Condensed Consolidated Interim Financial Statements of

POSERA – HDX Limited

(Unaudited)
Three and Nine-months ended September 30, 2015 and 2014

POSERA-HDX Limited

Consolidated Interim Statements of Financial Position

As at September 30, 2015 and December 31, 2014

(unaudited)

(in Canadian dollars)

		September 30, 2015		December 31, 2014
ASSETS (Notes 7, 8, 13)				
CURRENT				
Cash and cash equivalents	$	2,596,178	$	1,442,686
Accounts receivable (Note 11)		3,136,234		3,112,671
Current portion of lease receivable		16,593		20,579
Inventory		1,176,670		890,416
Investment credits receivable - refundable (Note 3)		454,123		771,782
Income taxes receivable (Note 9)		44,182		35,272
Prepaid expenses and deposits		262,227		258,645
		7,686,207		**6,532,051**
NON-CURRENT				
Property, plant and equipment (Note 4)		222,240		283,257
Deposit on leased premises		39,581		39,581
Lease receivable		20,306		32,513
Investment tax credits receivable - non-refundable (Note 3)		878,982		1,056,042
Deferred income tax assets (Note 9)		-		76,210
Intangible assets (Note 5)		2,866,683		3,658,176
Goodwill (Note 6)		7,904,851		7,422,911
	$	**19,618,850**	**$**	**19,100,741**
LIABILITIES (Note 13)				
CURRENT				
Bank indebtedness (Note 7)	$	239,999	$	207,103
Accounts payable and accrued liabilities (Note 11)		3,379,153		3,042,102
Provisions		238,376		207,224
Current portion of vehicle loans and capital leases		56,572		58,201
Current portion of notes payable (Note 8)		342,772		1,165,967
Income taxes payable (Note 9)		-		2,721
Deferred revenue		1,671,500		1,582,005
		5,928,372		**6,265,323**
NON-CURRENT				
Deferred income tax liability (Note 9)		342,885		650,925
Vehicle loans and capital leases		96,512		136,899
Notes payable (Note 8)		1,509,460		1,585,238
		7,877,229		**8,638,385**
EQUITY				
SHARE CAPITAL [Note 10(a)]		56,882,021		53,656,082
CONTRIBUTED SURPLUS [Note 10(b, c)]		7,158,419		7,142,111
WARRANTS [Note 10(d)]		116,270		36,137
DEFICIT		(53,200,382)		(50,597,187)
ACCUMULATED OTHER COMPREHENSIVE INCOME		785,293		225,213
		11,741,621		**10,462,356**
	$	**19,618,850**	**$**	**19,100,741**

See accompanying notes to the consolidated interim financial statements

POSERA-HDX Limited

Consolidated Interim Statements of Operations and Comprehensive Loss

For the Three and Nine-Months ended September 30, 2015 and 2014

(unaudited)

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

	Three-Months ended September 30,		Nine-Months ended September 30,	
	2015	**2014**	**2015**	**2014**
REVENUE (Note 11)				
Point of sale revenue	$ 4,484,605	$ 4,258,454	$ 13,459,633	$ 13,540,739
Payment processing revenue	588,217	435,251	1,643,806	1,209,180
TOTAL REVENUE	**5,072,822**	**4,693,705**	**15,103,439**	**14,749,919**
COST OF SALES (Note 11)				
Cost of inventory	984,118	925,047	3,144,417	2,974,149
Technology (Note 3)	550,040	305,612	1,573,586	1,170,956
Operations and support	1,398,867	1,359,988	4,272,360	4,054,755
TOTAL COST OF SALES	**2,933,025**	**2,590,647**	**8,990,363**	**8,199,860**
GROSS PROFIT	**2,139,797**	**2,103,058**	**6,113,076**	**6,550,059**
OPERATING EXPENSES (Note 11)				
Sales and marketing	1,427,815	1,194,739	4,093,200	3,791,603
General and administrative	1,413,001	1,205,791	4,239,395	3,953,510
TOTAL OPERATING EXPENSES	**2,840,816**	**2,400,530**	**8,332,595**	**7,745,113**
	(701,019)	**(297,472)**	**(2,219,519)**	**(1,195,054)**
OTHER EXPENSES (INCOME)				
Interest expense (Notes 7, 8)	107,714	95,069	304,638	297,650
Realized and unrealized loss(gain) on foreign exchange	22,967	2,779	8,453	(7,098)
Interest and other income	(5,498)	(4,144)	(15,133)	(13,755)
TOTAL OTHER EXPENSES (INCOME)	**125,183**	**93,704**	**297,958**	**276,797**
NET LOSS BEFORE INCOME TAXES	**(826,202)**	**(391,176)**	**(2,517,477)**	**(1,471,851)**
INCOME TAX EXPENSE (RECOVERY)				
Current (Note 9)	124,368	17,516	359,789	(84,501)
Deferred (Note 9)	(112,164)	(208,516)	(274,071)	(120,620)
NET LOSS	**$ (838,406)**	**$ (200,176)**	**$ (2,603,195)**	**$ (1,266,730)**
Items that may be reclassified subsequently to net income				
Other comprehensive gain on foreign translation	284,541	157,183	560,080	165,566
NET COMPREHENSIVE LOSS	**$ (553,865)**	**$ (42,993)**	**$ (2,043,115)**	**$ (1,101,164)**
BASIC AND DILUTED LOSS PER SHARE (Note 10(e))	$ (0.01)	$ -	$ (0.04)	$ (0.02)
BASIC AND DILUTED WEIGHTED AVERAGE NUMBER OF COMMON SHARES (in 000's)	75,838	59,359	69,687	59,348

