Unaudited Consolidated Interim Financial Statements
(In Canadian dollars)

# EQ INC.

Three months ended March 31, 2019 and 2018

(Unaudited)

Notice of disclosure of non-auditor review of unaudited consolidated interim financial statements ("interim financial statements") pursuant to National instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators

The accompanying interim financial statements of the Company for the three months ended March 31, 2019 and 2018 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.

# EQ INC.

**Unaudited Consolidated Interim Statements of Financial Position**
**(In thousands of Canadian dollars)**
**March 31, 2019 and December 31, 2018**

| | 2019 | 2018 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash | **$ 528** | $ 584 |
| Accounts receivable (note 12 (a)) | **1,565** | 2,167 |
| Other current assets | **245** | 293 |
| | **2,338** | 3,044 |
| Non-current assets: | | |
| Property and equipment | **118** | 125 |
| Right-of-use asset (note 2 (d) and 4) | **495** | - |
| Intangible asset (note 3) | **195** | 206 |
| Goodwill (note 3) | **535** | 535 |
| | **$ 3,681** | $ 3,910 |
| **Liabilities and Shareholders' Deficiency** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | **1,434** | 1,851 |
| Lease liability (note 2 (d) and 4) | **170** | - |
| Loans and borrowings (note 7 (b)) | **1,634** | 1,577 |
| Deferred revenue | **304** | 348 |
| Earn-out (note 3) | **291** | 291 |
| | **3,833** | 4,067 |
| Non-current liabilities: | | |
| Lease liability (note 2 (d) and 4) | **325** | - |
| Earn-out (note 3) | **214** | 214 |
| | **4,372** | 4,281 |
| Shareholders' deficiency | **(691)** | (371) |
| | **$ 3,681** | $ 3,910 |

Going concern (note 2(a))



See accompanying notes to unaudited consolidated interim financial statements

# EQ INC.

**Unaudited Consolidated Interim Statements of Loss**
**(In thousands of Canadian dollars, except per share amounts)**
**Three months ended March 31, 2019 and 2018**

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Revenue (note 5) | **$** | **1,406** | $ | 882 |
| Expenses: | | | | |
| Publishing costs | | **680** | | 458 |
| Employee compensation and benefits | | **733** | | 499 |
| Other operating costs | | **397** | | 317 |
| Depreciation of property and equipment | | **13** | | 10 |
| Depreciation of right-of-use asset (note 2 (d) and 4) | | **42** | | - |
| Amortization of intangible assets | | **11** | | - |
| | | **1,876** | | 1,284 |
| Loss from operations | | **(470)** | | (402) |
| Finance income (note 6) | | **8** | | 1 |
| Finance costs (note 6) | | **(63)** | | (167) |
| Loss before income taxes | | **(525)** | | (568) |
| Net loss | | **(525)** | | (568) |
| Loss per share: | | | | |
| Basic and diluted | **$** | **(0.01)** | $ | (0.02) |
| Weighted average number of shares outstanding basic and diluted | | **47,738,652** | | 35,929,086 |



See accompanying notes to unaudited consolidated interim financial statements

# EQ INC.

**Unaudited Consolidated Interim Statements of Changes in Shareholders' Deficiency**
**(In thousands of Canadian dollars)**
**Three months ended March 31, 2019 and 2018**

| | **Common shares** | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Three months ended March 31, 2019 | **Number of shares** (note 8) | | **Amount** | | **Contributed surplus** | | **Warrants** | | **Accumulated other comprehensive loss** | | **Deficit** | | **Total deficiency** |
| **Balance, January 1, 2019** | 47,483,306 | $ | 72,555 | $ | 2,605 | $ | 271 | $ | (2,062) | $ | (73,740) | $ | (371) |
| Net loss | - | | - | | - | | - | | - | | (525) | | (525) |
| Share-based payments (note 9) | - | | - | | 29 | | - | | - | | - | | 29 |
| Exercise of stock options (note 8 & 9) | 3,333 | | - | | - | | - | | - | | - | | - |
| Proceeds from private placement net of issuance cost (note 8) | 276,924 | | 176 | | - | | - | | - | | - | | 176 |
| **Balance, March 31, 2019** | **47,763,563** | | **72,731** | **$** | **2,634** | **$** | **271** | **$** | **(2,062)** | **$** | **(74,265)** | **$** | **(691)** |

