CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

Three and Nine-Months Ended September 30, 2018 and 2017

(Expressed in Canadian dollars)

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Three and Nine -Months Ended September 30, 2018 and 2017

(Canadian dollars)

As at	Note	September 30 2018 $	December 31 2017 * $
Assets			
Cash and cash equivalents		6,031,758	15,830,487
Restricted cash		-	475,000
Funds held for merchants	7	14,662,710	15,839,730
Trade Receivables		1,222,409	414,130
Other receivables		411,240	
Unbilled Revenue	11	84,946	-
Accrued interest		15,997	-
Prepaid expenses and other		772,621	255,720
Current assets		23,201,681	32,815,067
Restricted cash - LC		111,474	111,474
Property and equipment		1,836,145	377,121
Contract asset	11	386,761	-
Non-current assets		2,334,380	488,595
Total assets		**25,536,061**	**33,303,662**
Liabilities			
Accounts payable and accrued liabilities		2,360,985	1,834,132
Unearned revenue	11	708,180	84,370
Funds due to merchants	7	14,662,710	15,839,730
Current portion of obligations under finance lease		4,841	14,117
RSU and PSU obligation		828,759	542,234
Liabilities associated with discontinued operations	6	301,477	391,477
Current liabilities		**18,866,952**	**18,706,060**
Lease incentive allowance		525,003	136,350
Deferred rent		146,209	134,693
Obligations under finance lease		-	2,448
Non-current liabilities		671,212	273,491
Total liabilities		**19,538,164**	**18,979,551**
Equity			
Share capital		37,911,448	37,443,841
Contributed surplus		3,576,346	3,185,953
Accumulated deficit		(35,609,386)	(26,438,372)
Accumulated other comprehensive income		119,489	132,689
Total equity		**5,997,897**	**14,324,111**
Total liabilities and equity		**25,536,061**	**33,303,662**

* The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 11

See accompanying notes to condensed interim consolidated financial statements.

(Canadian dollars)

	Note	For the three months ended September 30 2018 $	For the three months ended September 30 2017 * $	For the nine months ended September 30 2018 $	For the nine months ended September 30 2017 * $
Continuing operations					
Revenue	11	1,137,314	780,524	3,286,324	1,900,968
Cost of sales		302,809	208,648	956,656	597,596
Gross profit		**834,505**	**571,876**	**2,329,668**	**1,303,372**
General and administrative expenses		1,252,555	1,071,034	4,139,764	2,950,989
Research and development expenses		1,201,751	787,969	3,538,454	2,121,379
Sales and marketing expenses	11	1,356,416	925,781	4,041,313	2,272,906
Loss from continuing operations		**(2,976,217)**	**(2,212,908)**	**(9,389,863)**	**(6,041,902)**
Foreign exchange gain (loss) from operations		18,182	13,481	24,689	14,089
Finance income (expense), net		19,067	25,052	57,386	26,791
Net loss from continuing operations		**(2,938,968)**	**(2,174,375)**	**(9,307,788)**	**(6,001,022)**
Discontinued operations					
Net (loss) earnings from discontinued operations	6	-	-	-	8,915,801
Net income (loss) for the period		**(2,938,968)**	**(2,174,375)**	**(9,307,788)**	**2,914,779**
Other comprehensive income (loss)					
Items that will be reclassified subsequently to profit or loss					
Foreign currency translation differences		(13,557)	(14,954)	(13,200)	(44,299)
Other comprehensive loss for the period		**(13,557)**	**(14,954)**	**(13,200)**	**(44,299)**
Total comprehensive (loss) income for the period		**(2,952,525)**	**(2,189,329)**	**(9,320,988)**	**2,870,480**
Earnings (loss) per share					
Weighted average number of common shares outstanding					
Basic	8	38,035,275	31,284,682	37,961,462	30,910,576
Diluted	8	38,035,275	31,284,682	37,961,462	30,910,576
Earnings (loss) per share ($ per share)					
Basic	8	(0.08)	(0.07)	(0.25)	0.09
Diluted	8	(0.08)	(0.07)	(0.25)	0.09
Earnings (loss) per share - continuing operations					
Earnings (loss) per share ($ per share)					
Basic		(0.08)	(0.07)	(0.25)	(0.19)
Diluted		(0.08)	(0.07)	(0.25)	(0.19)

* The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 11.

