EQ INC.

Management's Discussion and Analysis
For the three months ended March 31, 2017

May 30, 2017

EQ Inc.
1235 Bay Street, Suite 401
Toronto, Ontario, M5R 3K4

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

The following discussion and analysis of the financial condition and results of EQ Inc. (also referred to as "we", "us", "our", "EQ", "EQ Works", or the "Company"), prepared as of May 30, 2017, has been reviewed and approved by the Company's Board of Directors, on the recommendation of its Audit Committee, prior to filing and should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements ("interim financial statements") as at and for the quarter ended March 31, 2017 and notes, comprising a summary of significant accounting policies and other explanatory information which have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are reported in Canadian dollars. Additional information relating to the Company is available on SEDAR at www.sedar.com and on the Company's website at www.eqworks.com.

Certain statements in this MD&A may constitute forward-looking information, including future-oriented financial information and financial outlooks, within the meaning of applicable securities laws. Forward-looking statements may relate to the Company's future outlook and anticipated events or results and may include statements regarding the Company's future financial position, projected revenue, earnings, growth rates, revenue mix, product plans and objectives. In some cases, forward-looking statements can be identified by terms such as "could", "expect", "may", "will", "anticipate", "believe", "intend", "estimate", "plan", "potential", "project" or other expressions concerning matters that are not historical facts. Readers are cautioned not to place undue reliance upon any such forward-looking statements. Such forward-looking statements are not promises or guarantees of future performance and involve both known and unknown risks and uncertainties that may cause the actual results, performance, achievements or developments of EQ to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. Forward-looking statements, by their nature, are based on certain assumptions regarding expected growth, management's current plans, estimates, projections, beliefs, opinions and business prospects and opportunities (collectively, the "Assumptions"). While the Company considers these Assumptions to be reasonable, based on the information currently available, they may prove to be incorrect.

It is important to note that:

- *There is no assurance that any forward-looking statements will materialize.*
- *The results or events predicted herein may differ from actual results or events.*
- *Unless otherwise indicated, forward-looking statements describe expectations as of May 30, 2017.*
- *EQ disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless required to do so under applicable securities laws.*

Many risks, uncertainties and other factors could cause the actual results of EQ to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. These risks, uncertainties and other factors include, but are not limited to, the following: overall economic conditions, rapid technological changes, dependence on the internet, concentration of revenues with a small number of customers, demand for our product, the introduction of competing technologies, competitive pressures, network restrictions, *fluctuations in foreign currency exchange rates and other similar factors that may cause the actual results, performance, achievements or developments of EQ to differ materially from the results, performance, achievements or developments expressed or implied by such forward-looking statements. Additional information concerning risks and uncertainties affecting EQ's business and other factors that could cause financial results to fluctuate is set forth below in "Risks and Uncertainties Affecting our Business", as well as elsewhere herein, and is contained in EQ's filings with Canadian securities regulatory authorities. Readers are cautioned not to place undue reliance on such statements. We do not intend, and disclaim any obligation to update or revise any forward-looking statements at any particular time whether as a result of new information, future events or otherwise unless required to do so under applicable securities laws. All forward-looking statements contained in this MD&A are expressly qualified in their entirety by this cautionary statement.*

OVERVIEW

EQ helps advertisers reach their audiences and acquire new customers through targeted mobile, social, web, and video advertising. We provide a smarter way to target customers by combining programmatic media buying with automated learning, real-time analytics, and data-intensive platforms to reach the most relevant audiences at the right time, with the right ad, on the right device. Our customers include leading agencies, advertisers, and networks across North America who are looking to better understand their customers and get more value out of advertising and media initiatives.

EQ's proprietary location based audience platform creates the ideal target audience by combining location with specific demographic and other first or third party data sets. Utilizing machine learning and AI to optimize these audience groups, EQ provides the most targeted form of digital advertising.

The Company has one operating segment and reports as such. EQ's business is focused on targeted advertising and incorporates the most sophisticated advertising technologies, data analytics, and programmatic media buying capabilities into a single system. We help brands better understand their customers, execute an effective digital strategy, and get more value out of mobile, social and web initiatives.

As digital advertising spending continues to grow and greater emphasis is placed on measurable results, the Company's operating model will become even more critical to direct marketers, online retailers and other advertisers focused on effective marketing initiatives and customer acquisition strategies. EQ is positioned to grow by meeting the needs of this growing market and providing solutions that deliver the greatest returns for our clients.

EQ delivers industry leading mobile, web, social and video advertising solutions that enable advertisers to target their intended audiences in real-time. EQ is paid by advertisers or their agencies based on a variety of advertising models, including display, clicks by consumers or, in some cases, actions performed by consumers (which may include qualified leads, registrations, downloads, inquiries or actual sales). These payment models are commonly referred to as "CPM" (cost per thousand impressions), "CPC" (cost per click) and "CPA" (cost per action). For certain campaigns, EQ is also paid based on a percentage of the cost of advertising placements, or "Cost Plus". We also engage in other forms of targeted advertising to provide comprehensive media buying solutions that work together to ensure optimal campaign results, including search engine marketing and optimization and targeted media buys from networks and publishers.

The EQ platform uses a proprietary data-analytics system that develops algorithms to interact with advertising exchanges to bid on and purchase individual advertising impressions that are targeted to a specific individual or audience. Using this platform, we acquire highly targeted internet advertising space from publishers at auction prices on behalf of, or for resale to, advertisers directly or through media agencies. Features include: brand-safe access to premium video, mobile and web properties; deep audience targeting, including over 150 behavioral profiles, re-targeting options and our proprietary content classification engine; and fully automated media optimization.

EQ continues to improve and innovate with investments in partnerships and technologies that help target and re-target consumers that match a customer's ideal criteria. Whether a customer chooses to target through content matching (keyword match), matching search queries or behavioural segments, EQ will ensure that a customer's message is delivered to the right person, in the right context, and at the right time. Our goal is to provide the very best real-time bidding online advertising solution for agencies and advertisers.

EQ also provides fully integrated digital marketing solutions. We work with agencies and clients to define, create and deliver return on investment ("ROI") focused digital strategies. Our skilled team uses its deep marketing and technology expertise to achieve specific client objectives, which is central to our value proposition. Every digital property, mobile or web application or element of functionality that is designed and built by EQ is tied to specific goals and performance objectives. We build the web, mobile and social experiences that allow our clients to achieve true performance.

In order to optimize the performance of a website, portal or mobile application, the solution needs to be designed properly to provide a rich, value-added experience for the intended audience. The Company uses proven methodologies and teams of experts to ensure audiences are engaged and ready to transact. These strategies help clients drive innovation, automation, strategic insights and adoption to get the most out of their digital investments.

EQ self-service digital media buying solution "ATOM" gives small and medium sized businesses ("SMB") the tools to execute digital advertising campaigns to local and international audiences through all mobile, tablet, and desktop devices.

Advertisers can target their customers based on demographics, behavioral data, census data, age, gender, viewing habits, and much more. Ads will be delivered on any device (desktop, tablet, phone) and through all browsers and mobile apps. ATOM's location-focused features also lets users execute "hyper-local" targeting down to a one mile range from any street address in North America. The advertiser's ads will only reach users within that designated area whether that area is around their own location or that of a competitor.

