AcuityAds Holdings Inc.

Consolidated Financial Statements
December 31, 2019 and 2018
(expressed in Canadian dollars)

Independent auditor's report

To the Shareholders of AcuityAds Holdings Inc.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of AcuityAds Holdings Inc. and its subsidiaries (together, the Company) as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited
The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2019 and 2018;
- the consolidated statements of comprehensive loss for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anita McOuat.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 3, 2020

AcuityAds Holdings Inc.

Consolidated Statements of Financial Position

As at December 31, 2019 and 2018

(expressed in Canadian dollars)

	2019 $	2018 $
Assets		
Current assets		
Cash and cash equivalents	7,407,122	8,014,668
Accounts receivable	38,234,752	33,982,595
Prepaid expenses and other	2,477,651	1,515,333
Investment tax credits receivable (note 5)	286,883	623,372
	48,406,408	44,135,967
Non-current assets		
Restricted cash (note 18)	100,000	100,000
Deferred tax asset (note 22)	1,262,014	902,779
Property and equipment (notes 3 and 6)	6,978,834	3,414,246
Intangible assets (notes 4 and 7)	7,741,882	10,792,022
Goodwill (notes 4 and 8)	4,869,841	8,254,054
	69,358,979	67,599,068
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	26,330,763	24,537,043
Term loans (note 20)	1,210,500	2,421,000
Revolving line of credit (note 19)	15,384,498	13,843,998
International loans (note 21)	1,006,653	2,687,288
Earn-out – acquisition (notes 4 and 17)	-	3,322,356
Lease obligations (notes 3 and 9)	2,748,200	1,829,551
	46,680,614	48,641,236
Non-current liabilities		
Term loans (note 20)	2,241,831	2,738,109
International loans (note 21)	1,436,666	1,230,088
Earn-out – acquisition (notes 4 and 17)	-	3,066,799
Lease obligations (notes 3 and 9)	3,400,403	1,778,534
	53,759,514	57,454,767
Shareholders' Equity	15,599,465	10,144,301
	69,358,979	67,599,068

Approved on Behalf of the Board

(Signed) "Sheldon Pollack"
Director

(Signed) "Tal Hayek"
Director

The accompanying notes are an integral part of these consolidated financial statements.

AcuityAds Holdings Inc.

Consolidated Statements of Comprehensive Loss

For the years ended December 31, 2019 and 2018

(expressed in Canadian dollars)

	2019 $	2018 $
Revenue		
Managed services	87,996,085	54,407,635
Self-service	31,138,144	15,828,382
	119,134,229	70,236,016
Media cost	61,711,918	33,858,046
Gross profit	57,422,311	36,377,970
Operating expenses		
Sales and marketing	27,019,494	20,728,253
Research and development (note 5)	13,801,435	6,151,332
General and administrative	7,873,489	6,860,473
Share-based compensation (note 11(c))	1,410,467	1,136,757
Acquisition costs (note 4)	1,289,920	2,264,580
Gain on contingent consideration (note 15)	(3,066,799)	(805,920)
Impairment loss of intangible assets and goodwill (notes 7 and 8)	3,231,048	4,072,961
Depreciation and amortization	8,123,877	6,034,389
	59,682,931	46,442,825
Loss from operations	(2,260,620)	(10,064,855)
Finance costs (note 12)	2,493,711	2,094,955
Foreign exchange loss	699,968	21,161
	3,193,679	2,116,116
Net loss before income taxes	(5,454,299)	(12,180,971)
Income taxes	153,107	(902,779)
Net loss for the year	(5,607,406)	(11,278,192)
Exchange differences on translating foreign operations	(415,915)	(446,279)
Comprehensive loss for the year	(5,191,491)	(10,831,913)
Net loss per share (note 13)		
Basic and diluted	(0.12)	(0.29)

The accompanying notes are an integral part of these consolidated financial statements.

AcuityAds Holdings Inc.

Consolidated Statements of Changes in Shareholders' Equity

For the years ended December 31, 2019 and 2018

(expressed in Canadian dollars)

	2019						
	Common shares						
	Number	Amount $	Contri-buted surplus $	Warrants $	Other reserves $	Deficit $	Total $
Balance – December 31, 2018	40,951,002	33,552,755	5,252,136	2,472,346	(446,279)	(30,686,658)	10,144,301
Shares issued – options exercised	240,167	230,872	-	-	-	-	230,872
Equity financing (note 11(b))	5,936,300	7,724,145	-	274,257	-	-	7,998,402
Share-based compensation (note 11(c))	-	-	1,410,467	-	-	-	1,410,467
Shares issued – Warrants exercised	555,885	560,635	409,231	(409,231)	-	-	560,635
Shares issued – DSUs exercised (note 11(d))	140,858	117,387	(117,387)	-	-	-	-
Other comprehensive income	-	-	-	-	862,194	-	862,194
Net loss for the year	-	-	-	-	-	(5,607,405)	(5,607,405)
Balance – December 31, 2019	47,824,212	42,185,794	6,954,447	2,337,372	415,915	(36,294,063)	15,599,465

The accompanying notes are an integral part of these consolidated financial statements.

AcuityAds Holdings Inc.