See accompanying notes to the consolidated interim financial statements

POSERA-HDX Limited

Consolidated Interim Statements of Changes in Equity

For the Three and Nine-Months ended September 30, 2015 and 2014

(unaudited)

(in Canadian dollars)

POSERA

		Three-Months ended September 30,				Six-months ended September 30,		
		2015		2014		2015		2014
DEFICIT BEGINNING OF PERIOD	$	(52,361,976)	$	(49,803,223)	$	(50,597,187)	$	(48,736,669)
Net loss		(838,406)		(200,176)		(2,603,195)		(1,266,730)
DEFICIT END OF PERIOD	**$**	**(53,200,382)**	**$**	**(50,003,399)**	**$**	**(53,200,382)**	**$**	**(50,003,399)**
ACCUMULATED OTHER COMPREHENSIVE INCOME(LOSS) BEGINNING OF PERIOD	$	500,752	$	(43,546)	$	225,213	$	(51,929)
Other comprehensive (loss)gain on foreign translation		284,541		157,183		560,080		165,566
ACCUMULATED OTHER COMPREHENSIVE INCOME END OF PERIOD	**$**	**785,293**	**$**	**113,637**	**$**	**785,293**	**$**	**113,637**
NET COMPREHENSIVE LOSS	**$**	**(553,865)**	**$**	**(42,993)**	**$**	**(2,043,115)**	**$**	**(1,101,164)**
SHARE CAPITAL BEGINNING OF PERIOD	$	56,883,636	$	53,319,143	$	53,656,082	$	53,319,143
Exercise of stock compensation		-		13,020		-		13,020
Issued for cash consideration		-		-		3,579,000		-
Issuance costs - Cash		(1,615)		-		(272,928)		-
Issuance costs - Compensation Warrants		-		-		(80,133)		-
SHARE CAPITAL END OF PERIOD [Note 10(a)]	**$**	**56,882,021**	**$**	**53,332,163**	**$**	**56,882,021**	**$**	**53,332,163**
CONTRIBUTED SURPLUS BEGINNING OF PERIOD	$	7,152,983	$	7,094,891	$	7,142,111	$	6,782,106
Issuance of convertible debenture		-		-		-		92,000
Stock based compensation		5,436		34,597		16,308		255,382
Exercise of stock compensation		-		(5,270)		-		(5,270)
CONTRIBUTED SURPLUS END OF PERIOD [Note 10(b, c)]	**$**	**7,158,419**	**$**	**7,124,218**	**$**	**7,158,419**	**$**	**7,124,218**
WARRANTS BEGINNING OF PERIOD	$	116,270	$	36,137	$	36,137	$	36,137
Compensation Warrants		-		-		80,133		-
WARRANTS END OF PERIOD [Note 10(d)]	**$**	**116,270**	**$**	**36,137**	**$**	**116,270**	**$**	**36,137**

See accompanying notes to the consolidated interim financial statements

POSERA-HDX Limited

Consolidated Interim Statements of Cash Flows

For the Three and Nine-Months ended September 30, 2015 and 2014

(unaudited)
(in Canadian dollars)