See accompanying notes to the condensed interim consolidated financial statements.

(Canadian dollars)

	Number of Shares Outstanding	Share Capital $	Contributed Surplus $	Warrants Reserve $	Accumulated Deficit $	Accumulated Other Comprehensive Income $	Total Equity * $
As at December 31, 2017	37,822,475	37,443,841	3,185,953	-	(26,438,372)	132,689	14,324,111
IFRS 15 net opening adjustment (note 11)					136,774		136,774
As at January 1, 2018	37,822,475	37,443,841	3,185,953	-	(26,301,598)	132,689	14,460,885
Net loss for the period	-	-	-	-	(9,307,788)	-	(9,307,788)
Other comprehensive loss for the period	-	-	-	-	-	(13,200)	(13,200)
Exercise of options	260,576	467,607	(124,531)	-	-	-	343,076
Share based payments	-	-	514,924	-	-	-	514,924
As of September 30, 2018	38,083,051	37,911,448	3,576,346	-	(35,609,386)	119,489	5,997,897

	Number of Shares Outstanding	Share Capital $	Contributed Surplus $	Warrants Reserve $	Accumulated Deficit $	Accumulated Other Comprehensive Income $	Total Equity $
As at January 1, 2017	30,494,301	25,261,538	2,731,886	398,650	(26,844,668)	188,552	1,735,958
Net income for the period	-	-	-	-	2,914,779	-	2,914,779
Other comprehensive loss for the period	-	-	-	-	-	(44,299)	(44,299)
Exercise of options	237,450	1,256,719	(350,845)	-	-	-	1,143,324
Share based payments	-	-	274,947	-	-	-	274,947
Warrants expired	-	-	398,650	(398,650)	-	-	-
As of September 30, 2017	30,731,751	26,518,257	3,054,638	-	(23,929,889)	144,253	6,024,709

* The Company has applied IFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated. See note 11.

See accompanying notes to the condensed interim consolidated financial statements.

(Canadian dollars)

	Three months ended, September 30		Nine months ended, September 30	
	2018	2017 *	2018	2017 *
	$	$	$	$
Cash flows from operating activities				
Net loss from continuing operations	(2,938,968)	(2,174,375)	(9,307,788)	(6,001,022)
Items not affecting cash:				
Amortization of lease incentive allowance	(12,098)	(5,247)	(22,587)	(15,736)
Amortization	46,835	33,257	108,892	102,117
Deferred rent	1,995	4,761	11,516	14,284
Share based payments	181,280	60,728	514,924	274,947
PSU and RSU obligation	(107,820)	153,871	286,525	199,405
	(2,828,776)	(1,927,005)	(8,408,518)	(5,426,005)
Change in non-cash working capital items				
Trade receivables	(250,379)	(25,212)	(808,279)	(144,619)
Unbilled revenue	(37,873)	-	(84,946)	-
Accrued Interest	20,290	-	(15,997)	-
Prepaid expenses	(177,666)	35,082	(516,901)	(35,529)
Contract asset	(138,802)	-	(305,233)	-
Accounts payable and accrued liabilities	252,470	237,345	409,112	(17,972)
Unearned revenue	79,436	110,065	679,056	132,378
Cash used in operating activities	**(3,081,300)**	**(1,569,725)**	**(9,051,706)**	**(5,491,747)**
Cash flows from investing activities				
Restricted cash - escrow	-	-	475,000	25,000
Acquisition of property and equipment	(782,361)	(3,744)	(1,450,175)	(20,957)
Cash provided by and used in investing activities	**(782,361)**	**(3,744)**	**(975,175)**	**4,043**
Cash flows from financing activities				
Issuance of common shares, net of issuance costs	-	232,424	-	905,874
Excercise of stock options	125,750	-	343,076	-
Finance lease payments	(3,559)	(3,324)	(11,724)	(9,806)
Cash provided by financing activities	**122,191**	**229,100**	**331,352**	**896,068**
Net decrease in cash and cash equivalents from continuing operations	**(3,741,470)**	**(1,344,369)**	**(9,695,529)**	**(4,591,636)**
Net increase (decrease) in cash and cash equivalents from discontinued operation	(90,000)	-	(90,000)	8,621,548
Cash and cash equivalents, beginning of period	9,876,785	8,102,501	15,830,487	2,754,081
Exchange (loss) gain on cash and cash equivalents	(13,557)	(18,438)	(13,200)	(44,299)
Cash and cash equivalents, end of period	**6,031,758**	**6,739,694**	**6,031,758**	**6,739,694**