By providing SMB's with the ability to execute hyper-local buys or interact with customers anywhere on the continent, ATOM will help drive small and medium sized business through their next stage of growth. ATOM's self-serve platform provides an easy-to-use interface where advertisers can create, manage, monitor, and optimize their campaigns from anywhere at any time. ATOM is integrated with all the major ad exchanges, which provides a tremendous reach, and has integrated machine learning logic and targeting capabilities to ensure that every dollar is spent efficiently.

Revenue for the three months ended March 31, 2017 was $0.9 million as compared to $1.0 million for the same period in 2016, a decrease of 7%. The Company's focus shifted significantly towards hyper-local targeting in the second half of 2016 and as expected the revenue was slightly lower.

A continued focus on sales effort and the addition of new clients and our ability to deliver great campaign results for our existing clients for 2017, makes us confident that our focus on client services and platform enhancement will result in continued sales momentum. Together with our expertise and leading solutions for mobile distribution, is expected to shape our progress for the coming quarters.

The adjusted EBITDA loss for the three months ended March 31, 2017 was $0.3 million, an improvement of 21% compared with the same period in 2016. The improvement in adjusted EBITDA loss was a result of reductions in operating expenses in the amount of $0.2 million partially offset by increase in employee compensation and decrease in gross profit of $0.1 million.

Net loss for the three months ended March 31, 2017 was $0.5 million compared to a loss of $0.2 million for the same period in 2016, which represents an increase of $0.3 million. Loss from operation for three months ended 2017 was $0.3 million compared to a loss of $0.4 million for the same period last year. In the three months ended March 31, 2017, finance cost approximately of $0.2 million increased the net loss to $0.5 million and in 2016 a one-time realized gain on sale of available-for-sale investments $0.2 million reduced the net loss to $0.2 million.

In Going Concern

The Company has experienced continued losses historically and, as a result, the Company uses cash on hand to fund its working capital requirement and operations. Management implemented significant cost reduction programs in prior years which, in management's view, will, along with available cash on hand, fund the operations of the Company until its next round of financing. However, there is no certainty the Company will be successful in its next round of financing and/or generate sufficient cash flows from operations.

The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for capital expenditures and working capital needs. The Company uses its operating cash flows and cash balances to maintain liquidity.

The consolidated financial statements have been prepared in accordance with IFRS and using accounting principles applicable to a going concern. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. However, there is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative cash flows that exceeded expectations in the current period principally due to lower revenue.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing from existing shareholders or other sources and/or generate cash flows from operations in the future. There is no certainty that the Company will be able to secure additional forms of financing which are not yet committed or generate cash flows from operations in the foreseeable future (see “Financial Risk Management - Liquidity Risk” below).

If the going concern assumption was not appropriate for the Company’s financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported net loss, and the classifications used in the statement of financial position. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

Currency risk

The Company operates in North America with the Canadian dollar as its functional currency and is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in Canadian dollars. Majority of the publishing costs are generated in U.S. dollars and the majority of the revenues are billed in Canadian dollars. Foreign exchange fluctuations in the U.S. dollar exchange rate could have a potentially significant impact on the Company’s results from operations.

Effective January 1, 2016, the functional currency changed from the U.S dollar to the Canadian dollar as a result of significant economic changes, including its predominant transaction currency for pricing of revenues, being the Canadian dollar.

Consolidated Financial and Operating Results

See the sections in this MD&A entitled “Critical Accounting Policies and Estimates”, “Recent Accounting Pronouncements” and also the Notes to the March 31, 2017 interim financial statements for a discussion of critical and new accounting policies and estimates as they relate to the discussion of our operating and financial results below.

The accompanying interim financial statements of the Company for the three months ended March 31, 2017 and 2016 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standard Board and are the responsibility of the Company’s management. The Company’s independent auditors have not performed an audit or a review of these interim financial statements.

Non-IFRS Measures

We measure the success of our strategies and performance based on adjusted EBITDA, which is outlined and reconciled with net income (loss) in the section entitled “Reconciliation of Net Loss for the period to adjusted EBITDA”. The Company defines adjusted EBITDA as net income (loss) from operations before: (a) depreciation of property and equipment and amortization of domain properties and other intangible assets; (b) share-based payments; (c) restructuring; (d) impairment of goodwill and domain properties and other intangible assets; (e) income tax expense and recovery; (f) finance income and costs, net; and (g) gain (loss) on derivative liability-warrants. Management uses adjusted EBITDA as a measure of the Company’s operating performance because it provides information related to the Company’s ability to provide operating cash flows for working capital requirements, capital expenditures and potential acquisitions. The Company also believes that analysts and investors use adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in its industry.

The non-IFRS financial measure is used in addition to and in conjunction with results presented in the Company's interim financial statements prepared in accordance with IFRS and should not be relied upon to the exclusion of IFRS financial measures. Management strongly encourages investors to review the Company's interim financial statements in their entirety and to not rely on any single financial measure. Because non-IFRS financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-IFRS financial measures having the same or similar names. In addition, the Company expects to continue to incur expenses similar to the non-IFRS adjustments described above, and exclusion of these items from the Company's non-IFRS measures should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

DISCUSSION OF OPERATIONS

Revenue

Revenue for the three months ended March 31, 2017 was $0.9 million as compared to $1.0 million for the same period in 2016, a decrease of 7%. The Company's focus shifted significantly towards hyper-local targeting in the second half of 2016 and as expected the revenue was slightly lower.

A continued focus on sales effort and the addition of new clients and our ability to deliver great campaign results for our existing clients for 2017, makes us confident that our focus on client services and platform enhancement will result in continued sales momentum. Together with our expertise and leading solutions for mobile distribution, is expected to shape our progress for the coming quarters.

The adjusted EBITDA loss for the three months ended March 31, 2017 was $0.3 million, an improvement of 21% compared with the same period in 2016. The improvement in adjusted EBITDA loss was a result of reductions in operating expenses in the amount of $0.2 million partially offset by increase in employee compensation and decrease in gross profit of $0.1 million.

Publishing cost

	Three months ended March	
	2017	2016
Revenue	$ 890	$ 954
Publishing cost	446	481
Gross profit	**$ 444**	**$ 473**
Gross margin	***50%***	***50%***

Publishing cost for the three months ended March 31, 2017 decreased by $35,000 or 7%, compared to the same period in 2016. Consolidated publishing costs for 2017 were $0.4 million and 50% of revenue compared to $0.5 million and 50% of revenue in 2016. The percentage of publishing cost was consistent for the same period over the previous year. Gross margin for three months ended March 31, 2017 was 50% compared to 50% to the same period in 2016. EQ evaluates the company's pricing strategy in order to optimize the Company's objectives of market penetration and profitability and, accordingly margins may fluctuate from quarter to quarter.

Net Loss

Net loss for the three months ended March 31, 2017 was $0.5 million compared to a loss of $0.2 million for the same period in 2016, which represents an increase of $0.3 million. Loss from operation for three months ended 2017 was $0.3 million compared to a loss of $0.4 million for the same period last year. In the three months ended March 31, 2017, finance cost approximately of $0.2 million increased the net loss to $0.5 million and in 2016 a one-time realized gain on sale of available-for-sale investments $0.2 million reduced the net loss to $0.2 million.

