

POSERA

Condensed Consolidated Interim Financial Statements of

Posera Ltd.

(Unaudited)

Three and six-months ended June 30, 2017 and 2016

Posera Ltd.**Consolidated Statements of Financial Position**

As at June 30, 2017 and December 31, 2016

POSERA

(unaudited)

(in Canadian dollars)

	June 30, 2017	December 31, 2016
ASSETS (Note 7, 12 and 14)		
CURRENT		
Cash and cash equivalents	\$ 918,466	\$ 407,044
Accounts receivable (Note 12)	2,718,484	2,781,761
Note receivable	-	480,000
Current portion of lease and other receivables	65,276	84,748
Inventory	1,311,786	1,166,612
Investment credits receivable - refundable (Note 3)	342,300	510,204
Prepaid expenses and deposits	181,719	232,782
	5,538,031	5,663,151
NON-CURRENT		
Property, plant and equipment (Note 4)	292,535	254,043
Deposit on leased premises	39,581	39,583
Lease and other receivables	16,652	46,927
Investment tax credits receivable - non-refundable (Note 3)	739,292	803,016
Intangible assets (Note 5)	1,123,951	1,456,606
Goodwill (Note 6)	4,068,278	4,189,233
	\$ 11,818,320	\$ 12,452,559
LIABILITIES (Note 12 and 14)		
CURRENT		
Accounts payable and accrued liabilities (Note 12)	\$ 2,737,556	\$ 3,094,678
Provisions (Note 8)	413,931	669,841
Current portion of vehicle loans and capital leases	33,315	18,955
Income taxes payable (Note 10)	56,111	11,779
Deferred revenue	2,016,245	1,770,310
	5,257,158	5,565,563
NON-CURRENT		
Deferred income tax liability (Note 10)	74,823	19,360
Vehicle loans and capital leases	84,574	35,103
Notes payable (Note 9)	1,500,000	1,493,689
	6,916,555	7,113,715
EQUITY		
SHARE CAPITAL [Note 11(a)]	59,017,999	56,882,021
CONTRIBUTED SURPLUS [Note 11(b, c)]	7,802,107	7,494,531
WARRANTS [Note 11(d)]	-	80,133
DEFICIT	(62,567,256)	(59,845,314)
ACCUMULATED OTHER COMPREHENSIVE INCOME	648,915	727,473
	4,901,765	5,338,844
	\$ 11,818,320	\$ 12,452,559

Subsequent events (Note 17)

Page 3 of 21

Posera Ltd.

Consolidated Statements of Operations and Comprehensive Loss

For the three and six-months ended June 30, 2017 and 2016

(unaudited)

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



	Three-months ended June 30,		Six-Months ended June 30,	
	2017	2016	2017	2016
REVENUE (Note 12, 16)				
Point of sale revenue	\$ 4,392,224	\$ 4,333,939	\$ 8,340,031	\$ 8,748,812
Payment processing revenue	-	3,976	-	8,237
TOTAL REVENUE	4,392,224	4,337,915	8,340,031	8,757,049
COST OF SALES (Note 12, 16)				
Cost of inventory	899,270	955,509	1,868,843	2,083,301
Technology (Note 3)	461,870	433,431	1,019,249	899,292
Operations and support	1,502,905	1,312,859	3,154,047	2,682,618
TOTAL COST OF SALES	2,864,045	2,701,799	6,042,139	5,665,211
GROSS PROFIT	1,528,179	1,636,116	2,297,892	3,091,838
OPERATING EXPENSES (Note 12, 16)				
Sales and marketing	853,672	637,814	1,645,705	1,559,099
General and administrative	1,503,273	1,475,755	3,155,584	2,697,215
Restructuring costs	-	184,443	-	872,216
TOTAL OPERATING EXPENSES	2,356,945	2,298,012	4,801,289	5,128,530
	(828,766)	(661,896)	(2,503,397)	(2,036,692)
OTHER EXPENSES (INCOME)				
Interest expense (Notes 7, 8 and 9)	(218,231)	84,933	(154,877)	176,784
Realized and unrealized loss on foreign exchange	100,176	12,565	123,277	27,864
Interest and other income	(3,981)	(3,465)	(5,781)	(7,410)
Loss on revaluation of financial instruments	-	240,000	-	240,000
TOTAL OTHER (INCOME) EXPENSES	(122,036)	334,033	(37,381)	437,238
NET LOSS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS	(706,730)	(995,929)	(2,466,016)	(2,473,930)
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 10)	166,235	31,615	200,855	33,894
Deferred (Note 10)	51,744	(201,230)	55,071	(211,163)
NET LOSS FROM CONTINUING OPERATIONS	\$ (924,709)	\$ (826,314)	\$ (2,721,942)	\$ (2,296,661)
Gain on disposition of subsidiary (net of tax) (Note 16)	-	1,959,794	-	1,959,794
Loss from discontinued operations (net of tax) (Note 16)	-	8,479	-	(70,298)
NET (LOSS) INCOME	\$ (924,709)	\$ 1,141,959	\$ (2,721,942)	\$ (407,165)
Items that may be reclassified subsequently to net income				
Other comprehensive (loss) on foreign translation	(64,318)	(24,527)	(78,558)	(314,081)
NET COMPREHENSIVE (LOSS) INCOME	\$ (989,027)	\$ 1,117,432	\$ (2,800,500)	\$ (721,246)
BASIC AND DILUTED (LOSS) INCOME PER SHARE				
(Note 11(e))	\$ (0.01)	\$ 0.02	\$ (0.03)	\$ (0.01)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	94,737	75,838	92,720	75,838