	Three-Months ended September 30, 2015	Three-Months ended September 30, 2014	Nine-months ended September 30, 2015	Nine-months ended September 30, 2014
NET (OUTFLOW) INFLOW OF CASH RELATED TO THE FOLLOWING ACTIVITIES				
OPERATING				
Net loss	$ (838,406)	$ (200,176)	$ (2,603,195)	$ (1,266,730)
Items not affecting cash				
Amortization of property, plant & equipment (Note 4)	23,513	23,071	69,863	68,720
Amortization of intangible assets (Note 5)	309,581	258,578	960,678	779,085
Deferred income tax recovery (Note 9)	(112,164)	(208,516)	(274,071)	(120,620)
Stock-based compensation expense [Note 10(b,c)]	5,436	35,608	16,308	257,404
Interest accretion (Notes 8)	40,891	43,237	131,954	139,279
Unrealized loss(gain) on foreign exchange	51,843	(17,138)	(99,342)	(60,604)
	(519,306)	**(65,336)**	**(1,797,805)**	**(203,466)**
Changes in working capital items (Note 12)	(156,772)	(321,786)	681,955	(624,454)
	(676,078)	**(387,122)**	**(1,115,850)**	**(827,920)**
FINANCING				
Proceeds from issuance of Common Shares	-	-	3,579,000	-
Issuance costs paid for Common Shares	(1,614)	-	(272,928)	-
Repayment of vehicle loans and capital leases	(18,336)	(20,261)	(51,332)	(52,917)
Issuance of vehicle loans	-	34,205	-	34,205
Proceeds from the exercise of stock options (Notes 10(a,b, c))	-	7,750	-	7,750
Issuance of notes payable (Note 8)	-	-	-	1,350,000
Issuance costs of notes payable (Note 8)	-	-	-	(100,435)
Repayment of notes payable (Note 8)	(259,290)	-	(1,115,613)	(1,500,000)
	(279,240)	**21,694**	**2,139,127**	**(261,397)**
INVESTING				
Acquisition of property, plant and equipment (Note 4)	(6,774)	(49,726)	(6,774)	(80,834)
Acquisition of intangible assets (Note 5)	-	-	(4,056)	-
	(6,774)	**(49,726)**	**(10,830)**	**(80,834)**
Foreign exchange gain on net cash and cash equivalents held in a foreign currency	**15,686**	**33,085**	**108,149**	**109,132**
NET CASH AND CASH EQUIVALENTS (OUTFLOW)INFLOW	**$ (946,406)**	**$ (382,069)**	**$ 1,120,596**	**$ (1,061,019)**
NET CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	3,302,585	2,068,064	1,235,583	2,747,014
NET CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 2,356,179**	**$ 1,685,995**	**$ 2,356,179**	**$ 1,685,995**
FOR THE PURPOSE OF THIS STATEMENT, NET CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING				
Cash and cash equivalents	$ 2,596,178	$ 1,893,092	$ 2,596,178	$ 1,893,092
Bank indebtedness (Note 7)	(239,999)	(207,097)	(239,999)	(207,097)
	$ 2,356,179	**$ 1,685,995**	**$ 2,356,179**	**$ 1,685,995**
SUPPLEMENTAL OPERATING CASH FLOW INFORMATION				
Interest paid	$ 66,823	$ 51,832	$ 172,684	158,371
Interest received	5,498	4,144	15,133	13,755
Income taxes paid	102,153	294,599	102,416	357,299
Investment credits and investment tax credits receivable received	-	435,927	417,480	435,927

See accompanying notes to the consolidated interim financial statements

1. DESCRIPTION OF BUSINESS

Posera-HDX Limited ("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 has added to its suite of product offerings by offering debit and credit card merchant processing, services, and POS integration.

POSERA was founded in 2001 and is headquartered at 350 Bay Street, Suite 700, in Toronto, Canada M5H 2S6. The Company's common shares ("Common Shares") are listed on the Toronto Stock Exchange under the symbol "PAY", and previously "HDX".

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, 2014. These condensed consolidated interim financial statements were approved for issue by the Board of Directors on November 11, 2015.

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, except for certain held for trading financial instruments, which are carried at fair market values.

The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS effective for the year ended December 31, 2015, 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, 2014, except as described below.

The results for the three and nine-months ended September 30, 2015 are not necessarily indicative of the results to be expected for the full year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Consolidation

These consolidated financial statements include the accounts of Posera – HDX Limited 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.; Posera Singapore and Posera USA Inc. (collectively referred to as “Posera”); Century Cash Register Inc. (“Century”); HDX Payment Processing Ltd. (“HDX Payment Processing”); Posera – HDX Scheduler Inc. (“Posera – HDX Scheduler”); Zomaron and TMC. TMC has been included in the consolidated financial statements since the date of acquisition, being December 31, 2014.

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.

Presentation Currency

These consolidated financial statements are presented in Canadian Dollars (“CAD”).

