MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended September 30, 2019

Management's discussion & analysis

This Management's Discussion and Analysis ("MD&A") dated as of November 25, 2019 for VersaPay Corporation ("VersaPay" or the "Company") should be read in conjunction with the condensed interim consolidated financial statements and the accompanying notes for the three and nine months ended September 30, 2019. The condensed interim consolidated financial statements and comparative information have been prepared in accordance with IAS 34 as per International Financial Reporting Standards ("IFRS"). This MD&A should also be read in conjunction with our annual MD&A and audited financial statements for the years ended December 31, 2018 and 2017, which were prepared in accordance with IFRS and available on SEDAR at www.sedar.com. Additional information relating to the Company is available under the Company's profile on SEDAR as well.

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"), Other non-operating expenses; Annual Recurring Revenue ("ARR") and Backlog 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 relates to costs incurred by the Company for exploratory mergers and acquisitions ("M&A") and 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 ARC™ Annualized Recurring Revenue ("ARC™ ARR") is a non-IFRS measure and refers to the MRR value as defined above of fixed subscription fees, monthly transaction fees, and ARC Lite™ revenue multiplied 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 ARC™ MRR.

The term PayPort™ Annualized Recurring Revenue ("PayPort™ ARR") is a non-IFRS measure and refers to the sum of the trailing twelve months of PayPort™ MRR revenues, as defined above, to represent management's best estimate of forward looking 12 months of PayPort™ recurring revenues that the Company would earn.

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

The term Backlog for ARC™ Subscriptions represents the annual recurring amount that customers have contractually committed to but have not yet been billed. The term Backlog for ARC™ Professional Services represents revenue expected to be recognized in the future related to contracted non-recurring implementation services that are yet to be performed.

We believe that Adjusted EBITDA, Other non-operating expenses, 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"). VersaPay focuses solely on the business of providing cloud-based invoicing, accounts receivable ("A/R") management and payment solutions.

The Software business is a single platform that has two 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 level or line item level 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 developed channel partnerships in Canada and the United States ("U.S.") and is working on launching additional channels over time. 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 Q3 2019

- **Market Expansion:** Several noteworthy new deals were signed in the quarter:
  - Three large distributors, two in the US and one in Canada;
  - Four commercial realty companies, including the company's first REIT in Canada;
  - Four add-on credit card processing contracts with existing clients.

- **Strong quarter for ARC™ sales:** 13 new ARC™ wins during the quarter that represented over $1.25 million in new ARC™ ARR, with about 18% of sales coming through channel partners. From a geographic standpoint, 83% of sales came from the U.S. Moreover, the Company signed professional services contracts worth approximately $0.47 million in the quarter representing the highest quarter of such sales to-date.

- **Healthy conversion of backlog to ARC™ Revenue:** The Company converted approximately 52% of its ARC™ subscription backlog (which are contractually signed but unbilled clients) as of June 30, 2019 to revenue in the quarter, while growing its backlog of clients from $1.18 million at the end of Q2, 2019 to $1.57 million at the end of Q3 2019. This signals a healthy growth in the business, and continued revenue growth in the near term.

- **Strong growth 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, 215,176 end-customers were using ARC™ compared to 129,331 at the end of Q3 2018, approximately 967,000 invoices were delivered to end-customers during the quarter compared to 561,000 invoices in Q3 2018, and 309,000 invoices worth $305 million were paid on ARC™ in Q3 2019, compared to 213,000 invoices worth $179 million in Q3 2018.

Financial Highlights for Q3 2019

- **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. The continued investment in Research and Development ("R&D") and Sales & Marketing during the quarter contributed to the Company's continued net loss for the quarter.

- **Revenue in Q3 2019 increased by 90% year over year:** Revenue for Q3 2019 increased year over year by $1.06 million to $ 2.23 million (Q3 2018: $1.17 million), an increase of 90% year over year. Total ARC™ revenue, which has higher margins than the Company's other product, PayPort™, grew to $1.84 million as at the end of Q3 2019, compared to $0.71 million at Q3 2018 (growth of 161% year over year).

- **Total Operating expenses for Q3 2019 increased by 12% year over year:** Operating expenses for Q3 2019 increased by $0.47 million to $4.28 million (Q3 2018: $3.81 million), an increase of 12% year over year. A bulk of this was made up of non-cash related expenditures including mark-to-market adjustment of share-based compensation (an increase of $0.21 million year-over-year), and an increase of $0.33 million in amortization due to the new IFRS 16 – Leases accounting standard[1]. Total salaries and benefits, however, were approximately $2.34 million in Q3 2019, a decrease of $0.19 million or 7% from Q3 2018.

- **ARC™ ARR for Q3 2019 increased by 134% year over year:** ARC™ ARR increased to $5.93 million in Q3 2019 compared to $2.53 million in Q3 2018. This represents an increase of 134% year over year. The increase in ARR is related mainly to our U.S. expansion plan, vertical focused strategy, and customer-centric messaging.