See accompanying notes to the consolidated financial statements

Posera Ltd.

Consolidated Statements of Changes in Equity

For the three and six-months ended June 30, 2017 and 2016

(unaudited)

(in Canadian dollars)

POSERA

	Three-months ended June 30,		Six-months ended June 30,	
	2017	2016	2017	2016
DEFICIT BEGINNING OF PERIOD	\$ (61,642,547)	\$ (57,713,490)	\$ (59,845,314)	\$ (56,164,366)
Net (loss) income	(924,709)	1,141,959	(2,721,942)	(407,165)
DEFICIT END OF PERIOD	\$ (62,567,256)	\$ (56,571,531)	\$ (62,567,256)	\$ (56,571,531)
ACCUMULATED OTHER COMPREHENSIVE				
INCOME BEGINNING OF PERIOD	\$ 713,233	\$ 626,596	\$ 727,473	\$ 916,150
Other comprehensive loss on foreign translation	(64,318)	(24,527)	(78,558)	(314,081)
ACCUMULATED OTHER COMPREHENSIVE				
INCOME END OF PERIOD	\$ 648,915	\$ 602,069	\$ 648,915	\$ 602,069
NET COMPREHENSIVE (LOSS) INCOME	\$ (989,027)	\$ 1,117,432	\$ (2,800,500)	\$ (721,246)
SHARE CAPITAL BEGINNING OF PERIOD	\$ 59,013,305	\$ 56,882,021	\$ 56,882,021	\$ 56,882,021
Issued for cash consideration (Note 11(a))	-	-	2,268,000	-
Issuance costs - cash (Note 11 (a))	4,694	-	(132,022)	-
SHARE CAPITAL END OF PERIOD [Note 11(a)]	\$ 59,017,999	\$ 56,882,021	\$ 59,017,999	\$ 56,882,021
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	\$ 7,632,856	\$ 7,196,429	\$ 7,494,531	\$ 7,196,429
Expiry of warrants	80,133	-	80,133	-
Stock based compensation	89,118	174,267	227,443	174,267
CONTRIBUTED SURPLUS END OF PERIOD [Note 11(b, c)]	\$ 7,802,107	\$ 7,370,696	\$ 7,802,107	\$ 7,370,696
WARRANTS BEGINNING OF PERIOD	\$ 80,133	\$ 80,133	\$ 80,133	\$ 80,133
Expiry of warrants	(80,133)	-	(80,133)	-
WARRANTS END OF PERIOD [Note 11(d)]	\$ -	\$ 80,133	\$ -	\$ 80,133

See accompanying notes to the consolidated financial statements

Posera Ltd.

