



MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Three-months ended March 31, 2019

Dated: May 10th, 2019

This Management's Discussion and Analysis ("MD&A") for three-months ended March 31st, 2019 (first quarter of fiscal 2019) provides detailed information on the operating activities, performance and financial position of Posera Ltd. ("Posera" or the "Company"). This discussion should be read in conjunction with the Company's condensed consolidated interim financial statements and accompanying notes for the three-months ended March 31st, 2019. The financial statements have been prepared in compliance with International Financial Reporting Standards applicable to the preparation of interim financial statements ("IFRS") and are reported in Canadian dollars. The information contained herein is dated as of May 15th, 2019, and is current to that date, unless otherwise stated.

This MD&A discusses the three-months ended March 31, 2019, compared to December 31, 2018 and March 31, 2018. For an analysis of the three-months ended March 31, 2019 compared to March 31, 2018 and December 31, 2018, please read this MD&A in conjunction with the MD&A for the three-months ended March 31, 2018 and the year-ended December 31, 2018.

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

References herein to "Posera", "the Company", "we" and "our" mean Posera Ltd.

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

Financial Highlights and Summary - Three-months ended March 31, 2019 (Unaudited)

(This section acts merely as a summary; the detailed analysis is discussed in the "Comparison of the Unaudited three-months ended March 31, 2019, March 31, 2018 and December 31, 2018".)

- Total revenues of \$2,007,517 for the three-months ended March 31, 2019 were 26.8% lower compared to a particularly strong performance in the prior year comparative quarter when the Company delivered a significant order for its Kitchen Display System (KDS) product line, as well as multiple large Maitre'D installations in its US operations. Total revenues also decreased by 21.4% compared to the three-months ended December 31, 2018, in line with the Company's historically lower, seasonal volumes in the first quarter;
- Despite lower total revenues, the Company reported a 4.7% increase in recurring revenues for the three-months ended March 31, 2019 compared to the prior year comparative period and an increase of 4.6% compared to the three-months ended December 31, 2018;
- Gross profit of \$755,993 for the three-months ended March 31, 2019 was notably lower compared to the three-months ended March 31, 2018, as well as the three-months ended December 31, 2018 due to the reduced revenues described previously;
- Gross profit margin of 37.7% in the three-months ended March 31, 2019 was relatively flat to the prior year comparative quarter of 38.3%; but a reduction from the 53.9% reported for the three months ended December 31, 2018 when the company recorded significant development revenues related to its SecureTablePay product that had no associated cost of sales;
- Net loss for the three-months ended March 31, 2019 was a loss of \$865,537, a 5.6% improvement compared to the three-months ended March 31, 2018 driven by lower operating expenses; and a 20.6% improvement compared to the three-months ended December 31, 2018 as a result of significantly lower general & administrative expenses;
- The lower revenues in the three-months ended March 31, 2019 described earlier, resulted in an EBITDA loss of \$786,029 that was 8.2% greater than the EBITDA loss in the three-months ended March 31, 2018; and a 71.6% greater EBITDA loss compared to the three-months ended December 31, 2018;
- Normalized EBITDA loss for the three-months ended March 31, 2019 was a loss of \$568,074, compared to a loss of \$547,177 for the three-months ended March 31, 2018, and a loss of \$138,018 for the three-months ended December 31, 2018;

FORWARD LOOKING STATEMENTS

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

NON-IFRS REPORTING MEASURES

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

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

Non-IFRS reporting definitions:

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

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

NON-IFRS REPORTING MEASURES (continued)

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

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

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

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

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

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

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

Comparative Figures:

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

Posera’s Business

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

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

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

Posera Ltd.’s shares are traded on the Toronto Stock Exchange under the symbol “**PAY**”.

Composition of Revenues and Expenses

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

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

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

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

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

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

Growth Strategy and Future Outlook

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

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

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

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

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

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

Posera has devoted significant resources to the development of its SecureTablePay product, a pay-at-the-table ("PATT") middleware, with a focus on becoming one of the first to market an EMV-compliant PATT solution in the US. SecureTablePay enables mobile handheld payment terminals to interact with POS Systems, providing a direct integration to most leading POSs. With SecureTablePay, payment terminals that would otherwise be 'dumb pinpads', become 'smart terminals' that pull the transaction information

Growth Strategy and Future Outlook (*continued*)

directly from the RMS, perform transaction-closing tasks that are normally performed by the POS, such as bill splitting. Payment processing performed entirely on the terminal and at the point of service ensures no sensitive cardholder data is ever exchanged with the POS, keeping the restaurant's POS out of scope for PCI. SecureTablePay's P2PE chip card processing capability is fully EMV-compliant, reducing costly chargebacks.

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

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

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

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

Comparison of the Unaudited Three-Months Ended

The table below sets out the unaudited statements of operations for the three-months ended March 31, 2019, March 31, 2018 and December 31, 2018. The information has been re-presented to exclude discontinued operations and display favourable and (unfavourable) dollar and percentage variances.

