Notice to Reader

Please disregard the previously released MD&A as we have made minor rounding changes and adjustments to the numbers on the following pages:

- Pg. 5 – ARC^{TM} sales in quarter was $1.48 million
- Pg. 5 – backlog at end of Q4 2018 was $1.82 million
- Pg. 5 – total invoices paid were 242 million in Q4 2018, compared to 158 million in Q4 2017
- Pg. 6 – ARC^{TM} sales for the year updated to $3.86 million in ARR, increase of 187%
- Pg. 6 – ARC^{TM} contribution to Company grew from 45% to 58%. Gross margins increased from 67% for fiscal 2017 to 75% for fiscal 2018.
- Pg. 6 – ARC^{TM} recurring revenue was $3.30 million, up from $1.78 million or 86% in the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2018

Management's discussion & analysis

This Management's Discussion and Analysis ("MD&A") dated as of April 1, 2018 for VersaPay Corporation ("VersaPay" or the "Company") should be read in conjunction with the consolidated financial statements and the accompanying notes for the year ended December 31, 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 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. Management believes Adjusted EBITDA provides useful information to users as it reflects the net earnings 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") and non-recurring restructuring activities that are included in 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 MRR.

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

The term Backlog represents ARC subscriptions that customers have contractually committed to but have not yet been billed.

We believe that Adjusted EBITDA, MRR ARR and Backlog 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 consolidated financial statements as at and for the years ended December 31, 2018 and 2017.

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

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.

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 for Q4 2018

- **Record quarter for ARC™ sales:** The Company achieved its strongest single sales quarter of approximately $1.48 million in new ARR, with about 55% of sales coming through channel partners. From a geographic standpoint, approximately 45% of sales came from the US – the third consecutive quarter that US sales outpaced Canadian sales.

- **Growing backlog of ARC™ Revenue:** The Company converted approximately 56% of its ARC backlog (which are contractually signed but unbilled clients) as of September 30, 2018 to revenue in the quarter while growing its backlog of clients to $1.82 million at the end of Q4 2018. This signals a very healthy growth in the business, and continued revenue growth in the near term.

- **Strong increases in ARC™ usage metrics:** The usage of ARC™ is an important indicator of the value clients are receiving from the platform and a good predictor of continued sales and revenue growth. As at the end of the quarter, 144,145 end-customers were using ARC™ compared to 97,059 at the end of Q4 2017, and approximately 538,000 invoices were delivered to end-customers during the quarter compared to 436,000 invoices in Q4 2017. Total invoices paid on ARC™ were 242 million Q4 2018, compared to 158 million in Q4 2017.

Operational highlights for Fiscal 2018

- **Strong ARC™ sales, particularly in the US:** ARC sales for the year were approximately $3.86 million in ARR, an increase of 187% over sales in the prior year. From a geographic standpoint, approximately 71% of sales came from the US. Growth in the US can be mainly attributed to the US expansion plan embarked on in Q4 2017 which included hiring new US salespeople and increasing the company's digital marketing investment south of the border.

- **ARC™ becomes VersaPay's flagship offering:** Between December 31, 2017 and December 31, 2018, ARC™ contribution to the Company's revenue grew from 45% to 58%, making it VersaPay's largest revenue producer and flagship offering. As a result of this change in product mix, the Company's gross margins have increased from 67% for fiscal 2017 to 75% for fiscal 2018.

- **ARC™ recurring revenue:** As at December 31, 2018, ARC™ recurring revenue under contract was $3.30 million, up from $1.78 million or 86% in the year.

Financial hIghlights for Q4 and Fiscal 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 Q4 2018 increased by 37% year over year:** Revenue for the quarter increased year over year by 37% to $ 1.45 million (Q4, 2017: $1.06 million). Total ARC™ revenue, which has higher margins than the Company's other product, PayPort™, grew to $0.73 million as at the end of Q4, 2018, compared to $ 0.42 million at Q4, 2017 representing a growth of 74%. For the year, total ARC™ revenue grew to $2.30 million in 2018 from $1.13 million in 2017 representing a growth of 104%.