Consolidated Statements of Cash Flows

For the three and six-months ended June 30, 2017 and 2016

(unaudited)

(in Canadian dollars)



	Three-months ended June 30,		Six-months ended June 30,	
	2017	2016	2017	2016
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net (loss) income	(924,709)	\$ 1,141,959	\$ (2,721,942)	\$ (407,165)
Items not affecting cash				
Amortization of property, plant & equipment (Note 4)	28,242	19,497	55,466	44,692
Amortization of intangible assets (Note 5)	165,942	181,360	326,079	373,991
Deferred income tax recovery (Note 10)	51,745	(201,230)	55,071	(211,163)
Loss on revaluation of note receivable	-	240,000	-	240,000
Stock-based compensation expense [Note 11(b,c)]	89,118	174,267	227,443	174,267
Interest accretion (Note 9)	-	38,238	6,313	77,777
Gain on sale of Zomaron (Note 16)	-	(1,959,794)	-	(1,959,794)
Unrealized loss on foreign exchange	71,145	(5,573)	83,029	(4,522)
	(518,517)	(371,276)	(1,968,541)	(1,671,917)
Changes in working capital items (Note 13)	148,414	(981,657)	(166,223)	441,861
	(370,103)	(1,352,933)	(2,134,764)	(1,230,056)
FINANCING				
Proceeds from issuance of Common Shares[(Note 11(a)]	-	-	2,268,000	-
Issuance costs paid for Common Shares [Note 11(a)]	4,594	-	(132,122)	-
Repayment of vehicle loans and capital leases	(11,131)	(8,829)	(17,275)	(20,702)
Proceeds from vehicle loans	-	-	81,107	29,556
Repayment of notes payable (Note 9)	-	(127,299)	-	(230,037)
	(6,537)	(136,128)	2,199,710	(221,183)
INVESTING				
Acquisition of property, plant and equipment (Note 4)	(6,535)	(102,403)	(101,030)	(136,897)
Disposition of Zomaron (Note 16)	-	3,412,689	-	3,412,689
Receipt of note receivable	-	-	480,000	-
	(6,535)	3,310,286	378,970	3,275,792
Foreign exchange gain on net cash and cash equivalents held in a foreign currency	44,370	(8,570)	67,506	(16,955)
NET CASH AND CASH EQUIVALENTS INFLOW (OUTFLOW)	\$ (338,805)	\$ 1,812,655	\$ 511,422	\$ 1,807,598
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,257,271	1,697,915	407,044	1,702,972
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 918,466	\$ 3,510,570	\$ 918,466	\$ 3,510,570
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING				
Cash and cash equivalents	\$ 918,466	\$ 3,510,570	\$ 918,466	\$ 3,510,570
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION				
Interest paid	\$ 36,216	\$ 47,252	\$ 93,259	\$ 101,341
Interest received	3,981	3,465	5,781	7,410
Income taxes paid	106,557	33,897	106,557	66,128
Investment credits and investment tax credits receivable received	374,274	-	374,274	-

See accompanying notes to the consolidated financial statements

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

1. DESCRIPTION OF BUSINESS

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

Posera was founded in 2001 and is headquartered at 1106 Dearness Drive, Unit #4, in London, Canada N6E 1N9. The Company’s common shares (“Common Shares”) are listed on the Toronto Stock Exchange under the symbol “PAY”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. These condensed consolidated interim financial statements do not include all of the information required for full annual financial statements prepared in accordance with IFRS. As such, these condensed consolidated interim financial statements should be read in conjunction with the Company’s annual financial statements for the year-ended December 31, 2016. These condensed consolidated interim financial statements were approved for issue by the Board of Directors on August 10, 2017.

The preparation of interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed consolidated interim financial statements have been prepared on the historical cost basis.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year-ended December 31, 2017, as issued and outstanding as of the date the Board of Directors approved these statements. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s annual consolidated financial statements for the year-ended December 31, 2016, except as described below.

The results for the three and six-months ended June 30, 2017 are not necessarily indicative of the results to be expected for the full year.

