months ending June 30, 2014. The Company’s focus on higher volume payment opportunities will result in the Company growing its recurring revenue faster than adding smaller customers and achieving a higher one-time revenue on the POS terminal. The increase in POS revenues during the three-months ended June 30, 2015 compared to the three-months ended March 31, 2015 is primarily a seasonal fluctuation, where the seasonal results of the second quarter tend to be a stronger quarter for the Company, when compared the first quarter, which is usually the slowest quarter of the year for restaurant builds and renovations.

#### Payment processing revenue

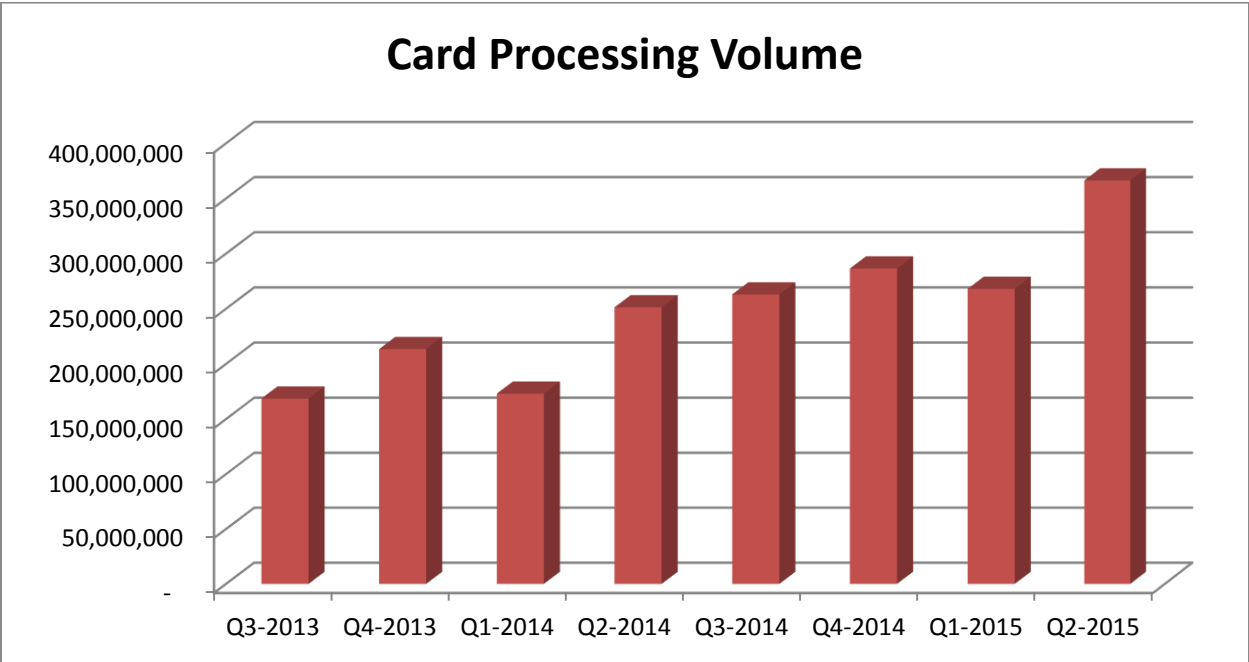
The Company recognized adjusted payment processing revenue for the three-months ended June 30, 2015 of \$587,406, an increase of \$238,541 (68.4%) and an increase of \$119,223 (25.5%) compared to the adjusted payment processing revenue of \$348,865 and \$468,183 for the three-months ended June 30, 2014 and March 31, 2015 respectively. Below the Company has presented a reconciliation of the adjustment applied ratably over the comparable quarters.

<b>Payment Processing Revenue Reconciliation</b>	<b>For the quarters ended</b>		
	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>March 31, 2015</b>
<b>Total Payment Processing Revenue</b>	<b>\$ 587,406</b>	<b>\$ 401,075</b>	<b>\$ 468,183</b>
Less: One-time revenue adjustment <sup>(1)</sup>	-	(52,210)	-
<b>Adjusted Payment Processing Revenue</b>	<b>\$ 587,406</b>	<b>\$ 348,865</b>	<b>\$ 468,183</b>

(1) During the three-months ended December 31, 2014, the Company incurred a one-time adjustment in revenue, as a result of tax assessment, which transpired in the fourth quarter of 2014. The adjustment in revenue resulted in a one-time decrease in revenue of \$156,629 for the three-months ended December 31, 2014. The Company applied the \$156,629 ratably to the 2014 quarters to calculate the adjusted total revenue.