Consolidated Statements of Changes in Shareholders' Equity ...*continued*

For the years ended December 31, 2019 and 2018

(expressed in Canadian dollars)

							2018
	Common shares						
	Number	**Amount $**	**Contri-buted surplus $**	**Warrants $**	**Other reserves $**	**Deficit $**	**Total $**
Balance – December 31, 2017	35,280,120	28,373,296	3,530,236	1,195,176	831,441	(19,487,560)	14,442,589
Shares issued – options exercised	254,570	205,826	-	-	-	-	205,826
Equity financing (note 11(b))	4,600,000	4,076,689	-	123,462	-	-	4,200,151
Warrants issued – Term Loan	-	-	-	1,922,272	-	-	1,922,272
Share-based compensation (note 11(c))	-	-	1,136,757	-	-	-	1,136,757
Shares issued – Acquisition of ADman	658,989	713,523	-	-	-	-	713,523
Shares issued – DSUs exercised (note 11(d))	157,323	183,421	(183,421)	-	-	-	-
Warrants cancelled and forfeited	-	-	768,564	(768,564)	-	-	-
Other comprehensive income	-	-	-	-	(1,277,720)	79,094	(1,198,626)
Net loss for the year	-	-	-	-	-	(11,278,192)	(11,278,192)
Balance – December 31, 2018	40,951,002	33,552,755	5,252,136	2,472,346	(446,279)	(30,686,658)	10,144,301

The accompanying notes are an integral part of these consolidated financial statements.

AcuityAds Holdings Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2019 and 2018

(expressed in Canadian dollars)

	2019 $	2018 $
Cash provided by (used in)		
Operating activities		
Loss for the year	(5,607,405)	(11,278,192)
Adjustments to reconcile loss to net cash flows		
Depreciation and amortization	8,123,877	6,034,389
Finance costs (note 12)	2,493,711	2,094,955
Share-based compensation (note 11(c))	1,410,467	1,136,757
Gain on contingent consideration (note 15)	(3,066,799)	(805,920)
Impairment loss (notes 7 and 8)	3,231,048	4,072,961
Change in non-cash operating working capital		
Accounts receivable	(4,252,158)	(2,709,192)
Prepaid expenses and other	(1,356,692)	1,179,525
Investment tax credits receivable	(20,794)	(975,000)
Accounts payable and accrued liabilities	1,998,048	(2,076,359)
Interest paid – net	(2,312,449)	(1,748,404)
	640,854	(5,074,480)
Investing activities		
Additions to property and equipment (note 6)	(6,935,818)	(2,657,997)
Additions to intangible assets (note 7)	(1,547,877)	(1,442,706)
Acquisition of ADman – net of cash acquired (note 4)	-	(2,269,364)
	(8,483,695)	(6,370,067)
Financing activities		
Amount drawn from revolving line of credit (note 19)	77,372,076	14,730,525
Repayment of revolving line of credit (note 19)	(75,321,614)	(12,979,000)
Proceeds from term loans (note 20)	-	7,006,597
Repayment of term loans principal (note 20)	(1,815,750)	(999,431)
Additions to international loans	1,377,740	1,339,849
Repayment of international loans	(3,560,923)	(170,667)
Additions to leases	5,380,084	2,625,652
Earn-out – acquisition (notes 4 and 17)	(2,927,982)	-
Repayment of leases	(2,058,246)	(1,343,169)
Net proceeds from equity financing (note 11(b))	7,998,402	4,200,151
Proceeds from the exercise of warrants	560,635	-
Proceeds from the exercise of stock options	230,872	205,828
	7,235,294	14,616,335
Increase (decrease) in cash and cash equivalents	(607,547)	3,171,788
Cash and cash equivalents – Beginning of year	8,014,668	4,842,880
Cash and cash equivalents – End of year	7,407,121	8,014,668
Supplemental disclosure of non-cash transactions		
Additions to property and equipment under leases	6,114,815	2,530,529

The accompanying notes are an integral part of these consolidated financial statements.

(expressed in Canadian dollars)

1 Corporate information

AcuityAds Holdings Inc. ("Acuity Holdings" or the "Company"), and its wholly owned subsidiaries AcuityAds Inc., AcuityAds US Inc., 140 Proof, Inc. ("140 Proof"), Visible Measures Corp. ("Visible Measures") (including its wholly owned subsidiaries), AcuityAds MM Inc., ADman Interactive S.L. ("ADman") and 2422330 Ontario Inc., a company that holds certain technology assets, is a leading provider of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile campaigns. Acuity Holdings is a publicly traded company, incorporated in Canada, and its head office is located at 181 Bay Street, Suite 320, Brookfield Place, Toronto, Ontario M5J 2T3. The Company's common shares are listed on the TSX Exchange ("TSX") in Canada, under the trading symbol "AT".

2 Summary of significant accounting policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as at December 31, 2019. The date the Board of Directors authorized the consolidated financial statements for issue is March 2, 2020.

Basis of presentation

These consolidated financial statements are prepared in Canadian dollars, which is the Company's functional and reporting currency and have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes.

Use of estimates and judgements

The preparation of the consolidated financial statements and application of IFRS often involve management's judgement 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 estimates are revised and may impact future periods as well.

Other results may be derived with different judgements 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 judgements and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the consolidated financial statements.

(expressed in Canadian dollars)

- Key sources of estimation uncertainty

  i) Accounts receivable – 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. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses.

  ii) 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.

  iii) Valuation – Business combination – in accordance with IFRS 3, Business Combinations, accounting for an acquisition requires management to allocate the purchase price paid for an acquisition to the fair value of identified assets and liabilities acquired, with any residual recorded as goodwill. The identification of assets and liabilities requires both judgements and estimates regarding the assessment of balances acquired and the fair value thereon. The values of assets and liabilities are recorded at fair value based on management's best estimate. Key estimates and assumptions include: the forecasted financial performance of the acquired company; projected customer attrition; and the expected use of assets and liabilities acquired among other considerations. Changes in certain estimates and assumptions could have a material impact on the valuation of assets and liabilities recognized on a business combination.

  iv) Goodwill – Impairment – the goodwill impairment test requires a calculation to determine the recoverable amount of goodwill. Management has determined the recoverable amount by determining the higher of fair value less costs of disposal of goodwill and value in use. Determining fair value and value in use requires the use of estimates and assumptions about factors that impact the valuation of goodwill. Such estimates and assumptions include the forecasted financial performance of the Company and market factors applied. Reasonable possible changes in key estimates and assumptions have the potential to cause the recoverable amount of goodwill to change.