Cash from operations totaled $1,000 in cash for the quarter ended March 31, 2017 as compared to use of cash of $0.2 million for the same period in 2016.

Results for the Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016

The adjusted EBITDA loss for the three months ended March 31, 2017 was $0.3 million, an improvement of 21% compared with the same period in 2016. The improvement in adjusted EBITDA loss was a result of reductions in operating expenses in the amount of $0.2 million partially offset by increase in employee compensation and decrease in gross profit of $0.1 million.

Summarized Unaudited Consolidated Financial Results
Three months ended March 31,

(In thousands of Canadian dollars, except per share amounts)	2017	2016	% Change
Revenue	$ 890	$ 954	(7)
Expenses:			
Publishing costs	446	481	
Employee compensation and benefits [2]	457	403	
Other operating expenses	248	399	
	1,151	1,283	(10)
Adjusted EBITDA [1]	(261)	(329)	
Share-based payments	7	-	
Depreciation of property and equipment	2	4	
Amortization of domain properties and other intangible assets	38	30	
Loss from operations	(308)	(363)	(15)
Gain on sale of investment	-	201	
Finance income	6	50	
Finance costs	(148)	(91)	
Loss for the period from operations	$ (450)	$ (203)	122
Basic and diluted loss per share	$ (0.03)	$ (0.01)	

(1) As defined. See the section entitled "Non-IFRS Measures".
(2) Employee compensation and benefits exclude share-based-payments

Revenue

Revenue for the three months ended March 31, 2017 was $0.9 million as compared to $1.0 million for the same period in 2016, a decrease of 7%. The Company's focus shifted significantly towards hyper-local targeting in the second half of 2016 and as expected the revenue was slightly lower.

A continued focus on sales effort and the addition of new clients and our ability to deliver great campaign results for our existing clients for 2017, makes us confident that our focus on client services and platform enhancement will result in continued sales momentum. Together with our expertise and leading solutions for mobile distribution, is expected to shape our progress for the coming quarters.

Publishing cost

Publishing cost for the three months ended March 31, 2017 decreased by $35,000 or 7%, compared to the same period in 2016. Consolidated publishing costs for 2017 were $0.4 million and 50% of revenue compared to $0.5 million and 50% of revenue in 2016. The percentage of publishing cost was consistent for the same period over the previous year. Gross margin for three months ended March 31, 2017 was 50% compared to 50% to the same period in 2016. EQ evaluates the company's pricing strategy in order to optimize the Company's objectives of market penetration and profitability and, accordingly margins may fluctuate from quarter to quarter.

Employee compensation and benefits

Employee compensation consists of salary and benefit costs, personnel costs, commissions and variable compensation, payroll taxes and employee health and related benefit expenses. Employee compensation for the three months ended March 31, 2017 was $0.5 million, an increase of 15% as compared to the same period in 2016. The increase in employee compensation reflects to new sales hires and commission expenses as compared to the same period in 2016.

Other operating expenses

Other operating expenses consist primarily of office and administration expenses, including rent, utilities, insurance costs and office consumables, as well as sales and marketing, travel-related expenses, contractor and consulting expenses, communication, equipment rental and professional services related expenses. Other operating expenses decreased by 38% to $0.2 million for the three months ended March 31, 2017 as compared to $0.4 million for the same period in 2016. The reduction in operating expenses correlated to cost reduction in rent expenses and a one-time reversal of $0.1 million of deferred lease inducements.

Adjusted EBITDA

The adjusted EBITDA loss for the three months ended March 31, 2017 was $0.3 million, an improvement of 21% compared with the same period in 2016. The improvement in adjusted EBITDA loss was a result of reductions in operating expenses in the amount of $0.2 million partially offset by increase in employee compensation and decrease in gross profit of $0.1 million.

Share-based Payments

For the three months ended March 31, 2017, the Company recorded share-based payments of $7,000 compared to nil during the same period in 2016.

Depreciation of property and equipment

Depreciation of property and equipment decreased 50% from $4,000 for the three months ended March 31, 2016 to $2,000 for the same period in 2017. The decline in depreciation expenses was related to assets that were fully depreciated.

Amortization of domain properties and other intangible assets

Amortization of domain properties and other intangible assets was $38,000 for the three months ended March 31, 2017 as compared to $30,000 for the same period in 2016.

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

The items listed below represent the consolidated income and expense amounts that are required to reconcile net loss for the quarter as defined under IFRS to the non-IFRS measure of adjusted EBITDA for the quarter.

Reconciliation of net loss for the year to adjusted EBITDA

	Three months ended March 31,		
(In thousands of Canadian dollars)	**2017**	2016	% Change
Loss for the period	**$ (450)**	**$ (203)**	122
Finance income (costs):			
Foreign exchange gain, net	**6**	**50**	
Other interest expense	**(148)**	**(91)**	
Gain on sale of investment	**-**	**201**	
Loss from operations	**(308)**	**(363)**	(15)
Share-based payments	**7**	**-**	
Depreciation of property and equipment	**2**	**4**	
Amortization of domain properties and other intangible assets	**38**	**30**	
Adjusted EBITDA (1)	**$ (261)**	**$ (329)**	(21)

(1) As defined. See the section entitled "Non-IFRS Measures".

Net loss for the period

Net loss for the three months ended March 31, 2017 was $0.5 million compared to a loss of $0.2 million for the same period in 2016, which represents an increase of $0.3 million. Loss from operation for three months ended 2017 was $0.3 million compared to a loss of $0.4 million for the same period last year. In the three months ended March 31, 2017, finance cost approximately of $0.2 million increased the net loss to $0.5 million and in 2016 a one-time realized gain on sale of available-for-sale investments $0.2 million reduced the net loss to $0.2 million.

Finance Cost and Finance Income

For the three months ended March 31, 2017, net finance cost totaled approximately of $0.2 million compared to net finance income of $0.2 million for the same period in 2016. In July 2012, the Company acquired 116,267 shares of an available-for-sale equity investment in a private company for $50,000. On February 2016, the Company was able to negotiate and sell its investment for $0.3 million. The gross realized gain on the sale of such available-for-sale assets was $0.2 million. Interest expense for the three months ended March 31, 2017 was $0.1 million an increase of 63% compared to the same period in 2016. The increase in interest expense was related to the promissory notes that the Company entered in 2016.

Foreign exchange gains and losses consist of the realized and unrealized exchange differences due to fluctuations between the Canadian and U.S. dollar exchange rates. The Company recorded a net foreign exchange gain of $6,000 in the three months ended March 31, 2017 compared to a net foreign exchange gain of $50,000 in the three months ended March 31, 2016. The value of the Canadian dollar strengthen relative to the U.S. dollar by 1% for the three months ended March 31, 2017 to 0.7506 as at March 31, 2017 (1 U.S. dollar = 1.3323 CDN) from 0.7448 (1 U.S. dollar = 1.3426 CDN) as at December 31, 2016. As a result, due to the Canadian dollar functional currency of the Company and the net assets and liabilities denominated in Canadian dollars, a foreign exchange gain was recorded for the three months ended March 31, 2017.