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 ("Customer 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 215,176 businesses at the end of September 30, 2019, compared to 129,331 at the end of September 30, 2018, an increase of 85,845 businesses. VersaPay Suppliers presented 6.87 million invoices using the ARC™ platform as of Q3 2019, in comparison to a

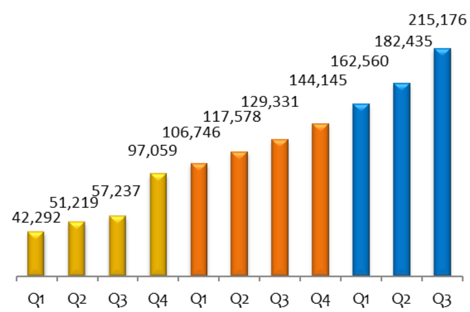
[1] See further details on the new IFRS 16 – Leases accounting standard implementation in the "Financial highlights" section.

cumulative 4.14 million as of Q3 2018. These invoices totaled $14.39 billion by the end of Q3 2019. End-customers paid $305 million of their invoices through ARC™ in Q3 2019, an increase of 71% or $126 million compared to Q3 2018.

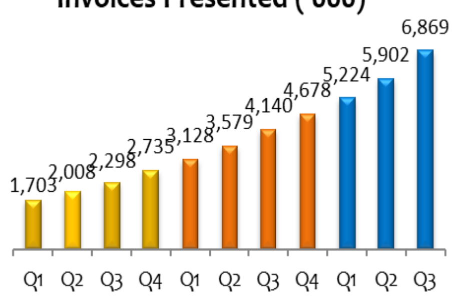
The following unaudited table and accompanying graphs are presented as cumulative values:

	2017				2018				2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Customer Adoption	42,292	51,219	57,237	97,059	106,746	117,578	129,331	144,145	162,560	182,435	215,176
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	5,223,527	5,902,396	6,869,432
Invoices Paid	300,033	365,037	437,150	595,523	793,340	995,912	1,209,177	1,451,298	1,698,687	1,977,264	2,285,803
Invoiced Amount ($M)	$2,064	$2,605	$3,128	$3,956	$4,754	$5,793	$7,702	$8,676	$9,891	$11,417	$14,386
Payment Volumes ($M)	$166	$217	$269	$371	$527	$676	$855	$1,068	$1,290	$1,555	$1,860
Total signed up clients	95	107	116	124	136	150	162	174	183	197	208

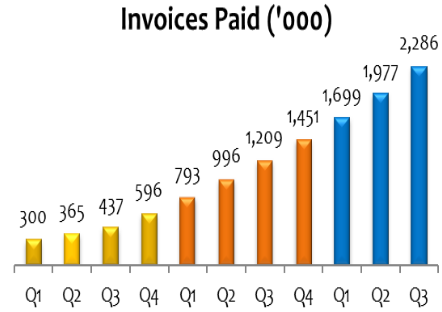
Customer Adoption



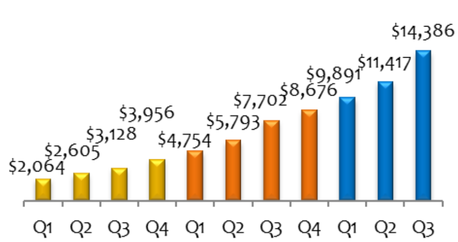
Invoices Presented ('000)



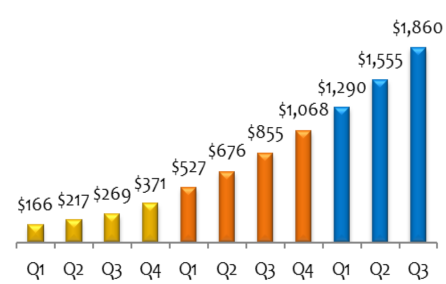
Invoices Paid ('000)



Invoiced Amount ($M)



Payment Volumes ($M)



2017 2018 2019

Financial highlights: three and nine months ended September 30, 2019 and 2018

Comparative information

Certain comparative figures have been adjusted (recast) for the three and nine months ended September 30, 2018 as a result of adjustments identified in connection with completion of the Company's consolidated financial statements for the year ended December 31, 2018. The identified adjustments impacted intra-period revenue, cost of sales and cash and cash equivalents throughout 2018. These comparative figure adjustments were not considered material and did not affect the Company's consolidated revenue or consolidated net loss for the full year.

Certain comparative figures have also been reclassified to conform with current year presentation.

IFRS 16 - Leases

IFRS 16 introduced a single on-balance sheet accounting model for lessees, requiring the recognition of right-of-use assets and lease liabilities representing the Company's obligation to make lease payments.

Effective January 1, 2019, the Company adopted IFRS 16 using the modified retrospective approach with the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at January 1, 2019. The comparative figures (2018) has not been restated.

The application of IFRS 16 to leases, previously classified as operating leases under IAS 17, resulted in the recognition of right-of-use assets, lease liabilities and lease receivables.

During the three and nine months ended September 30, 2019, the Company recognized depreciation expense of $275,419 and $771,597, respectively, interest expense of $166,470 and $479,850, respectively and interest income of $16,024 and $50,148, respectively (net interest expense of $150,446 and $429,702, respectively) from these leases.