See accompanying notes to the condensed interim consolidated financial statements.

1. Nature of business

VersaPay Corporation ("the Company") is incorporated under the laws of British Columbia, Canada, and its principal place of business is Suite 1800, 18 King Street East, Toronto, Canada. The Company is a financial technology company that provides a cloud-based accounts receivable automation software and integrated payment solutions for businesses. Through its VersaPay Solutions segment ("Solutions"), the Company focuses on electronic invoice presentment with its ARC™ software ("ARC™") and develops value added payment technologies such as its PayPort™ and VersaPay Gateway™ (previously known as Electronic Money Transfer, or "EMT").

Through its Point of Sales Merchant Services segment ("POS"), the Company acts on behalf of financial institutions to provide merchants with the ability to process credit and debit card payments for card-not-present and card-present transactions, including internet businesses, mail-order/telephone-order merchants and retail point-of-sale merchants. On February 1, 2017, the Company sold 100% of its POS Merchant Services operations and is no longer operating this line of business. Accordingly, the financial statements have been adjusted to reflect the POS Merchant Services segment as discontinued operations.

The Company sells to customers in Canada and the United States (“U.S.”).

2. Basis of preparation

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies disclosed in Note 3 of the Company’s 2017 annual consolidated financial statements except as disclosed herein. The policies applied in these condensed interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS"), issued and outstanding as of November 27, 2018, the date the Board of Directors approved the condensed consolidated interim financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s 2017 annual consolidated financial statements.

As of January 1, 2018 IFRS, 15, Revenue from Contracts with Customers ("IFRS 15") and IFRS 9, Financial Instruments ("IFRS 9") have been applied. Changes to significant accounting policies are described in notes 3, 5 and note 11.

(b) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for certain assets and liabilities initially recognized in connection with business combinations, derivative financial instruments and contingent consideration related to business acquisitions, which are measured at their estimated fair value.

(c) Functional and presentation of currency

The condensed interim consolidated financial statements are presented in Canadian dollars, which is the Company’s functional currency.

(d) Use of estimates and judgements

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, consistent with those disclosed in the 2017 annual consolidated financial statements and described in these condensed interim consolidated financial

statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

3. New standards and interpretations adopted

IFRS 9 Financial Instruments

IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivable.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Gains and losses on remeasurement of financial assets measured at fair value will be recognized in profit or loss, except for an investment in an equity instrument which is not held-for-trading. IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income ("OCI") ("FVOCI"). The election is available on an individual investment-by-investment basis. Amounts presented in OCI will not be reclassified to profit or loss at a later date.

IFRS 9 also includes a new general hedge accounting standard which will align hedge accounting more closely with risk management. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets at amortized cost, contract assets and debt investments measured at FVOCI. The Company adopted this standard on January 1, 2018 and it had a nominal impact on the Company's disclosures.

IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15, *Revenue from Contracts with Customers*, with an initial adoption date of January 1, 2018. The Company utilized the cumulative effect method to adopt the new standard and therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11. See note 11 for further details. The Company's revenue recognition policy under IFRS 15 is described in Note 5.