Posera Ltd.**Notes to the Condensed Consolidated Interim Financial Statements****June 30, 2017 and 2016****(in Canadian dollars, except as noted)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Consolidation*

These consolidated financial statements include the accounts of Posera Ltd. and its wholly owned subsidiaries. These subsidiaries are A&A Point of Sale Solutions Inc. (“A&A”); Posera Inc. and its subsidiaries: Posera France SAS; Posera Europe Ltd.; Posera Software Inc.; and Posera USA Inc. (collectively referred to as “Posera Inc.”); HDX Payment Processing Ltd. (“HDX-PP”); Zomaron Inc. (“Zomaron”). Century and Posera – HDX Scheduler were amalgamated with Posera Ltd. on January 1, 2016. A&A was amalgamated with Posera Ltd. on January 1, 2017. Zomaron Inc. (“Zomaron”) is included as a discontinued operation in the consolidated financial statement of the Company up until the date of its disposal on April 29, 2016.

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

Financing - Transaction Costs

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

Assets and Disposal Groups Held for Sale or Distribution

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

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Discontinued Operations

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative Consolidated Statements of Operations and Comprehensive Income is represented 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.

IFRS standards issued but not yet effective

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

- i) In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Company is evaluating the impact of adopting this new standard.
- ii) In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, which establishes a single comprehensive model of accounting for revenue arising from contracts with customers that an entity will apply to determine the measurement of revenue and timing of when it is recognized. IFRS 15 supersedes current revenue recognition guidance, which is found currently across several standards and interpretations including IAS 11, Construction Contracts and IAS 18, Revenue. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the amount an entity expects to be entitled in exchange for those goods and services. The new standard will also result in enhanced disclosures about revenue that would result in an entity providing comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. This amendment is applicable for annual periods beginning on January 1, 2018.

The adoption of IFRS 15 is a significant initiative for Posera Ltd. To date, management has scheduled a strategic planning session and has begun to develop a preliminary adoption plan. Management is in the process of identifying the major revenue streams to be assessed, and is currently accumulating, identifying and inventorying detailed information on major contracts

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

that may be impacted by the changes at the transition date. Next steps involve completing the overall analysis, assessing any potential impact to IT systems and internal controls, and reviewing the additional disclosure required by the standard. Management continues to evaluate the overall impact of IFRS 15 on the consolidated financial statements.

- iii) On January 13, 2016, the IASB issued IFRS 16, Leases. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15 at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, Leases ("IAS 17"). This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company has not yet assessed the impact of the adoption of this standard on its consolidated financial statements.

As the company has significant contractual obligations in the form of operating leases under the existing standard, there will be a material increase in both assets and liabilities upon adoption of the new standard, and material changes to the timing of recognition of expenses associated with the lease arrangements. The Company is analyzing the new standard to determine its impact on the statement of financial position and statement of operations.

3. INVESTMENT CREDITS AND INVESTMENT TAX CREDITS RECEIVABLE

Investment tax credits related to Scientific Research and Experimental Design and investment credits related to Electronic Business, were recorded in the consolidated interim statements of operations as a reduction in technology expenses in the amount of \$75,012 and \$175,474 during the three and six-months ended June 30, 2017 (2016 - \$104,950 and \$214,080) respectively. As of June 30, 2017, a subsidiary of the Company has refundable investment tax credits receivable totaling \$342,300 (December 31, 2016 - \$510,204), and non-refundable investment credits receivable totaling \$739,292 (December 31, 2016 - \$803,016) which expire according to the schedule below:

	June 30, 2017	December 31, 2016
2030	\$ -	\$ 21,422
2031	245,801	288,103
2032	327,736	327,736
2033	31,284	31,284
2034	23,135	23,135
2035	55,530	55,530
2036	55,806	55,806
Total	\$ 739,292	\$ 803,016

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

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

4. PROPERTY PLANT AND EQUIPMENT (“PP&E”)

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2016	\$ 1,004,363	\$ 750,320	\$ 254,043
Amortization of PP&E	-	55,466	(55,466)
Additions of PP&E	101,030	-	101,030
Translation adjustment	(3,663)	3,409	(7,072)
Balance – June 30, 2017	\$ 1,101,730	\$ 809,195	\$ 292,535

5. INTANGIBLE ASSETS

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

	Cost	Accumulated amortization and impairment	Net book value
Balance - December 31, 2016	\$ 14,317,408	\$ 12,860,802	\$ 1,456,606
Amortization	-	326,079	(326,079)
Translation adjustment	(474,070)	(467,494)	(6,576)
Balance – June 30, 2017	\$ 13,843,338	\$ 12,719,387	\$ 1,123,951

