MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine-months ended September 30, 2018 and 2017

Management's discussion & analysis

This Management's Discussion and Analysis ("MD&A") dated as of November 27, 2018 for VersaPay Corporation ("VersaPay" or the "Company") should be read in conjunction with the unaudited condensed interim consolidated financial statements and the accompanying notes for the three and nine-months ended September 30, 2018. The consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Additional information relating to the Company is available under the Company's profile on SEDAR at www.sedar.com.

All dollar amounts in this MD&A are in Canadian dollars unless otherwise specified.

Non-IFRS Measures

This MD&A contains references to certain financial measures, including Adjusted Earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA"), Monthly Recurring Revenue ("MRR"), and Annual Recurring Revenue ("ARR") that do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other entities. These non-IFRS measures should be viewed as a supplement to, and not a substitute for the Company's results of operations reported under IFRS.

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-IFRS financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA provides useful information to users as it reflects the net earnings before interest, taxes, depreciation and amortization and adjusted for the effect of non-operating expenses, share-based compensation (which includes share-based payments, restricted share units, performance share units, and deferred share units), and unusual items such as discontinued operations and sales tax accrual. Management uses Adjusted EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors Adjusted EBITDA against budget and past results on a regular basis.

The term Other non-operating expenses is a non-IFRS measure and is connected to the Company's non-recurring exploratory mergers and acquisitions ("M&A") activities that are included in General and Adminstrative expenses.

The term Total Operating expenses is the aggregation of general and administrative expenses, research and development expenses, and sales and marketing expenses.

The term Monthly Recurring Revenue ("MRR") is a non-IFRS measure and includes revenues earned in a given month relating to monthly fixed subscription fee, monthly transaction fees, ARC Lite™ revenue, and PayPort™ revenue. MRR is a common metric used in Software as a Service ("SaaS") companies and its definition is not guided by IFRS standards. Accordingly, MRR is unlikely to be comparable to similar measures presented by other issuers.

The term Annualized Recurring Revenue ("ARR") is a non-IFRS measure and refers to multiplying the MRR value defined above by 12 to represent management's best estimate of forward looking 12 months of recurring revenues that the Company would earn based on the current Monthly Recurring Revenue.

The term Suppliers refers to VersaPay's customers and the term end-users refers to customers of our Suppliers

We believe that Adjusted EBITDA, MRR and ARR are useful supplemental information as they provide an indication of the results of the Company's main business activities prior to taking into consideration how those activities are financed and taxed and also prior to taking into consideration share-based payments expenses,

results from discontinued operations and other items listed above. Accordingly, we believe that these measurements may be useful to investors in enhancing their understanding of the Company's operating performance.

Cautionary note regarding forward-looking information

This MD&A contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information typically contains statements including words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking information in this MD&A includes, but is not limited to, expectations regarding future revenues, earnings, capital expenditures, operating and other costs; business strategy and objectives; market trends; acquisition and disposition plans; the sufficiency of cash and working capital for future operations; and the timing and the completion of various development projects.

Forward-looking information is based on a number of assumptions, which may prove to be incorrect. In addition to other assumptions identified in this MD&A, assumptions have been made regarding, among other things, the Company's transition to new products and releases; a continuing increase in the number of customer relationships; the length of the sales cycles; the competitive environment; the ability to maintain or accurately forecast revenue from the Company's products or services; the ability of the Company to identify, hire, train, motivate and retain qualified personnel; the ability of the Company to develop, introduce and implement new products as well as enhancements or improvements for existing products that respond, in a timely fashion, to customer/product requirements and rapid technological change; risks associated with operations; the impact of any changes in the laws and regulations in the jurisdictions in which the Company operates; and the effect of new accounting pronouncements or guidance.

Although the Company believes that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on forward-looking information because the Company can give no assurance that such expectations will prove to be correct. The forward-looking information contained herein is based on VersaPay's current expectations, estimates and projections, and is subject to a number of significant risks and uncertainties that could cause actual results to differ materially from those anticipated. Such risks and uncertainties include, among others, general business and economic conditions; the overall performance of stock markets; actions of competitors and partners; the regulatory environment; the corporate governance environment and regulatory reporting requirements for VersaPay's Suppliers; product capability and acceptance; the Company's ability to generate sufficient cash flow from operations to meet its current and future obligations; and the Company's ability to access external sources of financing, if required. A more detailed assessment of the risks that could cause actual results to materially differ from current expectations is contained in the Risk Factors section of this MD&A. The foregoing list is not exhaustive and other risks are detailed from time to time in other continuous disclosure filings of the Company. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated or expected. Forward-looking information contained herein is based on estimates and opinions of management at the date the statements are made. Except as required by law, VersaPay does not undertake any obligation to update forward-looking information even if management's estimates or opinions should change. The Company uses future-oriented financial information for budgeting and planning purposes and the information may not be appropriate for other purposes. Future-oriented financial information and financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to the risks set out above.

Internal controls over financial reporting

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), on a timely basis so appropriate decisions can be made regarding public disclosure.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

(i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's financial reporting framework.