Foreign Currency Translation

The functional currencies of all consolidated entities are CAD, with the exception of Posera Inc. and certain of its subsidiaries, which have functional currencies of the United States Dollar (“USD”) (Posera Inc. and Posera USA Inc.), the British Pound (“GBP”) (Posera Europe Ltd.), the Euro (Posera France SAS), and the Singapore dollar (“SGD”) (Posera Singapore). The Company translates the assets and liabilities of consolidated entities with differing functional currencies to CAD at the rate of exchange prevailing at the statement of financial position date and revenues and expenses of those operations using the average rates of exchange during the period. Gains and losses resulting from this translation are recorded in accumulated other comprehensive income (loss), a component of shareholders’ equity.

Foreign Currency Transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entities’ functional currency are recognized in the consolidated statements of operations, except for gains and losses resulting from intercompany balances included in the net investment in foreign operations, for which foreign exchange gains and losses are recorded in accumulated other comprehensive income (loss).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segments

The Company has organized its business around different products and services. Each acquired business is a separate operating segment. The Company then aggregates the operating segments into reportable segments based on the similarities of the products and services that are offered to its customers, the types of customers that products and services are provided to, and the methods used to distribute products and provide services. The chief decision maker of the company was determined to be the Company's Chief Executive Officer (the "CEO"), and as such the Company determined its reportable segments based upon the reports the chief decision maker utilized to evaluate performance and allocate resources. Revenues from external customers are geographically allocated to countries based upon the place where the customers are located.

Business Combinations

Business combinations have been accounted for in accordance with IFRS 3, Business Combinations ("IFRS 3"), whereby acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the acquisition date) of assets given, liabilities incurred or assumed, contingent consideration and equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs are expensed as incurred, except for incremental costs of issuance of debt or equity instruments. The acquired identifiable assets and liabilities are recognized at their fair values at the acquisition date. Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets acquired and liabilities assumed.

If the Company's interest in the net fair value of the acquired identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognized immediately as a bargain purchase gain in the consolidated statements of operations.

Subsequent to initial recognition, measurement of contingent consideration depends on whether it is an equity instrument or a financial asset or liability. Subsequent changes in the fair value of the contingent consideration that is deemed to be a financial asset or liability is recognized in the statement of operations as a gain or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Convertible debentures

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial liability or an equity instrument in accordance with the contractual arrangement's substance, and applicable IFRS standards. If the IFRS equity classification criteria are met, the Company allocates the total face value of the convertible debenture by estimating the fair-value of the note payable component in isolation, and allocating the residual to the conversion option presented as equity. If the IFRS equity classification criteria are not met, the Company allocates the total face value of the convertible debenture by determining the fair value of the conversion option component presented as a derivative liability in isolation, with the residual being allocated to the note payable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the gross inflow of economic benefits during the period, arising in the ordinary course of the Company’s activities. The Company offers certain arrangements whereby a customer can purchase products and services together. Where such multiple element arrangements exist, the amount of revenue is allocated to each element based upon the relative fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements sold separately.

The Company derives revenues from the following sources:

a) Revenue from POS systems, digital video recording (“DVR”) systems and POS parts and consumables is recognized when the Company has transferred to the customer the significant risks and rewards of ownership, the Company does not retain continuing managerial involvement with or effective control of the goods, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions are generally met when the product has been installed. POS and DVR systems generally include a one year support contract. The Company allocates revenue to each component of the transaction using the relative fair value of each separately identifiable component. The Company defers the fair value of the support services under the agreement, as deferred revenue at the time of sale. Revenue on the support services is then recognized in line with the customer support contract policy below.

b) Revenue from customer support contracts is deferred and recognized as revenue on a straight-line basis over the term of the contract.

c) Software development and hosting service revenue are accounted for as services. Revenue is recognized when the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity, the stage of completion of the transaction at the end of the reporting period can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably. Generally, unless a more accurate measure of the stage of completion is available, Software development and hosting service revenue is recognized on a straight-line basis over the term of the contract.

d) Services revenue relates to the delivery of consulting and system integration services with revenue recognized upon delivery and acceptance by the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Software perpetual licenses are accounted for as sales of products as the customer has a perpetual right to use the software freely and the Company has no remaining obligations to perform after delivery of the software. The revenue from these products is recognized when the Company has transferred to the customer the significant risks and rewards of ownership of the software, the Company does not retain continuing managerial involvement with or effective control over the software, the amount of revenue can be measured reliably, it is probable the economic benefits associated with the sale will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. These conditions generally are met when the application software has been delivered.