6. GOODWILL

Reconciliation of Goodwill

	Net Book Value
Balance – December 31, 2016	\$ 4,189,233
Translation adjustment	(120,955)
Balance – June 30, 2017	\$ 4,068,278

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

7. BANK INDEBTEDNESS

As at June 30, 2017, the Company through its subsidiary Posera Software, has a revolving operating line of credit of \$nil (December 31, 2016 - \$nil), of an available \$200,000 (December 31, 2016 - \$200,000). This facility bears interest at the Canadian bank prime rate plus 2.50%, with an effective interest rate of 6.75% (June 30, 2016 – 5.25%). Additionally, the facility has a first ranking \$1,000,000 (December 31, 2016 - \$1,000,000) moving hypothec on the assets of Posera Software. Posera Software must meet certain non-IFRS measures including Working Capital, EBITDA, Net Tangible Worth and Debt ratios. As at June 30, 2017, the Company is in full compliance with these covenants.

The Company negotiated a \$1,500,000 stand-by operating facility, which may be drawn upon by the Company at any time with 5 business days' notice to the accredited lender. The interest rate on any funds drawn is 10% per annum and the stand-by charge is 2.5%. The stand-by operating facility expires December 31, 2018 and can be cancelled by the Company at any time with 30-days notice to the lender at no additional cost. During the three and six months-ended June 30, 2017 the Company accrued or paid \$9,375 and \$18,750 (2016 - \$Nil and \$Nil) respectively in stand-by fees in relation to the stand-by operating facility. As at June 30, 2017, no amount has been drawn upon this facility.

8. PROVISIONS

	Provision for income tax and information return penalties ⁽ⁱ⁾	Provision for restructuring obligations ⁽ⁱⁱ⁾	Total
Balance – December 31, 2016	\$ 294,841	\$ 375,000	\$ 669,841
Addition	-	-	-
Reduction	(254,447)	-	(254,447)
Translation	(1,463)	-	(1,463)
Balance – June 30, 2017	\$ 38,931	\$ 375,000	\$ 413,931

- (i) During the years-ended December 31, 2012 and December 31, 2016, the Company became aware that certain income tax and information returns were past-due, which may be subject to certain penalties provided by legislation, the amount and timing of which is not certain. The Company during the three-months ended June 30, 2017 received a ruling regarding the income tax penalties and interest included as a provision. The tax authorities ruled to abate \$254,447 in interest and penalties previously assessed and included as a provision by the Company.
- (ii) During the year-ended December 31, 2015, the Company assessed a provision in relation to certain restructuring obligations, the amount and timing of which is not certain.

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

9. NOTES PAYABLE

#	Details	Carrying Value	
		June 30, 2017	December 31, 2016
1	Series I 2014 Unsecured Convertible Subordinated Debentures, with a principal amount of \$1,500,000, issued with a discount of \$150,000, with a nominal interest rate of 10.25%, and an effective interest rate of 20.77%, due on January 15, 2017, and convertible at \$0.45 until January 15, 2016 and \$0.60 until January 15, 2017. On November 11, 2016, the Company entered into an agreement to extend the payment terms and the option to convert at \$0.60 until January 15, 2019 for the Unsecured Convertible Subordinated Debentures totalling \$1,500,000 from January 15, 2017. The nominal interest rate remains at 10.25% and there was no change in the terms relating to the conversion aspect of the Unsecured Convertible Subordinated Debentures.	1,500,000	1,493,689
Total Notes Payable		1,500,000	1,493,689
Current portion of the Notes Payable		-	-
Long-term portion of the Notes Payable		\$ 1,500,000	\$ 1,493,689

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

	June 30, 2017	December 31, 2016
2017	\$ 76,875	\$ 153,750
2018	153,750	153,750
2019 and thereafter	1,519,012	1,519,012
Sub-total	1,749,637	1,826,512
Less: Interest	(249,637)	(332,823)
Total	\$ 1,500,000	\$ 1,493,689

For the three and six-months ended June 30, 2017, interest expense of \$38,438 and \$83,187 (2016 - \$77,624 and \$157,720) respectively was recorded in the consolidated statements of operations in relation to notes payable.