Overview

VersaPay is a financial technology company that specializes in developing innovative cloud-based solutions that leverage the Company's payments expertise (the "Software business"). During 2017, VersaPay sold 100% of its Point of Sale ("POS") Merchant Services business to BluePay Canada, ULC allowing VersaPay to focus solely on the business of providing cloud-based invoicing, accounts receivable ("A/R") management and payment solutions. The Company has reported the sale of the POS business as a discontinued operation in the financial statements for the year ended December 31, 2017, and the interim financial statements for the three and nine-months ended September 30, 2018.

The Software business is a single platform that has three products currently in market: ARC™, PayPort™ and Gateway™.

ARC™, the Company's flagship product, is a cloud-based software solution designed for mid-sized and larger businesses ("Suppliers"). ARC™ is a business-to-business ("B2B") solution that reinvents the A/R process by automating many of the manual steps in the process and by empowering our Suppliers' customers ("Customers") with convenient, easy-to-use self-service tools. Our current offering delivers market-leading capabilities in the following five areas:

1) **Invoice presentment.** ARC™ integrates with and receives invoices from billing systems and Enterprise Resource Planning ("ERP") systems and delivers them electronically via tracked emails or through its online portal, guaranteeing that our Suppliers' invoices are received by Customers in a timely fashion. ARC™ also provides Customers with supporting documentation such as bills of lading, advertising tear sheet, etc., ensuring Customers have everything they need to pay their invoices.

2) **Collaboration and collection.** Once invoices are received by the Customers, ARC™ makes it easy for Suppliers and Customers to communicate to resolve disputes and address questions that may be delaying payment. Furthermore, ARC™ provides our Suppliers' A/R teams with powerful tools to manage overdue accounts proactively and to perform collections efficiently, with a high degree of automation.

3) **Electronic payment.** Customers can pay their invoices using ARC™'s online payment tools that have been designed for B2B transactions. Customers can select from a variety of payment methods, pay one or multiple invoices, short pay at the invoice or line payments and will soon have access to cross border payments including foreign exchange services. ARC™ is PCI Level 1 compliant, so Suppliers and Customers can be confident their payments are secure.

4) **Cash application.** When a payment is made on ARC™, the system automatically matches and reconciles payment data with invoice data and sends the resulting cash application data back to the Suppliers' ERP. If a payment is made outside of ARC™, ARC™ can import data about that payment, and likewise match and reconcile. In addition, ARC™ provides tools for Suppliers and/or Customers' staff to augment or correct the data to facilitate matching.

5) **A/R insight**. ARC™ provides a wealth of analytic data and dashboards so Suppliers can better understand their A/R and their Customers. Analytics are available at various levels - from an individual Customer through divisions or regions, right up to fully consolidated corporation-wide information.

ARC™ is sold directly to businesses across North America using full-time sales staff and partners. The Company has launched two reseller channel partnerships in Canada and is working on launching additional channels in the United States ("U.S."). Management expects to deliver a material portion of new sales through channels over the next two to three years.

PayPort™ is a cloud-based credit card and electronic funds transfer service designed primarily for smaller businesses and individuals. PayPort™ users can make and receive payments quickly and securely.

Gateway™ allows third party technology partners to connect to PayPort™ through a secure Application Program Interface ("API") and offer PayPort's payment services as part of their own service offering.

The Company's primary revenue is earned on a recurring basis through subscriptions and usage charges. VersaPay also participates in the transaction fees associated with payments of invoices that occur on the ARC™ platform and payments made through PayPort™. In addition, the Company provides Suppliers with professional services related to the integration of ARC™ into a Client's ERP system, platform customizations, and consulting services for which the company receives one-time payments for work performed.

Operational highlights: Q3 2018

The following were key aspects of the Company's overall operational achievements in Q3 2018:

- **Strong new sales ARC™.** 13 new sales were closed in the quarter, excluding sales of ARC Lite. This again represents one of the Company's strongest sales quarter and was made up of 9 sales in the US, and 4 sales in Canada. 6 of these sales came from channel partners and 7 were from VersaPay's direct sales efforts. US new client wins and pipeline growth exceeded Canadian sales for the second time in as many quarters. These results are a direct outcome of the US expansion plan the Company embarked on in Q4 2017. The plan included expanding the sales team in the US and increasing VersaPay's digital marketing investment, both are positively impacting sales results in the first three-quarters of 2018.

- **Strong increases in ARC™ usage metrics:** As at September 30, 2018, 129,231 end-customers were using ARC™ compared to 57,237 at the end of September 30, 2017, and approximately 616,000 invoices were delivered to end-customers during Q3 2018 compared to 290, 000 invoices in Q3 2017. Total payments in Q3 2018 were $179 million, compared to $52 million in Q3 2017 and $149 million in Q2 2018.