| | Common shares | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Three months ended March 31, 2018 | Number of shares (note 8) | | Amount | | Contributed surplus | | Warrants | | Accumulated other comprehensive loss | | Deficit | | Total deficiency |
| Balance, January 1, 2018 | 32,124,203 | $ | 68,730 | $ | 2,550 | $ | 440 | $ | (2,062) | $ | (71,910) | $ | (2,252) |
| Net loss | - | | - | | - | | - | | - | | (568) | | (568) |
| Share-based payments (note 9) | - | | - | | 3 | | - | | - | | - | | 3 |
| Warrants issued (note 7 (b)) | - | | - | | - | | 271 | | - | | - | | 271 |
| Exercise of warrants (note 8) | 7,582,577 | | 824 | | - | | (213) | | - | | - | | 611 |
| Balance, March 31, 2018 | 39,706,780 | | 69,554 | $ | 2,553 | $ | 498 | $ | (2,062) | $ | (72,478) | $ | (1,935) |



See accompanying notes to unaudited consolidated interim financial statements

# EQ INC.

**Unaudited Consolidated Interim Statements of Cash Flows**
**(In thousands of Canadian dollars)**
**Three months ended March 31, 2019 and 2018**

| | | 2019 | | 2018 |
|---|---|---|---|---|
| Cash flows from operating activities: | | | | |
| Net loss | **$** | **(525)** | $ | (568) |
| Adjustments to reconcile net loss to net cash flows from operating activities: | | | | |
| Depreciation of property and equipment | | **13** | | 10 |
| Depreciation of right-of-use asset (note 2 (d) and 4) | | **42** | | - |
| Amortization of intangible assets | | **11** | | - |
| Share-based payments (note 9) | | **29** | | 3 |
| Unrealized foreign exchange loss (gain) | | **4** | | (4) |
| Finance costs, net | | **58** | | 156 |
| Change in non-cash operating working capital (note 13) | | **189** | | 160 |
| Net cash used in operating activities | | **(179)** | | (243) |
| Cash flows from financing activities: | | | | |
| Repayment of loans and borrowing (note 7 (b)) | | **-** | | (2,184) |
| Repayment of obligations under property lease (note 2 (d) and 4) | | **(42)** | | - |
| Issuance of promissory notes (note 7 (b)) | | **-** | | 1,534 |
| Proceeds from exercise of warrants (note 8) | | **-** | | 611 |
| Proceeds from private placement, net of issuance cost (note 8) | | **176** | | - |
| Interest paid | | **(2)** | | (353) |
| Net cash from (used) in financing activities | | **132** | | (392) |
| Cash flows from investing activities: | | | | |
| Interest income received | | **1** | | 1 |
| Purchases of property and equipment | | **(6)** | | (3) |
| Net cash used in investing activities | | **(5)** | | (2) |
| Decrease in cash | | **(52)** | | (637) |
| Foreign exchange gain (loss) on cash held in foreign currency | | **(4)** | | 4 |
| Cash, beginning of the period | | **584** | | 891 |
| Cash, end of the period | **$** | **528** | $ | 258 |



See accompanying notes to unaudited consolidated interim financial statements

## 1. Corporate information:

EQ Inc. ("EQ Works") or (the "Company") use first-party, location-based behavior signals, advanced data analytics, and proprietary software, EQ Works creates and targets customized, performance-boosting audience segments. Proprietary algorithms and data generate attribution models that connect consumer behavior in the physical world to consumer behavior in the digital world, solving complex challenges for brands and agencies. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 1235 Bay Street, Suite 401, Toronto, ON M5R 3K4. The Company is a publicly listed on the TSX Venture Exchange ("TSX-V").

## 2. Basis of preparation:

(a) Statement of compliance and basis of presentation:

These unaudited consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB") and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2018 (the "2018 financial statements"). The accounting policies applied in these interim financial statements are based on International Financial Reporting Standard ("IFRS") issued and outstanding as of the date the Board of Directors authorized the statements for issue.

The notes presented in these interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year ended December 31, 2018, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim financial statements should be read in conjunction with the 2018 financial statements, including the notes thereto.