10. INCOME TAXES

Income tax expense has been recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year for each taxable entity, less a valuation adjustment in instances where it was not probable that any future income tax assets would be realized. The estimated average annual rate used for the three and six-months ended June 30, 2017 and 2016, by taxable entity, ranged from 0% to 34%. Certain investment tax credits were netted against the expenses, which were incurred to earn the credits, see Note 3.

Posera Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2017 and 2016
(in Canadian dollars, except as noted)

11. SHARE CAPITAL

(a) *Authorized and issued*

Authorized

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

<i>Common Shares Issued</i>	Number of Common Shares	\$
Balance December 31, 2016	75,837,705	56,882,021
Issued for cash consideration (i)	18,899,997	2,268,000
Issuance costs – cash (i)	-	(132,122)
Balance June 30, 2017	94,737,702	59,017,999

(i) On January 20, 2017, the Company issued a total of 18,899,997 Common Shares at a price of \$0.12 per Common Share for gross proceeds of \$2,268,000 (the “Offering”). Posera paid finder’s fees in the aggregated amount of \$71,098 in connection with certain subscriptions for Common Shares, representing 6.0% of the gross proceeds of such subscriptions.

(b) *Stock options and stock-based compensation*

On September 20, 2011, the shareholders of the Company approved a new stock option plan (the “Plan”). The Plan has a rolling maximum number of Common Shares that may be issued upon the exercise of stock options, but shall not exceed 15% of the issued and outstanding Common Shares at the time of grant as approved at the June 29th, 2016 annual general meeting of shareholders. Prior to the amendment to the plan approved on June 29th, 2016, the rolling maximum number of Common Share shall not have exceeded 10% of the issued and outstanding Common Shares. Any increase in the total number of issued and outstanding Common Shares will result in an increase in the available number of options issuable under the Plan, and any exercises of options will make new grants available under the Plan. Options under the Plan vest over various periods from the date of the granting of the option. All options granted under the Plan that have not been exercised within ten years of the grant will expire, subject to earlier termination if the optionee ceases to be an officer, director, employee or consultant of the Company. The Plan was established on July 31, 2007, reapproved on June 18, 2014 and June 29, 2016. The Plan was enacted to encourage ownership of the Company's Common Shares by its key officers and directors, employees and consultants.

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

11. SHARE CAPITAL (continued)

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

	Three-months ended June 30, 2017	
	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning of the period	8,850,156	\$ 0.20
Granted	1,910,000	0.17
Exercised	-	-
Forfeited and expired	(1,523,656)	0.25
Options outstanding, end of the period	9,236,500	\$ 0.17
Options exercisable, end of the period	5,816,265	\$ 0.20

The following table summarizes information about options outstanding as at;

June 30, 2017					
	Options outstanding			Options exercisable	
Exercise Price (\$)	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.125	1,326,000	4.00	0.125	248,625	0.125
0.15	1,680,000	4.50	0.15	869,640	0.15
0.17	4,685,000	4.37	0.17	3,152,500	0.17
0.20	150,000	4.36	0.20	150,000	0.20
0.28	250,000	0.01	0.28	250,000	0.28
0.32	1,145,500	1.80	0.32	1,145,500	0.32
	9,236,500	3.90	\$0.17	5,816,265	\$0.20

December 31, 2016					
	Options outstanding			Options exercisable	
Exercise Price	Number of options outstanding	Weighted average life (years)	Weighted average exercise price	Number of options exercisable	Weighted average exercise price
0.125	1,417,000	4.58	0.125	177,125	0.125
0.17	2,375,000	4.45	0.17	2,375,000	0.17
0.20	150,000	4.86	0.20	150,000	0.20
0.25	1,484,656	0.46	0.25	1,484,656	0.25
0.28	250,000	0.50	0.28	250,000	0.28
0.32	1,165,500	2.30	0.32	1,165,500	0.32
	6,842,156	3.12	\$0.21	5,602,281	\$0.23

Of the options outstanding as at June 30, 2017, 2,025,000 outstanding options (December 31, 2016 – 1,625,000) with an exercise price of ranging from \$0.17 to \$0.28, are consultant compensation options.