Analysis of the Unaudited Quarterly Results	Current Quarter	Comparison to Same Quarter Last Year			Comparison to Consecutive Quarter		
	Q1-2019 (unaudited) \$	Q1-2018 (unaudited) \$	Favourable / (Unfavourable) Variance \$	Favourable / (Unfavourable) Variance %	Q4-2018 (unaudited) \$	Favourable / (Unfavourable) Variance \$	Favourable / (Unfavourable) Variance %
Total Revenue	2,007,517	2,742,337	(734,820)	(26.8)%	2,554,085	(546,568)	(21.4)%
Cost of Sales							
Cost of inventory	368,989	830,791	461,802	55.6%	480,887	111,898	23.3%
Technology	220,156	261,483	41,327	15.8%	218,668	(1,488)	(0.7)%
Operations and Support	662,379	599,127	(63,252)	(10.6)%	477,849	(184,530)	(38.6)%
Total Cost of Sales	1,251,524	1,691,401	(439,877)	(26.0)%	1,177,404	(74,120)	(6.3)%
Gross Profit	755,993	1,050,936	(294,943)	(28.1)%	1,376,681	(620,688)	(45.1)%
Gross Profit Percentage	37.7%	38.3%		(1.8)%	53.9%		(30.2)%
Operating Expenditures							
Sales and Marketing	470,806	561,318	90,512	16.1%	408,099	(62,707)	(15.4)%
General and Administrative	1,142,690	1,273,365	130,675	10.3%	1,482,822	340,132	22.9%
Total Operating Expenditures	1,613,496	1,834,683	221,187	12.1%	1,890,981	277,485	14.7%
	(857,503)	(783,747)	73,756	9.4%	(514,300)	(343,203)	(66.7)%
Other Expenses (Income)							
Interest expense	2,657	18,878	16,221	85.9%	-	(2,657)	n/m ⁽²⁾
Realized and unrealized (gain) loss on foreign exchange	45,356	(63,140)	(108,496)	n/m ⁽²⁾	(93,078)	(138,434)	n/m ⁽²⁾
Interest and other income	(53,444)	(25,187)	28,257	112.2%	(64,497)	(11,053)	(17.1)%
Loss allowance	-	-	-	n/m ⁽²⁾	592,158	592,158	n/m ⁽²⁾
Total Other (Income) Expenses	(5,431)	(69,449)	(64,018)	(92.2)%	434,583	440,014	101.2%
Net Loss Before Income Taxes from Continuing Operations	(852,072)	(714,298)	(134,774)	(19.3)%	(948,883)	96,811	10.2%
Current tax expense (recovery)	63,399	198,034	134,635	68.0%	(34,129)	(97,528)	(285.7)%
Future tax expense (recovery)	(49,934)	4,750	54,684	n/m ⁽²⁾	175,347	225,281	128.5%
Net Loss	(865,537)	(917,082)	51,545	5.6%	(1,090,101)	224,564	20.6%
Other Comprehensive (Loss) Income	(77,769)	112,974	(190,743)	(168.8)%	174,677	(252,446)	(144.5)%
Net Comprehensive Loss	(943,306)	(804,108)	(139,198)	(17.3)%	(915,424)	(27,882)	(3.1)%

Comparison of the Unaudited Three-Months Ended (continued)

Non-IFRS reporting measures(as outlined on Pages 17-19 of this MD&A):	Current Quarter	Comparison to Same Quarter Last Year			Comparison to Consecutive Quarter		
	Q1-2019 (unaudited) \$	Q1-2018 (unaudited) \$	Variance \$	Variance %	Q4-2018 (unaudited) \$	Variance \$	Variance %
Recurring Revenue	803,125	766,757	36,368	4.7%	767,729	35,936	4.6%
EBITDA	(786,029)	(726,642)	(59,387)	(8.2)%	(458,112)	(327,917)	(71.6)%
Normalized EBITDA	(568,074)	(547,177)	(20,897)	(3.8)%	(138,018)	(430,056)	(311.6)%

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

Selected Financial Data for the three months ended	March 31, 2019	March 31, 2018	December 31, 2018
Total revenue	\$ 2,007,517	\$ 2,742,337	\$ 2,554,085
Recurring revenue	803,125	766,757	767,729
Net loss	(865,537)	(917,082)	(1,090,101)
Income (loss) per share – basic and diluted	(0.01)	(0.01)	(0.01)
Weighted average number of shares outstanding (000's) - basic	119,797	119,630	119,797
Weighted average number of shares outstanding (000's) – diluted	119,797	119,630	119,797
Cash and cash equivalents	5,727,751	10,646,130	6,413,647
Net operating working capital (as outlined on Page 19 of this MD&A)	7,765,062	11,402,027	8,269,748
Total assets	15,595,622	19,067,011	16,215,319
Long-term liabilities	249,772	12,818	172,099
Total shareholders' equity	12,511,375	16,159,630	13,438,515