LIQUIDITY AND CAPITAL RESOURCES

The interim financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred significant historical operating losses and negative cash flows from operations, and has had a working capital deficiency in recent quarter (deficiency of $4.0 million in 2017 and a deficiency of $2.6 million for the same period in 2016). Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company has approximately $2.9 million of promissory notes outstanding as of March 31, 2017 and the notes are due February 18, 2018. The Company will need to raise capital in order to fund its operations and repay the promissory notes. This need may be adversely impacted by, among other things: a lack of normally available financing and an accelerating loss of customers. To address its financing requirements, the Company will seek financing through debt and equity financings, asset sales and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

The Company has experienced continued losses historically and, as a result, the Company uses cash on hand to fund its working capital requirement and operations. Management implemented significant cost reduction programs which, in management's view, will, along with available cash on hand, allow the operations of the Company until next round of financing. There is no certainty the Company will be successful in completing the actions described herein.

The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for capital expenditures and working capital needs. The Company uses its operating cash flows and cash balances to maintain liquidity.

The consolidated financial statements have been prepared in accordance with IFRS and using accounting principles applicable to a going concern. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. However, there is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative cash flows that exceeded expectations in the current period principally due to the loss of certain customers.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing from existing shareholders or other sources and/or generate cash flows from operations in the future. There is no certainty that the Company will be able to secure additional forms of financing which are not yet committed or generate cash flows from operations in the foreseeable future.

If the going concern assumption was not appropriate for the Company's financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported net loss, and the classifications used in the statement of financial position. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

Selected financial information from the statements of financial position as at March 31, 2017 and March 31, 2016 are as follows:

Three months ended March 31,		2017		2016
Cash	**$**	**105**	$	104
Working capital		(3,955)		(2,561)
Total assets		**968**		1,186
Current liabilities		**4,754**		3,538
Other non-current liabilities		**-**		57

As at March 31, 2017, the Company had $0.1 million in cash consistent as at March 31, 2016. Cash inflow in operations totaled $1,000 in cash for the three months ended March 31, 2017 as compared to use of cash of $0.2 million for the quarter ended March 31, 2016.

The following table shows key liquidity metrics for the periods indicated:

As at March 31, (In thousands of Canadian dollars)		2017		2016
Cash	**$**	**105**	$	104

As at March 31, (In thousands of Canadian dollars)		2017		2016
Net cash from (used) in operating activities	**$**	**1**	$	(222)
Net cash used in financing activities		**-**		(45)
Net cash from (used) in investing activities		**(48)**		251

Net cash used in Operating Activities

Cash flows from operations totaled $1,000 in cash for the three months ended March 31, 2017 as compared to use of $0.2 million for the same period in 2016. Net loss for the three months ended March 31, 2017 was $0.5 million compared to net loss of $0.2 million for the same period in 2016. The change in non-cash operating assets and liabilities resulted in a source of cash of $0.3 million for the three months ended March 31, 2017 consistent for the same period in 2016.

With respect to the three months ended March 31, 2017, the source of cash of $0.3 million from non-cash operating assets was attributable to a decrease in accounts receivable of $0.3 million. There was a decrease in other current assets of $15,000 and a decrease in accounts payable and accrued liabilities of $24,000 related to trade payables and an increase in deferred revenue related to customer deposits of $17,000.

With respect to the three months ended March 31, 2016, the source of cash of $0.3 million from non-cash operating assets was attributable to an increase in accounts receivable of $0.1 million.

There was a decrease in other current assets of $0.1 million and an increase in accounts payable and accrued liabilities of $0.3 million related to trade payables and an increase in deferred revenue related to customer deposits of $31,000.

The foreign exchange gain on cash was $1,000 in the first quarter of 2017 compared to a gain of $5,000 for the same period in 2016. Depreciation of property and equipment and amortization of intangible assets for the quarter ended March 31, 2017 was $2,000 and $38,000, respectively, compared to $4,000 and $30,000, respectively, for the same period in 2016.

Non-cash share-based payment expense was 7,000 for the quarter ended March 31, 2017 compared to nil for the same period in 2016. Non-cash deferred lease inducement of $0.1 million was realized in the first quarter of 2017 due to the cancellation of the building lease compared to $5,000 was amortized for the same period in 2016.

Finance cost of $0.1 million incurred for the first quarter 2017 compared to finance income of $0.2 million generated for the same period in 2016. The finance income generated for the first quarter of 2016 was unrealized foreign exchange related to the depreciation of the Canadian dollar partially offset by interest expenses for loan and borrowings. Finance cost for 2017 was related to the interest expenses related to loan and borrowings.

A one-time gain of $0.2 million was realized on sale of available-for-sale investment three months ended March 31, 2016 compared to nil for the same period in 2017.

Net cash used in Financing Activities

Financing activities for the three months ended March 31, 2016 resulted in a use of cash of $45,000, which was comprised of principal and interest payments to satisfy the term loan payments during the period.

Net cash from Investing Activities

Investing activities for the Company are impacted by acquisitions of property, equipment and intangible assets and the purchase or sale of various cash equivalents. In the quarter ended March 31, 2016, investing activities resulted in a source of cash of $0.3 million compared to a use of cash of $48,000 for the same period in 2017. In the quarter ended March 31, 2016, the Company sold available-for-sale investment for a proceeds of $0.3 million and in the quarter ended March 31, 2017 the Company purchased property and equipment for $20,000 and leasehold improvements of $28,000.

See also the liquidity risk discussion later in this MD&A for a discussion.

The following is a contractual maturity analysis of the Company's financial liabilities as at March 31, 2017:

Contractual Obligations	*Payments Due by Period*				
	Total	*Less than 1 year*	*1-3 years*	*4-5 years*	*After 5 years*
Long Term Debt	-	-	-	-	-
Promissory Notes	2,921	2,921	-	-	-
Operating Leases	841	121	690	30	-
Trade and other payables	1,895	1,895	-	-	-
Loans and Borrowings	-	-	-	-	-
Other Long Term Obligations	-	-	-	-	-
Total Contractual Obligations	5,657	4,937	690	30	-

Note:

With respect to the above table: (i) "Purchase Obligations" means an agreement to purchase goods or services that is enforceable and legally binding on the Company that specifies all significant terms; and (ii) "Other Long Term Obligations" means other long-term liabilities reflected on the Company's balance sheet.

Currently the Company does not have any offline balance sheet items which will have an impact on overall Company's performance.

SUMMARY OF SEASONALITY AND QUARTERLY RESULTS

Online advertising, online commerce and internet usage are seasonally strongest in the fourth quarter and generally slower at the beginning of the calendar year. The Company has seen slower than usual activity, which is consistent with general and industry-specific economic data. As a result, operating results will fluctuate quarter by quarter. In addition, our revenue and operating results may fluctuate quarter-to-quarter depending on sales cycles, network performance and customer demand. Costs are incurred more evenly throughout the year. In addition to the seasonal trends, revenue and operating profit can fluctuate from general economic conditions. As a result, one quarter's revenue and operating results may not necessarily be indicative of a subsequent quarter's revenue and operating results. For these reasons, performance is not comparable quarter to consecutive quarter and is best considered on the basis of results for the whole year or by comparison of results in a quarter with results in the same quarter for the previous year. Quarterly results and statistics in respect of the Company for the previous eight quarters are outlined below.