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

11. SHARE CAPITAL (continued)

For the three and six-months ended June 30, 2017, the Company recognized an expense of \$89,118 and \$227,443 (2016 – \$174,267 and \$174,267) respectively for the vesting of options issued to directors, officers, consultants and employees, which is included in Operating Expenses. The fair value of each option granted was estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted-average assumptions for options granted in the respective period ended:

	Three-months ended June 30, 2017	Three-months ended June 30, 2016
Risk-free rate of return	1.00%	0.49%
Expected volatility (i)	78%	83%
Dividend yield	-%	-%
Weighted average expected life	5 years	5 years
Estimated forfeiture rate	0 - 5%	0 - 5%

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

(c) Contributed Surplus

The following is a continuity schedule of contributed surplus.

Balance December 31, 2016	\$ 7,494,531
Stock based compensation	138,325
Balance March 31, 2017	\$ 7,632,856
Stock based compensation	89,118
Warrant expiry	80,133
Balance June 30, 2017	\$ 7,802,107

(d) Warrants

The warrants outstanding are as follows:

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

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

(e) Loss per share

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

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

11. SHARE CAPITAL (continued)

	Exercise price	Expiry	Number issued and outstanding	Number exercisable with dilutive impact	Number exercisable with anti-dilutive impact
Stock and consultant compensation options	Note 11(b)	Note 11(b)	9,236,500	-	5,816,265
Conversion option	Note 9	Note 9	2,500,000	-	2,500,000
Warrants	Note 11(d)	Note 11(d)	-	-	-

12. RELATED PARTY TRANSACTIONS

Posera conducted business with a Company controlled by former Chief Executive Officer (“CEO”) Paul K. Howell, whom stepped down from that role on September 25, 2015 and then subsequently resigned from his directorship on May 24, 2016 and ceased to be a related party at that time. During the period April 1, 2016 to May 24, 2016 and from January 1, 2016 to May 24, 2016, when Mr. Howell was a related party the Company recognized revenue in the amount of \$nil and \$47,395 respectively. Additionally, Posera recognized operating expenses and purchased products of \$5,951 and \$26,097 for the periods April 1, 2016 to May 24, 2016 and from January 1, 2016 to May 24, 2016 respectively. All transactions were agreed upon by the parties and were completed at the exchange amount.

During the three and six-months ended June 30, 2017, the Company received legal fees and disbursement invoices totaling \$19,535 and \$83,531 (2016 - \$6,348 and \$6,828), from law firms, which a director of Posera is and/or was a partner. As at June 30, 2017, the Company has a payable position of \$74,395 (December 31, 2016 - \$613) 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 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, 2017	Three-months ended June 30, 2016	Six-months ended June 30, 2017	Six-months ended June 30, 2016
Salaries and short-term employee benefits	\$ 149,904	\$ 199,339	\$ 319,656	\$ 595,201
Share-based payments	58,627	44,483	154,141	71,697
Total	\$ 208,531	\$ 243,822	\$ 473,797	\$ 666,898

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

Posera Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2017 and 2016
(in Canadian dollars, except as noted)

13. CHANGES IN WORKING CAPITAL ITEMS

	Three-months June 30, 2017	Three-months June 30, 2016	Six-months June 30, 2017	Six-months June 30, 2016
Accounts receivable	\$ 89,669	\$ 361,366	\$ 63,277	\$ 477,647
Investment tax credits and investment credits receivable	246,415	31,083	167,904	(77,400)
Income taxes payable and recoverable	27,302	(77,699)	44,332	(41,050)
Lease receivable	12,726	4,349	19,472	9,166
Inventory	(33,631)	120,154	(145,174)	(148,395)
Prepaid expenses and deposits	28,840	79,427	51,063	54,804
Accounts payable and accrued liabilities	(33,013)	(1,331,039)	(324,109)	29,283
Provisions	(253,604)	(120,000)	(255,910)	-
Deferred revenue	63,710	(49,298)	245,935	137,806
Total	\$ 148,414	\$ (981,657)	\$ (166,223)	\$ 441,861

14. FINANCIAL INSTRUMENTS

The fair values of the financial assets and liabilities, approximate their carrying value at June 30, 2017 and December 31, 2016.