  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.

(expressed in Canadian dollars)

- Critical judgements in applying accounting policies

  i) Revenue and cost recognition – for revenue from sales of third-party products or services, management's judgement is applied regarding the determination of whether the Company is a principal or agent to the transactions. In making this judgement, management places significant weight on the fact that the Company has the primary responsibility for providing access to the Company's Programmatic Marketing Platform, which is critical to the fulfillment of the customer deliverables.

  ii) Impairment tests for non-financial assets other than goodwill – judgement is applied in determining whether events or changes in circumstances during the period are indicators that a review for impairment should be conducted.

Basis of consolidation

The financial results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany balances and transactions and any unrealized income and expenses arising from such transactions are eliminated upon consolidation.

Foreign currency transactions

- Transactions and balances in foreign currencies

  The Company's functional and reporting currency is the Canadian dollar ("CAD"). Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities and related depreciation are translated at historical exchange rates. Revenue and expenses other than depreciation are translated at the average rates of exchange for the period.

- Group companies with a functional currency other than CAD

  The assets and liabilities of foreign subsidiaries are translated into CAD at the rate of exchange prevailing at the reporting date, and their income statements are translated at the average rates of exchange for the period.

  Exchange rate adjustments arising on translation are recognized in other comprehensive income (loss). On disposal of a foreign subsidiary, the component of other comprehensive income (loss) relating to that particular foreign operation is recognized in net income (loss).

(expressed in Canadian dollars)

Financial instruments

- Non-derivative financial assets

The Company initially recognizes loans and receivables and deposits on the date they originate. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments are, for measurement purposes, grouped into categories. The classification depends on the purpose and is determined on initial recognition. The Company's non-derivative financial assets comprise loans and receivables.

Cash and cash equivalents comprise cash balances and cash deposits with original maturities of three months or less.

Loans and receivables, which include cash, accounts receivable and investment tax credits ("ITC") receivable, are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Accounts receivable comprise trade receivables, net of allowance for doubtful accounts.

ITCs receivable comprise refundable Canadian ITCs for qualifying research and development activities in Canada.

The Company's non-derivative financial liabilities consist of accounts payable and accrued liabilities, revolving line of credit, term loans and amounts due to related parties.

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition and measurement, these financial liabilities are measured at amortized cost using the effective interest method.

(expressed in Canadian dollars)

On January 1, 2018, the Company adopted IFRS 9 Financial Instruments ("IFRS 9"), resulting in changes in accounting policies for financial instruments. In accordance with the transition provisions, the Company has adopted the standard rules retrospectively. There were no significant adjustments to the amounts recognized in the consolidated financial statements on adoption of the new standard. The Company has adopted the use of an expected credit loss model rather than an incurred loss analysis when evaluating the allowance for doubtful accounts receivable (note 17). The Company does not undertake hedging activities or hold complex financial assets or liabilities as envisioned in IFRS 9.

The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized at the time of initial recognition of the receivables. There was no impact due to this change in accounting policy.

Property and equipment

- Recognition and measurement

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in net income (loss). The costs of the day-to-day servicing of property and equipment are recognized in net income (loss) as incurred.

- Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized on a straight-line basis over the estimated useful lives of the property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

Furniture and fixtures	5 years
Data centre equipment	4 years
Office computer equipment	3 years
Equipment under finance leases	3 years

Depreciation methods, useful lives and residual values are reviewed at each year-end and adjusted if appropriate.

(expressed in Canadian dollars)

- Research and development

  Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net income (loss) as incurred.

  Expenditures on development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Impairment

- Financial assets (including accounts receivable)

  A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively based on the nature of the asset.

  The Company assesses on a forward-looking basis the expected credit losses associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized at the time of initial recognition of the receivables. There was no impact due to this change in accounting policy.

- Non-financial assets

  The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

  The recoverable amount of an asset or group of assets (cash-generating unit) ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

  An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in net income (loss). Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

(expressed in Canadian dollars)

Impairment losses recognized in prior periods, other than those recognized for impairment of goodwill, are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Share-based payments

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

The grant date fair value of share-based payment awards granted to employees is recognized as a compensation cost, with a corresponding increase in contributed surplus, over the vesting period of the award. The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest. Upon exercising the options, the fair value of the options exercised that has been expensed to contributed surplus is reclassified to common shares and reflected in the consolidated statements of changes in shareholders' equity.

Deferred stock unit plan

As part of the Company's long-term incentives for employees, officers and independent directors, a deferred stock unit ("DSU") plan was established on July 17, 2015. DSU awards are settled with the issuance of common shares. The compensation expense for DSUs is based on the fair value at the time the award is granted. The expense is recognized as a component of share-based compensation expense with a corresponding increase to contributed surplus within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Revenue

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue Recognition from Contracts with Customers. 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, which is recognized over time using the output method when the performance obligation

(expressed in Canadian dollars)

is fulfilled. The performance obligation is satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully-managed revenue and the delivery of media inventory for self-serve revenue.

Revenue 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. Performance objectives 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 CPM (cost per impression), CPC (cost per click) and CPA (cost per action).

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 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. Revenue is recorded net of trade discounts and volume rebates. If it is probable that discounts will be granted and amounts can be measured reliably, then the discount is recognized as a reduction of revenue as the related sales are recognized.

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.

Amounts billed in excess of revenue recognized to date on an arrangement by arrangement basis are classified as deferred revenue, whereas revenue recognized in excess of amounts billed is classified as accrued receivables and included as part of accounts receivable.

Finance costs

Finance costs comprise interest expense on the revolving line of credit, leases and term loans. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in net loss using the effective interest method.

Income taxes

Income tax expense for the year comprises current and deferred income taxes. Current taxes and deferred taxes are recognized in the consolidated statements of comprehensive loss, except to the extent that they relate to items recognized in other comprehensive income (“OCI”) or directly in equity. In these cases, the taxes are also recognized in OCI or directly in equity, respectively.