Summary of results

The following unaudited tables set out selected financial information for the Company for the three and nine months ended September 30, 2019 and 2018 on a consolidated basis:

	Three months ended		Nine months ended	
	September 30 2019 $	September 30 2018 $ Recast	September 30 2019 $	September 30 2018 $ Recast
Revenue	2,227,919	1,172,648	6,355,092	3,356,831
Gross profit	1,851,528	891,922	5,152,553	2,493,210
Gross profit margin	83.1%	76.1%	81.1%	74.3%
Net (loss) for the period	(2,564,551)	(2,881,551)	(8,833,211)	(9,144,246)
Total comprehensive (loss) income	(2,530,641)	(2,895,108)	(8,874,026)	(9,157,446)
Adjusted EBITDA [1]	(1,789,638)	(2,773,100)	(6,430,710)	(7,844,326)
Net loss per share	(0.06)	(0.08)	(0.20)	(0.24)

	September 30 2019 $	December 31 2018 $
Total assets	29,058,128	32,856,892
Total long-term liabilities	9,356,394	762,297

(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:

	Three months ended September 30		Nine months ended September 30	
	2019	2018 Recast	2019	2018 Recast
	$	$	$	$
Adjusted EBITDA [1]	(1,789,638)	(2,773,100)	(6,430,710)	(7,844,326)
Share based compensation [2]	(231,543)	(80,683)	(917,673)	(1,093,414)
Net finance expense (IFRS 16) [4]	(150,446)	-	(429,702)	-
Other finance income (costs)	20,570	19,067	72,100	57,386
Amortization - RoU assets (IFRS 16) [4]	(275,419)	-	(771,597)	-
Amortization - other assets	(98,075)	(46,835)	(315,629)	(108,892)
Other non-operating expenses [3]	(40,000)	-	(40,000)	(155,000)
Foreign currency translation differences	33,910	(13,557)	(40,815)	(13,200)
Total comprehensive (loss) income	**(2,530,641)**	**(2,895,108)**	**(8,874,026)**	**(9,157,446)**

(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 are connected to the Company's non-recurring exploratory M&A and non-recurring restructuring activities that are included in General and Administrative expenses.

(4) Amortization and net finance expense related to IFRS 16 have been separately presented for greater clarity. See further details on the new IFRS 16 – Leases accounting standard implementation in the "Financial highlights" section.

	Three months ended September 30		Nine months ended September 30	
	2019	2018 *	2019	2018 *
	$	$	$	$
		(Recast)		(Recast)
Revenue	2,227,919	1,172,648	6,355,092	3,356,831
Cost of sales	376,391	280,726	1,202,539	863,621
Gross profit	**1,851,528**	**891,922**	**5,152,553**	**2,493,210**
General and administrative expenses	1,741,961	1,204,762	6,084,363	4,483,279
Research and development expenses	1,287,649	1,124,327	3,591,037	3,035,536
Sales and marketing expenses	1,249,700	1,481,633	3,952,529	4,200,716
Loss from operations	**(2,427,782)**	**(2,918,800)**	**(8,475,376)**	**(9,226,321)**
Foreign exchange gain (loss) from operations	(6,893)	18,182	(233)	24,689
Finance income (expense)	36,594	19,067	122,248	57,386
Finance (expense) - Lease liabilities	(166,470)	-	(479,850)	-
Net (loss) for the period	**(2,564,551)**	**(2,881,551)**	**(8,833,211)**	**(9,144,246)**

Revenue

The following table provides a breakdown of revenues by type for the three and nine months ended September 30, 2019 and 2018:

	Three months ended September 30		Nine months ended September 30	
	2019	2018 *	2019	2018 *
	$	$	$	$
		(Recast)		(Recast)
ARC Subscriptions	1,483,615	583,639	3,944,709	1,572,394
Payport	386,205	467,245	1,367,367	1,472,938
ARC Professional Services	317,721	121,764	972,729	311,499
ARC Other	40,378	-	70,287	-
Total Revenue	2,227,919	1,172,648	6,355,092	3,356,831

Revenue for the three months ended September 30, 2019 increased year over year by 90% to $2.23 million (Q3 2018: $1.17 million). Total ARC™ revenue, which has higher margins than the Company's other product, PayPort™, grew to $1.84 million as at the end of Q3 2019, compared to $1.69 million at Q2 2019 (growth of 9% quarter over quarter), and $0.71 million at Q3 2018 (growth of 161% year over year). ARC™ Subscription revenue in Q3 2019 was negatively impacted by approximately $0.03 million due to a contract reduction with a large supplier that underwent a change of control.

Revenue for the nine months ended September 30, 2019 increased year over year by 89% to $6.36 million (YTD Q3 2018: $3.36 million). Total ARC™ revenue, which has higher margins than the Company's other product, PayPort™, grew to $4.99 million for the nine months ended September 30, 2019, compared to $1.88 million for the comparative period in 2018 (growth of 165% year over year).

At September 30, 2019, ARR was $7.81 million, compared to $4.50 million at the end of the comparative period in 2018, representing an increase of 74%.