The Company’s merchant portfolio processed \$366,246,342 in transactions for the three-months ended June 30, 2015 an increase of \$86,772,526 (50.4%) and an increase of \$72,975,172 (39.2%) compared to the three-months ended June 30, 2014 and March 31, 2015 respectively. The processing of debit and credit card transactions is somewhat seasonally based, as a result of the demographics of Zomaron’s merchant base. Additionally the Company and its sales agent’s continue to target higher volume customers during the three-months ended June 30, 2015 and March 31, 2015, which has resulted in the processing volumes increasing, and processing revenue per merchant increasing.



Additionally, the processing revenue per merchant for the three-months ended June 30, 2015 was \$178.91 compared to \$127.13 and \$151.96 for the three-months ended June 30, 2014 and March 31, 2015

respectively, representing an increase of \$51.78 (40.7%) and \$26.95 (17.7%) per merchant during the comparable periods. Aside from the increase in fees paid to sales agents, the increase in processing revenue per merchant will result in increased margins for the Company, as the costs associated with servicing each merchant is relatively fixed.

Finally, during the latter half of fiscal 2014, the Company's processing partner became a first market mover in the processing industry to require merchants to adhere to Payment Card Industry ("PCI") security standards. As a result the payment processing division and its agents spent a significant amount of time training up existing merchants to allow them to become PCI compliant. As a result the sales agents focus for a period of time was on customer support rather than new customer acquisitions. Additionally, certain smaller merchants chose to change providers so as to avoid the PCI requirements until mandated by other processors in the industry, which will likely take place in fiscal 2015 and 2016. Therefore new merchant acquisitions continues to grow consistently with past growth, whereas merchant attrition for the three-months ended March 31, 2015 was higher than in the past as a result of PCI. The Company noticed that during the three-months ended June 30, 2015, that the attrition of merchants due to PCI has not persisted to any great extent and is not expected to do so in the future. Additionally, when PCI becomes the industry standard in Canada, the Company believes that with already requiring its merchant portfolio to adhere to PCI standards, that this knowledge and experience can be leveraged to transition many potential new merchants through the PCI compliance process.

#### **Cost of Sales:**

##### *Cost of Sales Comparisons June 30, 2015, June 30, 2014 and March 31, 2015*

Posera-HDX recognized cost of inventory of \$1,165,291 (22.0% of total revenues) for the three-months ended June 30, 2015, compared to \$1,122,710 (21.0% of total revenues) for the three-months ended June 30, 2014 and \$995,008 (21.0% of total revenues) for the three-months ended March 31, 2015. The changes in the cost of inventory as a percentage of revenue is a result of a change in product mix between the respective periods. The cost of sales as a percentage of revenue was relatively consisted for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015.

#### Technology expense

Technology expenses in the three-months ended June 30, 2015 were \$510,297, a decrease of \$44,652 (8.0%) from \$554,949 in the three-months ended June 30, 2014 and a decrease of \$2,952 (0.6%) from \$513,249 in the three-months ended March 31, 2015.

<b>Technology Expense Reconciliation</b>	<b>For the quarters ended</b>		
	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>March 31, 2015</b>
<b>Technology expense</b>	<b>\$ 510,297</b>	<b>\$ 554,949</b>	<b>\$ 513,249</b>
Less: Amortization of intangible assets	115,972	94,199	118,328
Less: One-time expenditures <sup>(1)</sup>	-	216,500	-
<b>Adjusted technology expense</b>	<b>\$ 394,325</b>	<b>\$ 244,250</b>	<b>\$ 394,921</b>

(1) During the three-months ended June 30, 2014, the Company incurred a one-time change in estimate of the Company's investment tax credits receivable, which transpired as a result of a review of the projects eligible for investment tax credits during the 2013 fiscal year. The change in estimate resulted in an increased one-time expenditure to the technology expense of \$216,500 for the three-months ended June 30, 2014.

Included in the technology expense for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015 is amortization of technology intangible assets, totaling \$115,972, \$94,199 and \$118,328 respectively. Excluding the non-cash intangible asset amortization, Posera-HDX's technology expenses for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015 would have been \$394,325, \$460,750, and \$394,921 respectively.

The adjusted technology expense remained relatively consistent during the three-months ended June 30, 2015 compared to the three-months ended March 31, 2015, as a result of no significant changes in headcount or other key technology expense factors.