(expressed in Canadian dollars)

The Company uses the asset and liability method of accounting for deferred income taxes. Under this method, the Company recognizes deferred income tax assets and liabilities for future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carry-forwards. The Company measures deferred income taxes using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The Company recognizes deferred income tax assets only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences as well as unused tax losses and tax credit carry-forwards can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company recognizes the effect of a change in income tax rates in the year of enactment or substantive enactment.

Deferred income taxes are not recognized if they arise from the initial recognition of goodwill, nor are they recognized on temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable income (loss). Deferred income taxes are also not recognized on temporary differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

The Company records current income tax expense or recovery based on income earned or loss incurred for the year in each tax jurisdiction where it operates, and for any adjustment to taxes payable in respect of previous years, using tax laws that are enacted or substantively enacted at the consolidated statements of financial position dates.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining the Company’s income tax provisions. Management periodically evaluates the positions taken in the Company’s tax returns with respect to situations in which applicable tax rules are subject to interpretation. The Company establishes provisions related to tax uncertainties where appropriate based on its best estimate of the amount that will ultimately be paid to or received from tax authorities.

Investment tax credits

The Company is entitled to certain refundable ITCs for qualifying research and development activities performed. The ITCs are accounted for as a reduction of the related expenditures for items expensed in the consolidated statements of comprehensive loss, being primarily as part of employee compensation and benefits, or as a reduction of the related asset’s cost for items capitalized in the consolidated statements of financial position when the amount is reliably estimable and realization is reasonably assured.

(expressed in Canadian dollars)

Government grants

Government grants are recognized at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grants. To the extent that government grants are earned under the conditions of the grant prior to receipt of funds, the Company records a government grants receivable. Government grants related to operating expenses are reflected as a reduction of such expenses in the year when they are incurred. Government grants recognized as a reduction of research and development expense for the year ended December 31, 2019 totalled $32,924 (2018 – $114,859).

Net income (loss) per share

Basic income (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated by dividing the net income (loss) for the period by the sum of the weighted average number of common shares outstanding and the dilutive common share equivalents outstanding during the period. Common share equivalents consist of the shares issuable upon exercise of stock options and shares issuable upon exercise of common share unit options calculated using the treasury stock method. Common share equivalents are not included in the calculation of the weighted average number of shares outstanding for diluted net income (loss) per share when the effect would be anti-dilutive.

Media costs

Media costs are considered the Company's cost of goods sold. The costs include the publishing and real time bidding costs to secure advertising space.

Business combinations

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at their fair values at the acquisition date. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets at the acquisition date transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. The measurement date for equity interests issued by the Company is the acquisition date. Acquisition-related costs are expensed as incurred.

(expressed in Canadian dollars)

Intangible assets

The useful life of an intangible asset is either finite or indefinite. Intangible assets are initially measured at fair value. Following the initial recognition, intangible assets are carried at the initial fair value less accumulated amortization and impairment losses, if any. Acquired intangible assets are recognized as intangible assets with finite lives. Amortization of customer relationships and technology is based on the estimated useful lives of these assets and is recognized on a straight-line basis over three years. Amortization for the tradename is recognized on a straight-line basis over four years. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Change in accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2019. These changes were made in accordance with applicable transitional provisions.

- IFRS 16, Leases ("IFRS 16")

  On January 1, 2019, the Company adopted the provisions of IFRS 16 using the modified retrospective approach. As such, comparative information has not been restated and continues to be reported under IAS 17, Leases ("IAS 17") and International Financial Reporting Interpretation Committee ("IFRC") 4, Determining Whether an Arrangement Contains a Lease ("IFRIC 4"). The transitional impact of the change in accounting policy and additional disclosures is disclosed in note 3. The Company's new accounting policy for leases is as follows.

  At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

  - the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

  - the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use;

  - the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either (a) the Company has the right to operate the asset or (b) the Company designed the asset in a way that predetermines how and for what purpose it will be used; and

(expressed in Canadian dollars)

- if the contract contains a lease, a right-of-use asset and a corresponding lease liability are set-up at the date at which the leased asset is available for use by the Company. The lease payments are discounted using either the interest rate implicit in the lease, if available, or the Company's incremental borrowing rate. Each lease payment is allocated between the liability and the finance cost (i.e., accretion) so as to produce a constant rate of interest on the remaining lease liability balance. The Company accounts for the lease and non-lease components separately. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

3 Leases

On initial application, the Company has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of $3,608,085 were recorded as at January 1, 2019, with no net impact on deficit. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as at January 1, 2019. The weighted average rate applied is 6.75%.

A reconciliation of the Company's December 31, 2018 lease commitments to its opening lease liabilities amount recognized under IFRS 16 is as follows:

	As at January 1, 2019 $
Operating lease and other commitments per the Company's December 31, 2018 annual consolidated financial statements	1,048,206
Adjustments to IFRS 16:	
Recognition exemption for short-term leases	(1,048,206)
Lease liabilities – undiscounted	-
Present value discount adjustment	-
Lease liabilities on transition to IFRS 16	-

For leases previously classified as finance leases, the entity recognized the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated statements of financial position as at December 31, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(expressed in Canadian dollars)

Right-of-use assets included in property and equipment (note 6) consist of the following leases:

	As at December 31, 2019 $
Equipment	3,828,771
Buildings	2,279,359
Total right-of-use assets	6,108,130

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease. The Company has also elected not to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Company relied on its assessment made applying IAS 17 and IFRIC 4.