f) Revenue from processing transactions is recognized at the time the transactions are processed

The Company has presented the revenues segmented into POS Revenues and Payment Processing Revenues. POS Revenues are those revenues earned primarily from the sale, service of POS terminal hardware and software and Payment Processing Hardware, such as Debit/Credit Card pin-pads and ATMs; whereas Payment Processing Revenues are those revenues earned from primarily the associated payment processing transactions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 November 2009, the IASB issued IFRS 9 as part of its plan to replace IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 requires financial assets, including hybrid contracts, to be measured at either fair value or amortized cost. In October 2010, the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities previously included in IAS 39. In November 2013, the IASB introduced a new hedge accounting model, and allowed early adoption of the own credit provisions of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes (i) a third measurement category for financial assets – fair value through other comprehensive income; (ii) a single, forward-looking 'expected loss' impairment model, and (iii) a mandatory effective date for IFRS 9 of annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of adopting this new standard.

ii) IFRS 15 Revenue from contracts with customers, is a new standard on revenue recognition, superseding IAS 18, *Revenue*, and IAS 11, *Construction Contracts* and related interpretations. Effective for first interim periods within years beginning on/after January 1, 2018. The Company is evaluating the impact of adopting this new standard.

(in Canadian dollars, except as noted)

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(increase) in technology expenses in the amount of $56,969 and $243,686 during the three and nine-months ended September 30, 2015 [2014 - $134,608 and $247,975] respectively. As of September 30, 2015, a subsidiary of the Company has refundable investment tax credits receivable totaling $454,123 (December 31, 2014 - $771,782), and non-refundable investment credits receivable totaling $878,982 (December 31, 2014 - $1,056,042) which expire according to the schedule below:

	September 30, 2015	December 31, 2014
2029	14,976	212,846
2030	161,198	161,198
2031	288,103	288,103
2032	327,736	327,736
2033	31,284	31,284
2034	27,785	34,875
2035	27,900	-
Total	**$ 878,982**	**$ 1,056,042**

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.

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, 2014	**$ 1,050,691**	**$ 767,434**	**$ 283,257**
Amortization of PP&E	-	69,863	(69,863)
Additions of PP&E	6,774	-	6,774
Translation adjustment	7,685	5,613	2,072
Balance – September 30, 2015	**$ 1,065,150**	**$ 842,910**	**$ 222,240**

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, 2014	**$ 14,210,072**	**$ 10,551,896**	**$ 3,658,176**
Amortization	-	960,678	(960,678)
Additions	4,056	-	4,056
Translation adjustment	641,439	476,310	165,129
Balance – September 30, 2015	**$ 14,855,567**	**$ 11,988,884**	**$ 2,866,683**

(in Canadian dollars, except as noted)

6. GOODWILL

Reconciliation of Goodwill

	Net Book Value
Balance – December 31, 2014	**$ 7,422,911**
Translation adjustment	481,940
Balance – September 30, 2015	**$ 7,904,851**

7. BANK INDEBTEDNESS

As at September 30, 2015, the Company through its subsidiary Posera Software, has a revolving line of credit of $239,999 (December 31, 2014 - $207,103), of an available $500,000 (December 31, 2014 - $500,000). The available credit facilities relate to $200,000 (December 31, 2014 - $200,000) as an operating line of credit and $300,000 (December 31, 2014 - $300,000) to finance investment tax credits. These facilities bear interest at the Canadian bank prime rate plus 2.50%, with an effective interest rate of 5.25% (September 30, 2014 – 5.50%). Any amounts borrowed in relation to the investment tax credits are payable in full upon receipt of the investment tax credit receivables and are secured by a floating lien on current and future investment tax credit receivables with a current carrying value of $454,123 (December 31, 2014 - $771,782). Additionally, the facilities have a first ranking $1,000,000 (December 31, 2014 - $1,000,000) moving hypothec on the assets of Posera Software. This facility has been guaranteed up to 80% by Investissement Quebec for the portions borrowed pertaining to the investment tax credits. Posera Software must meet certain non-IFRS measures including Working Capital, EBITDA, Net Tangible Worth and Debt ratios.