The adjusted technology expense increased during the three-months ended June 30, 2015 compared to the three-months ended June 30, 2014, as a result of the additional developers that the Company acquired through the TMC acquisition, which closed on December 31, 2014. Therefore, TMC's development costs were not included in the comparable three-months ended June 30, 2014, where they were included for the three-months ended June 30, 2015 and March 31, 2015. During the three-months ended June 30, 2015 and March 31, 2015 the Company had fewer projects which qualified for refundable Scientific Research and Experimental Development ("SR&ED") credits, when compared to the three-months ended June 30, 2014. These two changes represent the balance of the recorded change between the comparable reporting periods. The Company is currently assessing the recently acquired TMC's historical and prospective development projects ability to qualify for Scientific Research and Experimental Development ("SR&ED") refundable and non-refundable credits. The financial impact of this assessment will be reflected in future reporting periods.

#### Operations and support expense

Operations and support expenses were \$1,399,215 in the three-months ended June 30, 2015; an increase of \$36,623 (2.7%) from \$1,362,592 in the three-months ended June 30, 2014, and a decrease of \$75,063 (5.1%) from \$1,474,278 in the three-months ended March 31, 2015. The operations and support expenses remained relatively consistent as the employee headcount and other operations and support expenditures remained relatively consistent between all of the comparable quarters after normalizing for the Terminal Management Concepts Ltd. ("TMC") transaction that was completed in December, 2014.

#### **Operating Expenditures:**

Posera-HDX recognized operating expenditures of \$2,737,577 for the three-months ended June 30, 2015 compared to \$2,753,935 for the three-months ended June 30, 2014, and \$2,754,202 for the three-months ended March 31, 2015.

Included in operating expenses for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015 are one-time expenditures relating to corporate and acquisition related legal expenses, acquisition search firms, valuation work performed and additional accounting, tax and audit related costs, totaling \$42,554, \$134,614 and \$79,363 respectively. Excluding these one-time expenditures, Posera-HDX's operating expenditures for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015, would have been \$2,695,023, \$2,619,321, and \$2,674,839 respectively.

#### Sales and marketing expense

Sales and marketing expenses were \$1,341,469 in the three-months ended June 30, 2015 an increase of \$22,471 (1.7%) from \$1,318,998 in the three-months ended June 30, 2014, and an increase of \$17,553 (1.3%) from \$1,323,916 in the three-months ended March 31, 2015. The sales and marketing expense has been adjusted below for the amortization of intangible assets for each of the comparative periods.

<b>Sales and Marketing Expense Reconciliation</b>			
	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>March 31, 2015</b>
<b>Sales and marketing expense</b>	<b>\$ 1,341,469</b>	<b>\$ 1,318,998</b>	<b>\$ 1,323,916</b>
Less: Amortization of intangible assets	169,612	144,614	151,809
<b>Adjusted sales and marketing expense</b>	<b>\$ 1,171,857</b>	<b>\$ 1,174,384</b>	<b>\$ 1,172,107</b>

The adjusted sales and marketing expenses has remained relatively consistent for the three-months ended June 30, 2015 compared to the three-months ended June 30, 2014 and March 31, 2015.

#### General and administrative expense

General and administrative expenses were \$1,396,108 in the three-months ended June 30, 2015; a decrease of \$38,829 (2.7%) from \$1,434,937 in the three-months ended June 30, 2014, and a decrease of \$34,178 (2.4%) from \$1,430,286 in the three-months ended March 31, 2015.

<b>General and Administrative Expense Reconciliation</b>			
	<b>June 30, 2015</b>	<b>June 30, 2014</b>	<b>March 31, 2015</b>
<b>General and administrative expense</b>	<b>\$ 1,396,108</b>	<b>\$ 1,434,937</b>	<b>\$ 1,430,286</b>
Less: Stock-based compensation expense <sup>(1)</sup>	5,436	37,533	5,436
Less: Amortization of intangible assets and PP&E	69,206	43,697	72,519
Less: One-time expenditures	42,554	134,614	79,363
<b>Adjusted general and administrative expense</b>	<b>\$ 1,278,912</b>	<b>\$ 1,219,093</b>	<b>\$ 1,272,968</b>

(1) Incremental stock-based compensation expensed during the three-months ended June 30, 2014 beyond what had been accrued on a straight-line basis in prior periods. For further discussion on this amount, please see the discussion on Page 21 of this MD&A.

Included in general and administrative expenses for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015 was non-cash stock-based compensation expense and amortization of intangible assets and PP&E of \$74,642, \$81,230 and \$77,955 respectively. Additionally, included in general and administrative expenses for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015 are one-time expenditures of \$42,554, \$134,614 and \$79,363 respectively. Excluding these non-cash expenses and the one-time expenditures above, Posera-HDX's adjusted general and administrative expenses for the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015, would have been \$1,278,912, \$1,219,093 and \$1,272,968 respectively.