Under IAS 17 and IFRIC 4, leases are classified as either finance or operating. Leases that transfer substantially all the risks and benefits of ownership to the Company and meet the criteria of finance leases are accounted for as an acquisition of an asset and an assumption of an obligation at the inception of the lease, measured at the present value of minimum lease payments. Related assets are amortized on a straight-line basis over the term of the lease but not in excess of their useful lives. All other leases are accounted for as operating leases wherein rental payments are recorded in rent expenses on a straight-line basis over the term of the related lease. Tenant inducements received are amortized into rent expense over the term of the related lease agreement. The unamortized portion of tenant inducements and the difference between the straight-line rent expense and the payments, as stipulated under a lease agreement, are included in accounts payable and accrued liabilities.

4 Acquisition

Effective September 1, 2018, the Company acquired certain assets of Magnetic Media Online Holdings Inc., a United States based artificial intelligence adtech company for $nil upfront and an earn-out, which is expected to be US$2,435,388 (CA$3,179,398). There was no goodwill recognized in conjunction with this acquisition. The acquisition has been accounted for as a business combination with Acuity Holdings as the acquirer.

(expressed in Canadian dollars)

An allocation of the purchase price in US dollars is as follows:

	$
Net assets acquired	
Accounts receivable	8,855,764
Prepaids expense	351,231
Accounts payable and accrued liabilities	(6,771,607)
	2,435,388

Total transaction costs of $1,509,796 were incurred relating to the acquisition and included in the consolidated statements of comprehensive loss for the year ended December 31, 2018.

On June 15, 2018, the Company completed the purchase of 100% of the issued and outstanding preferred and common shares of ADman, a European supply side platform company. Pursuant to the purchase and effective upon closing, ADman became a wholly owned subsidiary of Acuity Holdings and all issued and outstanding preferred and common shares of ADman were transferred to Acuity Holdings. The total consideration was €4,398,579 (CA$6,744,781), which included €1,933,258 (CA$2,964,458) cash and €465,321 (CA$713,523) in the value of shares of Acuity Holdings. In addition to the cash and share consideration there is a performance based earn-out of an estimated amount of €2,000,000 (CA$3,066,800) contingent on ADman's future earnings over 36 months to a maximum amount of €15,000,000 ($CA23,000,000).

An allocation of the purchase price in euro is as follows:

	€
Net assets acquired and goodwill	
Cash and cash equivalents	453,304
Accounts receivable	2,534,778
Other current and non-current assets	1,176,680
Intangible assets	1,891,475
Goodwill	3,852,344
Current and non-current liabilities	(5,510,002)
	4,398,579

The acquisition has been accounted for as a business combination with Acuity Holdings as the acquirer. Total transaction costs of $754,784 associated with the acquisition and incurred by ADman and the Company were included in the consolidated statements of comprehensive loss for the year ended December 31, 2018.

5 Investment tax credits receivable

The Company became a public company in 2014 and accordingly the federal portion of any ITCs claimed on eligible Scientific Research and Experimental Development ("SRED") expenses following the Company becoming public will no longer be refundable but will be carried forward as a credit for up to 20 years to reduce future income taxes payable.

(expressed in Canadian dollars)

As at December 31, 2019, no ITCs and $629,881 in international tax credits have been recorded relating to 2019 SRED expenditures.

As at December 31, 2018, $175,000 of ITCs and $448,372 in international tax credits have been recorded relating to 2018 SRED expenditures.

6 Property and equipment

	Furniture and fixtures $	Data centre equipment $	Office computer equipment $	Right-of-use assets $	Total $
Net book value – December 31, 2018	234,832	34,352	78,507	3,066,555	3,414,246
Additions	239,577	-	581,425	6,114,816	6,935,818
Depreciation	(101,079)	(13,001)	(177,291)	(3,079,859)	(3,371,230)
Net book value – December 31, 2019	373,330	21,351	482,641	6,101,552	6,978,834

	Furniture and fixtures $	Data centre equipment $	Office computer equipment $	Equipment under finance leases $	Total $
Net book value – December 31, 2017	181,735	22,099	185,092	2,042,862	2,431,788
Additions	119,527	25,284	14,524	2,530,529	2,689,864
Depreciation	(66,430)	(13,031)	(121,109)	(1,506,836)	(1,707,406)
Net book value – December 31, 2018	234,832	34,352	78,507	3,066,555	3,414,246

7 Intangible assets

	Customer relationships $	Tradename $	Technology $	Total $
Net book value – December 31, 2018	3,166,482	874,455	6,751,125	10,792,062
Additions	-	-	1,702,508	1,702,508
Amortization	(1,524,965)	(537,907)	(2,689,816)	(4,752,688)
Net book value – December 31, 2019	1,641,517	336,548	5,763,817	7,741,883

(expressed in Canadian dollars)

	Customer relationships $	Tradename $	Technology $	Total $
Net book value – December 31, 2017	4,329,789	456,825	6,616,487	11,403,101
Additions	337,348	1,196,052	2,781,955	4,315,355
Amortization	(1,500,655)	(772,333)	(2,053,955)	(4,326,943)
Impairment	-	(6,089)	(593,362)	(599,451)
Net book value – December 31, 2018	3,166,482	874,455	6,751,125	10,792,062

Following the loss of a major contract in the 140 Proof operations in 2017 and a decline in anticipated future revenue, management has recalculated the recoverable amount of the customer relationships, tradename and technology pertaining to 140 Proof as at December 31, 2018. An impairment loss of $599,451 was recognized, and the customer relationships, tradename and technology pertaining to 140 Proof were written down to their recoverable amounts of $nil, $nil and $nil, respectively. The recoverable amounts were determined by reference to the assets' value in use. The main valuation inputs used were a discount rate of 22.5% and estimated cash flows projections (see note 8).

During the year ended December 31, 2019, the Company capitalized $1,727,852 (2018 – $1,442,706) of development costs relating to revenue generating technology.