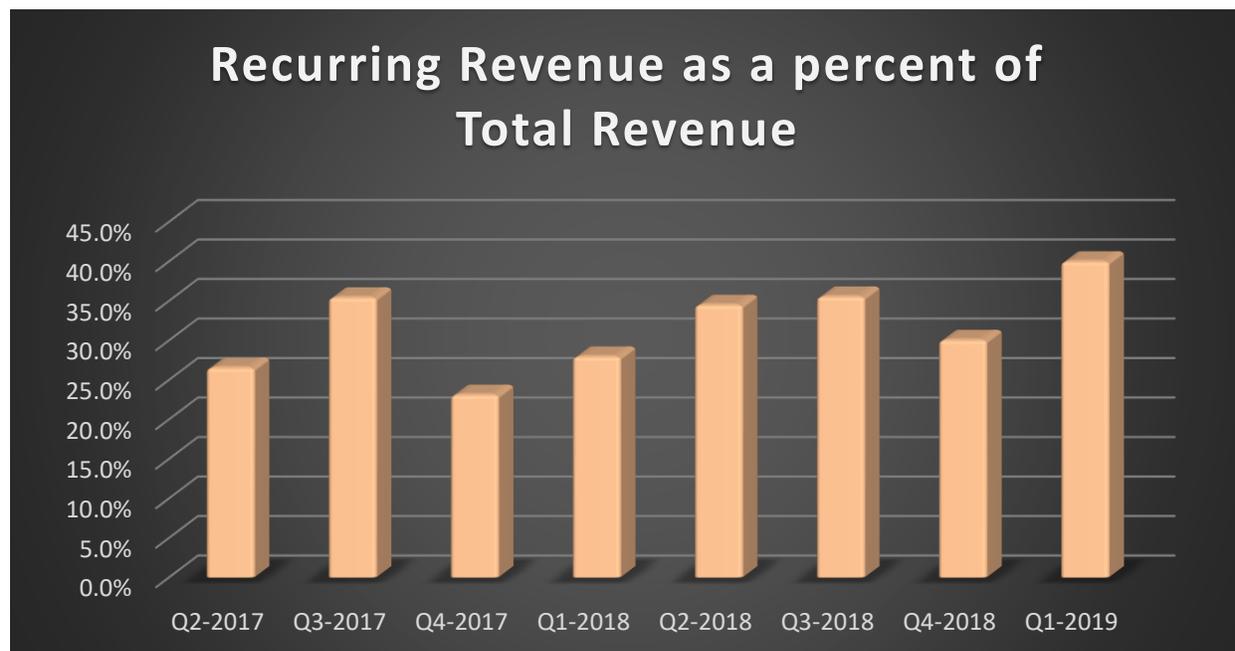
Comparison of the unaudited quarters ended March 31, 2019 and 2018 and December 31, 2018

Recurring Revenue:

Recurring Revenue Comparisons March 31, 2019, March 31, 2018 and December 31, 2018

Total Recurring Revenue Reconciliation	For the quarters ended		
	March 31, 2019	March 31, 2018	December 31, 2018
Total Recurring Revenue	\$ 803,125	\$ 766,757	\$ 767,729
As a % of Total Revenue	40.0%	28.0%	30.1%

The Company continues to focus on its recurring revenue model of stable, predictable recurring revenue streams. Recurring revenue will continue to benefit the Company as we focus on enhancing and growing these revenue streams. Recurring revenue is a Non-GAAP financial metric which includes certain components of POS revenues as disclosed on the statement of operations. These include POS support and maintenance contracts, transaction processing and other recurring revenue agreements. To a lesser extent, recurring revenues are transactional in nature and include payment processing revenues and referral fees earned in relation to payments processed by customers. Recurring revenues for the three-months ended March 31, 2019 increased by 4.7% and 4.6% respectively when compared to the three-months ended March 31, 2018 and December 31, 2018 respectively.





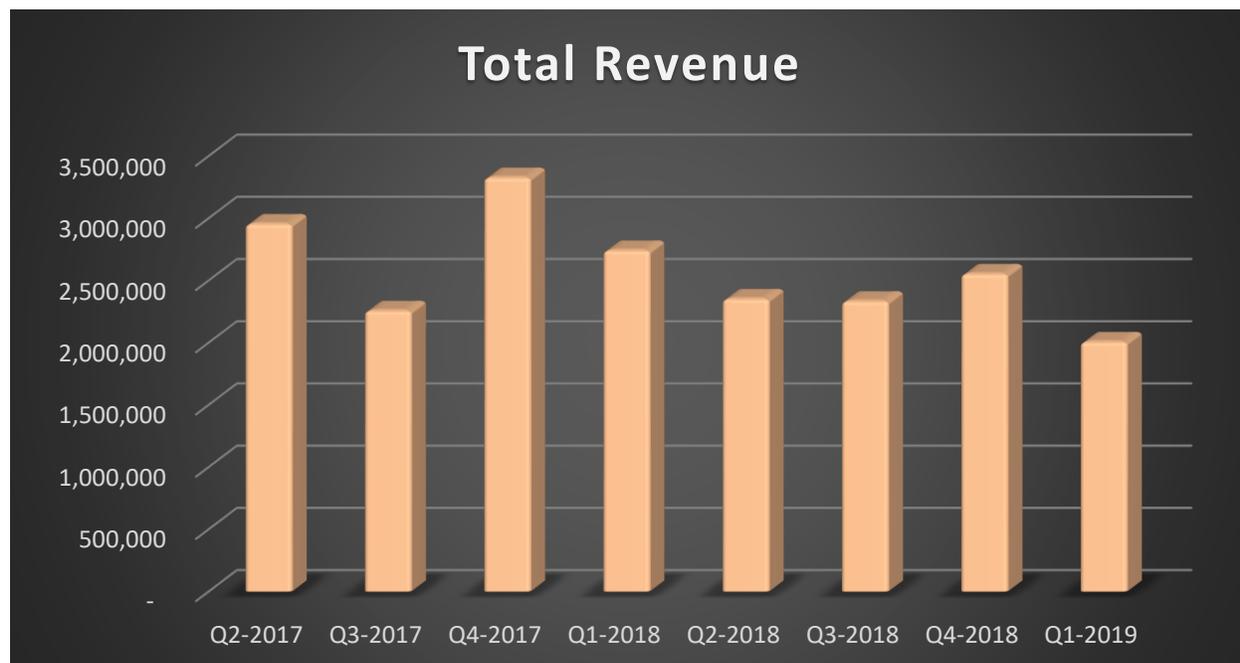
Revenue:

Revenue Comparisons March 31, 2019, March 31, 2018 and December 31, 2018

Total Revenue Reconciliation	For the quarters ended		
	March 31, 2019	March 31, 2018	December 31, 2018
Total Revenue	\$ 2,007,517	\$ 2,742,337	\$ 2,554,085

For the three-months ended March 31, 2019, total revenues decreased by \$734,820 (26.8%) when compared to the three-months ended March 31, 2018 and decreased by \$546,568 (21.4%) compared to the three-months ended December 31, 2018. Revenues decreased in the three-months ended March 31, 2019 when compared to the three-months ended March 31, 2018 as a result of a significant sale of its KDS product in the prior year comparative quarter, as well as several large Maitre'D installations in the US that concluded in the prior year comparative quarter. Those significant KDS and Maitre'D sales reported in the three-months ended March 31, 2018 helped to boost sales well above the typical, seasonal level the Company would expect to see in the first quarter of the year.