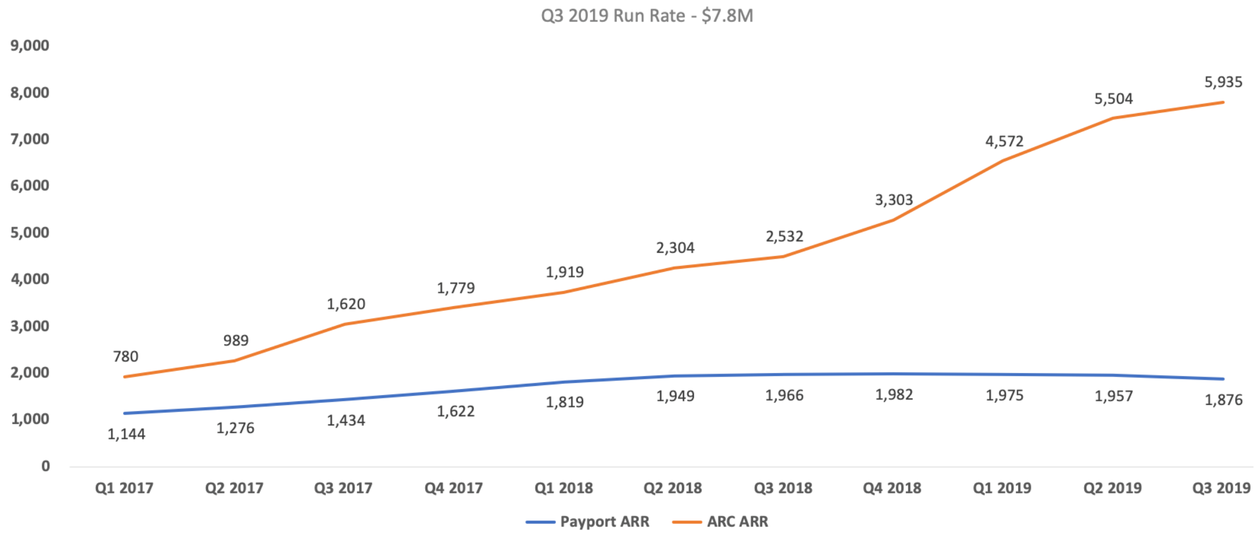
The following table provides a breakdown of Total ARR by product and region:

	As of Sep 30, 2019 Total		As of Sep 30,2018 Total		Year over Year Growth
ARC™ ARR	5,934,771	76%	2,532,281	56%	134%
Payport™ ARR	1,875,799	24%	1,966,088	44%	-5%
Total ARR	7,810,570	100%	4,498,369	100%	74%
ARC™ Canada	1,415,793	24%	935,276	37%	51%
ARC™ USA	4,518,979	76%	1,597,006	63%	183%
Combined	5,934,772	100%	2,532,282	100%	134%

The term ARC™ Annualized Recurring Revenue ("ARC™ ARR") is a non-IFRS measure and refers to the MRR value as defined above of fixed subscription fees, monthly transaction fees, and ARC Lite™ revenue multiplied 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 ARC™ MRR.

The term PayPort™ Annualized Recurring Revenue ("PayPort™ ARR") is a non-IFRS measure and refers to the sum of the trailing twelve months of PayPort™ MRR revenues, as defined above, to represent management's best estimate of forward looking 12 months of PayPort™ recurring revenues that the Company would earn.

The following table shows the quarterly growth in ARR:



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The term PayPort™ Annualized Recurring Revenue ("PayPort™ ARR") is a non-IFRS measure and refers to the sum of the trailing twelve months of PayPort™ MRR revenues, as defined above, to represent management's best estimate of forward looking 12 months of PayPort™ recurring revenues that the Company would earn.

ARC™ ARR at the end of Q3 2019 was negatively impacted by approximately $0.31 million due to a contract reduction with a large supplier that underwent a change of control.

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 for the three and nine months ended September 30, 2019 were $0.38 million and $1.20 million respectively (three and nine months ended September 30, 2018 was $0.28 million and $0.86 million respectively). See further analysis in gross margin section below.

Gross margin

For the three and nine months ended September 30, 2019, overall gross margin was $1.85 million or 83% of revenue and $5.15 million or 81% of revenue respectively (three and nine months ended September 30, 2018 was $0.89 million or 76% of revenue and $2.49 million or 74% respectively). The improvement in gross margin is mainly due to a greater percentage of higher margin ARC™ revenues as compared to PayPort™ revenues.