8 Goodwill

Due to not achieving budget, an impairment loss of $3,231,048 was recognized for the ADman CGU and the recoverable amount was written down to $2,522,970 as at December 31, 2019. Management has considered and assessed reasonably possible changes for other key assumptions and has not identified any other instances that could cause the carrying amount of the ADman CGU to exceed its recoverable amount.

The recoverable amount of the ADman CGU was determined based on value-in-use calculations using discounted cash flow ("DCF") methodology. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates. The maintainable discretionary after-tax cash flows from operations are based on historical results and the Company's projected results. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends. The assumptions used by the Company in its goodwill impairment testing are as follows: discount rate 12.6%, budgeted gross margin 32% and terminal growth rate 2%.

Following the loss of a major customer contract in the 140 Proof operations in 2017 and a decline in anticipated future revenue, management calculated the recoverable amount of 140 Proof CGU as at December 31, 2018. An impairment loss of $3,473,510 was recognized for the 140 Proof CGU and the recoverable amount was written down to $nil.

Management has not adjusted any of the other impairment calculations as there were no indicators for impairment of any of the other CGUs.

(expressed in Canadian dollars)

9 Lease obligations

	2019 $	2018 $
Obligations under leases	6,148,603	3,608,085
Less: Current portion	2,748,200	1,829,551
	3,400,403	1,778,534

The Company has minimum lease payment commitments under leases for the following amounts:

	$
2020	2,990,552
2021	2,046,866
2022	698,227
2023	507,170
2024	257,024
	6,499,839
Less: Interest	351,236
Present value of minimum lease payments	6,148,603

10 Related party transactions and balances

Directors and officers are eligible to participate in the stock option plan (the "Plan"). For the year ended December 31, 2019, 765,000 stock options were granted to directors and officers of the Company (note 11(c)). For the year ended December 31, 2018, 50,000 stock options were granted to directors and officers of the Company (note 11(c)).

During the year ended December 31, 2019, the Company issued nil DSUs to directors and officers of the Company. During the year ended December 31, 2018, the Company issued 370,125 DSUs to directors and officers of the Company. Of those, 326,075 were granted to officers and 44,050 were granted to directors in lieu of cash bonuses and director fees, all vesting immediately.

$1,697,250 of the current outstanding term loans (note 20) relates to amounts loaned by related parties. During the year ended December 31, 2019, the Company issued to each of the four founders of the Company a non-interest loan of $60,000 to be repaid in full in 2020.

(expressed in Canadian dollars)

- Transactions with executive personnel

The key management personnel of the Company are the officers and the directors. The remuneration of executive personnel during the years ended December 31, 2019 and 2018 was as follows:

	2019 $	2018 $
Executive compensation and benefits	900,000	1,035,397
Share-based compensation	916,158	101,643
	1,816,158	1,137,040

11 Share capital and share based payments

a) Share capital

As at December 31, 2019, the Company had an unlimited number of common shares authorized for issuance and 47,824,212 common shares outstanding.

b) Equity financing

On May 22, 2019, the Company completed a bought deal offering issuing 5,936,300 common shares at a price of $1.55 per share for gross proceeds of $9,201,265, including the full exercise by the underwriters of the over-allotment option. The offering was completed by a syndicate of underwriters. In consideration for their services, the underwriters received cash compensation equal to 6% of the gross proceeds of the offering and broker warrants equal to 6% of the number of shares sold under the offering. The warrants are exercisable for a period of 24 months following closing of the financing at a purchase price per share equal to the common share issuance price. The Company issued 356,178 broker warrants at a fair value of $0.77 per warrant that was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 1.48%, expected volatility of 102%, expected life of 1.75 years and expected dividends of $nil. The warrants' value of $274,257 was recognized in contributed surplus with a corresponding reduction of share capital. The Company incurred additional share issuance costs of $650,787 in connection with the offering. The warrants were issued at an exercise price of $1.55 per share.

On April 17, 2018, the Company completed an equity financing, issuing 4,600,000 common shares at a price of $1.00 per common share for gross proceeds of $4,600,000. Included in the gross issuance are 1,025,000 common shares that were acquired by some of the Company's officers and directors ("the Presidents List"). The financing was underwritten by a syndicate of underwriters. In consideration for their services, the underwriters received cash compensation equal to 7% of the gross proceeds of the offering, and broker warrants equal to 7% of the number of shares sold under the offering (excluding those common shares acquired pursuant to the President's List, which were subject to a 2% cash commission and 2% broker warrants). The warrants are exercisable for a period of 24 months following closing of the financing at a purchase price per common share equal to the common share issuance price. The Company issued 270,750 broker warrants at a fair value of $0.46 per warrant that was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 2.18%, expected volatility of 98%, expected life of 1.75 years and expected dividends of $nil. The warrants' value of $123,462 was

(expressed in Canadian dollars)

recognized in contributed surplus with a corresponding reduction of share capital. The Company incurred additional share issuance costs of $129,099 in connection with the financing. The warrants were issued at an exercise price of $1.00 per common share.

c) Stock option plan

Under the Plan, the Board of Directors may grant stock options to employees, officers, directors and consultants of the Company. As at December 31, 2019, the Company was entitled to issue 4,782,421 stock options under the Plan available at December 31, 2019. The maximum number of common shares that may be issued under the Plan is a rolling fixed maximum percentage of 10% of the common shares issued and outstanding at a point in time. The expiry date of options granted under the Plan typically does not exceed five years from the grant date. The vesting schedule is at the discretion of the Board of Directors and is generally annually over a three-year period. The exercise price of options is based on a determination of the market price per share on the day preceding the grant date.