The interim financial statements were authorized for issue by the Board of Directors on May 24, 2019.

The interim 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.

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.

## 2. Basis of preparation (continued):

(a) Statement of compliance and basis of presentation (continued):

If the going concern assumption was not appropriate for these interim 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 interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

These interim financial statements have been prepared mainly on a historical cost basis. Other measurement bases used are described in the applicable notes to these interim financial statements.

(b) Functional and presentation currencies:

These interim financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiaries.

(c) Significant accounting policies:

(a) Use of estimates and judgments :

The preparation of consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment.

The following are critical accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results of operations and consolidated financial position.

Key sources of estimation uncertainty:

(i) Useful lives of intangible assets - Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

## 2. Basis of preparation (continued):

(c) Significant accounting policies (continued):

(a) Use of estimates and judgments (continued):

(ii) Revenue recognition – The recognition of revenue requires judgement in the assessment of performance obligation, whether they are distinct and separate, within a contract and the assessment of recognizing at a point in time or over a period of time. In instances of bundle contracts, management estimates and allocates the transaction price to each performance obligation based on its stand-alone selling price. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in these transactions with advertisers and involves judgement based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, management places the most weight on the analysis of whether the Company controls the services before they are transferred to the customer.

(iii) Expected credit losses - The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.

(iv) Share-based payments - The estimated fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

(v) Earn-out – Acquisition – the fair value of contingent consideration liabilities is based on the estimated future financial performance of the acquired business. Financial targets used in the estimation process include certain defined financial targets and realized internal rates of return.

(vi) Debt modification - From time to time, the Company pursues amendments to its credit agreements based on prevailing market conditions. Such amendments, when completed, are considered by the Company to be debt modifications or extinguishments. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability recorded through profit or loss at the date of modification. If the modification is substantially different then the transaction is accounted for as an extinguishment of the old debt instrument with an adjustment to the carrying amount of the liability being recorded in the consolidated statements of operations immediately.

**2. Basis of preparation (continued):**

(c) Significant accounting policies (continued):

(b) Business combinations:

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the acquirer assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date. Contingent consideration to be transferred by the acquirer is recognized at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognized in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognized as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognized as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognized and also recognizes additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value

(c) Financial instruments:

IFRS 9 Financial Instruments ("IFRS 9"): This standard replace IAS 39 Financial Instruments Recognition and Measurement. This standard sets out revised guidance for classifying and measuring financial assets and liabilities, introduced a new expected credit loss ("ECL") model for calculating impairment of financial assets and includes a reformed approach to hedge accounting. The standard also requires that when a financial liability at amortized cost is modified or exchanges, and such modification or exchange does not result in derecognition, that the adjustment to the amortized cost of the financial liability is recognized in profit or loss. The Company has adopted IFRS 9 on a retrospective basis without restating comparative periods.

## 2. Basis of preparation (continued):

(c) Significant accounting policies (continued):

(c) Financial instruments (continued):

All financial assets are required to be subsequently measured at amortized cost or fair value on the basis of the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of a financial asset carried at FVPL are expensed in profit or loss.

Financial instruments at amortized costs: Financial instruments at amortized costs include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities, loan and borrowings and other current and non-current liabilities. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized costs. When material, interest income from these financial assets are included in finance income using the effective interest rate method. Impairment losses are presented as a separate line item in the statement of operations.

Equity instruments: The Company subsequently measures all equity instruments at fair value. Dividends from such investments will be recognized in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of the financial assets at FVPL are recognized in other gains or (losses) in the statement of operations as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVPL are not reported separately from other changes in fair value.

For assets measured at fair value, gains and losses will be recorded directly in the statement of operations or OCI. For financial assets other than equities measured at fair value through other comprehensive income ("FVOCI") changes in the carrying amount will be recorded in OCI except for recognition of impairment losses, interest revenue and foreign exchange gain and losses on the instrument's amortized cost which are recognized in income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

When derecognized the cumulative gain or loss in OCI (on non-equity FVOCI financial assets) is reclassified from equity to income. Interest income is recognized on FVOCI financial assets using the effective interest method.

Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Company applies the simplified approach permitted by IFRS 9, which requires ECL to be recognized from initial recognition of the receivables.

**2. Basis of preparation (continued):**

(c) Significant accounting policies (continued):

(d) Revenue:

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was adopted by the Company on January 1, 2018. This standard replace IAS 11 Construction Contracts, IAS 18 Revenue and IFRIC 13 Customer Loyalty Programmes. IFRS 15 introduces a single comprehensive model for recognizing revenues from contracts with customers. The standard requires revenue to be recognized in a manner that depicts the transfer of promised services to a customer at an amount that reflects the consideration expected to be received in exchange for transferring those services.

The application of this new standard had no impact on the reported results, specifically with regard to the timing of recognition and classification of revenues. There was no impact on the cash flows from operating activities as a result of adopting this standard.

As a result of adopting this standard, the consolidated financial statements include disaggregation of revenues by activity, the nature of services provided, and the timing of revenue recognition, including disclosures relating to certain contract assets and liabilities. The Company adopted IFRS 15 using a modified retrospective method, which involves not restating periods prior to the date of initial application.

Revenue is recognized based on the five-step model outlined in IFRS 15:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company determines collectability by performing ongoing credit evaluations and monitoring its customers' accounts receivable balances. For new customers and their agents, which may be advertising agencies or other third parties, the Company may performs a credit check with an independent credit agency and checks credit references to determine creditworthiness. The Company only recognizes revenue when collection is reasonably assured. If collection is not considered reasonably assured, revenue is recognized only once all amounts are collected.

In instances where the Company contracts with third party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. The Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis as the Company has control and is responsible for fulfilling the advertisement delivery, establishing the selling prices and the delivery of the advertisements for fully managed revenue, providing training and updates for the self- serve proprietary platform and performing all billing and collection activities.

**2. Basis of preparation (continued):**

(c) Significant accounting policies (continued):

(d) Revenue (continued):

The timing of revenue recognition sometimes differs from the contract payment schedule, resulting in revenues that have been billed but not earned which are recorded as contract liabilities. As at March, 31, 2019 the Company had $304 (2018 - $2) in contract liabilities.

In instances where the Company collects payment in advance and there is a significant financing component, the practical expedient is applied as the period from delivery of the goods or services is within one year of when the customer pays. No adjustment is made to the transaction price. The practical expedient is also applied to commission contract costs and these are expensed as incurred.

Advertising Services
The Company generates revenue from the delivery of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile campaigns using its Programmatic Marketing Platform. The Company offers its services on a fully-managed and a self-serve basis. In instances of self-serve basis, the Company also provides its customers with access to the Programmatic Marketing Platform which includes promises related to hosting and support services. These arrangements are evidenced by a fully executed insertion order ("IO"). Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price and performance objectives for an ad campaign based on client needs. Performance obligation are generally a measure of targeting as defined by the parties in advance, such as number of ads displayed, consumer clicks on ads or consumer actions (which may include qualified leads, registrations, downloads, inquiries or purchases). These payment models are commonly referred to as cost per impression ("CPM"), cost per click ("CPC") and cost per action ("CPA"). The performance obligations are satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully-managed revenue and the delivery of impressions for self-serve. Revenue is recognized over time using the output method when the performance obligations are satisfied. Typically, campaigns run for a period of one to three months and are billed at the end of the month.

Fixed Fee Data Sales
The Company provides customers with research and analytics of data. The Company has concluded that these promises are not distinct and are recognized as one performance obligation. The IOs will specify the fixed fee arrangement to be delivered over an agreed upon price. Revenue is recognized as the performance obligation are satisfied over time as the services are provided to the customer. Typically this service is bundled with advertising services and campaigns are generally for a period of one month and are billed at the end of the month.

## 2. Basis of preparation (continued):

(c) Significant accounting policies (continued):

(d) Revenue (continued):

CPM Data Sales
The Company provides customers with the ability to track the effectiveness of advertisements. The payment model is measured based on the number of impressions for results achieved through the tracking. The performance obligation are satisfied over time as the volume of impressions are delivered up to the contractual maximum. Revenue is recognized over time using the output methods when the performance obligations are satisfied. Typically, campaigns run for a period of one to three months and are billed at the end of the month.