(in Canadian dollars, except as noted)

8. NOTES PAYABLE

#	Details	Carrying Value September 30, 2015	Carrying Value December 31, 2014
1	Loan from prior Posera shareholders, with a nominal and effective interest rate of 5.00%, with monthly installments of USD $33,633 including interest, commencing June 1, 2015, and is unsecured.	150,666	277,193
2	Convertible debenture with a nominal interest rate of 3.95% and an effective interest rate of 9.50%, due in November, 2016, with monthly installments of USD $33,633 including interest. Six monthly payments have been deferred commencing June 1, 2015, with monthly payments recommencing on January 30, 2016. The debenture was convertible into Class A Common Shares until May 5, 2012 at $0.645 per Common Share. The conversion option expired unexercised. The convertible debenture is secured with the Posera assets source code, all recodes, accounts, money and proceeds derived from the source code and any part thereof; which, as at September 30, 2015 have a carrying value of $33,060 (December 31, 2014 - $286,222). During the year-ended December 31, 2014, the principal amount was reduced by $292,947 as a result of certain indemnity agreements.	378,901	497,709
3	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	1,322,665	1,239,298
4	Term Promissory Note from prior TMC shareholders, with a nominal interest rate of 0.00%, and an effective interest rate of 4.50%. The principal of $750,000 is repayable in three monthly instalments of $250,000 commencing January 31, 2015.	-	737,005
	Total Notes Payable	**1,852,232**	**2,751,205**
	Current portion of the Notes Payable	342,772	1,165,967
	Long-term portion of the Notes Payable	**$1,509,460**	**$1,585,238**

#	Fair Value September 30, 2015	Fair Value December 31, 2014
1	132,282	273,092
2	382,891	497,473
3	1,483,903	1,499,871
4	-	737,004
Total	**$ 1,999,076**	**$ 3,007,440**

(in Canadian dollars, except as noted)

8. NOTES PAYABLE *(continued)*

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

	September 30, 2015	December 31, 2014
2015	156,261	1,371,996
2016	576,969	521,661
2017	1,519,012	1,519,012
2018 and thereafter	-	-
Sub-total	**2,252,242**	**3,412,669**
Less: Interest	(400,010)	(661,464)
Total	**$ 1,852,232**	**$ 2,751,205**

For the three and nine-months ending September 30, 2015, interest expense of $79,091 and $237,198 (2014 - $80,530 and $253,923) respectively was recorded in the consolidated statements of operations in relation to notes payable.

9. 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 nine-months ended September 30, 2015 and 2014, 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.

10. SHARE CAPITAL

(a) Authorized and issued

Authorized

An unlimited number of Class A voting common shares ("Common Shares"), with no par value.

An unlimited number of Class B non-voting common shares ("Class B") – non-voting convertible into Common Shares at the option of the holder, on a share for share basis, with no par value. As at September 30, 2015 and December 31, 2014 there are nil Class B issued or outstanding.

Common Shares Issued	Number of Common Shares	$
Balance December 31, 2014	**61,521,705**	**53,656,082**
Issued for cash consideration (i)	14,316,000	3,579,000
Issuance costs – cash (i)	-	(272,928)
Issuance costs – warrants (i)	-	(80,133)
Balance September 30, 2015	**75,837,705**	**56,882,021**

(in Canadian dollars, except as noted)

10. SHARE CAPITAL (*continued*)

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

(b) Stock options and stock-based compensation

Since 2002, the Company has had a stock option plan ("the Old Plan") to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants. The maximum number of Common Shares that may be reserved for issue under the Old Plan is 2,000,000 Common Shares. Options under the Old Plan vest over various periods from the date of the granting of the option. All options granted under the Old 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 majority of options granted under the Old Plan were granted to former executives of the Company.

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 10% of the issued and outstanding Common Shares at the time of grant. 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 was enacted to encourage ownership of the Company's Common Shares by its key officers, directors, employees and consultants.

The Company does not have any current intention to convert the options outstanding under the Old Plan into options under the Plan. The Company intends to maintain the Old Plan in place until all outstanding options under the Old Plan are exercised or have expired, at which time the Old Plan will terminate. The Company will not grant any new options under the Old Plan.

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

	September 30, 2015	
	Number Outstanding	Weighted Average Exercise Price
Options outstanding, beginning of the period	**4,759,424**	**$ 0.32**
Expiry of employee and directors options	(11,400)	2.70
Cancellation of employee and directors options	(250,000)	0.34
Options outstanding, end of the period	**4,498,024**	**$ 0.31**
Options exercisable, end of the period	**4,361,524**	**$ 0.31**

(in Canadian dollars, except as noted)

10. SHARE CAPITAL (*continued*)

The following table summarizes information about options outstanding as at;