4. New standards and interpretations not yet adopted

IFRS 16 Leases

In January 2016, the IASB issued the final publication of the IFRS 16 Leases standard, which will supersede the current IAS 17, Leases standard. Under IFRS 16, a lease will exist when a customer controls the right to use an identified asset as demonstrated by the customer having exclusive use of the asset for a period of time. IFRS 16 introduces a single accounting model for lessees and all leases will require an asset and liability to be recognized on the statement of financial position at inception. The accounting treatment for lessors will remain largely the same as under IAS 17.

The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted, but only if the entity is also applying IFRS 15. The Company is required to retrospectively apply IFRS 16 to all existing leases as of the date of transition and has the option to either:

- apply IFRS 16 with full retrospective effect; or
- recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application.

As a practical expedient, an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. The Company is assessing the impact of this standard on its consolidated financial statements; however, the Company believes that on adoption of the standard there will be an increase to assets and liabilities, as the Company will be required to record a right-of-use asset and a corresponding lease liability on its Consolidated Statements of Financial Position, as well as a decrease to operating costs, an increase to finance costs (due to accretion of the lease liability) and an increase to depreciation (due to depreciation of the right-of-use asset).

5. Significant accounting policies

Except for the adoption of IFRS 15 and IFRS 9 as of January 1, 2018, the significant accounting policies used in preparing these condensed interim consolidated financial statements are unchanged from those disclosed in the Company's 2017 annual consolidated financial statements and have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

a) Revenue recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company derives revenue from the following categories:

- ARC Subscriptions:
  - Fix subscription fees and usage charges;
  - Incremental variable fees relating to when a customer exceeds their subscription limits;
  -Transaction fees associated with payments of invoices that occur on the ARC™ platform;
- Payport
  -transaction fees associated with payments made through PayPort™.
- ARC Professional Services
  -Professional services fees relating to implementation services.

Contracts with multiple products or services

Typically, the Company enters into contracts that contain services such as subscriptions, incremental variable fees, transaction fees and professional services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the service is distinct from some or all of the other services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Versapay's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation. Where a contract consists of more than one performance obligation, revenue for each performance obligation is recognized primarily on the relative fair value basis for each performance obligation.

Nature of products and services

Revenue from software-as-a-service ("SaaS") arrangements, which allows customers to use hosted software over a term without taking possession of the software, are provided on subscription basis. Revenue from SaaS subscription, which includes the hosted software and maintenance is recognized ratably over the term of the subscription. Incremental variable fees are recognized in the month the customer uses the particular service and exceeds their subscription limits.

Revenue from the PayPort™ service is derived from fees earned from non-sufficient funds ("NSF") fees and transaction service fees. VersaPay Gateway™ fees are monthly subscription fees charged to the merchant customers for the use of the Company's payment gateway. In accordance with IFRS 15, VersaPay Gateway™ fees are recognized in the year in which the service is provided. Transaction service fees are recognized in the period in which the transactions occur.

Professional services revenue including implementation, training and customization of the software is recognized by the stage of completion of the performance obligation determined using the percentage of completion method. The revenue and profit of fixed price contracts is recognized on a percentage of completion basis when the outcome of the contract can be estimated reliably. When the outcome of the contract cannot be estimated reliably but the Company expects to recover its costs, the amount of expected costs is treated as variable consideration and the transaction price is updated as more information becomes known.

Contract costs, such as commissions or incremental costs of obtaining a contract with a customer, are recognized as an asset if we expect the period of benefit for those costs to be longer that one year and those costs are expected to be recoverable under the expected term of the contract.

For a breakdown of revenue see Note 11.

Judgments and estimates

We recognize an asset for the incremental costs of obtaining a contract with a customer if we expect the period of benefit for those costs to be longer than one year and those costs are expected to be recoverable under the expected term of the contract.

The Company uses judgment to assess whether multiple products and services sold in a contract are considered distinct and should be accounted as separate performance obligations or together. Estimates are required to determine the stand-alone selling price for each distinct performance obligation in order to allocate revenue where multiple performance obligations exist in a contract. Management exercises judgement in determining whether a contract's outcome can be estimated reliably. Management also applies estimates in the calculation of future contract costs, estimated life of a customer, and related profitability as it relates to labour hours and other considerations, which are used in determining the value of amounts recoverable on contracts and timing of revenue recognition. Estimates are continually and routinely revised based on changes in the facts relating to each contract. Judgement is also needed in assessing the ability to collect the corresponding trade receivables.