The decrease in revenues between the three-months ended March 31, 2019 and December 31, 2018 is characteristic of the Company's historical performance and reflects the seasonality typical of the hospitality industry.



Cost of Sales:

Cost of Sales Comparisons March 31, 2019, March 31, 2018 and December 31, 2018

Cost of Inventory

Cost of Inventory Reconciliation			
For the quarters ended			
	March 31, 2019	March 31, 2018	December 31, 2018
Cost of Inventory	\$ 368,989	\$ 830,791	\$ 480,887
As a % of Total Revenue	18.4%	30.3%	18.8%

Posera recognized cost of inventory of \$368,989 (18.4% of total revenues) for the three-months ended March 31, 2019, compared to \$830,791 (30.3% of total revenues) for the three-months ended March 31, 2018, and \$480,887 (18.8% of total revenues) for the three-months ended December 31, 2018. The decrease in the cost of inventory as a percentage of revenue between the comparative periods was driven by revenue mix. As noted above, during the three-months ended March 31, 2018, the Company delivered significant volumes of new KDS and Maitre'D systems, which carry higher hardware costs, consistent with the higher overall cost of inventory reported in that period. The three-months ended March 31, 2019 and December 31, 2018 represented more normal levels of new installations, and therefore cost of inventory as a percentage of sales returned to more typical levels.

Technology Expense

Technology Expense Reconciliation⁽¹⁾			
For the quarters ended			
	March 31, 2019	March 31, 2018	December 31, 2018
Technology Expense	\$ 220,156	\$ 261,483	\$ 218,668
Less: Amortization of intangible assets	12,143	12,143	12,143
Adjusted Technology Expense	\$ 208,013	\$ 249,340	\$ 206,525
As a % of Total Revenue	10.4%	9.1%	8.1%

The adjusted technology expense decreased during the three-months ended March 31, 2019 compared to the three-months ended March 31, 2018 as a result of lower people-related costs and was relatively consistent with the three-months ended December 31, 2018.

Operations and Support Expense

Operations and Support Expense Reconciliation			
For the quarters ended			
	March 31, 2019	March 31, 2018	December 31, 2018
Operations and Support Expense	\$ 662,379	\$ 599,127	\$ 477,849
As a % of Total Revenue	33.0%	21.8%	18.7%

The adjusted operations and support expenses were \$662,379 in the three-months ended March 31, 2019; an increase of \$63,252 (10.6%) from \$599,127 in the three-months ended March 31, 2018 and also increased by \$184,530 (38.6%) from \$477,849 in the three-months ended December 31, 2018. The increase was driven by costs to support the Company's SecureTablePay product line in the US, including upcoming new deployments.

Operating Expenditures:

Operating Expenditures			
For the quarters ended			
	March 31, 2019	March 31, 2018	December 31, 2018
Operating Expenditures	\$ 1,613,496	\$ 1,834,693	\$ 1,890,981
Less: Amortization of intangible assets, PP&E and Leases ⁽¹⁾	59,061	44,963	44,045
Less: Other One-time expenditures	201,789	130,118	301,802
Less: Stock-based compensation	16,166	49,347	18,292
Adjusted Operating Expenditures	\$ 1,336,480	\$ 1,610,265	\$ 1,526,842
As a % of Total Revenue	66.6%	58.7%	59.8%

(1) Amount includes the prospective adoption of IFRS 16 as at January 1, 2019. The amount includes \$16,582 of Amortization of Lease during the three-months ended March 31, 2019, whereas due to the prospective adoption of IFRS 16 the Amortization of Leases during the comparative periods was \$nil and \$nil respectively. See the Condensed Consolidated Interim Financial Statements Note #2 for further disclosure surrounding the Company's adoption of IFRS 16.

Sales and Marketing Expense

Sales and Marketing Expense Reconciliation			
	For the quarters ended		
	March 31, 2019	March 31, 2018	December 31, 2018
Sales and Marketing Expense	\$ 470,806	\$ 561,318	\$ 408,099
Less: Amortization of intangible assets	13,369	11,827	11,884
Adjusted Sales and Marketing expense	\$ 457,437	\$ 549,491	\$ 396,215
As a % of Total Revenue	22.8%	20.0%	15.5%

The adjusted sales and marketing expenses decreased \$92,054 (16.8%) and increased \$61,222 (15.5%) for the three-months ended March 31, 2019 compared to the three-months ended March 31, 2018 and December 31, 2018 respectively. The adjusted sales and marketing expenses decreased for the three-months ended March 31, 2019 compared to the three-months ended March 31, 2018 commensurate with the decrease in revenues and associated commissions earned by sales and marketing employees. The adjusted sales and marketing expenses increased for the three-months ended March 31, 2019 compared to the three-months ended December 31, 2018 driven by the Company's participation in industry tradeshows in the first quarter.