(In thousands of Canadian dollars, except per share amounts)	2017 Q1	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2
Revenues	**$ 890**	$ 1,005	$ 731	$ 724	$ 954	$ 855	$ 922	$ 986
Adjusted EBITDA	**(261)**	(231)	(320)	(421)	(329)	(517)	(343)	(400)
Share-based payments	**(7)**	(2)	-	-	-	(54)	-	-
Depreciation of property and equipment	**(2)**	(3)	(3)	(3)	(4)	(9)	(30)	(38)
Amortization of domain properties and other intangible assets	**(38)**	(31)	(30)	(30)	(30)	(29)	(28)	(27)
Loss on sale of domain properties and other intangible	-	-	-	-	-	(1)	-	-
Loss from operations	**(308)**	(267)	(353)	(454)	(363)	(610)	(401)	(465)
Finance income (costs), net	(142)	(120)	(185)	(92)	(41)	(15)	25	(29)
Gain on sale of investment	-	-	-	-	201	-	-	-
Loss on derivative liability - warrants	-	-	-	-	-	(24)	-	-
Gain from extension of loan borrowings	-	-	179	-	-	-	-	-
Income tax recovery	-	-	-	-	-	-	-	18
Net loss for the period	**$ (450)**	$ (387)	$ (359)	$ (546)	$ (203)	$ (649)	$ (376)	$ (476)
Basic and diluted loss per share	**(0.03)**	(0.02)	(0.02)	(0.04)	(0.01)	(0.04)	(0.02)	(0.03)

SELECTED FINANCIAL INFORMATION

The following table sets out consolidated financial information for EQ for the periods indicated. The following should be read in conjunction with those financial statements and related notes. The operating results for any past period are not necessarily indicative of results for any future period. The selected financial information for 2017, 2016 and 2015 has been derived from the interim financial statements.

Revenue for the three months ended March 31, 2017 was $0.9 million as compared to $1.0 million for the same period in 2016, a decrease of 7%. A continued focus on sales effort and the addition of new clients and our ability to deliver great campaign results for our existing clients during the first quarter of 2017, makes us confident that our focus on client services and platform enhancement will result in continued sales momentum. Together with our expertise and leading solutions for mobile distribution, is expected to shape our progress for the coming quarters.

(In thousands of Canadian dollars, except per share amounts)	Three months ended March 31, **2017**	2016	2015
Revenue	**$ 890**	$ 954	$ 921
Loss for the period	**(450)**	(203)	(795)
Basic loss per share	**(0.03)**	(0.01)	(0.05)
Diluted loss per share	**(0.03)**	(0.01)	(0.05)
Total assets	**968**	1,186	1,955
Total current liabilities	**4,754**	3,538	2,698
Total non-current liabilities	**-**	57	67

Management of capital

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. EQ defines capital that it manages as the aggregate of its shareholders' equity, which is comprised of issued capital, contributed surplus, accumulated other comprehensive income (loss) and retained earnings (deficit). The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, issue debt, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements as at March 31, 2017.

Related party transactions

See "Subsequent event".

OUTSTANDING SHARE DATA

The following information on EQ's share capital and stock options outstanding is updated to May 30, 2017:

	Outstanding	Authorized
Common Shares	22,404,858	unlimited
Stock Options	-	3,171,445
Warrants	17,928,686	17,928,686

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Included in our 2016 annual consolidated financial statements, we have identified the accounting policies and estimates that are critical to understanding our business operations and our results of operations.

Recent Accounting Pronouncements

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the current fiscal year, and have not been applied in preparing these financial statements. Future changes to our existing accounting policies and other note disclosures may result. The Company is currently assessing the impact that new pronouncements may have on its results of operations, financial position and disclosure.

Effective for annual periods beginning on or after January 1, 2018:

(i) IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") was issued in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the Company expect to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, and provide guidance for transactions that were not previously addressed comprehensively (for example, multiple-element arrangements and contract modifications). Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2018 and is to be applied using the retrospective or the modified transition approach.

(ii) On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

(iii) In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. In 2013, the IASB also incorporated new accounting requirements for hedging and introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The effective date of this pronouncement has been set to be effective for annual periods beginning on or after January 1, 2018.

(iv) In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), which replaces IAS 17 – Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019.

The Company is assessing the impact of these new standards on its consolidated financial statements.

RISKS AND UNCERTAINTIES AFFECTING OUR BUSINESS

Although management has a confident outlook for EQ and continually improves and adapts the Company's risk mitigation strategies, operating in the technology industry inherently involves a certain level of risk and uncertainty. The Company continues to expand and refine management controls, reporting systems, cost controls, and overall policies and procedures in order to minimize the impact of potential risks and uncertainties. In management's opinion, the following factors, among others, should be considered when evaluating the Company's business and its results of future operations.

Risks Relating to the Company

Demand for EQ's Products and Services

The market for technology products and consulting services is constantly evolving and becoming increasingly competitive. EQ's success depends on our ability to create, develop and deploy interactive strategies and solutions that service existing clients and attract new ones.

History of Net Losses

We have incurred net losses on an annual basis from 2009 to March 2017 and we had an accumulated approximate deficit of $71 million as at March 31, 2017. We may incur net losses in the future, including but not limited to losses resulting from our operations, loss on investments, the impairment of goodwill or other intangible assets, losses from acquisitions, restructuring charges or expenses related to share-based payments and other equity awards. There can be no assurance that we will be able to achieve and maintain consistent profitability in the future.

Restructuring

We have in the past and may in the future find it advisable to take measures to streamline operations and reduce expenses, including, without limitation, reducing our workforce, discontinuing products and divesting business units. Such measures may place significant strains on our management team and employees, and could impair our development, marketing, sales and customer support efforts. We may also incur liabilities from these measures, including liabilities from the early termination or assignment of contracts, the potential failure to meet obligations due to loss of employees or resources, and resulting litigation. Such effects from restructuring and streamlining could have a negative impact on our business and financial results.

Risks Relating to the Industry

Intellectual Property Actions

Certain of EQ's intellectual property may be found to be invalid and/or unenforceable by any specific third party. We may be subject to legal actions alleging intellectual property infringement, unfair competition or similar claims against us. Companies may apply for or be awarded patents or have other intellectual property rights covering aspects of our technologies or businesses. Such legal actions may be costly and could require us to defend unmeritorious claims without recourse for legal costs incurred even if we are successful, could require us to change our business practices, could potentially hinder or prevent our ability to deliver our products and services, and could divert management's attention.

Dependence on the internet

A significant portion of the sales of EQ's products and services depend on the growth in the use of online and mobile technology. However, sales of our on-line advertising rely, in large part, on the industry and infrastructure that has developed around online and mobile access and traffic. Inadequate development of a reliable network backbone or the lack of timely delivery of complementary products could affect the overall commercial viability of the marketplace. Reliance on the internet and mobile services affects our performance with interruptions in service and other delays on websites. Global e-commerce and information exchange is constantly changing and evolving, and it is difficult to predict with any assurance its long-term commercial success.