- **Expanded Channel program:** 6 Value-Added Resellers (VAR) were signed in Q3 2018, bringing the total number of VARs the Company has partnered with to 14. VARs are well-positioned to sell and implement ARC as a natural extension of the current business they do with their clients. VersaPay is marketing to VARs that specialize in Sage Intacct and Oracle JDE – a community of approximately 5,000 companies.
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The following were key aspects of the Company's financial performance in Q3 2018:

- **Continued investment in ARC™:** Consistent with its growth strategy, the Company continued to invest in ARC™ to establish itself as the leader in the emerging AR Automation market. This included increasing Research and Development ("R&D") and Sales & Marketing investment during the year. This contributed to the Company's higher expenses and a higher net loss.

- **Revenue in Q3 2018 increased by 46% year over year:** Revenue increased year over year by 46% to $ 1.1 million (Q3, 2017: $ 0.8 million). Total ARC revenue, which has higher margins than the Company's other product, Payport™, grew to $0.7 million as at the end of Q3, 2018, compared to $ 0.3 million at Q3, 2017 representing a growth of 113%

- **Total Operating expenses for Q3 2018 increased by 36% year over year:** Operating expenses from continuing operations increased to $3.8 million (Q3, 2017: $2.8 million). This represents a 36% increase year over year. The increase in primarily driven by added headcount in Sales and Marketing, General and Administrative, and Research and Development. Included in Q3 2018 operating expense are share-based payments representing $0.2 million (Q3 2017 - $0.06 million), $(0.1) million related to restricted share units (Q3 2017 - $0.2 million). Excluding these items, expenses increased by 33% compared to Q3 2017.

- **ARC ARR for Q3 2018 increased by 56% year over year:** ARC ARR increased to $2.5 million compared to $1.6 million in Q3 2017 and $2.3 million in Q2 2018. This represents an increase of 56% year over year and an increase of 10% quarter over quarter.

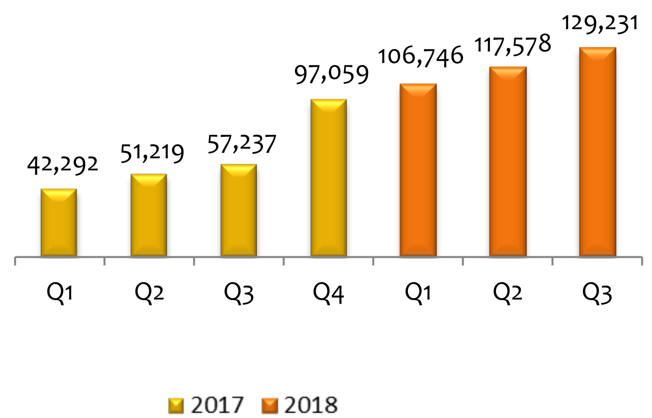
Key metrics

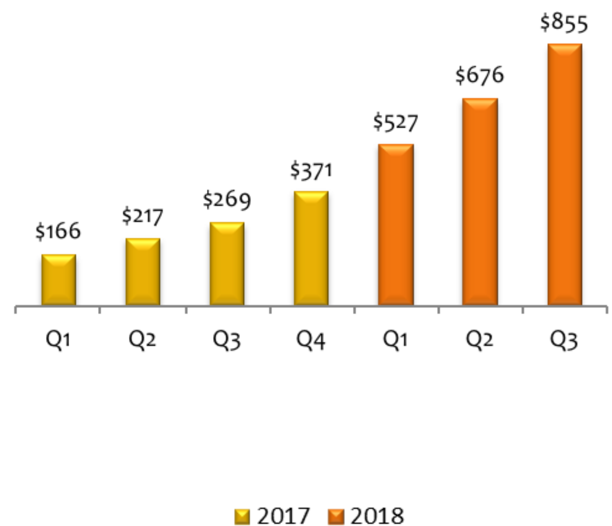
The use of ARC's platform by Suppliers and their end-customers can be measured through growth in Invoices sent by suppliers, the number of their end-customers that receive these invoices ("Adoption"), and the payments the end-customers make to their invoices using ARC.

Customer Adoption, or the number of end-customers on the ARC platform were 129,231 businesses at the end of September 30, 2018, compared to 57,237 at the end of September 30, 2017, an increase of 71,994 businesses. VersaPay Suppliers presented 4.2 million invoices to date using the ARC platform, in comparison to a cumulative 2.3 million for Q3, 2017. These invoices totaled $7.7 billion by the end of Q3, 2018. End-customers paid $179 million of their invoices through ARC, an increase of 244% or $52 million compared to Q3 2017

The following unaudited table and accompanying graphs are presented as cumulative values:

	2017				2018		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Customer Adoption	42,292	51,219	57,237	97,059	106,746	117,578	129,231
Invoices Presented	1,703,058	2,007,532	2,298,103	2,734,628	3,127,639	3,579,137	4,194,653
Invoices Paid	300,033	365,037	437,150	595,523	793,340	995,912	1,209,177
Invoiced Amount ($M)	$2,064	$2,605	$3,128	$3,956	$4,754	$5,793	$7,702
Payment Volumes ($M)	$166	$217	$269	$371	$527	$676	$855
Total signed up clients	95	107	116	124	135	149	161





Financial highlights: three and nine-months ended September 30, 2018 and 2017

Summary of results

The following unaudited tables set out selected financial information for the Company for the three months and nine months ended September 30, 2018 and 2017 on a consolidated basis:

	For the three months ended		For the nine months ended	
	September 30	September 30	September 30	September 30
	2018	2017	2018	2017
	$	$	$	$
Revenue	1,137,314	780,524	3,286,324	1,900,968
Gross profit	834,505	571,876	2,329,668	1,303,372
Gross profit margin	73.4%	73.3%	70.9%	68.6%
Net loss from continuing operations	(2,938,968)	(2,174,375)	(9,307,788)	(6,001,022)
Net earnings from discontinued operation	-	-	-	8,915,801
Net (loss) earnings for the period	(2,938,968)	(2,174,375)	(9,307,788)	2,914,779
Total comprehensive (loss) income	(2,952,525)	(2,189,329)	(9,320,988)	2,870,480
Adjusted EBITDA [1]	(2,830,517)	(1,940,701)	(8,007,868)	(5,215,662)
Net earnings (loss) per share	(0.08)	(0.07)	(0.25)	(0.19)

	September 30 2018	December 31 2017
Total assets	25,536,061	33,303,662
Total long-term financial liabilities	671,212	273,491

[(1)] Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-IFRS financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA provides useful information to users as it reflects the net earnings before interest, taxes, depreciation and amortization and adjusted for the effect of non-operating expenses, share-based compensation (which includes share-based payments, restricted share units, performance share units, and deferred share units), and unusual items such as discontinued operations and sales tax accrual. Management uses Adjusted EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors Adjusted EBITDA against budget and past results on a regular basis.

The following is a reconciliation of Adjusted EBITDA to total comprehensive (loss) income:

	For the three months ended September 30		For the nine months ended September 30	
	2018	2017	2018	2017
	$	$	$	$
Adjusted EBITDA [1]	(2,830,517)	(1,940,701)	(8,007,868)	(5,215,662)
Share based compensation [2]	(80,683)	(225,474)	(1,093,414)	(560,165)
Net finance income (costs)	19,067	25,052	57,386	26,791
Amortization	(46,835)	(33,255)	(108,892)	(106,117)
Sales tax accrual	-	-	-	(145,869)
Other non-operating expenses [3]	-	-	(155,000)	-
Net earnings from discontinued operations	-	-	-	8,915,801
Foreign currency translation differences	(13,557)	(14,954)	(13,200)	(44,299)
Total comprehensive (loss) income	**(2,952,525)**	**(2,189,332)**	**(9,320,988)**	**2,870,480**

(1) Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-IFRS financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA provides useful information to users as it reflects the net earnings before interest, taxes, depreciation and amortization and adjusted for the effect of non-operating expenses, share-based compensation (which includes share-based payments, restricted share units, performance share units, and deferred share units), and unusual items such as discontinued operations and sales tax accrual. Management uses Adjusted EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors Adjusted EBITDA against budget and past results on a regular basis.
(2) Share-based compensation includes share-based payments, restricted share units, performance share units, and deferred share units
(3) Other non-operating expenses is connected to the Company's non-recurring exploratory M&A activities that are included in General and Adminstrative expenses.

Results from continued operations

Below are the financial results for the three and nine-months ended September 30, 2018 and 2017 from the continuing operations.

	For the three months ended September 30		For the nine months ended September 30	
	2018	**2017 ***	**2018**	**2017 ***
	$	**$**	**$**	**$**
Continuing operations				
Revenue	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	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)**

Revenue

Revenues from continuing operations for the three months ended September 30, 2018 were $1.1 million (three months ended September 30, 2017 $0.8 million, an increase of 46%) and for the nine months ended September 30, 2018, $3.3 million (nine months ended September 30, 2017, $1.9 million, an increase of 73%). Revenue increased primarily as a result of growth in Suppliers on the ARC™ platform paying subscriptions and organic growth of existing Payport customers. By September 30, 2018, ARR was $4.4 million, compared to $3.1 million at the end of the comparative period in 2017, representing an increase of 45%.