6. Discontinued operations

On November 29, 2016, the Company announced in a press release that it had entered into the an asset purchase agreement (the "Asset Purchase Agreement") with BluePay Canada, ULC ("BluePay"), a wholly owned subsidiary of BluePay Processing, LLC ("BluePay LLC"), pursuant to which the Company has agreed to sell, and BluePay ("the

(Canadian dollars)

Purchaser"), agreed to purchase, all of the assets and property (the "POS Assets") used solely and exclusively in the Company's POS Merchant Services business, subject to the terms and conditions contained in the Asset Purchase Agreement as described hereinafter (the "Transaction").

Under the terms of the Transaction, the Company agreed to sell, free of any encumbrances, right, title and interest in and to the POS Assets for cash consideration of $10,000,000, to be paid as follows: (i) $9,500,000 payable upon closing of the Proposed Transaction, and (ii) $500,000 of which will be deposited into escrow for a period of 12 months to cover potential purchase price adjustments and other liabilities of the Company for which BluePay is indemnified. An additional $1,000,000 ("Earnout") will be payable to the Company 12 months following closing of the Transaction, conditional upon achievement of 5% growth in the POS Assets from newly acquired merchants over such 12-month period. In the first quarter of 2018, the Company initiated the request for the Earnout calculation to determine whether the achievement criteria were met. The Company has received a notice from the Purchaser regarding the 5% growth criteria and the Company is currently working with the Purchaser to verify the calculations.

The comparative consolidated statement of income (loss) and comprehensive income (loss) has been represented to show the discontinued operations separately from continuing operations.

On February 1, 2017, the Company completed the sale of all assets, receivables and property related to the Company's POS Merchant Services business.

Operating results of the POS Merchant Services segment are summarized below:

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
	$	$	$	$
Results of discontinued operations				
Revenue	-	-	-	419,660
Cost of sales	-	-	-	160,410
Gross profit	**-**	**-**	**-**	**259,250**
General and administrative expenses	-	-	-	388,634
Sales and marketing expenses	-	-	-	65,434
Other expense	-	-	-	177
Results from operating activities	**-**	**-**	**-**	**(194,995)**
Gain on sale of discontinued operation [1]	-	-	-	9,110,796
Net earnings from discontinued operations for the period	**-**	**-**	**-**	**8,915,801**

[1] The gain on sale of discontinued operations excludes the earn-out as the likelihood of meeting future target cannot be determined as at September 30, 2018.

Proceeds	10,000,000
Less: January 2017 receivables	259,935
Less: transaction costs	629,269
Gain on sale of discontinued operation	**9,110,796**

Cash flows generated by the POS Merchant Services segment for the nine-month periods ended September 30, 2018 and 2017 and for the years ended December 31, 2017 and 2016 are as follows:

(Canadian dollars)

	For the nine months ended September 30,		For the year ended, December 31	
	2018	2017	2017	2016
	$	$	$	$
Proceeds from sale	-	-	9,074,807	-
Net cash from operating actitivies	-	10,752	39,267	1,436,108
Net cash used in investing activities	-	-	-	-
Net cash from financing activities	(90,000)	8,610,796	-	-
Net cash flow	**(90,000)**	**8,621,548**	**9,114,074**	**1,436,108**

At September 30, 2018 and December 31, 2017, the POS Merchant Services segment held the following assets and liabilities:

As at	September 30, 2018	December 31 2016
	$	$
Assets associated with discontinued operation		
Trade Receivables	-	434,148
Property and equipment	-	4,000
	-	**438,148**
Liabilities associated with discontinued operation		
Accounts payable and accrued liabilities	301,477	232,401
	301,477	**232,401**

In November 2017, the Company received a formal assessment of GST/HST and QST taxes owing of $1,700,000 by Revenu Quebec for Sales Taxes payable for the 4-year period ending June 30, 2017. As at September 30, 2018, $301,477 (December 31, 2017 – $391,477) of accrued liabilities associated with discontinued operation related to the sales tax assessment which represents the assessed amount of $1,700,000, less the Company's submission of investment tax credits paid or payable during the period, and including management's estimates of penalties and interest.