- **Total Operating expenses for Q4 2018 increased by 73% year over year:** Operating expenses from continuing operations increased to $4.84 million (Q4, 2017: $2.79 million), an increase of 73% increase year over year. The increase is primarily driven by added headcount in Sales and Marketing, General and Administrative, and Research and Development, increasing from 59 headcount at December 31, 2017 to 79 at December 31, 2018. Also included in Q4 2018 operating expense are share-based compensation representing $0.28 million gain (Q4 2017 - $0.28 million expense). Operating expenses for the year increased to $16.56 million (2017 - $10.13 million), an increase of 63% year over year. Included in 2018 operating expense are non-recurring M&A and restructuring activities of $0.46 million (2017 - $nil). Also, included in operating expenses are share-based compensation representing $0.82 million (2017 - $0.84 million). The remaining net increase in operating expense in 2018 is primarily driven by increase of $4.08 million in salaries and benefits due to increase in headcount. IT &Infrastructure increased by $0.37 million in relation to the Company's investment in research and development activities. Sales and Marketing increase of $0.48 million is consistent with expanding the Company's direct and channel sales team in both Canada and the US as well as increased digital marketing spending. Other costs associated with higher headcount also increased during the year (such as rent and office related costs, HR placement costs, etc.).

- **ARC™ ARR for Q4 2018 increased by 86% year over year:** ARC™ ARR increased to $3.30 million compared to $1.78 million in Q4 2017 and $2.53 million in Q3 2018. This represents an increase of 86% year over year and an increase of 30% sequential quarter over quarter. The increase in ARR is directly related to focused efforts in the US expansion plan.

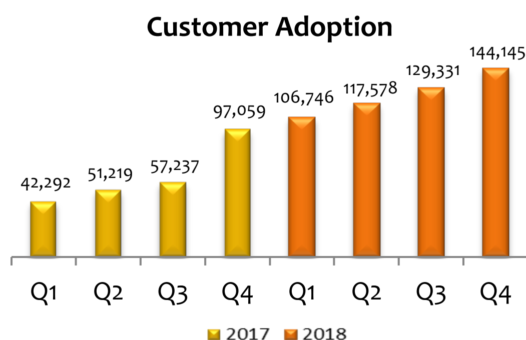
Key metrics

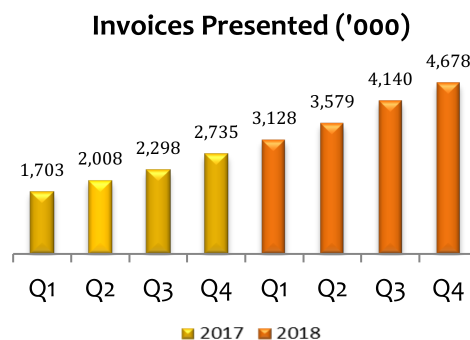
The use of ARC™'s platform by Suppliers and their end-customers can be measured through growth in Invoices sent by suppliers, the number of their end-customers that receive these invoices ("Adoption"), and the payments the end-customers make to their invoices using ARC™.

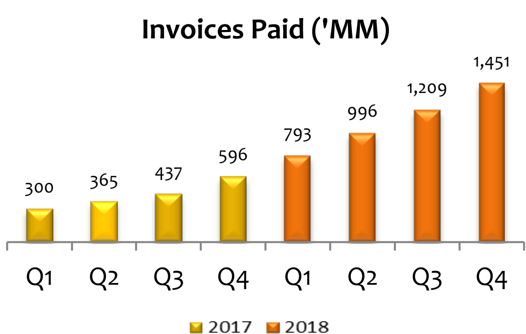
Customer Adoption, or the number of end-customers on the ARC™ platform were 144,145 businesses at the end of December 31, 2018, compared to 97,059 at the end of December 31, 2017, an increase of 47,086 businesses. VersaPay Suppliers presented 4.7 million invoices to date using the ARC™ platform, in comparison to a cumulative 2.7 million as of Q4 2017. These invoices totaled $8.7 billion by the end of Q4 2018. End-customers paid $213 million of their invoices through ARC™, an increase of 110% or $112 million compared to Q4 2017.