Trade Credit to Customers

The Company extends trade credit to most of its customers to facilitate the purchase of its services. The Company relies on the creditworthiness of such customers. Some of the Company's customers operate in a highly competitive, cyclical or low margin business. Some are highly levered financially or experiencing negative cash flows such that they may need to refinance, restructure, file for bankruptcy protection or go bankrupt. The failure of such customers to pay the Company promptly and in full under the terms of the trade credit the Company extends to them could have a material adverse effect on our business, financial condition, results of operations and cash flow.

One of the effects of the global economic condition is that businesses tend to maintain their cash resources and delay in paying their creditors whenever possible. As a trade creditor, we lack leverage, unlike secured lenders and providers of essential services. Should the economy further deteriorate, we may find that advertisers, their representative agencies or both may delay in paying us. Additionally, we may find that advertisers will reduce internet advertising, which would reduce our future revenues. These events will result in a number of adverse effects upon us, including increasing our borrowing costs, reducing our gross profit margins, reducing our ability to borrow under our line of credit and reducing our ability to grow our business. These events would have a material and adverse effect upon the Company.

Advertising on the Internet and Mobile Devices Loses its Appeal to Marketing Companies

Our revenue is generated in part by delivering advertisements that are targeted to certain groups of individuals. This business model may not continue to be effective in the future for a number of reasons, including, without limitation, the following: click and conversion rates have always been low and may decline as the number of advertisements and ad formats increase; internet users can install “filter” or opt-out software programs which allow them to prevent advertisements from appearing on their computer screens or email inboxes; internet and mobile advertisements are, by their nature, limited in content relative to other media; marketing companies may be reluctant or slow to adopt or grow online advertising that replaces, limits or competes with their existing marketing efforts; marketing companies may prefer other forms of advertising that we do not offer; advertisers may become adverse to certain forms of online promotions that may conflict with their brand objectives; and some advertisers have experienced issues with “click-fraud” or other forms of perceived low quality.

Real-Time Advertising Exchanges Fail to Attract Publishers

Our Company provides services that are based on real-time advertising exchanges and their ability to attract publishers to provide Web and mobile advertising inventory for purchase. Our ability to generate significant revenue from advertisers will depend, in part, on the ability of such exchanges to demonstrate the effectiveness of the model to advertisers and to publishers; and on our ability to attract and retain advertisers and publishers by differentiating our technologies and services from those of our competitors. Intense competition has led to the proliferation of a number of alternative pricing and distribution models for Internet and mobile advertising. These alternatives, and the likelihood that additional pricing alternatives will be introduced, make it difficult for us to project the levels of advertising revenue or the margins that we or the advertising industry in general will realize in the future. Moreover, an increase in the amount of advertising on the Web and mobile devices may result in a decline in click or conversion rates. Any decline in click or conversion rates may make certain of our performance pricing models less viable or less attractive for publishers and advertisers.

Government Regulation of the Internet

Companies engaging in online search, advertising, commerce and related businesses face uncertainty related to future government regulation of the internet. Due to the rapid growth and widespread use of the internet, federal, state and provincial governments are enacting and considering various laws and regulations relating to the internet. Furthermore, the application of existing laws and regulations to internet companies remains somewhat unclear. Our business and operating results may be negatively affected by new laws, and such existing or new regulations may expose us to material compliance costs and liabilities, and may impede the growth of internet usage. Additionally, our third party data partners may be adversely affected by any new or existing laws.

As a company that provides services over the internet, we may be subject to an action brought under any or future laws governing online services. We may also be subject to costs and liabilities with respect to privacy issues. Several internet companies have incurred costs and paid penalties for violating their privacy policies. Further, it is anticipated that new legislation may be adopted by federal, state and provincial governments with respect to user privacy. Additionally, foreign governments may pass laws which could negatively impact our business or may prosecute us for our products and services based upon existing laws. The restrictions imposed by, and cost of complying with, current and possible future laws and regulations related to our business could harm our business and operating results. Further, any such laws that affect our third party data partners could indirectly harm our business and operating results.

The United States Federal Trade Commission (“FTC”) issued guidelines recommending that companies that engage in behavioural targeting engage in self-regulation in order to protect the privacy of consumers who use the internet. The Office of the Privacy Commissioner of Canada (“OPC”) also released guidelines which state that information collected for online behavioural targeting is likely personal information that would require appropriate policy disclosures or other measures. Despite these guidelines from both the FTC and OPC, if the FTC or federal governments in Canada or the U.S. were to enact legislation or regulations with respect to online behavioural targeting, it may adversely affect what we perceive to be a competitive advantage. This could increase our costs and reduce our future revenues.

System Failures

Our success depends on the continuing and uninterrupted performance of our systems. Sustained or repeated system failures that interrupt our ability to provide services to customers, including failures affecting our ability to deliver advertisements quickly and accurately and to process visitors’ responses to advertisements, would significantly reduce the attractiveness of our services to advertisers and publishers. Our business, results of operations and financial condition could also be materially and adversely affected by any systems damage or failure that impacts data integrity or interrupts or delays our operations. Our computer systems are vulnerable to damage from a variety of sources, including telecommunications failures, power outages, malicious or accidental human acts, and natural disasters. Moreover, despite network security measures, our servers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems in part because we cannot control the maintenance and operation of our third-party data centers. Despite the precautions taken, unanticipated problems affecting our systems could cause interruptions in the delivery of our solutions in the future and our ability to provide a record of past transactions. Our insurance policies may not adequately compensate us for any losses that may occur due to any failures in our systems.

Competition

The internet and mobile advertising markets are characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions, and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices could render our existing products and services obsolete and unmarketable or require unanticipated technology or other investments. Our failure to adapt successfully to these changes could harm our business, results of operations and financial condition.

The market for internet and mobile advertising and related products and services is highly competitive. We expect this competition to continue to increase, in part because there are no significant barriers to entry to our industry. Increased competition may result in price reductions for advertising space, reduced margins and loss of market share. Our principal competitors include other companies that provide advertisers with internet and mobile advertising solutions and companies that offer real-time advertising services.

Competition for advertising placements among current and future suppliers of internet navigational and informational services, high-traffic websites and internet service providers, as well as competition with other media for advertising placements, could result in significant price competition, declining margins and reductions in advertising revenue. In addition, as we continue our efforts to expand the scope of our Web services, we may compete with a greater number of Web publishers and other media companies across an increasing range of different Web services, including in vertical markets where competitors may have advantages in expertise, brand recognition and other areas. If existing or future competitors develop or offer products or services that provide significant performance, price, creative or other advantages over those offered by us, our business, results of operations and financial condition could be negatively affected. We also compete with traditional advertising media, such as direct mail, television, radio, cable, and print, for a share of advertisers' total advertising budgets. Many current and potential competitors enjoy competitive advantages over us, such as longer operating histories, greater name recognition, larger customer bases, greater access to advertising space on high-traffic websites, and significantly greater financial, technical, sales, and marketing resources. As a result, we may not be able to compete successfully. If we fail to compete successfully, we could lose customers or advertising inventory and our revenue and results of operations could decline.