7. Funds held for merchants

The Company holds funds in trust for customers using the VersaPay Solutions Gateway™ services. These services allow customers to pay and receive funds electronically. Customers using PayPort™ and ARC™ may also be using Gateway™ to make and receive payments. In providing the Gateway™ services, the Company temporarily holds its customers' funds while their funds are in transit. The amount of funds held for merchants typically varies with the volume of transactions being processed. The funds are held at a Schedule A bank and recorded as a current asset. Because these are customer funds, there is an associated Funds Due to Merchants liability.

(Canadian dollars)

8. Earnings (loss) per share

The following table sets forth the calculation of basic and diluted earnings (loss) per share:

	Three months ended September 30,		Nine months ended September 30,	
Basic earnings (loss) per share computation	2018	2017	2018	2017
Numerator				
Net (loss) earnings for the period	(2,938,968)	(2,174,375)	(9,307,788)	2,914,779
Denominator				
Weighted average number of common shares (basic)	38,035,275	31,284,682	37,961,462	30,910,576
Basic earnings (loss) attributable to equity holders of the Company ($ per share)	**(0.08)**	**(0.07)**	**(0.25)**	**0.09**

	Three months ended September 30,		Nine months ended September 30,	
Diluted earings (loss) per share computation	2018	2017	2018	2017
Numerator				
Net (loss) earnings for the period	(2,938,968)	(2,174,375)	(9,307,788)	2,914,779
Denominator				
Weighted average number of common shares (basic)	38,035,275	31,284,682	37,961,462	30,910,576
Dilutive effect of stock options	-	-	-	-
Weighted average number of common shares (diluted)	**38,035,275**	**31,284,682**	**37,961,462**	**30,910,576**
Diluted earnings (loss) attributable to equity holders of the Company per share ($ per share)	**(0.08)**	**(0.07)**	**(0.25)**	**0.09**

9. Financial instruments

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The Company has classified its financial assets and financial liabilities as subsequently measured under amortized cost under IFRS 9.

Fair values versus carrying amounts

The carrying values of cash, accounts receivable, funds held for merchants, accounts payable, accrued liabilities, approximate their fair values due to the short-term nature of these instruments.

Fair value hierarchy

The table below analyzes financial instruments carried at fair value, by valuation method.
- level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2 inputs are inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- level 3 inputs are inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

In the table below, the Company has segregated all financial assets and liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value at the measurement date.

Financial assets and financial liabilities measured at fair value as at September 30, 2018 and December 31, 2017 in the condensed consolidated interim financial statements are summarized below. The Company has no additional financial liabilities measured at fair value after initial recognition other than those recognized in connection with business combinations.

(Canadian dollars)

	September 30, 2018				December 31, 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Demand deposits	3,129,325	-	-	3,129,325	4,589,044	-	-	4,589,044
Total fair value	3,129,325	-	-	3,129,325	4,589,044	-	-	4,589,044

There were no transfers of fair value measurement between level 1, 2 and 3 of the fair value hierarchy in the periods ended September 30, 2018 and December 31, 2017.

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in level 3 of the fair value hierarchy.

	September 30, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	$	$	$	$
Financial assets at amortized cost:				
Cash and cash equivalents	6,031,758	6,031,758	15,830,487	15,830,487
Trade and other receivables				
Funds held for merchants	14,662,710	14,662,710	15,839,730	15,839,730
Trade receivables				
Continuing operations	1,222,409	1,222,409	414,130	414,130
Trade and other receivables	**21,916,877**	**21,916,877**	**32,084,347**	**32,084,347**
Other financial liabilities measured at amortized cost :				
Accounts payable and accrued liabilities				
Continuing operations	2,360,985	2,360,985	1,834,132	1,834,132
Discontinued operations	301,477	301,477	391,477	391,477
Funds due to merchants	14,662,710	14,662,710	15,839,730	15,839,730
Trade payables and accrued liabilities	**17,325,172**	**17,325,172**	**18,065,339**	**18,065,339**

(a) Credit risk

The Company has credit risk as a result of its trade accounts receivable. The concentration of credit risk is limited due to the fact that the client base is large. As such, the Company does not anticipate any significant credit losses.