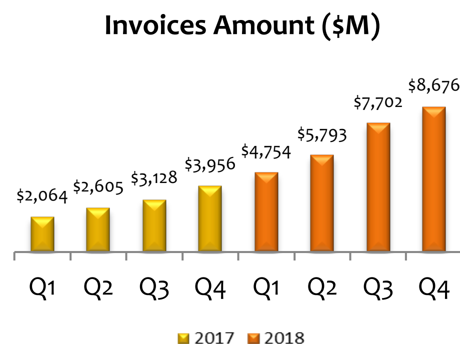
The following unaudited table and accompanying graphs are presented as cumulative values:

	2017				2018			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Customer Adoption	42,292	51,219	57,237	97,059	106,746	117,578	129,331	144,145
Invoices Presented	1,703,058	2,007,532	2,298,103	2,734,628	3,127,639	3,579,137	4,140,163	4,678,383
Invoices Paid	300,033	365,037	437,150	595,523	793,340	995,912	1,209,409	1,451,298
Invoiced Amount ($M)	$2,064	$2,605	$3,128	$3,956	$4,754	$5,793	$7,702	$8,676
Payment Volumes ($M)	$166	$217	$269	$371	$527	$676	$855	$1,068
Total signed up clients	95	107	116	124	136	150	162	174









Financial highlights: three months and years ended December 31, 2018 and 2017

Summary of results

The following unaudited tables set out selected financial information for the Company for the three months and years ended December 31, 2018 and 2017 on a consolidated basis:

	For the three months ended		Years ended	
	December 31 2018 $	December 31 2017 $	December 31 2018 $	December 31 2017 $
Revenue	1,454,078	1,057,328	4,740,402	2,958,296
Gross profit	1,201,366	671,598	3,531,034	1,974,970
Gross profit margin	82.6%	63.5%	74.5%	66.8%
Net loss from continuing operations	(3,627,734)	(2,109,533)	(12,935,522)	(8,110,555)
Net earnings from discontinued operation	-	-	-	8,516,851
Net (loss) income for the period	(3,627,734)	(2,508,483)	(12,935,522)	406,296
Total comprehensive income (loss)	(3,569,059)	(2,520,047)	(12,890,047)	350,433
Adjusted EBITDA [1]	(3,509,245)	(1,817,226)	(11,517,113)	(7,032,888)
Net loss per share	(0.08)	(0.06)	(0.33)	(0.25)

	Decemer 31 2018	Decemer 31 2017
Total assets	32,856,892	33,303,662
Total long-term liabilities	762,297	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 (including M&A and non-recurring restructuring activities), 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 December 31		Years ended December 31	
	2018	2017	2018	2017
	$	$	$	$
Adjusted EBITDA [1]	(3,509,245)	(1,817,226)	(11,517,113)	(7,032,888)
Share based compensation [2]	276,611	(279,036)	(816,803)	(839,201)
Net finance income (costs)	26,694	15,529	84,080	42,320
Amortization	(119,150)	(28,800)	(228,042)	(134,917)
Sales tax accrual	-	-	-	(145,869)
Other non-operating expenses [3]	(302,644)	-	(457,644)	-
Net earnings from discontinued operations	-	(398,950)	-	8,516,851
Foreign currency translation differences	58,675	(11,564)	45,475	(55,863)
Total comprehensive (loss) income	**(3,569,059)**	**(2,520,047)**	**(12,890,047)**	**350,433**

(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 (including M&A and non-recurring restructuring activities), 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 and non-recurring restructuring activities that are included in General and Adminstrative expenses.

	For the three months ended December 31		Years ended December 31	
	2018	2017 *	2018	2017 *
	$	$	$	$
Continuing operations				
Revenue	1,454,078	1,057,328	4,740,402	2,958,296
Cost of sales	252,712	385,730	1,209,368	983,326
Gross profit	**1,201,366**	**671,598**	**3,531,034**	**1,974,970**
General and administrative expenses	1,902,826	1,009,686	6,108,744	3,960,675
Research and development expenses	1,272,457	953,893	4,537,834	3,075,272
Sales and marketing expenses	1,665,683	823,478	5,913,919	3,096,384
Loss from continuing operations	**(3,639,600)**	**(2,115,459)**	**(13,029,463)**	**(8,157,361)**
Foreign exchange gain (loss) from operations	(14,828)	(9,603)	9,861	4,486
Finance income (expense), net	26,694	15,529	84,080	42,320
Net loss from continuing operations	**(3,627,734)**	**(2,109,533)**	**(12,935,522)**	**(8,110,555)**

Revenue

Revenues from continuing operations for the three months ended December 31, 2018 were $1.45 million versus $1.06 million for the three months ended December 31, 2017, an increase of 37%, and for the year ended December 31, 2018, $4.74 million versus $2.96 million for the year ended December 31, 2017 , an increase of 60%. Revenue increased primarily as a result of growth in Suppliers on the ARC™ platform paying subscriptions. At December 31, 2018, ARR was $5.28 million, compared to $3.40 million at the end of the comparative period in 2017, representing an increase of 55%.