Rapid Technological Change

EQ uses many different technologies to develop and deploy strategic solutions for its customers. These technologies are rapidly changing. While we continuously research and evaluate the tools we use, there is no assurance that these technologies and the expertise we build around them will continue to be applicable in the future. Our success will depend on our ability to adapt to rapidly changing technologies, to enhance existing solutions and to develop and introduce a variety of new solutions to address our customers' and affiliates' changing demands. If we fail to keep pace with technological developments and the introduction of new industry and technology standards on a cost-effective basis, our expenses could increase and we could lose customers.

Length of Sales Cycle

The development and implementation of our technology solutions and the adoption of our advertising services are often an enterprise-wide decision for prospective clients and in the case of advertising services may require multiple decision makers to provide their approvals, often on a campaign by campaign basis. Lengthy sales cycles are common and may include an analysis of customer needs, a written proposal, presentations and contract negotiations. Since these initiatives can involve a substantial commitment of capital, there are often delays in approving such large expenditures. The sales cycle varies, but typically it has ranged from one to nine months. During that time, the sales cycle can be affected by the client's budgetary constraints, internal acceptance reviews and the overall economic climate, factors over which EQ has little or no control.

Content

We may be subject to third-party claims relating to content in the advertising we deliver as it relates to violations of copyright, trademark or other intellectual property rights of third parties or if the content is defamatory. Any claims or counterclaims could be time-consuming, could result in costly litigation and could divert management's attention.

General Risks

Stock Market Volatility

The trading price of the Common Shares has been and may continue to be subject to broad fluctuations. Our share price may fluctuate in response to a number of events and factors, including, without limitation, variations in quarterly operating results; announcements and implementations of technological innovations or new services by us or our competitors; recommendations by securities analysts; the operating and share price performance of, or other developments involving, other companies that investors may deem comparable to EQ; news reports or rumors relating to us; and general economic or market conditions. Our financial results have varied on a quarterly basis and are likely to continue to fluctuate in the future, which could cause our share price to continue to be volatile or decline.

In addition, the stock market in general, and the market prices for internet-related companies in particular, have experienced volatility that often has been unrelated to the operating performance of such companies. These broad market and industry fluctuations may adversely affect the price of our shares, regardless of our operating performance. Volatility or a lack of positive performance in our share price may adversely affect our ability to retain key employees, all of whom have been granted options. A sustained decline in our share price and market capitalization could lead to an impairment charge to our non-financial assets.

Non-Financial Assets

We are required under IFRS to test goodwill for impairment at least annually and to review our amortizable intangible assets for impairment when events or changes in circumstance indicate the carrying value may not be recoverable. Factors that could lead to impairment of goodwill and amortizable intangible assets include, without limitation, significant adverse changes in the business climate, prolonged periods of decline for our business, an announcement of adverse changes or events, and declines in the financial condition of our business. We have recorded and may be required in the future to record additional charges to earnings if our goodwill, amortizable intangible assets or other investments become impaired. Any such charge would adversely impact our financial results.

Foreign Exchange Fluctuations

A significant portion of our revenue is generally denominated in Canadian dollars. Our expenses are denominated in either Canadian or U.S. dollars. Our results of operations and financial condition are reported in Canadian dollars, while our functional currency is the Canadian dollar. Our earnings are impacted by fluctuations in the exchange rates between the Canadian and U.S. dollar in which we trade. A decrease in the value of the Canadian dollar relative to the U.S. dollar would increase the amount of cost of sales in Canadian dollar terms realized by the Company. This would reduce the Company's operating margin and the cash flow available to fund its operations.

General Economic Weakness

We are susceptible to general economic conditions, and a downturn in advertising and marketing spending by advertisers could adversely affect our operating results. Our operating results will be subject to fluctuations based on general economic conditions, in particular those conditions that impact advertiser-consumer transactions and the technology sector. Deterioration in economic conditions could cause decreases or delays in advertising spending and reduce and/or negatively impact our short term ability to grow our revenues. Further, any decreased collectability of accounts receivable or early termination of agreements due to deterioration in economic conditions could negatively impact our results of operations.

Dependence on Key Personnel

EQ's success depends to a significant extent on the abilities and efforts of its senior management and technical personnel. The loss of, or inability to identify, attract, hire, retain and motivate highly skilled management, technical, sales and marketing, corporate development and other key personnel could have a material effect on our business. Qualified personnel with experience relevant to our business are scarce and competition to recruit them is significant. If we fail to successfully hire and retain a sufficient number of highly qualified employees, we may have difficulties in supporting our customers or expanding our business. Although the Company has non-competition and non-disclosure agreements with all of its executive officers and senior managers, any loss of key personnel could have an adverse effect on the Company's business. The loss of the services of any member of our senior management team, or of any other key employees, could divert management's time and attention, increase our expenses and adversely affect our ability to conduct our business efficiently.

In light of current market conditions, the value of options granted to employees may cease to provide sufficient incentive to our employees. Like many technology companies, we use shares and may use other equity-based awards to recruit technology professionals and senior level employees. With respect to those employees to whom we issue options, we face a significant challenge in retaining them if the value of these options is either not substantial enough or so substantial that the employee leaves after their options have vested. If our share price does not increase significantly above the exercise prices of our options, we may need to issue new options, in order to motivate and retain our executives; or if option programs become impracticable, we may need to issue other equity incentives or increase other forms of compensation. We may undertake or seek shareholder approval to undertake other equity-based programs to retain our employees, which may be viewed as dilutive to our shareholders or may increase our compensation costs. Additionally, there can be no assurance that any such programs we undertake will be successful in motivating and retaining our employees.

Periodic Litigation

The Company may from time to time become party to claims and litigation proceedings, which are generally related to contract disputes. Such matters are subject to many uncertainties and the Company cannot predict with assurances the outcome and ultimate financial impact from them. There can be no guarantee that actions that may be brought against the Company in the future will be resolved in its favour or that the insurance the Company carries will be available or paid to cover any litigation exposure. Any losses from settlements or adverse judgments arising out of these claims could be materially adverse to the Company.

Acquisitions and Investments

The Company continually evaluates opportunities to acquire additional technologies or businesses. We have acquired, and have made strategic investments in, a number of companies in the past, and we expect to make additional acquisitions and strategic investments in the future. Such transactions may result in dilutive issuances of our equity securities, the use of our cash resources, the incurrence of debt and contingent liabilities, and amortization expenses related to intangible assets acquired, some of which may occur even if the acquisition is ultimately not consummated, any of which could materially adversely affect the Company's business, financial condition and results of operations. Integration challenges include finance, information technology, facilities and customer support. The diversion of management attention and any difficulties encountered in the integration process could harm our business. Our acquisitions and strategic investments to date were accompanied by a number of risks, including:

- uncertainties associated with operating in a new market and working with new customers;
- the difficulty of assimilating the operations and personnel of our acquired companies into our operations;
- the potential disruption of our ongoing business and distraction of management;
- the incurrence of additional operating losses and expenses of the businesses we acquired or in which we invested;
- the difficulty of integrating acquired technology and rights into our services and unanticipated expenses related to such integration;
- the failure to successfully further develop acquired technology resulting in the impairment of amounts currently capitalized as intangible assets;
- litigation or other claims in connection with acquisitions, acquired companies or companies in which we have invested;
- the impairment of relationships with, or failure to retain, employees of acquired companies or our existing employees as a result of integration of new personnel;
- the difficulty of integrating operations, systems, and controls as a result of cultural and regulatory systems, and operational differences; and
- the impact of known potential liabilities or liabilities that may be unknown, including as a result of inadequate internal controls, associated with the companies we acquired or in which we invested.