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

	June 30, 2017	December 31, 2016
Financial assets		
Loans and receivables	\$ 4,800,469	\$ 5,113,700
Financial liabilities		
Other financial liabilities	4,355,445	4,642,425

15. SEGMENTED INFORMATION

The Company in prior years was divided into two reportable segments: Point-of-Sale ("POS") and Payments. During fiscal 2016, the Company divested the Zomaron Inc. entity as disclosed in the discontinued operations Note 16, which were excluded from segmented results throughout fiscal 2016 and the Company disposed of the assets for the ATM payment processing division. The disposal of these business units has resulted in the elimination of the Payments reporting segment and prospectively the Company only has the one reportable segment, being POS.

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

16. DISPOSITION OF ZOMARON AND DISCONTINUED OPERATIONS

During the year ended December 31, 2016, the Company decided to divest of its wholly owned subsidiary Zomaron Inc., which was within the Payments Segment following a decision made to focus Company resources and capital investment in targeted growth opportunities in the Company's identified core markets; 1) Point-of-Sale and 2) SecureTablePay platforms.

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

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

	Note Receivable
Balance – December 31, 2015	\$ Nil
Zomaron Disposition	1,200,000
Payments received	(400,000)
Revaluation	(320,000)
Balance – December 31, 2016	\$ 480,000
Payments received	(480,000)
Balance – June 30, 2017	\$ -

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

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

Posera Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

June 30, 2017 and 2016

(in Canadian dollars, except as noted)

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

During the year-ended December 31, 2016, the Company recorded a gain on the disposal of Zomaron of \$1,959,794, being a gain of \$2,134,794 less tax of \$175,000. The Company incurred transaction costs related to the disposition of Zomaron of \$nil (year-ended 2016 - \$79,229) during the three and six-months ended June 30, 2017, which has been recorded in General and Administrative in the Statement of Operations. Zomaron has been presented as a discontinued operation, separate from continuing operations, in the Consolidated Statements of Operations and Comprehensive Loss during the three-months ended June 30, 2016 and March 31, 2016.

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

	Three-months ended June 30, 2017(i)	Three-months ended June 30, 2016(i)	Six-months ended June 30, 2017(i)	Six-months ended June 30, 2016(i)
Revenue	-	358,839	-	1,279,183
Cost of inventory	-	69,274	-	254,075
Operations and support	-	31,123	-	124,375
Total Cost of Sales	-	100,397	-	378,450
Gross Profit	-	258,442	-	900,733
Sales and marketing	-	204,696	-	779,259
General and administrative	-	44,710	-	189,438
Total Operating expenses	-	249,406	-	968,697
Interest expense	-	557	-	2,334
Net Income(loss) before income taxes from discontinued operations	-	8,479	-	(70,298)
Deferred tax recovery	-	-	-	-
Net Income(loss) from discontinued operations	-	8,479	-	(70,298)

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

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

	Three-months ended June 30, 2017	Three-months ended June 30, 2016	Six-months ended June 30, 2017	Six-months ended June 30, 2016
Cash flow from Operations	-	47,641	-	139,141
Cash flow used in Financing	-	(3,208)	-	(12,835)
Total Cash flow from (used in) Discontinued Operations	-	44,433	-	126,306

Posera Ltd.
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2017 and 2016
(in Canadian dollars, except as noted)

17. SUBSEQUENT EVENTS

- i) On August 4, 2017, the Company issued a total of 19,932,426 Common Shares at a price of \$0.12 per Common Share for gross proceeds of \$2,391,891 (the “Offering”). Posera paid finder’s fees in the aggregated amount of \$35,729 in connection with certain subscriptions for Common Shares, representing 6.0% of the gross proceeds of such subscriptions.
- ii) On August 9, 2017 the Company issued a total of 3,750,000 Common Shares at a price of \$0.12 per Common Share for gross proceeds of \$450,000 (the “Offering”). No finders fees corresponding with the Offering were payable. This Offering represents the second and final tranche of a non-brokered private placement whereby the Company issued a total of 23,682,426 Common Shares (the “Financing”).