As a result of the transitioning to IFRS 15 on January 1, 2018, the Company recorded a transition adjustment for $0.055 million 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 $1.01 million, six months ended June 30, 2018 are $2.15 million, nine months ended are $3.29 million and year ended December 31, 2018 are $4.74 million. Comparative information has not been restated as the Company utilized the cumulative effect method to adopt the new standard.

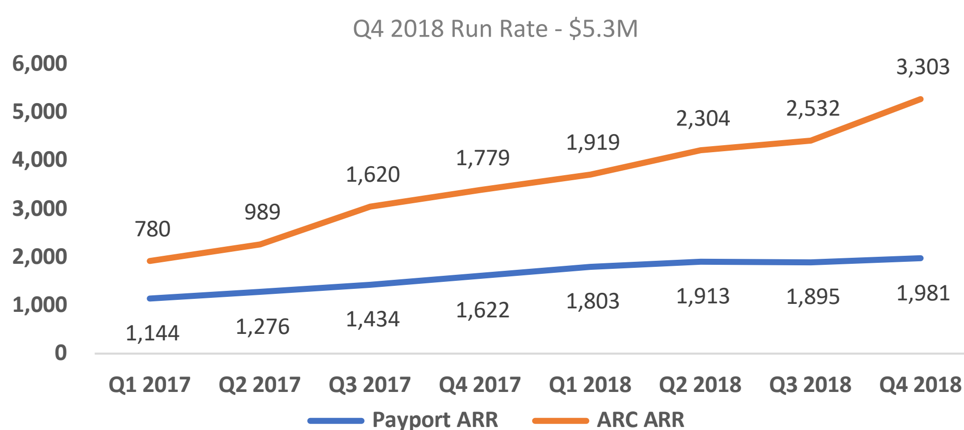
The following table provides a breakdown of Total ARR by product and region:

	As of Dec 31, 2018		As of Dec 31, 2017		Year over Year
	Total		Total		Growth
ARC ARR	3,303,399	63%	1,778,852	52%	86%
Payport ARR	1,981,369	37%	1,622,038	48%	22%
Total ARR	5,284,768	100%	3,400,890	100%	55%

	As of Dec 31, 2018		As of Dec 31, 2017		
	Total		Total		Growth
ARC Canada	972,962	29%	845,870	48%	15%
ARC USA	2,330,437	71%	932,982	52%	150%
Combined	3,303,399	100%	1,778,852	100%	86%

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 Amex, 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 December 31, 2018 were $0.25 million (three months ended December 31, 2017 $0.39 million, a decrease of 36%) and for the year ended December 31, 2018 $1.21 million (year ended December 31, 2017, $0.98 million, an increase of 23%). See further analysis in gross margin section below.

Gross margin

For the three months ended December 31, 2018, overall gross margin was $1.20 million or 82.6% of revenue (three months ended December 31, 2017 was $0.67 million or 63.5% of revenue) and for the year ended December 31, 2018, overall gross margin was $3.53 million or 74.5% of revenue (year ended December 31, 2017 was $1.97 million or 66.8% of revenue). The improvement in gross margin is mainly due to a greater percentage of higher margin ARC™ revenues as compared to PayPort™ revenues. Gross margin also improves partly due to some favourable true up adjustments to PayPort™ costs and revenues.

Expenses

Total operating expenses from continuing operations for the three months ended December 2018 were $4.84 million (three months ended December 31, 2017 $2.79 million, an increase of 73%) and for the year ended December 31, 2018 $16.56 million (year ended December 31, 2017 $10.13 million, an increase of 63%). Included in 2018 operating expense are non-recurring M&A and restructuring activities of $0.46 million (2017 - $nil). Also, included in operating expenses are share-based compensation representing $0.82 million (2017 - $0.84 million). The remaining net increase in operating expense in 2018 is primarily driven by increase of $4.08 million in salaries and benefits due to increase in headcount. IT &Infrastructure increased by $0.37 million in relation to the Company's investment in research and development activities. Sales and Marketing increase of $0.48 million is consistent with expanding the Company's direct and channel sales team in both Canada and the US as well as increased digital marketing spending. Other costs associated with higher headcount also increased during the year (such as rent and office related costs, HR placement costs, etc.).