September 30, 2015

		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
0.25	1,604,656	1.71	0.25	1,604,656	0.25
0.28	250,000	1.75	0.28	250,000	0.28
0.30	400,000	0.15	0.30	400,000	0.30
0.32	1,165,500	3.55	0.32	1,029,000	0.32
0.34	387,564	0.95	0.34	387,564	0.34
0.40	290,304	0.16	0.40	290,304	0.40
0.50	400,000	0.16	0.50	400,000	0.50
	4,498,024	**1.75**	**$0.31**	**4,361,524**	**$0.31**

December 31, 2014

		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
0.25	1,604,656	2.46	0.25	1,604,656	0.25
0.28	250,000	2.50	0.28	250,000	0.28
0.30	400,000	0.90	0.30	400,000	0.30
0.32	1,165,500	4.30	0.32	1,029,000	0.32
0.34	637,564	1.70	0.34	637,564	0.34
0.40	290,304	0.91	0.40	290,304	0.40
0.50	400,000	0.91	0.50	400,000	0.50
2.70	11,400	0.08	2.70	11,400	2.50
	4,759,424	**2.45**	**$0.32**	**4,622,924**	**$0.32**

Of the options outstanding as at September 30, 2015 250,000 (December 31, 2014 – 250,000) with an exercise price of $0.28, of which 250,000 (December 31, 2014 – 250,000) are exercisable, are consultant compensation options.

For the three and nine-months ended September 30, 2015, the Company recognized an expense of $5,436 and $16,308 (2014 – $35,608 and $257,404) respectively for the vesting of options issued to directors, officers, and employees, which is included in Operating Expenses.

(in Canadian dollars, except as noted)

10. SHARE CAPITAL *(continued)*

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 September 30, 2015	Three-months ended September 30, 2014
Risk-free rate of return	1.65%	1.65%
Expected volatility (i)	104%	104%
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, 2014	**$ 7,142,111**
Stock-based compensation expense recognized during the period	16,308
Balance September 30, 2015	**$ 7,158,419**

(d) Warrants

The warrants outstanding are as follows:

	September 30, 2015		December 31, 2014	
	Number of Warrants	Carrying value	Number of Warrants	Carrying value
Outstanding share purchase warrants to purchase Common Shares at $0.30 per share. The warrants expire on December 19, 2015	405,000	$ 32,092	405,000	$ 32,092
Outstanding share purchase warrants to purchase Common Shares at $0.45 per share. The warrants expire on December 6, 2015	177,533	4,045	177,533	4,045
Outstanding share purchase warrants to purchase Common Shares at $0.40 per share. The warrants expire on April 23, 2017	893,480	80,133	-	-
Total	**1,476,013**	**$ 116,270**	**582,533**	**$ 36,137**

(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, Warrants and the Conversion Option 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:

(in Canadian dollars, except as noted)

10. SHARE CAPITAL *(continued)*

	Exercise price	Expiry	Number issued and outstanding	Number exercisable with dilutive impact	Number exercisable with anti-dilutive impact
Stock options	Note 10(b)	Note 10(b)	4,498,024	-	4,361,524
Conversion Option	Note 8	Note 8	3,333,333	-	3,333,333
Warrants	Note 10(d)	Note 10(d)	1,476,013	-	1,476,013

11. RELATED PARTY TRANSACTIONS

On September 25, 2015 Mr. Paul K. Howell stepped down as CEO of POSERA. Mr. Howell remains on the Company's Board of Directors.

POSERA recognized revenue from a company controlled by POSERA's former Chief Executive Officer ("CEO") and current director, during the three and nine-months ended September 30, 2015, in the amounts of $7,936 and $34,344 (2014 - $10,113 and $30,176) respectively. Additionally, POSERA recognized operating expenses and purchased products of $80,437 and $182,442 during the three and nine-months ended September 30, 2015 (2014 - $70,290 and $222,793) from a company controlled by the former Chief Executive Officer and current director. All transactions were agreed upon by the parties and were completed at the exchange amount. As at September 30, 2015, POSERA has a receivable position of $19,926 (December 31, 2014 - $30,896), and a payable of $125,555 (December 31, 2014 - $97,299), which will be settled between the related parties in the normal course of business.

During the three and nine-months ended September 30, 2015, the Company received legal fees and disbursement invoices totaling $21,479 and $91,786, (2014 - $24,998 and $55,682) respectively, from law firms, which a director of POSERA is and/or was a partner of. As at September 30, 2015, the Company has a payable position of $21,479 (December 31, 2014 - $112,075) which will be settled between the related parties in the normal course of business. Previously, this director was a partner of another law firm. As the director no longer has an equity interest in that law firm, POSERA has not included the payables to the former law firm as they were not a related party at September 30, 2015, but POSERA has included expenditures incurred for the three and nine-months ended September 30, 2015 for both firms.