The following table summarizes the continuity of options issued under the Plan:

	2019		**2018**	
	Number of options	**Weighted average exercise price $**	**Number of options**	**Weighted average exercise price $**
Outstanding – Beginning of year	3,097,220	1,63	2,595,596	2.03
Granted	1,153,500	1.60	985,000	0.85
Forfeited or cancelled	(600,668)	2.84	(228,806)	3.68
Exercised	(240,167)	0.96	(254,570)	0.81
Outstanding – End of year	3,409,885	1.45	3,097,220	1.63
Options exercisable – End of year	2,258,971	1.46	1,697,218	1.44

(expressed in Canadian dollars)

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

			December 31, 2019
Range of exercise prices $	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average number of options exercisable**
0.64	500,000	3.36	166,667
0.78	90,000	0.67	90,000
0.83	100,000	1.17	100,000
0.94	90,000	0.92	90,000
0.96	110,000	3.63	36,666
0.98	653,384	0.42	653,385
1.00	75,000	1.50	75,000
1.06	285,500	3.71	95,167
1.08	75,000	1.50	75,000
1.14	10,000	3.88	3,333
1.15	20,000	4.92	-
1.27	10,000	4.67	-
1.34	10,001	1.42	10,001
1.55	118,000	4.42	-
1.71	878,000	4.25	573,750
1.94	100,000	1.83	100,000
4.12	95,000	2.50	63,334
4.47	70,000	2.92	46,668
4.60	120,000	2.25	80,000
	3,409,885		2,258,971

(expressed in Canadian dollars)

	December 31, 2018		
Range of exercise prices $	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average number of options exercisable**
0.64	507,500	4.25	-
0.78	90,000	1.42	90,000
0.83	133,500	1.92	133,500
0.94	90,000	1.67	90,000
0.98	853,384	1.29	853,385
1.00	75,000	2.25	75,000
1.06	427,500	4.75	-
1.08	75,000	2.25	75,000
1.34	40,000	4.88	-
1.40	10,001	2.17	5,001
1.59	10,000	4.00	-
1.94	92,000	-	92,000
2.15	100,000	2.58	83,333
4.12	246,667	3.25	83,333
4.47	76,667	3.67	26,666
4.60	270,000	3.00	90,000
	3,097,220		1,697,218

During the year ended December 31, 2019, the Company recorded share-based compensation expense related to stock options granted to employees, officers, directors and consultants of the Company of $1,410,467 (2018 – $1,136,757).

During the year ended December 31, 2019, the Company granted 1,153,500 (2018 – 985,000) stock options with a weighted average exercise price of $1.60 (2018 – $0.85) to employees, officers, directors and consultants of the Company. Of those options, 1,146,000 (2018 – 967,500) options were granted to officers or employees of the Company. 7,500 (2018 – 17,500) options were granted to consultants as compensation for services rendered at a weighted average price of $0.96 (2018 – $1.07), all expiring during 2024.

During the year ended December 31, 2019, 240,167 options were exercised at a weighted average exercise price of $0.96 per option, for gross proceeds of $230,560 (2018 – 254,570 options were exercised at a weighted average exercise price of $0.81 per option, for gross proceeds of $205,826).

(expressed in Canadian dollars)

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the weighted average assumptions for options granted during the years ended December 31 as follows:

	2019 $	2018 $
Weighted average grant date fair value of options granted	1.42	1.42
Weighted average assumptions used		
Expected option life	5 years	5 years
Risk-free interest rate	1.48%	1.45%
Expected volatility	102%	104%

The Company estimates the expected volatility over the life of the option based on the Company's historical volatility and a peer group average, given there was no stock price history for the Company prior to the listing of shares on July 22, 2014.

d) DSUs

During the year ended December 31, 2019, the Company issued 381,304 DSUs to employees, officers, independent directors and consultants of the Company, all vesting immediately. During the year ended December 31, 2019, 140,858 DSUs have been exercised.

12 Finance costs

	2019 $	2018 $
Finance costs		
Interest on finance leases and other interest	610,592	532,597
Interest and fees on revolving line of credit (note 19)	1,057,399	752,671
Interest and fees on term loans (note 20)	825,720	809,687
	2,493,711	2,094,955

13 Net income (loss) per share

The computations for basic and diluted net income (loss) per share for the years ended December 31, 2019 and 2018 are as follows:

	2019 $	2018 $
Net loss for the year	(5,607,405)	(11,278,192)
Weighted average number of shares outstanding – basic and diluted	45,286,998	39,134,484
Net loss per share – basic and diluted	(0.12)	(0.29)

(expressed in Canadian dollars)

Exercisable options to purchase 2,258,971 common shares (2018 – 3,097,220) and 2,492,040 warrants (2018 – 2,941,879) were outstanding as at December 31, 2019. The weighted average numbers of options and warrants were excluded from the calculation of diluted loss per share for the years ended December 31, 2019 and 2018 because their inclusion would have been anti-dilutive.

14 Segment information

The Company's assets and operations are substantially located in Canada; however, the Company has employees and customers in the United States, Europe, the Middle East and Africa and generates revenue in each region. Revenue by region for the years ended December 31 is as follows:

	2019 $	2018 $
United States	85,630,542	47,430,159
Canada	14,751,574	13,497,558
Europe and other	18,752,113	9,308,299
	119,134,229	70,236,016

During the year ended December 31, 2019, the Company had two customers that represented 5% of total revenue. In 2018, the Company had no customer that represented 5% of total revenue. The 2018 customer was an advertising agency representing multiple brands.

15 Financial instruments

Classification of financial instruments

The following table provides the allocation of financial instruments and their associated financial instrument classifications:

	Loans and receivables/ financial liabilities (amortized cost)	
Measurement basis	**2019** **$**	**2018** **$**
Financial assets		
Cash and cash equivalents	7,407,122	8,014,668
Restricted cash	100,000	100,000
Accounts receivable	38,234,752	33,982,542
Investment tax credit receivable	1,548,898	1,571,297
	47,290,772	43,668,507

(expressed in Canadian dollars)

Measurement basis	Loans and receivables/ financial liabilities (amortized cost) 2019 $	2018 $
Financial liabilities		
Accounts payable and accrued liabilities	26,330,763	24,537,043
Revolving line of credit	15,384,498	13,843,998
Term loans	3,452,331	5,159,109
Lease obligations	6,148,603	3,608,085
	51,316,195	47,148,235

Fair value measurements

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, restricted cash, accounts receivable, ITC receivable, revolving line of credit, repayable government grant, accounts payable and accrued liabilities, current portion of finance lease obligations, current portion of contingent consideration and current portion of term loans approximate their fair values given their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the consolidated statements of financial position and the market rates of interest is not considered significant. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 – inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 – inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 – inputs are not based on observable market data.