After normalizing for the additional expenditures incurred by TMC in relation to general and administrative expenditures, the adjusted general and administrative expenditures for the three-months ended June 30, 2015, June 30, 2014 March 31, 2015 the reporting periods were relatively consistent.

#### **Other Expense and Income:**

Interest expense is comprised primarily of interest expense incurred on long-term obligations, including the convertible debentures issued as part of the Posera 2010 acquisition and a financing completed in January, 2014. Interest expense for the three-months ended June 30, 2015 was \$103,787 an increase of \$7,391 (7.7%) and \$10,650 (11.4%) from \$96,396 and \$93,167 for the three-months ended June 30, 2014 and March 31, 2015 respectively. The interest expense between all of the comparable three-month ended periods are relatively consistent, as the Company continues to pay off the principal balance in the debt obligations on the balance sheet which incur interest expense.



Realized and unrealized (gain) loss on foreign exchange is comprised primarily of the (gain) loss on the foreign denominated convertible debenture and net assets denominated in foreign currencies. As a result of the increase in the CAD, relative to the USD, the carrying amount of the convertible debenture liability (in CAD) has decreased, resulting in a gain during the three-months ended June 30, 2015. Additionally, the net assets denominated in foreign currencies incurred a loss during the three-months ended June 30, 2015 as a result of a decrease of the value of the source currency when translated into the functional currency. The fluctuations in the realized and unrealized (gain) loss on foreign exchange has impacted the three comparable reporting periods, June 30, 2015, June 30, 2014 and March 31, 2015. The impact to income is predicated on the foreign exchange movements in net assets denominated in a currency other than the functional currency and the revelation of the convertible debenture from USD to CAD.

Interest and other income is comprised primarily of interest earned from the investing of HDX's corporate funds. The interest earned remained relatively consistent between the three-months ended June 30, 2015, June 30, 2014 and March 31, 2015, as the interest rates earned, and balances deposited remained relatively consistent.

## Segment Analysis

<b>Operating Segments</b>			
	Revenue for the three-months ended		
	June 30, 2015	June 30, 2014	March 31, 2015
POS	\$ 4,273,622	\$ 4,374,887	\$ 3,847,249
Payment processing	1,011,938	960,870	899,478
Intersegment	(1,005)	(1,167)	(666)
<b>Total revenue</b>	<b>\$ 5,284,556</b>	<b>\$ 5,334,590</b>	<b>\$ 4,746,061</b>
	Operating profit for the three-months ended <sup>(1)</sup>		
	June 30, 2015	June 30, 2014	March 31, 2015
POS	\$ 40,439	\$ 164,696	\$ (306,750)
Payment processing	(18,596)	22,694	(69,776)
Intersegment	-	-	-
<b>Total profit</b>	<b>\$ 21,843</b>	<b>\$ 187,390</b>	<b>\$ (376,526)</b>

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

### Revenue

For the three-months ended June 30, 2015, POS revenue decreased \$101,265 (2.3%) and increased \$426,373 (11.1%) when compared to the three-months ended June 30, 2014 and March 31, 2015 respectively. POS revenues decreased marginally compared to the three-months ended June 30, 2014, but essentially the business was relatively consistent year-over-year. POS revenues increased compared to the three-months ended March 31, 2015, as a result of the seasonality of the POS industry where the three-months ended March 31<sup>st</sup> tends to be the weakest sales period and the three-months ended June 30<sup>th</sup> tends to be an average sales period.

For the three-months ended June 30, 2015, payment processing revenue increased \$51,068 (5.3%) and increased \$112,460 (12.5%) when compared to the three-months ended June 30, 2014 and March 31, 2015 respectively. Payment processing revenues for the three-months ended June 30, 2015 increased compared to the three-months ended June 30, 2014 and March 31, 2015, as a result of the Zomaron business unit continuing to grow their merchant base resulting in an increased number of payment processing transactions and dollar value of transactions being processed.

### Operating Profit

For the three-months ended June 30, 2015, POS operating profit decreased \$124,257 (75.4%) and increased \$347,189 (113.2%) when compared to the three-months ended June 30, 2014 and March 31, 2015 respectively. For the three-months ended June 30, 2015, payment processing operating profit decreased \$41,290 (181.9%) and increased \$51,180 (73.3%) compared to the three months ended June 30, 2014 and March 31, 2015 respectively.