(in Canadian dollars, except as noted)

11. RELATED PARTY TRANSACTIONS *(continued)*

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 September 30, 2015	Three-months ended September 30, 2014	Nine-months ended September 30, 2015	Nine-months ended September 30, 2014
Salaries and short-term employee benefits	$ 265,495	$ 252,180	$ 837,708	$ 796,678
Share-based payments	-	29,160	-	236,054
Total	**$ 265,495**	**$ 281,340**	**$ 837,708**	**$ 1,032,732**

The salaries 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 Statement of Operations and Comprehensive Loss.

12. CHANGES IN WORKING CAPITAL ITEMS

	Three-months September 30, 2015	Three-months September 30, 2014	Nine-months September 30, 2015	Nine-months September 30, 2014
Accounts receivable	$ 65,581	$ (64,802)	$ 352,595	$ 629,730
Investment tax credits and investment credits receivable	99,972	432,001	494,702	254,915
Income taxes payable and recoverable	(69,405)	(269,351)	(14,949)	(372,016)
Lease receivable	5,550	(8,989)	16,195	(3,577)
Inventory	(72,524)	81,609	(267,776)	(147,905)
Prepaid expenses and deposits	16,735	36,864	753	31,519
Accounts payable and accrued liabilities	(305,487)	(260,596)	23,600	(550,898)
Provisions	-	(34,175)	-	(34,175)
Deferred revenue	102,806	(234,347)	76,835	(432,047)
Total	**$ (156,772)**	**$ (321,786)**	**$ 681,955**	**$ (624,454)**

(in Canadian dollars, except as noted)

13. FINANCIAL INSTRUMENTS

The fair value of the financial assets and liabilities, excluding notes payable, approximate their carrying value as at September 30, 2015 and December 31, 2014. The fair value of the note payables is disclosed in Note 8. Fair value estimates are made at a specific point in time based on relevant market information. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. The fair-value estimates for notes payable utilized a discounted cash-flow valuation method, with an estimated discount rate in the range of 10.25 – 18.67% as at September 30, 2015 (December 31, 2014 – 10.00%). Changes in assumptions could materially affect estimates.

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

	September 30, 2015	December 31, 2014
Financial assets		
Loans and receivables	$ 7,102,416	$ 6,436,273
Financial liabilities		
Other financial liabilities	5,624,468	6,195,510

14. SEGMENTED INFORMATION

The Company is divided into two reportable segments: Point of Sale ("POS") and Payment Processing. The POS segment focuses primarily on selling, installing and servicing POS hardware and software directly to end-users and on developing, licensing, distributing and marketing POS software indirectly through a dealer network. The Payment Processing segment focuses primarily on selling and installing payment processing hardware and recurring payment processing services for credit and debit cards. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on the profit and loss from operations before income taxes, amortization, interest, realized and unrealized foreign exchange gains or losses, other gains or losses and other comprehensive income. The Company manages each segment separately and management at the time of the acquisitions were retained.

Disclosure by Segment

	Revenue for the three-months ended		Operating profit for the three-months ended (i)	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
POS	$ 4,019,962	$ 3,809,907	$ (67,517)	$ 63,621
Payment Processing	1,053,585	885,636	(72,257)	(44,102)
Intersegment	(725)	(1,838)	-	-
Total	**$ 5,072,822**	**$ 4,693,705**	**$ (139,774)**	**$ 19,519**

(in Canadian dollars, except as noted)

14. SEGMENTED INFORMATION *(continued)*

	Revenue for the nine-months ended		Operating profit for the nine-months ended (i)	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
POS	$ 12,140,833	$ 12,217,371	$ (333,828)	$ 348,102
Payment Processing	2,965,002	2,535,553	(160,629)	(72,625)
Intersegment	(2,396)	(3,005)	-	-
Total	**$ 15,103,439**	**$ 14,749,919**	**$ (494,457)**	**$ 275,477**

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

Reconciliation between the total consolidated operating profit and the net income (loss) per the consolidated financial statements is as follows:

	Three-months ended September 30, 2015	Three-months ended September 30, 2014	Nine-months ended September 30, 2015	Nine-months ended September 30, 2014
Total segmented operating profit	$ (139,774)	$ 19,519	$ (494,457)	$ 275,477
Corporate headquarter operating expenditures	(228,151)	(35,342)	(694,521)	(622,726)
Other non-operating expenditures	(470,481)	(184,353)	(1,414,217)	(919,481)
Net Loss	**$ (838,406)**	**$ (200,176)**	**$ (2,603,195)**	**$ (1,266,730)**