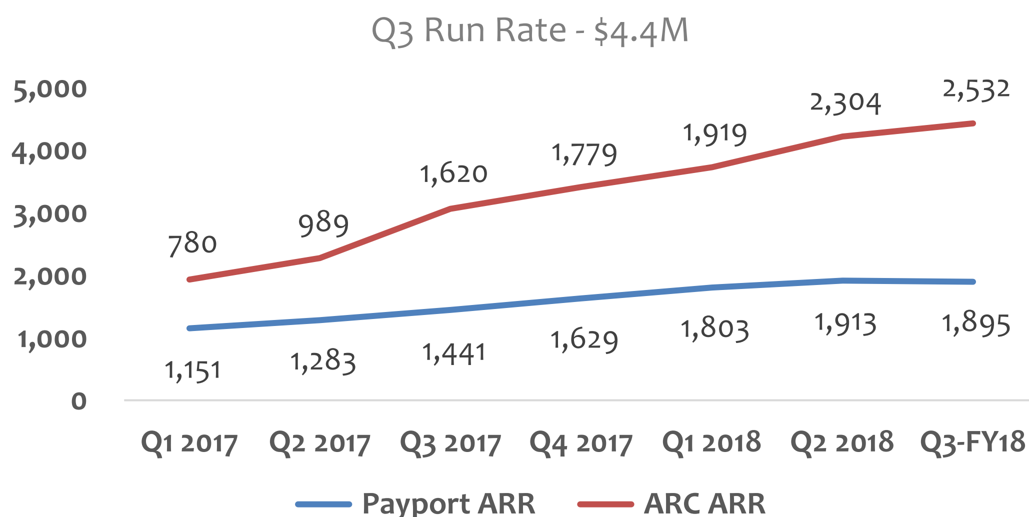
As a result of the transitioning to IFRS 15 on January 1, 2018, the Company recorded a transition adjustment for $55K of professional services fees that would have been recognized under the previous IFRS standards as revenue for the quarter as an adjustment to opening accumulated deficit as of January 1, 2018. Under IFRS 15 total revenues for the three months ended March 31, 2018 are $1.1 million, six months ended June 30, 2018 are $2.1 million and nine months ended September 30, 2018 are $3.3 million. Comparative information has not been restated as the Company utilized the cumulative effect method to adopt the new standard.

The following table provides a breakdown of Total ARR by product and region:

	As at Sept 30, 2018 Total		As at Sept 30, 2017 Total		Year over Year Growth
ARC ARR	2,532,281	57%	1,620,420	53%	56%
Payport ARR	1,895,081	43%	1,440,926	47%	32%
Total ARR	4,427,363	100%	3,061,345	100%	45%
ARC Canada	935,276	37%	756,923	47%	24%
ARC USA	1,597,006	63%	863,497	53%	85%
Combined	2,532,281	100%	1,620,420	100%	56%

The term Annualized Recurring Revenue ("ARR") is a non-IFRS measure and refers to multiplying the MRR value defined above by 12 to represent management's estimate of forward looking 12 months of recurring revenues that the Company would earn based on the current Monthly Recurring Revenue.

The following table shows the quarterly growth in ARR:



The term Annualized Recurring Revenue ("ARR") is a non-IFRS measure and refers to multiplying the MRR value defined above by 12 to represent management's estimate of forward looking 12 months of recurring revenues that the Company would earn based on the current Monthly Recurring Revenue.

Cost of sales

Cost of sales consists of fees paid to credit card associations such as Visa and MasterCard, fees paid to our automated clearing house provider in the U.S., professional services costs, and bank fees directly related to the products and services. These costs also include commissions paid to third party sales organizations and marketing partners, which are primarily incurred to generate Payport revenues. The Company also records employee costs related to professional services in Cost of Sales. Cost of sales from continuing operations for the three months ended September 30, 2018 were $0.3 million (three months ended September 30, 2017 $0.2 million, an increase of 45%) and for the nine months ended September 30, 2018 $0.9 million (nine months ended September 30, 2017, $0.6 million, an increase of 60%), consistent with the increase in revenues.

Gross margin

For the three months ended September 30, 2018, overall gross margin was $0.8 million or 73% of revenue (three months ended September 30, 2017 $0.6 million or 73% of revenue) and for the nine months ended September 30, 2018, overall gross margin was $2.3 million or 71% of revenue (nine months ended September 30, 2017 $1.3 million or 69% of revenue). The improvement in gross margin is due to a greater portion of percentage of revenues generated from higher margin ARC™ revenues as compared to Payport™ revenues.

Expenses

Total operating expenses from continued operations for the three months ended September 2018 were $3.8 million (three months ended September 30, 2017 $2.8 million, an increase of 37%) and for the nine months ended September 30, 2018 $11.7 million (nine months ended September 30, 2017 $7.3 million, an increase of 60%).

	For the three months ended		For the nine months ended	
	2018	2017 *	2018	2017 *
Expenses by nature	$	$	$	$
General and Administrative				
Depreciation and amortization	46,835	33,255	108,892	106,117
Consulting	243,627	312,153	798,510	411,147
General and office expenses	139,446	101,109	567,826	349,729
Professional and consulting fees	91,126	95,475	577,835	513,191
Rent and occupancy	135,539	56,009	269,687	174,654
Bad Debt	13,453	45,404	27,149	77,509
Share based payments	181,280	60,728	514,924	274,947
Salaries and benefits	401,249	366,901	1,277,198	1,043,695
Total general and administrative expenses	**1,252,555**	**1,071,034**	**4,142,021**	**2,950,989**
Research and Development				
IT & Infrastructure	259,787	178,048	778,737	432,138
Salaries and benefits	941,964	609,921	2,759,717	1,689,241
Total research and development expenses	**1,201,751**	**787,969**	**3,538,454**	**2,121,379**
Sales and Marketing				
Marketing and promotion	156,332	193,654	721,531	424,271
Commission Expense	19,671	74,442	(80,417)	184,313
Salaries and benefits	1,180,413	657,685	3,400,199	1,664,322
Total sales and marketing expenses	**1,356,416**	**925,781**	**4,041,313**	**2,272,906**
Total Expenses	**3,810,722**	**2,784,784**	**11,721,788**	**7,345,274**
Foreign exchange gain from operations	18,182	13,481	24,689	14,090
Finance income	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)**