## Summary of Unaudited Quarterly Results

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended June 30, 2015 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, 2014 and 2013 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.

	2015		2014	
	Q2	Q1	Q4	Q3
Total revenue	\$ 5,284,556	\$ 4,746,061	\$ 5,364,531	\$ 4,693,705
Recurring revenue	\$ 2,143,315	\$ 1,951,564	\$ 1,824,257	\$ 1,850,034
POS revenue	\$ 4,697,150	\$ 4,277,878	\$ 5,169,119	\$ 4,258,454
Payment processing revenue	\$ 587,406	\$ 468,183	\$ 195,412	\$ 435,251
Gross payment processing fees	\$ 5,545,382	\$ 4,241,483	\$ 4,551,362	\$ 4,128,416
EBITDA <sup>(1)</sup>	\$ (172,033)	\$ (648,020)	\$ (441,076)	\$ (15,823)
Normalized EBITDA <sup>(1)</sup>	\$ (125,043)	\$ (563,221)	\$ 65,014	\$ (170,889)
Net Income (Loss)	\$ (644,911)	\$ (1,118,878)	\$ (593,788)	\$ (200,176)
Comprehensive Income (Loss)	\$ (688,041)	\$ (800,209)	\$ (482,212)	\$ (42,993)
Earnings (Loss) Per Share Basic	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.00)
Earnings (Loss) Per Share Diluted	\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.00)
	2014		2013	
	Q2	Q1	Q4	Q3
Total revenue	\$ 5,334,590	\$ 4,721,624	\$ 5,940,741,	\$ 5,171,555
Recurring revenue	\$ 1,878,292	\$ 1,837,473	\$ 1,577,380	\$ 1,450,441
POS revenue	\$ 4,933,515	\$ 4,348,770	\$ 5,787,056	\$ 5,169,459
Payment processing revenue	\$ 401,075	\$ 372,854	\$ 153,685	\$ 2,096
Gross payment processing fees	\$ 3,917,007	\$ 2,739,876	\$ 713,805	\$ 2,673
EBITDA <sup>(1)</sup>	\$ (177,086)	\$ (154,340)	\$ 650,683	\$ 556,855
Normalized EBITDA <sup>(1)</sup>	\$ 393,246	\$ (209,841)	\$ 657,029	\$ 214,112
Net Income (Loss)	\$ (627,569)	\$ (438,985)	\$ 360,773	\$ (401,498)
Comprehensive Income (Loss)	\$ (607,547)	\$ (450,624)	\$ 363,540	\$ (328,337)
Earnings (Loss) Per Share Basic	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ (0.01)
Earnings (Loss) Per Share Diluted	\$ (0.01)	\$ (0.01)	\$ 0.01	\$ (0.01)

(1) See EBITDA and Normalized EBITDA reporting measures (as outlined on Pages 20 – 21 of this MD&A)

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

Net Loss to EBITDA and Normalized EBITDA	2015		2014	
	Q2	Q1	Q4	Q3
<b>Net Loss</b>	<b>\$ (645,911)</b>	<b>\$ (1,118,878)</b>	<b>\$ (593,788)</b>	<b>\$ (200,176)</b>
Interest expense	103,787	93,137	118,917	95,069
Exchange loss (gain)	(2,568)	(11,946)	27,578	2,779
Interest and other income	(6,840)	(2,795)	(4,341)	(4,144)
Amortization of equipment	21,692	24,658	23,495	23,071
Amortization of intangible assets	333,099	317,998	263,627	258,578
Tax provision (recovery)	23,7048	49,806	(276,564)	(191,000)
<b>EBITDA</b>	<b>\$ (173,033)</b>	<b>\$ (648,020)</b>	<b>\$ (441,076)</b>	<b>\$ (15,823)</b>
One-time non-recurring expenditures and (recoveries)	42,554	79,363	187,409	(100,683)
One-time revenue adjustment <sup>(2)</sup>	-	-	156,629	(52,210)
Stock-based compensation expense	5,436	5,436	15,871	35,608
Investment tax credits receivable – reassessment <sup>(1)</sup>	-	-	146,181	(37,781)
<b>Normalized EBITDA<sup>(3)</sup></b>	<b>\$ (125,043)</b>	<b>\$ (563,221)</b>	<b>\$ 65,014</b>	<b>\$ (170,889)</b>

(1) During the three-months ended December 31, 2014, the Company incurred a one-time change in estimate of the Company's investment tax credits receivable, which transpired as a result of a review of the projects eligible for investment tax credits during the 2014 fiscal year. The change in estimate resulted in an increased one-time expenditure to the technology expense of \$166,181 for the three-months ended December 31, 2014. The Company applied the \$166,181 ratably to the 2013 quarters to calculate the Normalized EBITDA.