General and Administrative ("G&A") Expense

General and Administrative ("G&A") Expense Reconciliation			
	For the quarters ended		
	March 31, 2019	March 31, 2018	December 31, 2018
G&A Expense	\$ 1,142,690	\$ 1,273,365	\$ 1,482,882
Less: Stock-based compensation expense	16,166	49,347	18,292
Less: Amortization of intangible assets, PP&E and Leases ⁽¹⁾	45,692	33,136	32,161
Less: One-time expenditures	201,789	130,118	264,467
Adjusted G&A Expense	\$ 879,043	\$ 1,060,764	\$ 1,167,902
As a % of Total Revenue	43.8%	38.7%	45.7%

(1) Amount includes the prospective adoption of IFRS 16 as at January 1, 2019. The amount includes \$16,582 of Amortization of Lease during the three-months ended March 31, 2019, whereas due to the prospective adoption of IFRS 16 the Amortization of Leases during the comparative periods was \$nil and \$nil respectively. See the Condensed Consolidated Interim Financial Statements Note #2 for further disclosure surrounding the Company's adoption of IFRS 16.

The adjusted general and administrative expenditures for the three-months ended March 31, 2019 decreased \$181,721 (17.1%) and decreased \$288,859 (24.7%), when compared to the three-months ended March 31, 2018 and December 31, 2018 respectively. The decrease between the three-months ended March 31, 2019 and March 31, 2018 resulted from a reduction in facilities costs, consulting and other cost rationalizations between the comparable periods. Partially offsetting those reduced costs however, were one-time expenditures relating to legal and professional fees incurred to review unsolicited offers to purchase certain parts of its business during the first quarter of 2019 and the fourth quarter of 2018. Posera views these costs as outside of the normal course of business and has treated them as one-time expenditures.

Other Expense and Income:

Interest expense for the three-months ended March 31, 2019 was \$2,657, compared to interest expense of \$18,878 and \$nil during the three-months ended March 31, 2018 and December 31, 2018 respectively. Interest and other income are comprised primarily of interest earned from the investing of Posera's corporate funds and from the interest earned on the note receivable that was issued by the Company during fiscal 2018. The increase in the interest and other income during the three-months ended March 31, 2019 reflects the Company's the interest earned on the note receivable, which was not outstanding during the three-months ended March 31, 2018 comparable period.

Realized and unrealized loss / (gain) on foreign exchange is driven primarily by US dollar denominated net assets on the Company's Consolidated Statements of Financial Position for its Canadian subsidiary entities. The Canadian dollar, relative to the US dollar, for the three-months ended March 31, 2019 strengthened by approximately 2%, explaining the majority of the foreign exchange loss recorded in the quarter, whereas during the three-months ended March 31, 2018, it weakened by approximately 3%, which led to a foreign exchange gain in that quarter. For the three-months ended December 31, 2018 the Canadian dollar weakened by nearly 7% relative to the US dollar, resulting in the foreign exchange gain recorded in that quarter.

Loss allowance is management's best estimate of the credit risk associated with the note receivable as the outstanding balance is more than 30 days past due. During the three-months ended December 31, 2018 the Company applied a \$592,158 loss allowance related to the outstanding note receivable as the note receivable was more than 30 days passed due, compared to \$nil and \$nil for the three-months ended March 31, 2019 and 2018 comparative periods. The Company's accounting policies require a periodic estimation of credit losses and the Company assessed no change to its estimates from the December 31, 2018, resulting in no additional loss allowance being applied during the three-months ended March 31, 2019. The full balance of \$2,341,713 is owing and is secured by certain assets of the borrower.

Summary of Unaudited Quarterly Results

The following table sets forth unaudited statements of operations data for the eight most recent quarters ended March 31, 2019 as prepared in accordance with IFRS and certain Non-IFRS measurements. The information has been derived from our unaudited quarterly financial statements that, in management's opinion, have been prepared on a basis consistent with the audited financial statements for the years ended December 31, 2018 and 2017 and include all adjustments necessary for a fair presentation of information presented. The Earnings (Loss) Per Share – Basic and Diluted per quarter may not aggregate to the Earnings (Loss) Per Share – Basic and Diluted in the annual financial statements due to rounding.

Summary of Unaudited Quarterly Results	2019	2018		
	Q1	Q4	Q3	Q2
Total revenue	\$ 2,007,517	\$ 2,554,085	\$ 2,334,761	\$ 2,352,937
Recurring revenue	\$ 803,125	\$ 767,729	\$ 830,049	\$ 811,794
EBITDA	\$ (786,029)	\$ (458,112)	\$ (886,458)	\$ (820,055)
Normalized EBITDA	\$ (568,074)	\$ (138,018)	\$ (335,898)	\$ (512,181)
Net Loss ⁽²⁾	\$ (865,537)	\$ (1,090,101)	\$ (909,088)	\$ (902,438)
Comprehensive Loss ⁽²⁾	\$ (943,306)	\$ (915,424)	\$ (1,015,284)	\$ (877,219)
Loss Per Share Basic and Diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Loss Per Share Basic and Diluted from Operations	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Summary of Unaudited Quarterly Results	2018	2017		
	Q1	Q4	Q3	Q2
Total revenue	\$ 2,742,337	\$ 3,327,865	\$ 2,258,166	\$ 2,954,903
Recurring revenue	\$ 766,556	\$ 769,460	\$ 800,383	\$ 784,380
EBITDA adjusted for discontinued operations ^(1,2)	\$ (726,642)	\$ (463,612)	\$ (475,995)	\$ (92,645)
Normalized EBITDA adjusted for discontinued operations ^(1,2)	\$ (547,177)	\$ (349,881)	\$ (356,839)	\$ 102,832
Net Income (Loss) ⁽²⁾	\$ (917,082)	\$ (956,135)	\$ 9,857,645	\$ (924,709)
Comprehensive Income (Loss) ⁽²⁾	\$ (804,108)	\$ (939,781)	\$ 9,809,543	\$ (989,027)
Earnings (Loss) Per Share Basic and Diluted	\$ (0.01)	\$ (0.01)	\$ 0.10	\$ (0.01)
Earnings (Loss) Per Share Basic and Diluted from Continuing Operations	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.01)