	For the three months ended		Years ended December 31	
	2018	2017 *	2018	2017 *
Expenses by nature	$	$	$	$
General and Administrative				
Depreciation and amortization	119,150	28,800	228,042	134,917
Consulting, investor relations and director	516,433	500,401	1,507,382	911,548
General and office expenses	206,278	134,118	579,408	483,847
Professional and consulting fees	220,142	96,408	797,977	609,599
Rent and office insurance	156,610	43,704	426,297	218,358
Bad Debt	12,984	37,070	40,133	114,579
Share based payments	116,526	202,947	631,450	477,894
Salaries and benefits	554,703	(33,762)	1,898,055	1,009,933
Total general and administrative expenses	**1,902,826**	**1,009,686**	**6,108,744**	**3,960,675**
Research and Development				
IT & Infrastructure	286,241	261,969	1,064,978	694,107
Salaries and benefits	986,216	691,924	3,472,856	2,381,165
Total research and development expenses	**1,272,457**	**953,893**	**4,537,834**	**3,075,272**
Sales and Marketing				
Marketing and promotion	224,824	46,090	946,355	470,361
Commission Expense	91,708	31,470	265,924	215,783
Salaries and benefits	1,349,151	745,918	4,701,640	2,410,240
Total sales and marketing expenses	**1,665,683**	**823,478**	**5,913,919**	**3,096,384**
Total Expenses	**4,840,966**	**2,787,057**	**16,560,497**	**10,132,331**
Foreign exchange gain from operations	(14,828)	(9,603)	9,861	4,486
Finance income	29,410	16,913	88,093	53,052
Finance expense	(2,716)	(1,384)	(4,013)	(10,732)
Net loss from continuing operations	**(3,627,734)**	**(2,109,533)**	**(12,935,522)**	**(8,110,555)**

At December 31, 2018, the Company has 79 full time equivalent employees compared to 59 employees at December 31, 2017. The total salaries and benefits expenses represent 60% of the total operating expenses for the three months ended December 31, 2018 (three months ended December 31, 2017: 50%). Total salaries and benefits expenses represent 61% of the total operating expenses for the year ended December 31, 2018 (year ended December 31, 2017: 57%). Employee costs are allocated to each of the expense allocations below:

- *General and administrative* ("G&A") expenses for the three months ended December 31, 2018 were $1.90 million (three months ended December 31, 2017 $1.01 million, an increase of 88%) and for the year ended December 31, 2018 were $6.11 million (year ended December 31, 2017, $3.96M, an increase of 54%). Included in 2018 G&A expense are non-recurring M&A activities of $0.15 million (2017 - $nil). Salaries and benefits increase relates to additional headcount. Depreciation and amortization increase is in relation to the leasehold improvement capitalized at the new office location. Rent and office insurance increase is associated with the new office lease. Other costs associated with higher headcount also increased during the year (such as travel and meals, HR placement costs, etc.).

- *Research and development* ("R&D") expense 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 expenses for the three months ended December 31, 2018 were $1.27 million (three months ended December 31, 2017, $0.95 million, an increase of 34% and for the year ended December 31, 2018 $4.53 million (year ended December 31, 2017 $3.07 million, an increase of 48%). 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.

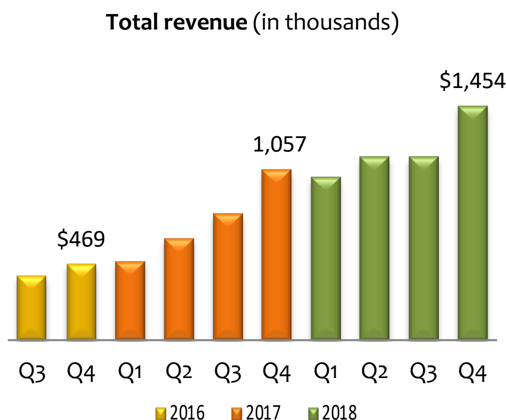
- *Sales and marketing* expenses for the three months ended December 31, 2018 were $1.67 million (three months ended December 31, 2017, $0.82 million, an increase of 104%), and for the year ended December 31, 2018 $5.91million (year ended December 31, 2017, $3.10 million, an increase of 91%). This increase 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.