Other Services
The Company provides customers with consultation services to improve advertisement effectiveness and performance. These services are fixed fee arrangements for specified consulting services and each project is considered distinct. Each performance obligation is satisfied over time as the services are provided to the customer. Revenue is recognized using the input method for time incurred compared to the estimated time for specified services

(d) Recently issued accounting pronouncements:

Effective for annual periods beginning on or after January 1, 2019:

(i) 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 modified retrospectively for annual periods beginning on or after January 1, 2019.

The core principle is that a lessee recognizes assets and liabilities for all leases with a lease term of more than 12 months. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement of the lease liability includes no cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

Lease payments do not include variable lease payments other than those that depend on an index or rate. The right-of-use asset is derived from the calculation of the lease liability and also includes any provisions the lessee is reasonably certain to owe for return conditions on leased assets.

## 2. Basis of preparation (continued):

(d) Recently issued accounting pronouncements (continued):

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparative information, as permitted under the specific transitional provisions in the standard in accordance with the modified retrospective approach for adoption. The reclassifications and the adjustments arising from the new leasing standard are therefore recognized in the opening consolidated balance sheet on January 1, 2019.

Upon adoption of IFRS 16 on January 1, 2019, the Company recognized right-of-use assets in respect of its one office lease, which had a remaining term of over one year at the date.

Accounting for Leases and Right-of-use Assets: Leases are recognized as a right-of-use asset and corresponding liability at the date of which the leased asset is available for use by the Company. Lease payment is allocated between the liability and interest expense. The interest cost is charged to the Consolidated Statements of Loss over the lease period to produce a constant rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Income Statement Impacts: The impacts on the Consolidated Statements of Loss is an elimination of office rent, which was recorded in other operating expenses, for the contract which is recognized as lease, and instead is replaced by depreciation of right-of-use asset and interest cost on the lease liability.

(ii) On June 7, 2017, the IASB issued IFRIC 23, Uncertainty over Income Tax Treatments ("**IFRIC 23**"). IFRIC 23 clarifies the application of recognition and measurement requirements in IAS 12, Income Taxes, when there is uncertainty over income tax treatments. The IFRIC 23 interpretation specifically addresses whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. IFRIC 23 was effective for annual periods beginning on or after January 1, 2019, and has been applied by the Company with no impact on these interim financial statements.

## 3. Acquisition:

On October 15, 2018, the Company completed the purchase of 100% of the shares of Tapped Networks Inc. ("Tapped Mobile"), an Ontario based company. Tapped's marketing solutions enables and expand the Company's offering and enter into new markets as the Company continue to help the Company's clients drive better business results. Pursuant to the purchase and effective upon closing, Tapped Mobile became a wholly owned subsidiary of EQ Inc. and all issued and outstanding common shares of Tapped Mobile were transferred to EQ Inc. The total consideration was up to $3,500 through the issuance of 1,000,000 common shares at a price of $0.63 to the shareholders of Tapped Mobile and additional cash consideration of up to $2,800 to be paid out over the following 24 months based on certain performance thresholds being met.

The acquisition has been accounted for as a business combination with EQ Inc. as the acquirer. Transaction costs of $24 associated with the acquisition were expensed.

The allocation of the purchase consideration was as follows:

| Allocation | | |
|---|---|---|
| Cash and cash equivalents | **$** | **213** |
| Accounts receivable | | **758** |
| Other current and non-current assets | | **33** |
| Fixed assets | | **6** |
| Intangible assets | | **265** |
| Goodwill | | **535** |
| Current liabilities | | **(385)** |
| Deferred revenue | | **(389)** |
| Deferred tax liability | | **(70)** |
| Net assets acquired | | **966** |

| Purchase consideration: | | |
|---|---|---|
| Consideration in the Company's common shares (1,000,000 common shares) | **$** | **630** |
| Contingent consideration ("Earn-out") | | **505** |
| Working capital adjustment | | **(169)** |
| Purchase consideration | | **966** |

The acquisition agreement provides for contingent consideration payment up to $2,800, based on achievement of certain predetermined revenue and gross profits targets, in the 24-months period following the closing of the acquisition to a maximum total compensation paid to the former shareholders of Tapped Mobile up to $3,500. The Company has estimated the Earn-out to be $319 and $281 in the first and second year of the contingent consideration period, respectively. The estimated Earn-out consideration was fair valued by discounting the after-tax cash flow over the life of the capital payment period of two years at a discount rate of 18% to be $505 and was recognized at December 31, 2018. As of March 31, 2019, the former shareholders earned $135 of Earn-out, and the Earn-out will be paid before December 31, 2019.