The maximum exposure to credit risk in terms of trade receivables as at September 30, 2018 and December 31, 2017 was:

	September 30, 2018	December 31, 2017
	$	$
Trade receivable - gross balance	1,244,779	431,201
Allowance for doubtful accounts	(22,370)	(17,071)
Trade receivable, net	**1,222,409**	414,130

The aging of the accounts receivable as at September 30, 2018 and December 31, 2017 was:

	September 30, 2018	December 31, 2017
	$	$
0-30 days	721,119	259,171
31-60 days	75,172	21,432
61-90 days	111,724	-
Greater than 90 days	314,394	133,527
Accounts receivable - net balance	**1,222,409**	414,130

Of the accounts receivable over 61 days, 57% were collected subsequent to quarter end.

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the fair value of future cash flows of financial instruments.

(i) Foreign currency risk

Foreign currency risk is the risk that the future cash flows or fair value of the Company's financial instruments will fluctuate due to changes in foreign exchange rates. For the three and nine months ended September 30, 2018, approximately 36% and 32% respectively of revenue is transacted in U.S. dollars (2017 – 27% and 27%) and the Company is exposed to foreign exchange risk thereon.

If the Canadian dollar weakened by 10% relative to the U.S. dollar, the Company's revenues would increase by approximately $0.1 million and net income would increase by $0.03 million for the year.

(ii) Interest rate risk

The Company is exposed to minimal interest rate cash flow risk as the interest rate on obligations under finance lease is fixed.

(c) Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulty in raising funds to meet its financial commitments or can only do so at excessive cost. The Company ensures there is sufficient liquidity to meet its short-term business requirements, taking into account the need for cash to continue operations and execute future plans, its current holdings of cash and the ability to raise additional funds from external shareholders. With the exception of obligations under finance lease, all of the Company's financial liabilities have contractual maturities of less than 45 days.

10. Contingencies

In the normal course of operations, the Company is subject to litigation and claims from time to time. The Company may also be subject to lawsuits, investigations and other claims, including environmental, labour, income and sales tax, product, customer disputes and other matters. Management believes that adequate provisions have been recorded in the accounts where required. Although it is not always possible to estimate the extent of potential costs, if any, management believes that the ultimate resolution of such contingencies will not have a material adverse impact on the results of operations, financial position or liquidity of the Company.

11. Explanation of adoption of IFRS 15 Revenue from contracts with customers

On May 28, 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. The standard contains a single model that applies to contracts with customers. The model features a contract-based five step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and timing of revenue recognized. The Company has adopted IFRS 15, effective January 1, 2018, using the cumulative effect method. Under the cumulative effect method, the Company has recognized the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of accumulated deficit earnings as at January 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

The details of the primary changes on adoption of IFRS 15 are set out below.

A. *Software As A Service Subscription Agreements ("SaaS Subscriptions"):*

Under the Company's previous revenue recognition policies, the Company would recognize professional services that were not essential to the functionality of the software as delivered to the customer and the subscription revenue was recognized rateably over the applicable customer contract term. In cases where professional services were essential to the functionality of the software, the professional services were recognized rateably over the applicable customer contract along with the subscription fees. Under IFRS 15, the Company has deemed the SaaS subscription to be a distinct performance as is professional services. The Company has assessed the stand-alone selling price for each of the components and has allocated the transaction price to the two performance obligations utilized the relative fair value approach.