Expenses

	Three months ended September		Nine months ended September 30,	
	2019	2018 *	2019	2018 *
	$	$	$	$
Expenses by nature		Recast		Recast
General and Administrative				
Depreciation and amortization	373,494	46,835	1,087,226	108,892
Consulting, investor relations and director	121,228	258,861	476,583	785,024
General and office expenses	109,717	139,446	336,844	373,130
Professional fees	109,273	90,650	364,978	576,466
Software and subscriptions	97,656	25,836	307,170	85,058
(Operating sub-lease recovery) Rent and office insurance	(89,868)	135,539	(89,868)	269,687
Bad Debt	39,228	13,453	104,243	27,149
Cash-settled share-based compensation	237,130	(155,148)	753,064	523,939
Share based payments	(5,586)	181,280	164,610	514,924
Salaries and benefits	749,689	468,010	2,579,513	1,219,010
Total general and administrative expenses	**1,741,961**	**1,204,762**	**6,084,363**	**4,483,279**
Research and Development				
IT & Infrastructure	45,491	41,004	149,652	181,755
Consulting	200,606	39,317	478,908	118,234
Professional fees	25,523	-	58,499	-
Software and subscriptions	165,840	179,451	386,790	424,739
Salaries and benefits	850,189	864,555	2,517,188	2,310,808
Total research and development expenses	**1,287,649**	**1,124,327**	**3,591,037**	**3,035,536**
Sales and Marketing				
Marketing and promotion	300,469	156,333	1,006,577	721,532
Professional fees	(10,622)	476	89,038	1,369
Software and subscriptions	83,737	13,495	231,863	19,426
Commission Expense	131,882	113,281	354,213	174,216
Salaries and benefits	744,234	1,198,048	2,270,838	3,284,173
Total sales and marketing expenses	**1,249,700**	**1,481,633**	**3,952,529**	**4,200,716**
	-	-	-	-
Total Expenses	**4,279,310**	**3,810,722**	**13,627,929**	**11,719,531**

Commencing Q2 2019, the Company provided more granular disclosure of expenses by nature (in the table above). Certain comparative figures have also been reclassified to conform with the current presentation.

Since beginning of 2019, the Company reorganized the internal departments to conform with the various functions of the business. This resulted in the creation of additional departments. Some of these additional departments now roll up into the General and Administrative function, driving up salaries and benefits as well as software and subscriptions in that function from prior year.

Three months ended September 30, 2019

For the three months ended September 30, 2019, total expenses increased by $0.47 million to $4.28 million (three months ended September 30, 2018: $3.81 million), an increase of 12% year over year.

General and administrative ("G&A") expenses

- Non-cash depreciation increased by $0.33 million, related to right-of-use assets under the new IFRS 16 – Leases accounting standard[2].
- The higher depreciation was offset by a decrease in rent expense (IFRS 16), as well as by cost recovery from sub-leases that are determined to be operating leases in nature, resulting in net $0.23 million decrease in G&A.
- Non-cash share-based compensation mark-to-market adjustments increased by $0.21 million in the quarter.
- Consulting expenses were higher in 2018 mainly due to the use of contracting service in the HR and Finance functions. In the current year, these functions were staffed with full-time employees.
- The increase in full-time employees in the HR and Finance functions partly explained the increase in salaries and benefits. Also, as discussed above, the Company reorganized the internal departments to conform with the various functions of the business since beginning of 2019. This resulted in the creation of additional departments. Some of these additional departments now roll up into the General and Administrative function, driving up salaries and benefits in that function from prior year.

Research and development ("R&D") expenses

- Consulting and professional fees increase in relation to the new research and development initiatives in the current year, including the partnership with Cashbook and the partnership with MasterCard.
- Software and subscriptions are slightly lower than prior year but the run rate from Q3 2019 is expected to continue to support the growth in research and development initiatives.
- Salaries and benefits decreased due to temporary reduction in headcount due to staff turnover.

Sales and marketing expenses ("S&M") expenses

- Marketing and promotion expenses increased by $0.14 million due to more tradeshow activities in the current quarter of 2019.
- More marketing software subscriptions were purchased in 2019 to support marketing activites.
- Commission expenses is amortization of the contract asset related to the new revenue accounting standard.
- Salaries and benefits decreased mainly due to the reorganization of internal departments mentioned above.

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[2] See further details on the new IFRS 16 – Leases accounting standard implementation in the "Financial highlights" section.

Nine months ended September 30, 2019

For the nine months ended September 30, 2019, operating expenses increased by $1.91 million to $13.63 million (nine months ended September 30, 2018: $11.72 million), an increase of 16% year over year.

General and administrative ("G&A") expenses

- Non-cash amortization increased by $0.98 million, related to right-of-use assets under the new IFRS 16 – Leases accounting standard[3].
- The higher depreciation was offset by a decrease in rent expense (IFRS 16), as well as by cost recovery from sub-leases that are determined to be operating leases in nature, resulting in net $0.36 million decrease in G&A.
- Non-cash share-based compensation mark-to-market adjustments decreased by $0.12 million.
- Consulting expenses were higher in 2018 mainly due to the use of contracting service in the HR and Finance functions. In the current year, these functions were staffed with full-time employees.
- The increase in full-time employees in the HR and Finance functions partly explained the increase in salaries and benefits. Also, as discussed above, the Company reorganized the internal departments to conform with the various functions of the business since beginning of 2019. This resulted in the creation of additional departments. Some of these additional departments now roll up into the General and Administrative function, driving up salaries and benefits in that function from prior year. Included in salaries and benefits was certain salary continuance accruals related to restructuring activities earlier in the year.