(1) See EBITDA adjusted for discontinued operations and Normalized EBITDA adjusted for discontinued operations reporting measures (as outlined on Pages #23 of this MD&A)

(2) Presentation of EBITDA adjusted for discontinued operations, Normalized EBITDA adjusted for discontinued operations, Net Income (Loss) and Comprehensive Income / Loss include the results from discontinued operations of FingerPrints as previously discussed on Page #23 for the periods Q2-2017 to Q4-2017.

Reconciliation of Unaudited Non-IFRS measures to Closest IFRS Equivalent

Net Income (Loss) to EBITDA and Normalized EBITDA	2019	2018		
	Q1	Q4	Q3	Q2
Net Loss	\$ (865,537)	\$ (1,090,101)	\$ (909,088)	\$ (902,438)
Interest expense	2,657	-	-	-
Exchange loss (gain)	45,356	(93,078)	(5,758)	(36,690)
Interest and other income	(53,444)	(64,497)	(52,473)	(33,023)
Amortization of equipment	22,579	23,930	23,843	25,683
Amortization of intangible assets	32,313	32,258	32,207	32,190
Amortization of right of use assets	16,582	-	-	-
Tax expense (recovery)	13,465	141,218	24,811	94,223
Loss of revaluation of financial instruments	0	592,158	0	0
EBITDA	\$ (786,029)	\$ (458,112)	\$ (886,458)	\$ (820,055)
One-time non-recurring expenditures	201,789	301,802	524,239	265,673
Stock-based compensation expense	16,166	18,292	26,321	42,201
Normalized EBITDA	\$ (568,074)	\$ (138,018)	\$ (335,898)	\$ (512,181)

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

Net (Loss) Income to EBITDA and Normalized EBITDA adjusted to exclude discontinued operations ⁽¹⁾	2018		2017	
	Q1	Q4	Q3	Q2
	Net (Loss) Income⁽¹⁾	\$ (917,082)	\$ (956,135)	\$ 9,857,645
Interest expense	18,878	94,437	60,298	(218,231)
Exchange (income) loss	(63,140)	(8,712)	62,700	100,176
Interest and other income	(25,187)	(28,980)	(2,953)	(3,981)
Amortization of equipment	25,007	21,512	28,923	28,242
Amortization of intangible assets	32,098	61,979	136,462	165,942
Loss from discontinued operations	-	69,104	855,349	541,937
Loss (Gain) on disposition of subsidiary	-	324,685	(11,237,620)	-
Tax expense (recovery)	202,784	(41,502)	(236,799)	217,979
EBITDA adjusted to exclude discontinued operations⁽¹⁾	\$ (726,642)	\$ (463,612)	\$ (475,995)	\$ (92,645)
One-time non-recurring expenditures	130,118	52,314	25,858	106,359
Stock-based compensation expense	49,347	61,417	93,298	89,118
Normalized EBITDA adjusted to exclude discontinued operations⁽¹⁾	\$ (547,177)	\$ (349,881)	\$ (356,839)	\$ 102,832

(1) Presentation of EBITDA adjusted to exclude discontinued operations, Normalized EBITDA adjusted to exclude discontinued operations, Net Income (Loss) and Comprehensive Income / Loss include the results from discontinued operations of FingerPrints as previously discussed on Page #23 for the periods Q2-2017 to Q4-2017.

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

Summary of Net Operating Working Capital	March 31, 2019	March 31, 2018	December 31, 2018
Equity	\$ 12,511,375	\$ 16,159,630	\$ 13,438,515
Add: Long-term portion of vehicle loans	5,913	12,818	14,512
Add: Future income tax liability	133,824	-	164,440
Add: Lease liability ⁽¹⁾	175,726	-	-
Add: Deferred revenue	545,615	1,117,914	526,913
Less: Goodwill	(4,154,483)	(4,028,420)	(4,229,475)
Less: Intangible assets	(689,934)	(815,438)	(728,418)
Less: Long-term portion of investment tax credits receivable	(600,932)	(812,972)	(603,653)
Less: Long-term portion of lease receivable	-	(700)	-
Less: Long-term lease receivable ⁽¹⁾	174,285	-	-
Less: Deposit on leased premises	(43,279)	(45,972)	(43,278)
Less: Equipment	(65,312)	(184,833)	(86,898)
Less: Deferred income tax asset	(227,736)	-	(176,057)
Net Operating Working Capital⁽¹⁾	\$ 7,765,062	\$ 11,402,027	\$ 8,269,748

(1) Amount includes the prospective adoption of IFRS 16 as at January 1, 2019. The amount includes \$175,726 of Long-term Lease Liability and \$174,285 of Long-term Lease Receivable as at March 31, 2019. Due to the prospective adoption of IFRS 16 the Lease Liability and Receivable balances were \$nil for all of the comparative periods. See the Condensed Consolidated Financial Statements Note #2 for further disclosure surrounding the Company's adoption of IFRS 15.

Liquidity and Financial Resources

As at March 31, 2019, Posera had cash and cash equivalents totaling \$5,727,751 (December 31, 2018 - \$6,413,647).