At September 30, 2018, the Company has 78 full time equivalent employees compared to 49 employees at September 30, 2017. The total salaries and benefits expenses represent 66% of the total operating expenses for the three months ended September 30, 2018 (three months ended September 30, 2017: 59%). Total salaries and benefits expenses represent 63% of the total operating expenses for the nine months ended September 30, 2018 (nine months ended September 30, 2017: 60%) Employee costs are allocated to each of the expense allocations below:

- *General and administrative* ("G&A") expenses for the three months ended September 30, 2018 were $1.3 million (three months ended September 30, 2017 $1.1 million, an increase of 17%) and for the nine

months ended September 30, 2018 were $4.1 million (nine months ended September 30, 2017, $3.0M, an increase of 40%). The increase in expenses are consistent with the growth in general costs associated with a higher number of employees year over year.

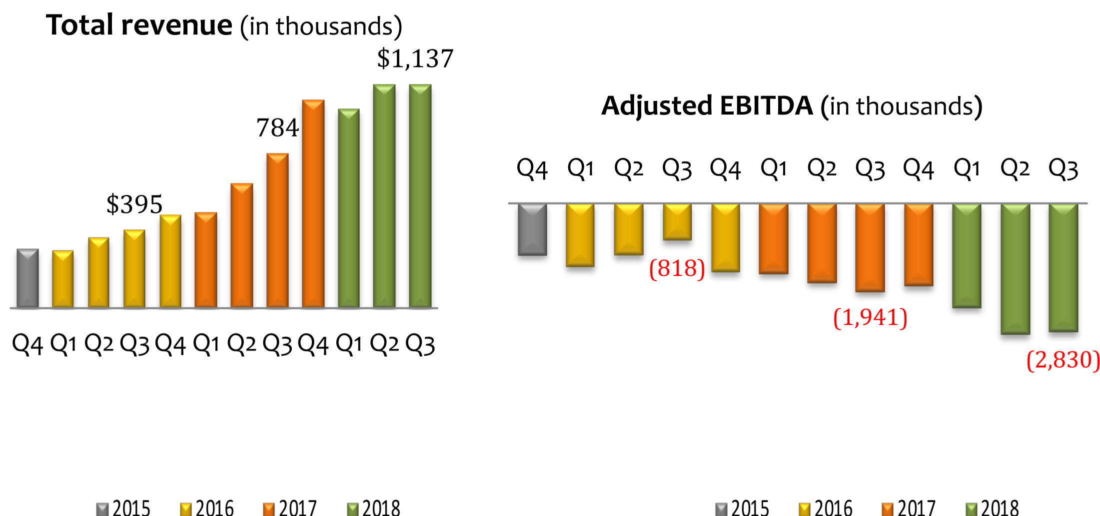
- *Research and development* ("R&D") expenses increase is related to direct costs and compensation paid to new staff and additional data storage fees from growth of Suppliers and end-customers. R&D costs for the three months ended September 30, 2018 were $1.2 million (three months ended September 30, 2017, $0.8 million, an increase of 53% and for the nine months ended September 30, 2018 $3.5 million (nine months ended September 30, 2017 $2.1 million, an increase of 67%). The increase relates to additional headcount added for product development and implementation. The Company has also engaged external development to compliment the Company's development team.

- *Sales and marketing* expenses for the three months ended September 30, 2018 were $1.4 million (three months ended September 30, 2017, $0.9 million, an increase of 47%), and for the nine months ended September 30, 2018 $4 million (nine months ended September 30, 2017, $2.3 million, an increase of 78%). This increase primarily reflects increased compensation related to higher headcount to expand the Company's direct and channel sales team in both Canada and the US as well as increased digital marketing spending.

Summary of quarterly results

in thousands, except for net income (loss) per share	2016		2017				2018		
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue from continuing operation	$395	$469	$486	$631	$781	$1,060	$1,012	$1,137	$1,137
Total comprehensive (loss) income	($992)	($1,815)	$7,013	($1,953)	($2,189)	($2,521)	($2,680)	($3,688)	($2,953)
Adjusted EBITDA [(1)]	($818)	($1,512)	($1,538)	($1,737)	($1,941)	($1,817)	($2,288)	($2,888)	($2,830)
Net (loss) income per share	(0.03)	(0.06)	0.23	(0.06)	(0.07)	(0.09)	(0.07)	(0.10)	($0.08)
Total weighted average shares outstanding	30,456	30,479	30,624	30,816	31,285	36,810	37,898	37,949	38,035

(1) Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-IFRS financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA provides useful information to users as it reflects the net earnings before interest, taxes, depreciation and amortization and adjusted for the effect of non-operating expenses, share-based compensation (which includes share-based payments, restricted share units, performance share units, and deferred share units), and unusual items such as discontinued operations and sales tax accrual. Management uses Adjusted EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors Adjusted EBITDA against budget and past results on a regular basis.