### 3. Acquisition (Continued):

As at December 31, 2018, the Company recognized goodwill of $535 arising from the acquisition of Tapped Mobile, on October 15, 2018. The acquisition of Tapped Mobile will provide increased scale to the Company's existing business and additional sales presence to better service the Canadian market and pursue strategic new partnership opportunities with some of North America's leading company's for mobile and digital marketing solutions.

Goodwill is impaired if the recoverable amount is less than the carrying amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use.

The Company uses estimates in determining the recoverable amount of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as: future cash flows; terminal growth rates; and discount rates.

The Company has not identified any goodwill impairments as at March 31, 2019.

As at March 31, 2019, the Company included $543 of revenue from Tapped Mobile and a net gain of $150 was realized.

### 4. Right-to-use asset and lease liability:

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 7.5%.

| | | **2019** |
|---|---|---|
| Operating lease commitments disclosed as at December 31, 2018 | $ | **632** |
| Operating lease commitments discounted using the Lessee's Incremental borrowing rate at the date of initial application | | **537** |
| Lease liability recognized as at January 1, 2019 | | **537** |
| Of which are: | | |
| Current lease liabilities | $ | **170** |
| Long-term lease liabilities | | **367** |
| | | **537** |

The Company's right-of-use assists and movements therein during three months ended March 31, 2019:

| | | **Office Lease** |
|---|---|---|
| Right-of-use assets recognized on adoption of IFRS 16 on January 1, 2019 | $ | **537** |
| Depreciation on right-of-use assets | | **42** |
| Right-of-use assets at March 31, 2019 | | **495** |

## 5. Segment information:

The Company's management and chief operating decision maker reviews performance of the Company on a consolidated basis and has integrated its services as one operating segment, which provides real-time technology and advance analytics to improve performance for all web, mobile, social and video advertising initiatives and focuses on targeted advertising and incorporates the most sophisticated advertising technologies, data analytics and programmatic media buying capabilities into a single system. The chief operating decision maker evaluates the Company's performance, makes operating decision, and allocates resources based on financial data consistent with the presentation in these financial statements.

The Company's assets and operations are all located in Canada; however, the Company services customers in the United States and internationally.

The Company generates revenue across three geographical regions; customer revenue by region was as follows:

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Canada | **$** | **1,072** | $ | 760 |
| United States | | **332** | | 122 |
| Outside North America | | **2** | | - |
| | **$** | **1,406** | $ | 882 |

For the three months ended March 31, 2019, there were three customers that comprised 23%, 21% and 11%, respectively, of the Company's total revenue from operations. No other customers exceeded 10% of revenue. For the three months ended March 31, 2018, there were two customers that comprised 16% and 14%, respectively, of the Company's total revenue from operations.

The Company generates revenue across four streams was as follows:

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Advertising Services | **$** | **1,207** | $ | 754 |
| Fixed Fee Data Sales | | **79** | | 48 |
| CPM Data Sales | | **58** | | 37 |
| Other Services | | **62** | | 43 |
| | **$** | **1,406** | $ | 882 |

## 6. Finance income and finance costs:

| | | Three months ended March 31, | | |
|---|---|---|---|---|
| | | **2019** | | 2018 |
| Finance income: | | | | |
| Interest income on cash and cash equivalents | **$** | **1** | $ | 1 |
| Foreign exchange gain, net | | **7** | | - |
| Total finance income | **$** | **8** | | 1 |

| | | **2019** | | 2018 |
|---|---|---|---|---|
| Finance costs: | | | | |
| Other interest expense | **$** | **(6)** | $ | (1) |
| Accretion on interest (note 6(b)) | | **(44)** | | (101) |
| Interest on loans and borrowings (note 6(b)) | | **(13)** | | (55) |
| Foreign exchange loss, net | | **-** | | (10) |
| Total finance costs | **$** | **(63)** | | (167) |

## 7. Loans and borrowings:

(a) Bank credit facilities:

The Company has a credit card facility with a Canadian chartered bank. As at March 31, 2019, $45 (2018 - $70) was outstanding under the credit card facility included in accounts payable.