B. *Costs to Obtain a Contract*

Under the Company's previous accounting policies, the Company generally expensed incremental commission costs paid to employees or third parties to obtain customer contracts as incurred. Under IFRS 15, commissions are deferred and amortized over the pattern of transfer of the related performance obligation. Capitalized costs to obtain contracts are included in non-current assets on the Statement of financial position. The Company has estimated the amortization period to be three years and the deferred commissions are recognized as Contract Assets in the condensed interim consolidated statement of financial position. The Company has considered expected renewals over the expected customer arrangement. The amortization period is expected to be 1 to 3 years.

The following table details the impact on our opening balance sheet as a result of adopting the new standard.

(Canadian dollars)

As at	Notes	January 1, 2018 after adoption of IFRS 15	Adjustments	January 1, 2018 prior to the adoption of IFRS 15
		$	$	$
Assets				
Contract asset		81,527	81,527	-
Non-current assets		570,122	81,527	488,595
Total assets		33,385,189	81,527	33,303,662
Liabilities				
Unearned revenue		29,123	(55,247)	84,370
Current liabilities		18,650,813	(55,247)	18,706,060
Total liabilities		18,924,304	(55,247)	18,979,551
Equity				
Accumulated deficit		(26,301,598)	136,774	(26,438,372)
Total equity		14,460,885	136,774	14,324,111

The following tables summarizes the impact of adopting IFRS 15 on the condensed interim consolidated financial statements for the nine months ended September 30, 2018:

As at	Notes	September 30, 2018 As reported	Adjustment	September 30, 2018 without adoption of IFRS 15
		$	$	$
Assets				
Unbilled revenue		84,946	84,946	-
Current assets		23,201,681	84,946	23,116,735
Contract asset		386,761	386,761	-
Non-current assets		2,334,380	386,761	1,947,619
Total assets		25,536,061	471,707	25,064,354
Liabilities				
Unearned revenue		708,180	(196,039)	904,219
Contract liability		158,177	158,177	-
Current liabilities		18,866,952	(37,862)	18,904,814
Total liabilities		19,538,164	(37,862)	19,576,026
Equity				
Accumulated deficit		(35,609,386)	509,569	(36,118,955)
Total equity		5,997,897	509,569	5,488,328
Total liabilities and equity		25,536,061	471,707	25,064,354

	Notes	September 30, 2018 As reported, for the nine months ended $	Adjustments	September 30, 2018 without adoption of IFRS 15 $
Revenue		3,286,324	225,726	3,060,598
Gross profit		**2,329,668**	**225,726**	**2,103,942**
Sales and marketing expenses		4,041,313	(147,068)	4,188,381
Net loss for the period		**(9,307,788)**	**372,794**	**(9,680,582)**
Total comprehensive loss for the period		**(9,320,988)**	**372,794**	**(9,693,782)**

The adoption of IFRS 15 had no impact to cash from or used in operating, financing, or investing on our condensed interim consolidated statement of cash flows.

The following table provides a breakdown of revenue by type for the three months and nine months ended September 30, 2018 and 2017:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
	$	$	$	$
ARC Subscriptions	583,639	309,374	1,572,393	712,427
Payport	431,911	449,574	1,402,431	1,140,251
ARC Professional Services	121,764	21,576	311,500	48,290
Total Revenue	1,137,314	780,524	3,286,324	1,900,968

12. Income taxes

Income tax expense is recognized based on management's best estimate of the actual income tax rate for the interim period applied to the pre-tax income of the interim period for each entity in the consolidated group. As a result of foreign exchange fluctuations, acquisitions and ongoing changes due to intercompany transactions amongst entities operating in different jurisdictions, the Company has determined that a reasonable estimate of a weighted average annual tax rate cannot be determined on a consolidated basis. The Company has generated tax losses in the quarter ended September 30, 2018 and September 30, 2017 and therefore does not have a tax expense in the period.

13. Subsequent event

On October 18, 2018, the Company completed a short form prospectus and closed the offering, issuing 5,257,800 common shares of the Company at a price of $1.75 per common share, which included 685,800 common shares issued pursuant to the exercise of the over-allotment option in full, for aggregate gross proceeds of $9,201,150. The Company received proceeds of $8,561,041, net of underwriting and other offering costs of $640,109.