For the three-months ended March 31, 2019 and 2018, cash used by operating activities was \$469,537 and \$1,805,590 respectively. Cash used by operations for the three-months ended March 31, 2019 and March 31, 2018 resulted from a net loss which was partially offset by changes in working capital items, amortization and stock-based compensation.

For the three-months ended March 31, 2019 and 2018, cash provided by / (used in) financing activities were (\$19,492) and \$208,435 respectively. Cash used in financing activities for the three-months ended March 31, 2019 resulted primarily from vehicle loan payments and the Company's lease obligations arising from changes in the International Financial Reporting Standard 16 (Leases) which are related to office facilities. Cash provided by financing activities for the three-months ended March 31, 2018 resulted primarily from the proceeds received from the exercise of stock options during the period. During the three-months ended March 31, 2019 the Company did not have any exercise of stock options.

For the three-months ended March 31, 2019 and 2018, cash used in investing activities was \$1,011 and \$10,813 respectively. The cash used in investing activities during the three-months ended March 31, 2019 and 2018 related primarily to the acquisition of property plant and equipment respectively.

Net operating working capital at March 31, 2019 and 2018 was \$7,765,062 and \$11,402,027 respectively.

Commitments

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

As at March 31, 2019, the Company had a cash balance of \$5,727,751 (2018 - \$6,413,647), and other current assets of \$3,911,910 (2018 - \$3,933,893) to settle current liabilities of \$2,834,475 (2018 - \$2,604,705). All the Company's current financial liabilities have contractual maturities that range between 30 and 90 days and are subject to normal trade terms excluding vehicle loans disclosed separately in Note 15 for the Company's the December 31, 2018 annual consolidated financial statements.

Net operating working capital at March 31, 2019 and 2018 was \$7,765,062 and \$11,402,027 respectively.

Financial Instruments

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

The Company's financial instruments have been summarized below:

	March 31, 2019	December 31, 2018
Financial assets at amortized cost	\$ 9,900,246	\$ 10,500,919
Financial liabilities at amortized cost	2,089,449	2,006,382

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

- i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents and, accounts receivable in the aggregate amount of \$7,040,677 as at March 31, 2019 (December 31, 2018 - \$7,720,935). Cash and cash equivalents are held with certain Canadian, US and European financial institutions with high credit worthiness. The Company has adopted a credit policy under which the balance of new customers are analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. The Company's customers are primarily located in Canada, the United

Financial Instruments (continued)

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

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical credit losses experienced over the last two years. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The loss allowance rate for trade receivables has not changed significantly from December 31, 2018 for current outstanding balances and for balances greater than 90 days.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's history, existing market conditions as well as forward-looking estimates at the end of each reporting period. See the sensitivity of the significant judgement in Note 2 of the December 31, 2018 annual consolidated financial statements.

All of the Company's debt investments are recorded at amortized cost and the Company recognized a loss allowance associated with the debt investment during the first quarter of 2019 and the fiscal year-ended 2018. Management considered the credit risk associated with the debt investment when assessing the loss allowance. In determining the probability weighted default model, management considered a range of scenarios including the full repayment of the note and the potential of default. Management has assigned probabilities to each scenario based on its best estimates and considerations around the valuation of the collateral security in place for the note. Additionally, the Company has included the administrative costs required to administer the collection if the note were in default. The Company's credit risk attributable to the note receivable in the aggregate amount of \$2,341,713 as at December 31, 2018 (December 31, 2018 - \$2,295,349) for which the Company has recorded past due loss allowance of \$nil (December 31, 2017 - \$592,158) during the three-months ended March 31, 2019.

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

Capital Structure

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

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

The Company monitors capital on the basis of the debt to equity ratio. This ratio is calculated as total debt divided by total equity. Total debt is calculated as the sum of bank indebtedness, and current and long-term notes payable and vehicle loans as shown in the Consolidated Statement of Financial Position. Total equity is the equity of the Company in the consolidated statements of financial position. As disclosed in Note 8 of the accompanying financial statements for the three-months ended March 31, 2019, the Company is subject to certain externally imposed capital covenants related to bank indebtedness.

The debt to equity ratios as at March 31, 2019, March 31, 2018 and December 31, 2018 were as follows:

	March 31, 2019	March 31, 2018	December 31, 2018
<i>Total Debt</i>			
Vehicle loans	\$ 5,913	\$ 12,818	\$ 7,659
Total Debt	\$ 5,913	\$ 12,818	\$ 7,659
Total Equity	\$ 12,511,376	\$ 16,159,630	\$ 13,438,515
Debt to Equity Ratio	0.01%	0.01%	0.1%

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 March 31, 2019 was \$200,000 (as at December 31, 2018 - \$200,000), of which the Company had utilized \$nil (2017 - \$nil).

Summary of Contractual Obligations

During the three-months ended March 31, 2019, the Company didn't enter into any material contracts.

Capital Resources

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

Financial arrangements not presented in the consolidated statements of financial position

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

Disposition of FingerPrints and Discontinued Operations

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

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

	Assets		Liabilities
Accounts receivable	1,028,319		
Other receivables	12,122		
Inventory	648,196	Accounts payable and	
Deposits on leased premises	11,870	accrued liabilities	390,051
Property plant and equipment	82,882	Deferred revenue	1,289,061
Intangible assets	169,737	Vehicle loans	82,095
Total assets disposed	\$ 1,953,399	Total liabilities disposed	\$ 1,761,207

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

Transactions with Related Parties

During the three-months ended March 31, 2019, the Company received legal fees and disbursement invoices totaling \$46,215 (2018 - \$64,218), from law firms, which a director of Posera is a partner. As at March 31, 2019, the Company has a payable position of \$612,938 (December 31, 2018 - \$333,709) which will be settled between the related parties in the normal course of business. On March 29, 2019 director that was a partner of the Company's legal counsel resigned from the Board of Directors.