(b) Promissory note payable:

On February 18, 2018, the 2015 and 2016 Notes were fully repaid. On December 31, 2018, the 2017 Notes were fully repaid.

On February 19, 2018, the Company closed a debt financing of $1,534 non-convertible secured promissory notes (the '2018 Notes") to certain arm's length and non-arm's length lenders. The 2018 Notes bear interest at a rate of 10% per annum, calculated annually, and mature August 19, 2019. A total of $889 of the 2015 Notes and 2016 Notes were repaid. The remaining $1,295 plus interest of $238 was extended to August 19, 2019.

In connection with the 2018 Notes, the lender received up to 2,300,578 non-transferable warrants (the "2018 Bonus Warrants"), with each 2018 Bonus Warrant being exercisable for a period of eighteen months from the date of issuance for one common share of the Company at an exercise price of $0.60 per common share.

The 2018 Notes were separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the debentures assuming a 26.47% effective interest rate which was the estimated rate for the debentures without the warrants. The fair value of the warrants was determined at the time of issue as the difference between the face value of the debentures and the fair value of the liability component.

## 7. Loans and borrowings (continued):

(b) Promissory note payable (continued):

The following table outlines the activity for loans and borrowings as at March 31, 2019:

| | | 2019 |
|---|---|---|
| Promissory notes balance, January 1, | $ | 1,577 |
| Accretion of interest | | 44 |
| Accrued interest | | 13 |
| Total loans and borrowings | $ | 1,634 |

## 8. Common shares:

The authorized share capital of the Company comprises an unlimited number of common shares without par value. The holders of common shares are entitled to receive dividends when declared and are entitled to one vote per share at annual meetings of the Company.

On January 9, 2019, the Company closed a private placement, resulting in the issuance of 276,924 common shares of the Company at a price of $0.65 per common share, resulting in gross proceeds of $176.

During the three months ended March 31, 2018, the Company received proceeds of approximately $611 as a result of the exercise of 7,582,577 warrants. Each warrant was converted into one common share. The bonus warrants were issued in connection with the Company's 2016 Notes and 2017 Notes, which were set to expire on February 18, 2018 and December 31, 2018, respectively. 7,502,854 of 2016 Bonus Warrants at $0.08 and 79,723 of 2017 Bonus Warrants at $0.13 were exercised.

During the three months ended March 31, 2019, 3,333 stock options were exercised into 3,333 common share with an exercise price of $0.05 for a total proceeds of less than $1.

## 9. Share-based payments:

The following table summarizes the continuity of options issued under the Company's stock option plan for the period ended:

| | **March 31, 2019** | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Number of options** | | **Weighted average exercise price** | Number of options | | Weighted average exercise price |
| Outstanding, beginning of the period | 1,651,834 | $ | 0.19 | 1,405,000 | $ | 0.05 |
| Exercised | (3,333) | | 0.05 | - | | - |
| Forfeited or cancelled | - | | - | (25,000) | | - |
| Outstanding, end of the period | 1,648,501 | $ | 0.18 | 1,380,000 | | 0.05 |
| Options exercisable, end of the period | 1,056,996 | $ | 0.12 | 589,996 | $ | - |

A summary of the status of the Company's options under the Plan is as follows:

| | **March 31, 2019** | | | March 31, 2018 | | |
|---|---|---|---|---|---|---|
| **Range of exercise price** | **Number of options** | **Weighted average remaining contractual life (years)** | **Number of options exercisable** | Number of options | Weighted average remaining contractual life (years) | Number of options exercisable |
| $0.05 | 1,347,001 | 2.6 | 956,996 | 1,370,000 | 3.7 | 589,996 |
| $0.47 | - | - | - | 10,000 | 4.5 | - |
| $0.60 - 0.69 | 51,500 | 4.6 | - | - | - | - |
| $0.70 - 0.79 | 250,000 | 4.6 | 100,000 | - | - | - |

During the three months ended March 31, 2019, the Company recorded share-based payments of $29 compared to $3 during the same period in 2018.