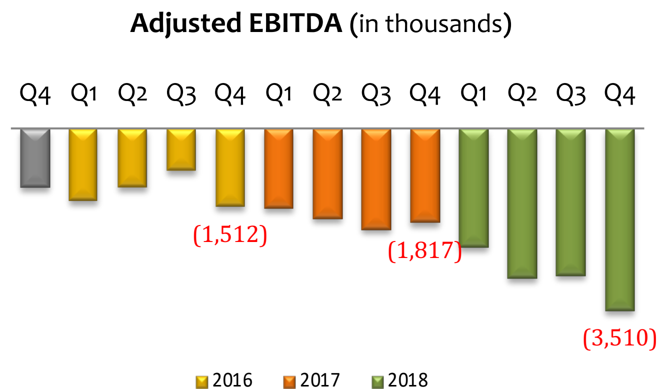
Summary of quarterly results

The following unaudited tables set out selected financial information for the Company on a consolidated basis:

in thousands, except for net income (loss) per share	2016		2017				2018			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue from continuing operation	$395	$469	$486	$631	$781	$1,060	$1,012	$1,137	$1,137	1,454
Total comprehensive (loss) income	($992)	($1,815)	$7,013	($1,953)	($2,189)	($2,521)	($2,680)	($3,688)	($2,953)	(3,569)
Adjusted EBITDA [(1)]	($818)	($1,512)	($1,538)	($1,737)	($1,941)	($1,817)	($2,288)	($2,888)	($2,830)	(3,510)
Net (loss) income per share	(0.03)	(0.06)	0.23	(0.06)	(0.07)	(0.07)	(0.07)	(0.10)	($0.08)	(0)
Total weighted average shares outstanding	30,456	30,479	30,624	30,816	31,285	36,817	37,898	37,949	38,035	42,406

(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 (including M&A and non-recurring restructuring activities), 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.





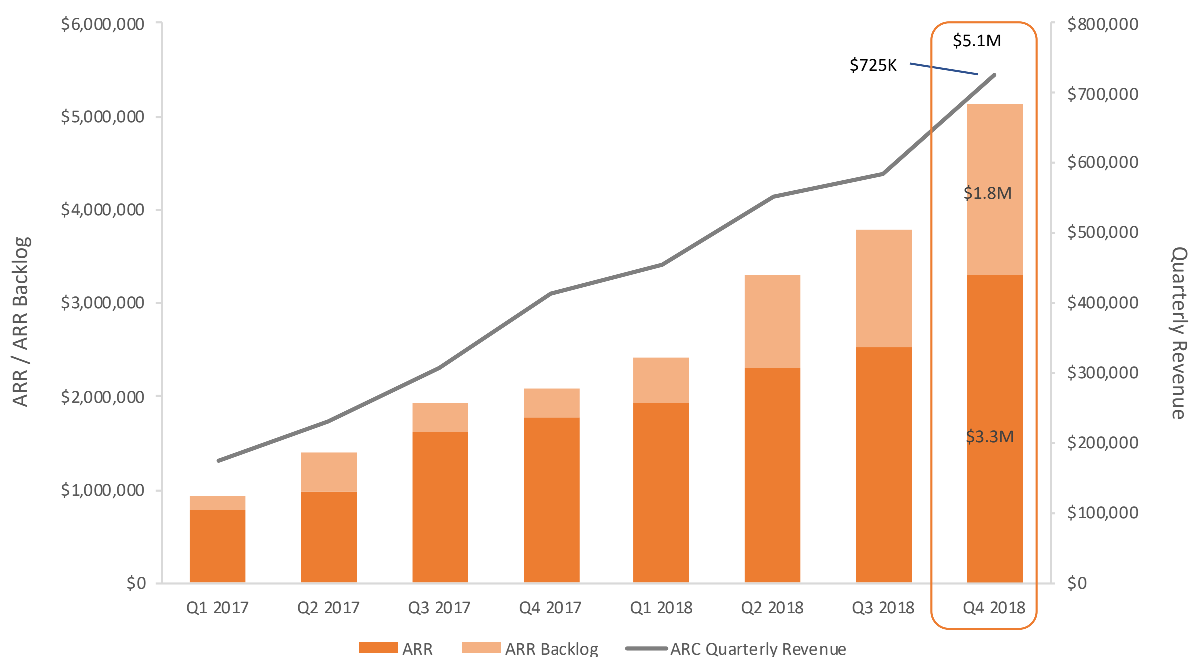
The following is a reconciliation of Adjusted EBITDA to total comprehensive (loss) income:

	2016		2017				2018			
in thousands	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Adjusted EBITDA [1]	(818)	(1,512)	(1,538)	(1,737)	(1,941)	(1,817)	(2,288)	(2,888)	(2,830)	(3,510)
Share based compensation [2]	(145)	(177)	(172)	(163)	(225)	(279)	(327)	(686)	(81)	277
Net finance income (costs)	8	8	(6)	8	25	15	18	20	19	27
Amortization	(37)	(36)	(39)	(34)	(33)	(29)	(33)	(29)	(47)	(119)
Sales tax accrual	-	-	(146)	-	-	-	-	-	-	-
Other non-operating expenses [3]	-	-	-	-	-	-	(55)	(100)	-	(303)
Net earnings from discontinued operations	-	(91)	8,925	(9)	-	(399)	-	-	-	-
Foreign currency translation differences	-	(7)	(11)	(18)	(15)	(12)	5	(5)	(14)	59
Total comprehensive (loss) income	($992)	($1,815)	$7,013	($1,953)	($2,189)	($2,521)	(2,680)	(3,688)	(2,953)	(3,569)

(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 (including M&A and non-recurring restructuring activities), 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.

Backlog

Backlog represents the ARR value of ARC subscriptions contractually committed to by the customer, but have not yet been billed. Therefore, the sum of ARR and ARR backlog is indicative of future revenue growth as can be seen by the chart below. As at December 31, 2018, the ARR Backlog was $1.8 million compared to $0.3 million at December 31, 2017 and $1.3 million as at the end of Q3 2018.



Discontinued Operations

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 was to 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 last met with the Purchaser in late Q4 2018, and is actively working with the Purchaser to verify the calculations regarding the 5% growth criteria.

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 previously-owned segment at December 31, 2018 is $0.8 million (December 31, 2017* - $1.0 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 the period and including management's estimates of penalties and interest.

* During 2018, the Company reclassified $0.6 million included in its accounts payable and accrued liabilities as at December 31, 2017 to liabilities associated with previously-owned segment.

Liquidity

The Company's cash on hand totalled $11.1 million as at December 31, 2018.

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 $9.2 million. Total share issuance costs (underwriting and other direct incremental costs related to the offering) amounted to $1.0 million. Total cash generated from share issuance, net of share issuance costs, was $8.2 million.

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 $2.9 million during the three months ended December 31, 2018 ($1.7 million of cash used during the three months ended December 31, 2017) and $12.0 million during the year ended December 31, 2018 ($7.2 million during the year ended December 31, 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 $0.1 million and $1.1 million for the three months and twelve months period ended December 31, 2018 respectively. The increase in use of cash was mainly related to purchases for the leasehold improvement for the new leased office space.
- *Financing activities* generated cash of $8.1 million for the three months ended December 31, 2018 (three months ended December 31, 2017 increase in cash of $10.9 million) and generated cash of $8.5 million for the year ended December 31, 2018 (year ended December 31, 2017 $11.8 million). Cash flows in Q4 2018 mainly relate to the completion of a bought-deal financing for net proceeds of $8.2 million, compared to $10.7 million raised from a private placement in Q4 2017.
- Overall, VersaPay showed a net increase in cash and equivalents from continuing operations for the three months ended December 31, 2018 of $5.2 million ($8.6 million for the three months ended December 31, 2017) and a net decrease in cash and cash equivalents from continuing operations for the year ended December 31, 2018 of $4.6 million (increase of $4.0 million for the year ended December 31, 2017).

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 operations 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 to pursue its business strategy.