We are likely to experience similar risks in connection with our future acquisitions and strategic investments. Our failure to be successful in addressing these risks or other problems encountered in connection with our past or future acquisitions and strategic investments could cause us to fail to realize the anticipated benefits of such acquisitions or investments, or incur unanticipated liabilities, and harm our business generally.

FINANCIAL RISK MANAGEMENT

Overview

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management policies on an annual basis. The finance department identifies and evaluates the financial risks and is charged with the responsibility of establishing controls and procedures to ensure the financial risks are mitigated in accordance with the approved policies.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable, short-term investments and cash and cash equivalents. The Company invests its excess cash in short-term investments with the objective of maintaining safety of planned capital expenditures and with the secondary objective of maximizing the overall yield of its portfolio. The Company's cash is not subject to external restrictions. Investments must be rated at least investment grade by recognized rating agencies. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

The Company's credit risk is primarily attributable to its trade receivables. The Company reviews the collectability of its accounts receivable and establishes an allowance for doubtful accounts based on its best estimate of potentially uncollectable accounts. The amounts disclosed in the balance sheet are net of allowances for bad debts, which are established based on the specific credit risk associated with the customer and other relevant information. As at March 31, 2017, three customers represented 16%, 15% and 14% of the gross accounts receivable balance of $0.7 million, respectively. As at March 31, 2016, two customers represented 28% and 11% of the gross accounts receivable balance of $0.7 million, respectively. The accounts receivable balances due from the significant customers was current as at March 31, 2017.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for capital expenditures and working capital needs. The Company uses its operating cash flows and cash balances to maintain liquidity.

The Company has experienced continued losses historically and, as a result, the Company uses cash on hand to fund its working capital requirement and operations. Management implemented significant cost reduction programs in prior years which, in management's view, will, along with available cash on hand, allow the operations of the Company to cumulatively generate profitable operations in the future. There is no certainty the Company will be successful in completing the actions described herein.

The consolidated financial statements have been prepared in accordance with IFRS and using accounting principles applicable to a going concern. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. However, there is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative cash flows that exceeded expectations in the current period principally due to the loss of certain customers.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing from existing shareholders or other sources and/or generate cash flows from operations in the future. There is no certainty that the Company will be able to secure additional forms of financing which are not yet committed or generate cash flows from operations in the foreseeable future.

If the going concern assumption was not appropriate for the Company's financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported net loss, and the classifications used in the statement of financial position. The consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

Customer Concentration Risk

Customer concentration risk is the risk of financial loss to the Company due to reliance on one or a small number of customers for significant portions of its total revenues. If a customer that represents a significant portion of revenues reduces its activity or ceases to transact with the Company, there could be a material negative impact on the Company's financial stability. For the three months ended March 31, 2017, three customers comprised 22%, 20% and 11% of the Company's consolidated revenues from operations; and two customers comprised 17% and 12% of the Company's consolidated revenues from operations for the same period in 2016. In the advertising industry in which the Company operates, it is not uncommon for client concentration to result from large agency accounts that concentrate their buying through few vendors, and for accounts to be awarded to different vendors in different amounts on a quarterly and annual basis.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Company's income or value of its financial instruments.

Interest rate risk

The Company's interest rate risk arises primary from its loans and borrowings obligations, which bear an fixed interest rate of 8%. Management believes that the Company is not significantly exposed to cash flow interest rate risk in the next twelve months.

Currency risk

The Company operates internationally with the Canadian dollar as its functional currency and is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. cash on hand to support international forecasted obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held.

During the three months ended March 31, 2017 and 2016, the Company maintained a portion of its cash resources in both U.S. and Canadian dollar cash and cash equivalents. The Company does not have any foreign currency derivative instruments outstanding as at March 31, 2017.

SUBSQUENT EVENT

Subsequent to March 31, 2017, certain promissory note holders exercised 6,147,633 warrants to acquire 6,147,633 common shares of the Company, at an exercise price of $0.08 per share for total proceeds of $0.5 million.

Subsequent to the March 31, 2017, the Company issued $0.8 million non-convertible secured promissory notes (the "Promissory Notes"). The Promissory Notes will accrue interest at a rate of 8% per annum, calculated annually, and will be due December 31, 2018.

In connection with the issuance of the Promissory Notes, the lenders received seven non-transferable warrants (the "Bonus Warrants") for each dollar of principal amount of Promissory Notes, with each Bonus Warrant being exercisable until December 31, 2018, for one common share of the Corporation (a "Common Share") at an exercise price of $0.13 per Common Share. All Common Shares will be subject to a four month hold period from the date of issuance in accordance with applicable securities law.

An aggregate of $0.2 million of the Promissory Notes were purchased by certain non-arm's length lenders of the Corporation.

OUTLOOK

This outlook section is comprised entirely of forward-looking statements. The forward-looking statements are qualified in their entirety by the cautionary language found above under the heading "Forward-Looking Statements".

The core focus of our business is to assist clients in reaching their digital audience. We work with our customers to position them to take advantage of the constantly growing and evolving digital marketplace and continue to build targeted advertising and digital media capabilities that will help acquire customers effectively. The Company continues to make significant investments in technology and in its depth of operations as quality and customer satisfaction continue to be a main focus for the organization.

By combining state-of-the-art display, mobile, social and video advertising, as well as search engine marketing expertise, advertisers are offered a range of solutions, providing our clients the flexibility to combine initiatives which may include audience building and engagement, targeted brand awareness campaigns, qualified lead generation and e-commerce campaigns.

We believe EQ presents a unique value proposition in the market. The ability to understand what people are looking for and then present the most relevant content and advertising is the foundation of performance. It is this foundation that we have built upon, and continue to build upon, as we invest in technology, solutions and people to even better service our clients in the future.

The Company remains focused on building a leading digital marketing organization. With a specific focus on performance by using the most effective data and analytics, we believe that the growth of our proprietary Demand Side Platform (DSP) with targeted audience creation and optimization, positions EQ extremely well as we move forward. As the Company continues to enhance its technological capabilities, win key accounts and work closely with innovative partners, we are ready to take advantage of all the opportunities that lie ahead.

While strategic initiatives, including acquisitions, will be key to the Company's future, in the near term the Company will focus on growing its existing business units and related capabilities. All initiatives, whether organic or external, will necessarily involve a diligent focus on ensuring maximum benefit to the Company and the creation of shareholder value.

ADDITIONAL INFORMATION

Additional information, including condensed consolidated interim financial statements, annual consolidated financial statements, annual information form, management proxy circular and other disclosure documents may be examined by accessing the SEDAR website at www.sedar.com.