On April 27, 2018 the Company established a \$1.6 million secured bridge credit facility with DLT Labs Inc. ("DLT Labs"). Mr. Loudon Owen, former Executive Chairman of Posera (resigned from Posera on May 22, 2018) is a director and shareholder of DLT Labs. The board of directors of Posera established a special committee of independent directors comprised of Messrs. Nordholm (former Chairman), Brown and Figueira to oversee the Company's relationship with DLT Labs and to make recommendations to the board of directors concerning any potential transactions between Posera and DLT Labs. The terms of the credit facility for DLT Labs were negotiated under the supervision of, and reviewed and approved by, the special committee. On August 1, 2018 and August 17, 2018, the Company amended the original terms of the secured credit loan facility by increasing the maximum principal amount available to DLT under the facility to \$1,700,000 and \$2,200,000 respectively. As at March 31, 2019, the Company has a note receivable of \$1,749,555 (December 31, 2018- \$1,703,191) outstanding with DLT Labs. See Note 9 of the Company's condensed consolidated interim financial statements for further details on the loan arrangement which was entered and recorded at the exchange amount in these condensed consolidated interim financial statements.

On March 29, 2019 the Company appointed Mr. Akash Sahai to its Board of Directors. Posera conducted business with a Company controlled by Mr. Sahai whereby he charged fees in relation to his role as Posera's Executive Vice President of Strategy and Business Development. During the three-months ended March 31, 2019, the Company incurred fees for services rendered by Mr. Sahai from the Company he controls in the amount of \$125,000 (three-months ended March 31, 2018 - \$125,000). All transactions have been recorded at the exchange amount. As at March 31, 2019, the Company is in a payable position of \$84,750 (December 31, 2018 - \$nil) which will be settled between the related parties in the normal course of business.

Compensation of key management

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

	Three-months ended March 31, 2019	Three-months ended March 31, 2018
Salaries and short-term employee benefits	\$ 227,117	\$ 278,789
Share-based payments	7,361	23,842
Total	\$ 234,478	\$ 302,631

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

Share Capital

As at March 31, 2019, Posera had issued and outstanding 119,796,878 common shares, and 8,497,250 options, of which 5,218,101 were exercisable at an exercise price to purchase common shares ranging from \$0.125 to \$0.32. As at May 15, 2019, Posera had issued and outstanding 119,796,878 Class A voting common shares and 7,374,750 options, of which 6,038,500 were exercisable at an exercise price to purchase common shares ranging from \$0.125 to \$0.20.

Critical Accounting Estimates and Judgments

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

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

Critical accounting judgments

The preparation of annual consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The following are the significant accounting judgments that were made in the preparation of the financial statements:

Cash-generating units ("CGU"s)

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

Functional currency of consolidated entities.

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

Critical Accounting Estimates and Judgments (*continued*)

Discontinued Operations

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

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

Critical accounting estimates

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

- a. *Intangible assets – March 31, 2019 - \$689,934 (March 31, 2018 - \$815,438, December 31, 2018 - \$728,418) and Goodwill – March 31, 2019 - \$4,154,483 (March 31, 2018 - \$4,028,420, December 31, 2018 - \$4,229,475).*
 - *Critical estimates relate to the valuation of intangible assets and goodwill acquired in business combinations and the potential or actual impairment of intangible assets and goodwill as part of the CGU impairment testing.*
 - *See the detailed disclosure surrounding the estimates, useful lives and amortization policy used by the Company in Note 2 of the December 31, 2018 annual consolidated financial statements.*

- b. *Investment Tax Credits Receivable – non-refundable – March 31, 2019 - \$600,932 (March 31, 2018 - \$812,972; December 31, 2018 - \$603,653).*
 - *Management estimates that the non-refundable Investment Tax Credits receivable will be recoverable before expiry. See detailed disclosure surrounding the expiry dates for non-refundable Investment Tax Credits Receivable in Note 4 of the Company's condensed consolidated interim financial statements. An annualized 2.50% decrease in the forecasted taxable income of the entity with the Non-Refundable Investment Tax Credits Receivable would not cause any of the tax credits to expire before use.*
 - *See the detailed disclosure surrounding the estimates used and sensitivity thereon in the December 31, 2018 annual consolidated financial statements.*

- c. *Note Receivable Loss Allowance – March 31, 2019 - \$592,158 (March 31, 2018 - \$nil and December 31, 2018 - \$nil)*
 - *Critical estimates relate to the valuation of the note receivable loss.*
 - *See the detailed disclosure surrounding the estimates used by the Company in Note 14, of the December 31, 2018 annual consolidated financial statements.*

IFRS Policy Standards Issued and Applicable from January 1, 2019

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

Adjustments recognized on adoption of IFRS 16

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The CEO and CFO are responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Company's management, under the supervision of the CEO and CFO have evaluated whether there were changes to the Company's internal controls over financial reporting during the year-ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. Throughout the remainder of fiscal 2019, the Company aims to continue to improve process documentation to highlight the controls in place which are addressing the key risks, in addition to developing more formal documentation surrounding management's analysis of monthly and quarterly financial reports.

No changes were identified through management's evaluation of the controls over financial reporting. Throughout the remainder of 2019 the Company aims to improve;

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

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

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

Period-end Financial Reporting Process

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

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

Limitation of Control Procedures

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

Risks and Uncertainties

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

Additional Information

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

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