Research and development ("R&D") expenses

- Consulting and professional fees increase in relation to the new research and development initiatives in the current year, including the partnership with Cashbook and the partnership with Master Card.
- Year-to-date Software and subscriptions slightly lower than prior year but the run rate from Q3 2019 is expected to continue to support the growth in research and development initiatives.
- Salaries and benefits increased due to the mix of more senior-level managers and engineers between the two periods.

Sales and marketing expenses ("S&M") expenses

- Marketing and promotion expenses increased by $0.29 million due to timing of tradeshows in the current year-to-date.
- Professional fees increased in relation to the increase in sales and contracting activities in the year.
- More marketing software subscriptions were purchased in 2019 to support marketing activites.
- Commission expenses is amortization of contract asset related to the new revenue accounting standard.
- Salaries and benefits decreased mainly due to the reorganization of internal departments mentioned above as well as reduction in headcount from attrition and restructuring activities.

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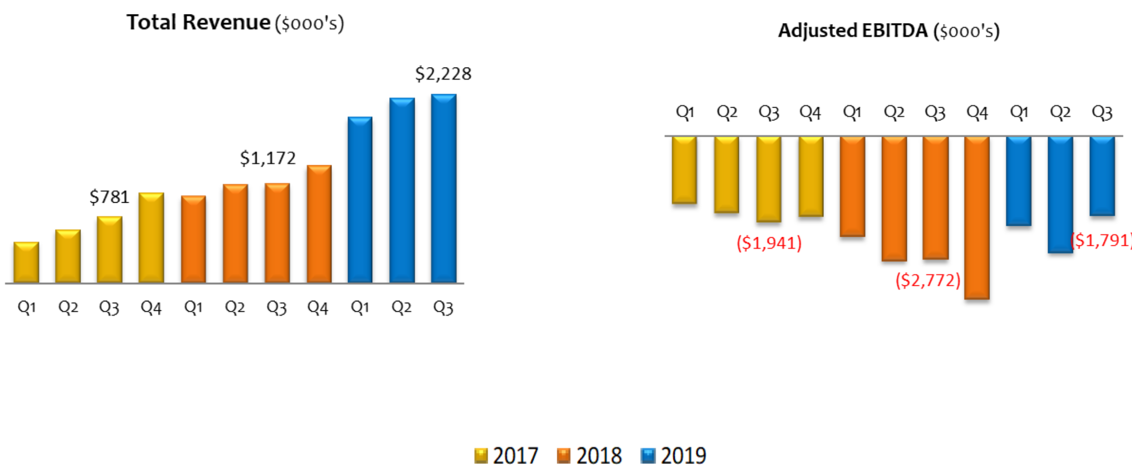
[3] See further details on the new IFRS 16 – Leases accounting standard implementation in the "Financial highlights" section.

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	2017				2018 (Recast)				2019		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue from continuing operation	$486	$631	$781	$1,060	1,028	1,156	$1,172	1,384	$1,951	$2,176	$2,228
Total comprehensive (loss) income	$7,013	($1,953)	($2,189)	($2,521)	(2,658)	(3,605)	(2,895)	(3,733)	(2,890)	(3,453)	(2,531)
Adjusted EBITDA (1)	($1,538)	($1,737)	($1,941)	($1,817)	(2,266)	(2,805)	(2,772)	(3,674)	(2,019)	(2,621)	(1,791)
Net (loss) income per share	0.23	(0.06)	(0.07)	(0.07)	(0.07)	(0.09)	($0.08)	(0.09)	(0.07)	(0.08)	(0.06)
Total weighted average shares outstanding	30,624	30,816	31,285	36,817	37,898	37,949	38,035	42,406	43,341	43,541	43,941

(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:

	2017				2018 (Recast)				2019		
in thousands	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Adjusted EBITDA [1]	(1,538)	(1,737)	(1,941)	(1,817)	(2,266)	(2,805)	(2,772)	(3,674)	(2,019)	(2,621)	(1,791)
Share based compensation [2]	(172)	(163)	(225)	(279)	(327)	(686)	(81)	277	(420)	(266)	(232)
Net finance expense (IFRS 16) [4]	-	-	-	-	-	-	-	-	(127)	(153)	(150)
Other finance income (costs)	(6)	8	25	15	18	20	19	27	26	26	21
Amortization - RoU assets (IFRS 16) [4]	-	-	-	-	-	-	-	-	(215)	(281)	(275)
Amortization - other assets	(39)	(34)	(33)	(29)	(33)	(29)	(47)	(119)	(115)	(103)	(98)
Sales tax accrual	(146)	-	-	-	-	-	-	-	-	-	-
Other non-operating expenses [3]	-	-	-	-	(55)	(100)	-	(303)	-	-	(40)
Foreign currency translation differences	(11)	(18)	(15)	(12)	5	(5)	(14)	59	(20)	(55)	34
Total comprehensive (loss) income	$7,013	($1,953)	($2,189)	($2,521)	(2,658)	(3,605)	(2,895)	(3,733)	(2,890)	(3,453)	(2,531)

(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.