During the three months ended March 31, 2019, no stock options were granted and 3,333 stock options were exercised. During the three months ended March 31, 2018, no stock options were granted and exercised.

## 10. Fair values of financial instruments:

(a) Classification of financial instruments:

The following table provides the allocation of financial assets and liabilities required to be measured at amortized cost or fair value and their carrying values:

| **March 31, 2019** | **Carrying value total** | **Fair value total** |
|---|---|---|
| **Measurement basis** | | |
| **Financial assets at amortized cost:** | | |
| **Cash** | **$ 528** | **$ 528** |
| **Accounts receivable** | **1,565** | **1,565** |
| | **$ 2,093** | **$ 2,093** |
| **Financial liabilities at amortized cost:** | | |
| **Accounts payable and accrued liabilities** | **$ 1,434** | **$ 1,434** |
| **Loans and borrowings** | **1,634** | **1,634** |
| | **3,068** | **3,068** |
| **Earn-out at fair value** | **505** | **505** |
| | **$ 3,573** | **$ 3,573** |

| December 31, 2018 | Carrying value total | Fair value total |
|---|---|---|
| Measurement basis | | |
| Financial assets at amortized cost: | | |
| Cash | $ 584 | $ 584 |
| Accounts receivable | 2,167 | 2,167 |
| | $ 2,751 | $ 2,751 |
| Financial liabilities at amortized cost: | | |
| Accounts payable and accrued liabilities | $ 1,851 | $ 1,851 |
| Loans and borrowings | 1,577 | 1,524 |
| | 3,428 | 3,375 |
| Earn-out at fair value | 505 | 505 |
| | $ 3,933 | $ 3,880 |

There have been no transfers of assets between levels during the three months ended March 31, 2019 and 2018.

## 11. Capital risk management:

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. The Company defines capital that it manages as the aggregate of its shareholders' equity, which comprises issued capital, contributed surplus, accumulated other comprehensive income 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, repurchase shares, pay dividends or raising capital and borrowings, as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There has been no changes to the Company's capital management approach as at 2019 from 2018.

## 12. Financial risk management:

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

(a) 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 and cash. The majority of the Company's customers are located in the Canada and United States. At March 31, 2019, one customer represented 37% of the gross accounts receivable balance of $1,597. At March 31, 2018, two customers represented 36% and 10% of the gross accounts receivable balance of $864, respectively. The accounts receivable balance due from these significant customers were aged less than 90 days at March 31, 2019. No other individual customers represented more than 10% of accounts receivable.

(b) 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 principal and interest payments on its debt, capital expenditures and working capital needs. The Company uses its operating cash flows, operating facilities and cash balances to maintain liquidity.

## 12. Financial risk management (continued):

The following are the undiscounted contractual maturities for the Company's obligations:

| 2019 | Carrying amount | Contractual cash flow | Less than 1 year | 1-3 years | >3 years |
|---|---|---|---|---|---|
| Trade and other payables[i] | $ 1,434 | $ 1,434 | $ 1,434 | $ - | $ - |
| Lease liability | 495 | 586 | 187 | 399 | - |
| Loans and borrowings | 1,634 | 1,763 | 1,763 | - | - |
| Earn-out | 505 | 600 | 291 | 214 | - |
| | $ 4,068 | $ 4,383 | $ 3,675 | $ 613 | $ - |

[i] Trade and other payables exclude other non-contractual liabilities

## 13. Consolidated statements of cash flows:

The change in non-cash operating working capital comprises the following:

| | Three months ended March 31, 2019 | 2018 |
|---|---|---|
| Accounts receivable | **$ 602** | $ 466 |
| Other current assets | **48** | (42) |
| Accounts payable and accrued liabilities | **(417)** | (256) |
| Deferred revenue | **(44)** | (8) |
| | **$ 189** | $ 160 |

## 14. Subsequent event

On May 22, 2019, the Company secured a $500 revolving credit facility (the "Facility") with the Bank of Montreal ("BMO"). Borrowings under this facility are secured by accounts receivable and the Facility bears interest at the bank's prime rate plus 2.5% per annum.