The following is a reconciliation of Adjusted EBITDA to total comprehensive (loss) income:

	2016		2017				2018		
in thousands	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Adjusted EBITDA [1]	(818)	(1,512)	(1,538)	(1,740)	(1,938)	(1,817)	(2,288)	(2,888)	(2,830)
Share based compensation [2]	(145)	(177)	(172)	(163)	(225)	(279)	(327)	(686)	(81)
Net finance income (costs)	8	8	(6)	8	25	15	18	20	19
Amortization	(37)	(36)	(39)	(34)	(33)	(29)	(33)	(29)	(47)
Sales tax accrual	-	-	(146)	-	-	-	-	-	-
Other non-operating expenses [3]	-	-	-	-	-	-	(55)	(100)	-
Net earnings from discontinued operations	-	(91)	8,925	(9)	-	(399)	-	-	-
Foreign currency translation differences	-	(7)	(11)	(15)	(18)	(12)	5	(5)	(14)
Total comprehensive (loss) income	($992)	($1,815)	$7,013	($1,953)	($2,189)	($2,521)	(2,680)	(3,688)	(2,953)

(1) Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-IFRS financial measure which does not have any standardized meaning prescribed by IFRS and is therefore unlikely to be comparable to similar measures presented by other issuers. Adjusted EBITDA provides useful information to users as it reflects the net earnings before interest, taxes, depreciation and amortization and adjusted for the effect of non-operating expenses, share-based compensation (which includes share-based payments, restricted share units, performance share units, and deferred share units), and unusual items such as discontinued operations and sales tax accrual. Management uses Adjusted EBITDA in measuring the financial performance of the Company as this measure reflects results that are controllable by management in day-to-day operations. Management monitors Adjusted EBITDA against budget and past results on a regular basis.

(2) Share-based compensation includes share-based payments, restricted share units, performance share units, and deferred share units

(3) Other non-operating expenses is connected to the Company's non-recurring exploratory M&A activities that are included in General and Adminstrative expenses.

Discontinued Operations

In November 2017, the Company received a revised formal assessment of GST/HST and QST taxes owing of $1.7 million by Revenu Quebec for Sales Taxes payable for the 4-year period ending June 30, 2017. Included in Liabilities associated with discontinued operations at September 30, 2018 is $0.3 million (December 31, 2017 - $0.4 million) related to the sales tax assessment which represents the assessed amount of $1.7 million, less the Company's submission of investment tax credits paid or payable during period and including management's estimates of penalties and interest.

Liquidity

The Company's cash on hand totalled $6.0 million as at September 30, 2018.

On February 1, 2017, the Company completed the sale of all of the assets and property related to the Company's POS business. The Company received $10 million in cash, of which $0.5 million was placed in an escrow account for 12 months to cover potential purchase price adjustments and other potential costs. The entire $0.5 million escrow amount was released to the Company in early 2018. An additional $1 million will be payable to the Company 12 months following closing the transaction, conditional upon achievement of 5% growth in the Company's POS Merchant Service portfolio 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.

In October 2017, the Company raised approximately $10.7 million from the non-brokered private placement of 6,290,000 common shares of the Company at a price of $1.70 per common share.

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.

These cash-flow activities provide the Company with the resources to grow the Software business and to fully exploit the market opportunity for ARC™.

- *Operating activities* used cash of $3.1 million during the three months ended September 30, 2018 ($1.6 million of cash used during the three months ended September 30, 2017) and $9.1 million during the nine months ended September 30, 2018 ($5.5 million during the nine months ended September 30, 2017). This increase in cash used in operating activities was driven primarily by the increase in headcount and as a result, an increase in operating expenses year over year.
- *Investing activities* used cash of $0.8 million and $1.0 million for the three months and nine months period ended September 30, 2018 respectively. The increase in use of cash was mainly related to purchases for the leasehold improvement for the new lease office space.
- *Financing activities* generated cash of $0.1 million for the three months ended September 30, 2018 (three months ended September 30, 2017 increase in cash of $0.3 million) and generated cash of $0.3 million for the nine months ended September 30, 2018 (nine months ended September 30, 2017 $0.9 million). Cash flows in both periods relate to the exercise of stock options which cannot be predicted by the Company.
- Overall, VersaPay showed a net decrease in cash and equivalents from continuing operations for the three months ended September 30, 2018 of $3.7 million ($1.3 million for the three months ended September 30, 2017) and a net decrease in cash and cash equivalents from continuing operations for the nine months ended September 30, 2018 of $9.7 million ($4.6 million for the nine months ended September 30, 2018).

The Company has incurred losses from continuing operations since its inception however, management has been able to finance operations through equity financings and will continue, as appropriate, to seek additional financing. The ability of the Company to continue is dependent upon its ability to obtain financing, successfully execute its business plan, generate sufficient cash flows and, ultimately, achieve profitable operations. In addition, the Software business is at an early stage of development. The Company is investing a significant amount of its resources and has raised additional financing to pursue its business strategy. However, due to the inherent uncertainty in future outcomes, the Company's cash flows cannot be predicted at this time.