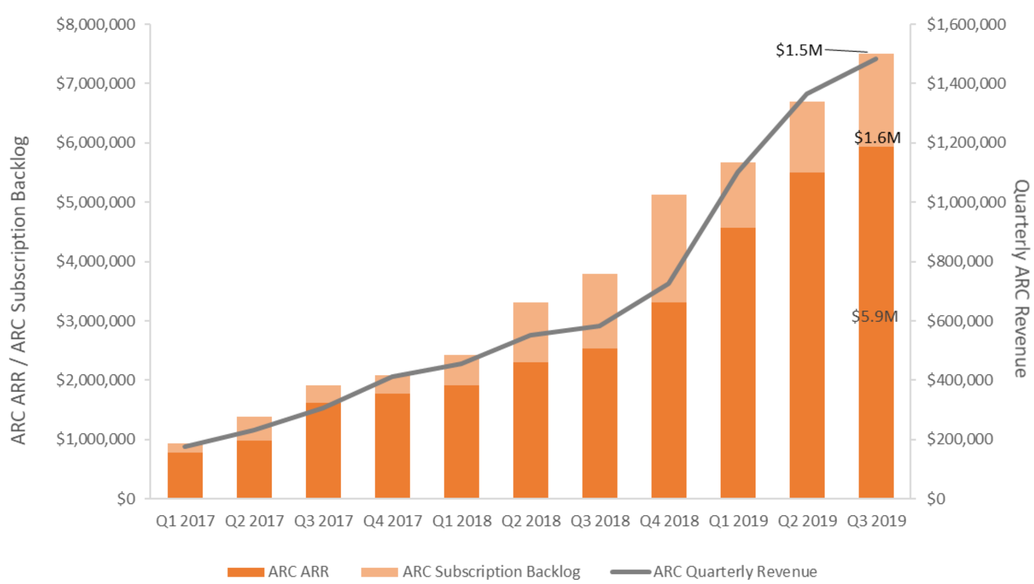
(2) Share-based compensation includes share-based payments, restricted share units, performance share units, and deferred share units

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

(4) Amortization and net finance expense related to IFRS 16 have been separately presented for greater clarity. See further details on the new IFRS 16 – Leases accounting standard implementation in the "Financial highlights" section.

ARC™ Subscription Backlog

ARC™ subscription backlog represents the ARR value of ARC™ subscriptions contractually committed to by the supplier but have not yet been billed. Therefore, the sum of ARR and ARR backlog is indicative of future recurring revenue growth as can be seen by the chart below. As at September 30, 2019, the ARC™ subscription backlog was $1.57 million compared to $1.26 million at September 30, 2018.



The above figures only represent the total ARC™ subscription backlog. Total professional services backlog at the end of the quarter was approximately $1.09 million.

Liquidity

The Company's cash on hand totalled $4.82 million as at September 30, 2019 as compared with $11.12 million at December 31, 2018.

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 $9.20 million. Total share issuance costs (underwriting and other direct incremental costs related to the offering) amounted to $1.05 million. Total cash generated from share issuance, net of share issuance costs, was $8.15 million.

These cash-flow activities are required by the Company in order to grow the Software business and ensure we are able to exploit the market opportunity for ARC™.

- *Operating activities* used cash of $1.41 million and $6.40 million during the three and nine months ended September 30, 2019 respectively, ($3.02 million and $8.89 million during the three and nine months ended September 30, 2018 respectively). This decrease in cash used in operating activities was driven primarily by the decrease in net loss after adjusting for the items not affecting operating cash (property rental lease payments are now classified as financing activities under IFRS 16).
- *Investing activities* $nil cash was used for investing activities for the three months ended, and $0.03 million for the nine months ended September 30, 2019, ($0.78 million and $0.98 million during the three and nine months ended September 30, 2018 respectively). Property and equipment purchases decreased in current year as leasehold improvements were completed in 2018. The cash outflow to acquire leasehold improvements in the prior year was partially offset by cash inflow from the release of restricted funds related to the sale of a previously-owned segment.
- *Financing activities* used cash of $0.36 million and generated $0.25 million during the three and nine months ended September 30, 2019 respectively, ($0.12 million and $0.33 million were generated during the three and nine months ended September 30, 2018 respectively). In the current quarter, cash outlflow was related to IFRS 16 lease payments, previously recorded as operating expense. Cash generated from stock option exercise in prior quarters, partially offset by lease payments.
- Overall, VersaPay showed a net decrease in cash and equivalents for the three and nine months ended September 30, 2019 of $1.74 million and $6.30 million respectively, ($3.79 million and $9.64 million during the three and nine months ended September 30, 2018 respectively).

The Company has made significant up-front investments in research and development, sales and marketing, and general and administrative expenses in order to rapidly develop and expand its business. The Company is currently incurring expenditures related to the Company's operations that have generated a negative operating cash flow. Operating cash flow may decline in certain circumstances, many of which are beyond the Corporation's control. There is no assurance that sufficient revenues will be generated in the near future. Because the Company continues to incur such significant future expenditures for research and development, sales and marketing, and general and administrative expenses, the Company may continue to experience negative cash flow until it reaches a sufficient level of sales with positive gross margins to cover operating expenses. An inability to generate positive cash flow until the Company reaches a sufficient level of sales with positive gross margins to cover operating expenses or raise additional capital on reasonable terms will adversely affect the Company's viability as an operating business.