(2) During the three-months ended December 31, 2014, the Company incurred a one-time adjustment in revenue, as a result of tax assessment, which transpired in the fourth quarter of 2014. The adjustment in revenue resulted in a one-time decrease in revenue of \$156,629 for the three-months ended December 31, 2014. The Company applied the \$156,629 ratably to the 2014 quarters to calculate the adjusted total revenue.

(3) Comparative figures for the Normalized EBITDA have been restated to conform to changes in estimates applied during fiscal 2014 and 2015, which has resulted in adjustments in the quarterly results in the fiscal periods of 2015 and 2014. These adjustments have been disclosed in the one-time expenditure adjustments throughout this MD&A.

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

Net Loss to EBITDA and Normalized EBITDA	2014		2013	
	Q2	Q1	Q4	Q3
<b>Net Loss</b>	<b>\$ (627,569)</b>	<b>\$ (438,985)</b>	<b>\$ 360,773</b>	<b>\$ (401,498)</b>
Interest expense	96,396	106,185	67,739	59,923
Exchange loss (gain)	179,389	(189,266)	(124,982)	118,634
Interest and other income	(5,525)	(4,086)	(2,919)	(2,371)
Gain on held for trading financial instruments	-	-	-	98,786
Amortization of equipment	22,927	22,722	17,581	24,058
Amortization of intangible assets	259,583	260,924	237,067	453,042
Tax provision (recovery)	(102,287)	88,166	164,208	(124,778)
Impairment of assets	-	-	(68,784)	331,059
<b>EBITDA</b>	<b>\$ (177,086)</b>	<b>\$ (154,340)</b>	<b>\$ 650,683</b>	<b>\$ 556,855</b>
One-time non-recurring expenditures and (recoveries)	134,614	31,912	2,169	(346,921)
One-time revenue adjustment <sup>(4)</sup>	(52,210)	(52,210)	-	-
Stock-based compensation expense <sup>(3)</sup>	219,218	2,578	4,177	4,178
Investment tax credits receivable – reassessment <sup>(1), (2)</sup>	178,719	(37,781)	-	-
<b>Normalized EBITDA<sup>(5)</sup></b>	<b>\$ 303,255</b>	<b>\$ (209,841)</b>	<b>\$ 657,029</b>	<b>\$ 214,112</b>

(1) During the three-months ended June 30, 2014, the Company incurred a one-time change in estimate of the Company's investment tax credits receivable, which transpired as a result of a review of the projects eligible for investment tax credits during the 2013 fiscal year. The change in estimate resulted in an increased one-time expenditure to the technology expense of \$216,500 for the three-months ended June 30, 2014. The Company applied the \$216,500 rateably to the 2013 quarters to calculate the Normalized EBITDA.

(2) During the three-months ended December 31, 2014, the Company incurred a one-time change in estimate of the Company's investment tax credits receivable, which transpired as a result of a review of the projects eligible for investment tax credits during the 2014 fiscal year. The change in estimate resulted in an increased one-time expenditure to the technology expense of \$166,181 for the three-months ended December 31, 2014. The Company applied the \$166,181 rateably to the 2013 quarters to calculate the Normalized EBITDA.

(3) The Company incurred a stock-based compensation expense of \$219,218, which has been adjusted to calculate the Normalized EBITDA for the three-months ended June 30, 2014. Of the \$219,218 stock-based compensation expense booked for the three-months ended June 30, 2014, \$163,750 of said expense was accrued by the Company on a straight-line basis of \$32,750 per quarter for the five quarters commencing in the first quarter of 2013 to the first quarter 2014. These quarterly accrued expenses were not factored into the Normalized EBITDA for the prior quarters, as the settlement through the issuance of stock-based compensation had not been determined, and the Company had not yet granted the stock-based compensation.

(4) During the three-months ended December 31, 2014, the Company incurred a one-time adjustment in revenue, as a result of tax assessment, which transpired in the fourth quarter of 2014. The adjustment in revenue resulted in a one-time decrease in revenue of \$156,629 for the three-months ended December 31, 2014. The Company applied the \$156,629 rateably to the 2014 quarters to calculate the adjusted total revenue.

(5) Comparative figures for the Normalized EBITDA have been restated to conform to changes in estimates applied during fiscal 2014, which has resulted in adjustments in the quarterly results in fiscal 2014 and fiscal 2013. These adjustments have been disclosed in the one-time expenditure adjustments throughout this MD&A.