Working Capital Requirements

The Company had an average operational burn rate of $1.1 million per month for the three months ended September 30, 2018 and $0.5 million for the three months ended September 30, 2017. The Company's cash balance at September 30, 2018 was $6.0 million. While future expenditures may vary from past results, management believes the Company has sufficient cash reserves to fund operations and will continue to grow its revenues to cover working capital requirements for the near future.

Capital resources

Commitments and contractual obligations

The following table lists the Company's commitments and contractual obligations as at September 30, 2018. Amounts for obligations under finance lease include interest. VersaPay expects to fund these expenditures from working capital.

	Payments due as at September 30, 2018			
Commitments and contractual obligation:	Total	Less than 1 year	1-4 years	Thereafter
	$	$	$	$
Accounts payable and accrued liabilities			-	-
Continuing operations	2,360,985	2,360,985	-	-
Discontinued operation	301,477	301,477	-	-
Funds due to merchants	14,662,710	14,662,710	-	-
Obligations under finance lease	4,841	4,841	-	-
Office lease (Includes sublet)	7,947,467	106,099	2,991,746	4,849,622

Off-balance sheet arrangements

In late 2017, the Company entered into a new lease for office space. The Company has also entered into an agreement to sublet the current office space for the duration of the lease agreement. The Company was successful in obtaining full recovery of future lease commitments related to the current office space. Both the new office and the current office space have been included in the lease commitments schedule below. The Company has operating lease commitments for office premise payments for the current and next four years and thereafter in the following amounts:

	2018	2019	2020	2021	2022	and thereafter	Total
	$	$	$	$	$	$	$
Combined Leases	243,413	988,643	1,007,184	1,016,265	1,030,043	5,244,168	9,529,716
Less: Sublease	137,314	250,388	262,578	265,153	272,270	394,546	1,582,249
Total Commitme	106,099	738,255	744,606	751,112	757,773	4,849,622	7,947,467

Outlook

With the sale of the POS business, the Company is now an early stage pure-play fintech business with tremendous potential for long term growth and profitability. VersaPay's immediate focus is on the development and marketing of ARC™ and growth of its customer base. Management expects ARC™'s revenue growth will

continue to build steadily through 2018 and beyond. The Company's sales strategy is to sell directly and through channel partners, and to begin to generate revenues through online or "in-app" sales to end-customers:

1) **Direct Sales**. The Company has expanded its business development and sales team in the US and Canada to increase its direct reach to companies across North America. With proven product leadership, strong client references and increasing number of large prospects in the direct sales pipeline, the Company is seeing an acceleration of sales results and expects this trend to continue in the coming quarters.

2) **Channel Partners**. The Company entered the year with two channel partners in Canada and has signed twelve new channel partners in 2018. The Company also expects to continue to sign new channel partners in the U.S. and Canada through 2018 and to see partners contributing a material portion of new revenues by late in the year.

3) **In-app Sales.** The Company launched an international payments service on the platform in Q1 2018. This is the first example of products and services the Company intends to sell to end-customers from within ARC. This new source of revenue will be somewhat nascent in 2018, but the Company expects it to become material in 2019 and beyond.

The Company expects revenues of PayPort™ and Gateway™ to organically grow moderately year over year.

Transactions with related parties

The following table lists the Company's related party transactions:

	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
	$	$	$	$
Compensation of key management personnel				
Senior management compensation	560,573	569,766	1,735,192	1,507,674
Share based payments for key employees	-	36,494	-	180,901
Share based payments for directors	-	16,406	-	68,599
Compensation paid to directors	-	34,500	-	105,500
Service agreements			-	
Professional fees paid to a law firm in which a former director is a partner	-	-	-	93,992
	560,573	**657,166**	**1,735,192**	**1,956,666**

Financial instruments risk, exposure and management

The Company has exposure to the following risks from its use of financial instruments: credit risk, market risk, and liquidity risk.

(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:

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.

Significant accounting policies

Except for the adoption of IFRS 15 and IFRS 9, the significant accounting policies used in preparing these condensed consolidated interim 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.

The changes in accounting policies will also be reflected in the Company's annual financial statements as at and for the year ending December 31, 2018.

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:
  - Fixed 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 year in which the transactions occur.

Professional services revenues 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. Professional Service costs, such as salaries directly attributable to the implementation of a contract, are capitalized and amortized using the percentage of completion method to match these costs to the appropriate period in which revenues are recognized.

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 revenues see Note 11 of the Q3 2018 financial statements.

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 SSP 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.

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 re-measurement 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 3 of the Company's Q3 2018 financial statements.

Risk Factors

A full description of the risk factors can be found in the Company's MD&A for the year ended December 31, 2017 under the section entitled "Risk Factors".

Outstanding share data

The Company is authorized to issue an unlimited number of Common Shares. As at the date of this MD&A, there were 37,983,051 Common Shares outstanding.

Employees, directors, officers and consultants have been granted options to purchase common shares under the Company's stock option plan. As at the date of this MD&A, there were 3,532,500 options outstanding to purchase 3,532,500 Common Shares.