The Company had an average operational cash burn rate of $0.58 and $0.70 million per month for the three and nine months ended September 30, 2019 and $1.26 and $1.07 million for the three and nine months ended September 30, 2018. Operational cash burn is expected to continue to improve throughout 2019 with increase in budgeted revenue. The Company's cash balance at September 30, 2019 was $4.82 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.

In order to execute its business plan in an efficient and timely manner, VersaPay will require additional debt or equity financing or a combination of both to support ongoing operations, undertake capital expenditures or undertake acquisitions. There can be no assurance, if and when the Company seeks additional equity or debt financing, that such financing will be available to VersaPay when needed or on terms acceptable to VersaPay. VersaPay's inability to raise financing to support ongoing operations or fund capital expenditures or acquisitions could limit VersaPay's growth and may have a material adverse effect on VersaPay's business and operations. If additional financing is raised by the issuance of equity securities from the treasury of the Company or securities convertible into equity securities, existing shareholders will suffer dilution and a change of control of the Company may occur.

Subsequent Event

On October 31, 2019, the Company obtained a $4.0 million revolving line of credit from a Canadian financial institution. There were no borrowings against this credit facility as at November 25, 2019. The line of credit bears interest at Canadian Prime Rate plus 2% per annum and is a committed facility for an 18 month term and is not a demand facility, extendable thereafter. The Facility is secured by the Company's assets, which primarily consists of intellectual property and accounts receivable. Under the terms of the line of credit, the Company is required to raise no less than $5,000,000 in cash prior to February 28, 2020.

Outlook

The Company is 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 2019 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 U.S. 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 has eighteen channel partners in the U.S. and Canada and expects to continue to sign new channel partners through 2019. It expects to see partners contributing a material portion of new revenues by late in the year.

The Company expects revenues of PayPort™ to stay relatively flat and perhaps decline in the long-term as the Company focuses on growth of the ARC™ product.

Transactions with related parties

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

	Three months ended September 30		Nine months ended September 30	
	2019	**2018**	**2019**	**2018**
	$	$	$	$
Compensation of key management personnel				
Senior management compensation	628,368	560,573	1,955,718	1,735,192
Share based payments for key employees	214,396	109,198	627,434	341,749
Share based payments for directors	91,893	(54,551)	212,401	155,449
Directors compensation	15,000	-	152,500	-
	949,657	**615,220**	**2,948,052**	**2,232,391**

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 September 30, 2019 and December 31, 2018 was:

	September 30, 2019	December 31, 2018
	$	$
Trade receivable - gross balance	2,273,160	1,265,175
Allowance for doubtful accounts	(143,798)	(18,717)
Trade receivable, net	**2,129,362**	**1,246,458**

The aging of the accounts receivable as at September 30, 2019 and December 31, 2018 was:

	September 30, 2019	December 31, 2018
	$	$
Current	1,027,264	442,879
Past due 1-30 days	348,707	128,933
Past due 31-60 days	176,576	295,292
Past due more than 61 days	576,815	379,354
Accounts receivable - net balance	**2,129,362**	**1,246,458**

Of the accounts receivable at September 30, 2019, 39% 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. Approximately 63% and 57% of revenue is transacted in U.S. dollars for the three and nine months ended September 30, 2019 (35% and 32% for the three and nine months ended September 30, 2018) 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, for the three and nine months ended September 30, 2019, would increase by approximately $0.1 million and $0.4 million, respectively and the Company’s net income, for the three and nine months ended September 30, 2019, would increase by $0.2 million and $0.5 million, respectively.

(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 16 - Leases on January 1, 2019, 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 condensed interim consolidated financial statements as at and for the three and nine months September 30, 2019.

The Company's accounting policy under IFRS 16 is as follows:

(a) Definition of lease

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has elected to apply the practical expedient to grandfather the lease definition for existing contracts on transition. It applied the definition of a lease under IFRS 16 to existing contracts as of January 1, 2019.

(b) Lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, based on the initial amount of the lease liability. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically adjusted for certain remeasurements of the lease liability, if the case may be.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of income if the carrying amount of the right-of-use asset has been reduced to zero.

(c) Sub-lease

When the Company is an intermediate lessor, it determines at lease inception date whether each sub-lease is a finance lease, or an operating lease based on whether the contract transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the sub-lease is a finance lease; if not, then it is an operating lease. Payments from sub-leases that are determined to be operating leases are recorded as cost recovery under general and administrative expenses in the period the payment is due.

For finance leases, and when the Company acts as intermediate lessor, it recognizes a sublease receivable and derecognizes the right-of-use assets relating to the head lease that it transfers to the sub lessees. Right-of-use assets and lease receivables relating to the sub leases are measured in the same way as the right- of-use assets and lease liabilities for the head lease, using the same discount rate to measure the present value of the future payments to be received.

The Company presents accretion expense in the head lease separate from the accretion income from the sub-leases.

Risk Factors

A full description of the risk factors can be found in the Company's Annual Information Form 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 43,940,851 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 3,187,500 options outstanding to purchase 3,187,500 Common Shares.