The Company had an average operational cash burn rate of $1.0 million per month for the three months ended December 31, 2018 and $0.7 million for the three months ended December 31, 2017. Operational cash burn is expected to improve in 2019 with increase in budgeted revenue. The Company's cash balance at December 31, 2018 was $11.1 million. Management has discretion over certain future expenditures and believes the Company has sufficient cash reserves to fund operations and will continue to grow its revenues to cover working capital requirements throughout 2019.

Capital resources

Commitments and contractual obligations

The following table lists the Company's commitments and contractual obligations as at December 31, 2018. Amounts for obligations under finance lease include interest. VersaPay expects to fund these expenditures from working capital.

Commitments and contractual obligations	Payments due as at December 31, 2018			
	Total	Less than 1 year	1-4 years	Thereafter
	$	$	$	$
Accounts payable and accrued liabilities			-	-
Continuing operations	2,494,107	2,494,107	-	-
Previously-owned segment	794,299	794,299	-	-
Funds due to merchants	16,624,969	16,624,969	-	-
Obligations under finance lease	153,100	43,540	109,560	-
Office lease (Includes sublet)	13,738,743	1,051,186	5,555,478	7,132,079

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:

	2019	2020	2021	2022	2023	and thereafter	Total
	$	$	$	$	$	$	$
Combined Leases	1,312,773	1,624,445	1,654,615	1,685,014	1,714,422	7,252,972	15,244,241
Less: Sublease	261,587	274,035	276,610	283,366	289,007	120,893	1,505,498
Total Commitments	1,051,186	1,350,410	1,378,005	1,401,648	1,425,415	7,132,079	13,738,743

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 sixteen 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.

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

Transactions with related parties

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

	Years ended December 31	
	2018	2017
	$	$
Compensation of key management personnel		
Senior management compensation	2,690,590	2,192,839
Share based payments for key employees	310,373	271,754
Share based payments for directors	67,841	179,034
Compensation paid to directors	155,487	131,000
Service agreements		
Professional fees paid to a law firm in which a former director is a partner	-	191,808
	3,224,291	**2,966,435**

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 limited credit risk since the Company does not extend credit to its customers. Further, the Company reduced its exposure to non-sufficient funds ("NSF") by ensuring that funds are received before funds are transferred out. The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost and contract assets. Loss allowances for trade receivables and other receivable are measured at an amount equal to lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Provisions for doubtful accounts, not due to credit loss, are made on an account by account basis.

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

	December 31, 2018	**December 31, 2017**
	$	$
Trade receivable - gross balance	1,265,175	431,201
Allowance for doubtful accounts	(18,717)	(17,071)
Trade receivable, net	**1,246,458**	414,130

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

	December 31, 2018	**December 31, 2017**
	$	$
Current	442,879	259,171
Past due 1-30 days	128,933	21,432
Past due 31-60 days	295,292	-
Past due more than 61 days	379,354	133,527
Accounts receivable - net balance	**1,246,458**	414,130

Of the total accounts receivable at year end, 86% have been collected subsequent to year 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. As at December 31, 2018, approximately 35% (December 31, 2017 – 25.9%) of revenue is transacted in U.S. dollars and reflects the Company's exposure to foreign exchange risk thereon. If the Canadian dollar strengthened by 10% relative to the U.S. dollar, the Company's revenues would decline by approximately $166,000 and net income would decline by $0.06 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 will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow generated from operations to fund the operations and settle debt and liabilities when due. The Company holds $7,119,624 (2017 - $4,589,044) in investments, classified as cash equivalents that are immediately available for liquidation if required.

Significant accounting policies

Except for the adoption of IFRS 15 and IFRS 9 on January 1, 2018, the significant accounting policies are unchanged and have been applied consistently to all periods presented.

The changes in accounting policies are reflected in the Company's consolidated 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 of ARC™ .

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 services are 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 rateably 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 transaction service fees and non-sufficient funds ("NSF") fees. 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 19.

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. Judgments 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 judgment 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. Management continually and routinely reviewed changes in the facts and macro environment to assess credit risks on trade receivables, other receivable and contract asset. Judgement is also needed in assessing the ability to collectability of trade receivables, separate from credit risks.

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 19 for further details. The Company's revenue recognition policy under IFRS 15 is described in Note 3 of the Company's 2018 consolidated 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, 2018 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 43,340,851 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 3,612,500 options outstanding to purchase 3,612,500 Common Shares.