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

Equity to Working Capital			
	June 30, 2015	June 30, 2014	March 31, 2015
<b>Equity</b>	<b>\$ 12,291,665</b>	<b>\$ 10,603,402</b>	<b>\$ 9,665,640</b>
Add: Long-term portion of notes payable	1,460,407	1,468,752	1,576,376
Add: Long-term portion of vehicle loans	109,428	139,140	123,051
Add: Future income tax liability	433,834	787,404	601,985
Less: Goodwill	(7,657,565)	(6,611,635)	(7,713,742)
Less: Intangible assets	(3,101,829)	(3,326,674)	(3,436,150)
Less: Long-term portion of investment tax credits receivable	(966,463)	(1,157,956)	(1,051,473)
Less: Long-term portion of lease receivable	(24,498)	(31,152)	(28,578)
Less: Deposit on leased premises	(39,583)	(39,582)	(39,583)
Less: Equipment	(238,417)	(276,469)	(260,852)
<b>Working Capital</b>	<b>\$ 2,266,979</b>	<b>\$ 1,555,230</b>	<b>\$ (563,326)</b>

### Liquidity and Financial Resources

As at June 30, 2015, HDX had cash and cash equivalents totaling \$3,542,595 (June 30, 2014 - \$2,350,074).

For the quarter-ended June 30, 2015 and 2014, provided by / (used in) operating activities was (\$177,663) and (\$371,787) respectively. Cash used in operations for the quarter-ended June 30, 2015 resulted from a net loss, deferred income tax recovery and unrealized gain / loss on foreign exchange, which was offset by changes in non-cash working capital items, and by items not affecting cash such as amortization, interest accretion and stock-based compensation. Cash used in operations for the quarter-ended June 30, 2014 resulted from a net loss and changes in non-cash working capital items, which was partially offset by items not affecting cash such as amortization, interest accretion, deferred income tax expense and stock-based compensation.

For the quarters-ended June 30, 2015 and 2014, cash provided by / (used in) financing activities were \$2,893,120 and (\$16,573) respectively. Cash used in financing activities for the three-months ended June 30, 2014 resulted primarily from the repayments the vehicle loans and capital leases. Cash provided by financing activities for the three-months ended June 30, 2015 was a result the Company completing private placement of common shares, which was offset by issuance costs for the common shares and a partial repayment of a notes payable. HDX expects to continue to make acquisitions in the future and therefore may complete additional financings in the equity markets.

For the quarters-ended June 30, 2015 and 2014, cash used in investing activities was \$4,056 and \$18,109 respectively. The cash used in investing activities during the three-months ended June 30, 2014 relates to the acquisition of property plant and equipment. The cash used in investing activities during the three-months ended June 30, 2015 relates primarily to the acquisition of intangible assets, such as computer software.

Working capital at June 30, 2015 and 2014 and March 31, 2015 was \$2,266,979, \$1,555,230 and (\$563,326), respectively.

### *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 7 of the accompanying financial statements for the three-months ended June 30, 2015, the Company is subject to certain externally imposed capital covenants related to bank indebtedness.

The debt to equity ratios as at June 30, 2015, June 30, 2014 and March 31, 2015 were as follows:

	June 30, 2015	June 30, 2014	March 31, 2015
<i>Total Debt</i>			
Notes payable	\$ 2,028,465	\$ 2,332,105	\$ 2,386,872
Vehicle loans	167,349	191,477	181,350
Bank indebtedness	240,010	282,010	300,016
<b>Total Debt</b>	<b>\$ 2,435,824</b>	<b>\$ 2,805,592</b>	<b>\$ 2,868,238</b>
<b>Total Equity</b>	<b>\$ 12,291,665</b>	<b>\$ 10,603,402</b>	<b>\$ 9,665,640</b>
<b>Debt to Equity Ratio</b>	<b>19.8%</b>	<b>26.5%</b>	<b>29.67%</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 June 30, 2015 was \$500,000 (June 30, 2014 - \$500,000), of which the Company had utilized \$240,010 (June 30, 2014 - \$282,010). As at June 30, 2015, Posera Software was not in compliance with the Net Tangible Worth covenant, but was in full compliance with all other covenants. The Company feels that it is adequately capitalized in order to meeting its obligations going forward.

## Summary of Contractual Obligations

Contractual Obligations	Payments Due by Period				
	Total	2015	2016 – 2017	2018 - 2019	2020 and beyond
Operating Leases	\$ 838,361	\$ 293,353	\$ 545,008	\$ -	\$ -
Long-Term Debt	2,522,571	453,726	2,068,845	-	-
Vehicle Loans	180,982	34,981	131,962	14,039	-
<b>Total Contractual Obligations</b>	<b>\$ 3,541,914</b>	<b>\$ 782,060</b>	<b>\$ 2,745,815</b>	<b>\$ 14,039</b>	<b>\$ -</b>

## Capital Resources

Except as otherwise disclosed, the Company does not expect to make significant capital expenditures in the near future. HDX has invested in and developed an information systems infrastructure that will scale to meet the majority its anticipated market requirements. Posera-HDX 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

The Company recognized revenue from a company controlled by the CEO, whom is also a director of the Company, during the three and six-months ended June 30, 2015, based on amounts agreed upon by the parties, in the amounts of \$8,552 and \$26,408 (2014 - \$10,621 and \$20,063) respectively. The Company recognized operating expenses and purchased products of \$75,804 and \$26,202 during the three-months ended June 30, 2015 (2014 - \$74,446 and \$152,503) from a Company controlled by the CEO at the exchange amount. As at June 30, 2015, the Company has a receivable position of \$12,002 (December 31, 2014 - \$30,896), and a payable of \$86,939 (December 31, 2014 - \$97,299), which will be settled between the related parties in the normal course of business.

During the three and six-months ended June 30, 2015, the Company received legal fees and disbursement invoices totaling \$51,165 and \$70,307, (2014 - \$17,882 and \$30,684) respectively, from a law firm, a partner of which is a director of the Company. As at June 30, 2015, the Company has a payable position of \$72,794 (December 31, 2014 - \$112,075) which will be settled between the related parties in the normal course of business.



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

	Three-months ended June 30, 2015	Six-months ended June 30, 2015	Three-months ended June 30, 2014	Six-months ended June 30, 2014
Salaries and short-term employee benefits	\$ 293,791	\$ 572,213	\$ 285,644	\$ 556,966
Share-based payments	-	-	205,327	206,893
<b>Total</b>	<b>\$ 293,791</b>	<b>\$ 572,213</b>	<b>\$ 490,971</b>	<b>\$ 763,859</b>

### Share Capital

As at June 30, 2015, Posera-HDX had issued and outstanding 75,837,706 Class A voting common shares, and 4,748,024 options, of which 4,611,524 were exercisable at an exercise price to purchase common shares ranging from \$0.25 to \$0.50. As at August 14, 2015 Posera-HDX had issued and outstanding 75,837,706 Class A voting common shares and 4,748,024 options, of which 4,611,524 were exercisable at an exercise price to purchase common shares ranging from \$0.25 to \$0.50. As at June 30, 2015 and August 14, 2015 the convertible debenture could have been converted into 3,333,333 and 3,333,333 Common Shares respectively.

### Share Capital Issuance during the Second Quarter of 2015

On April 27, 2015, the Company issued a total of 14,316,000 Common Shares at a price of \$0.25 / per share for gross proceeds of \$3,579,000 (the "Offering"). HDX paid a finder's fee equal to 7.0% on \$3,191,000 of the Offering's gross proceeds, together with finders' warrants to acquire 893,480 Common Shares in the Company. The finders' warrants are exercisable for a period of two years at an exercise price of \$0.40 per Common Share.

### 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, 2014 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, 2014 that have materially affected, or are reasonably likely to materially affect, its internal control over financial

reporting. Throughout 2015, 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 Company completed the acquisition of Zomaron Inc. ("Zomaron") on December 9<sup>th</sup>, 2013. During fiscal 2014 the Company completed of integrating this business under the Company's current reporting processes, procedures and consolidated accounting system, the Company anticipates further integration to be completed during fiscal 2015; and
- ii) The Company completed the acquisition of Terminal Management Concepts Ltd. ("TMC") on December 31<sup>st</sup>, 2014. During fiscal 2015 the Company anticipates the completion of integrating this business under the Company's current reporting processes, procedures and consolidated accounting system.

No other changes were identified through management's evaluation of the controls over financial reporting. Throughout the remainder of 2015 the Company aims to improve;

- process documentation to highlight the controls in place which are addressing the key risks;
- developing more formal documentation surrounding management's analysis of monthly and quarterly financial reports;
- formalize a process for foreign tax and HST / QST reporting and;
- integrating all of the previous and future acquired entities onto one accounting system platform.

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, 2014.

#### *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 also is 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. In the Annual Information Form of the Company which was filed on March 31, 2015, it provided 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).

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