There were no transfers of financial assets during the years ended December 31, 2019 and 2018 between any of the levels.

The following tables present changes in Level 3 items for the years ending December 31:

	$
Opening balance – January 1, 2019	6,389,155
Acquisitions	-
Remeasurement of the fair value	(3,066,799)
Payments	(2,927,983)
Foreign exchange impact	(394,373)
Closing balance – December 31, 2019	-

(expressed in Canadian dollars)

	$
Opening balance – January 1, 2018	752,700
Acquisitions	6,246,199
Remeasurement of the fair value	(805,920)
Payments	-
Foreign exchange impact	196,176
Closing balance – December 31, 2018	6,389,155

The Company has recognized contingent consideration classified as a liability in the consolidated statements of financial position. The liability is recorded as the fair value of future deferred consideration associated with the company acquired during the period. Fair value is determined based on management's estimate of the present value of the amounts expected to be paid subject to the contingent performance targets for the respective acquisition.

Re-measurement of the fair value of contingent consideration is performed by the Company at each financial reporting period. Key unobservable inputs comprise management's best estimate of probability that the acquired business will achieve specified gross margin and contribution margin targets in specified time frames following the respective acquisition. The estimated fair value increases as the estimated probability associated with the gross margin and contribution margin targets increase and vice versa for decreases in fair value.

16 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 and deficit. The Company manages its capital structure and makes adjustments to it in working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from the Board of Directors, may issue shares, 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, except for certain monthly financial covenants associated with the revolving line of credit as described in note 19.

17 Financial risk management

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's risk management policies on an annual basis. Management 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.

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. As at December 31, 2019, three customers represented 5% of the gross accounts receivable balance of $38,714,512. As at December 31, 2018, three customers represented 4% of the gross accounts receivable balance of $34,312,237.

(expressed in Canadian dollars)

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.

The accounts receivable balances due from these significant customers were current as at December 31, 2019. No other individual customers represented more than 5% of accounts receivable. As at December 31, 2019, the allowance for doubtful accounts was $479,760 (2018 – $329,642). In establishing the appropriate allowance for doubtful accounts, management makes assumptions with respect to the future collectability of the receivables. Assumptions are based on an individual assessment of a customer's credit quality as well as subjective factors and trends. Overdue accounts as at December 31, 2019 were $5,244,450 (2018 – $2,011,290), which is in the normal course of business. Management believes that the allowance is adequate.

The Company from time to time invests its excess cash in accounts with Schedule "A" banks, with the objective of maintaining the safety of the principal and providing adequate liquidity to meet current payment obligations and future planned capital expenditures and with the secondary objective of maximizing the overall yield of the portfolio. The Company's cash as at December 31, 2019 is not subject to external restrictions, except for $100,000 that is currently held as collateral for a letter of credit. 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.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come 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, loans and borrowings and cash balances to maintain liquidity. In the event that future cash flows from operations are lower than expected, the Company may need to seek additional financing, either by issuing additional equity or by undertaking additional borrowings. There is no certainty that additional financing will be available or that it will be available on attractive terms.

(expressed in Canadian dollars)

The following are the contractual maturities for the financial liabilities:

					December 31, 2019
	Carrying amount $	Total contractual cash flows $	Less than 1 year $	1 to 3 Years $	> 3 years $
Accounts payable and accrued liabilities	26,330,763	26,330,763	26,330,763	-	-
Revolving line of credit	15,384,498	15,384,498	15,384,498	-	-
International Loans	2,443,320	2,443,320	1,006,653	1,436,666	-
Earn-out – acquisition	-	-	-	-	-
Term loans	3,452,311	3,452,311	1,210,500	2,241,811	-
	47,610,892	47,610,892	43,932,414	3,678,477	-

					December 31, 2018
	Carrying amount $	Total contractual cash flows $	Less than 1 year $	1 to 3 Years $	> 3 years $
Accounts payable and accrued liabilities	24,537,043	24,537,043	24,537,043	-	-
Revolving line of credit	13,843,998	13,843,998	13,843,998	-	-
International Loans	3,917,376	3,917,376	2,687,288	1,230,088	-
Earn-out – acquisition	6,389,155	6,389,155	3,322,356	3,066,799	-
Term loans	5,159,109	7,263,000	2,421,000	4,842,000	-
	53,846,681	55,950,572	46,811,685	9,138,887	-

Interest rate risk

Interest rate risk is the risk of financial loss to the Company if interest rates increase on interest-bearing instruments. The revolving line of credit bears interest at a rate of prime plus 1%. The term loans bear interest at a fixed rate of 12%, which the Company believes is consistent with market interest rates for this type of debt.

Foreign exchange or currency risk

The Company is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in US dollars. The Company's main objective in managing its foreign exchange risk is to maintain US cash on hand to support US 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.

(expressed in Canadian dollars)

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $156,929 due to the fluctuation and this would be recorded in the consolidated statements of comprehensive loss.

Balances held in US dollars are as follows in Canadian dollars:

	December 31, 2019 $	December 31, 2018 $
Cash	5,505,276	6,408,383
Accounts receivable	30,050,955	24,358,270
Accounts payable	9,860,132	7,816,503
Earn-out – acquisition	-	3,322,356
Line of credit	15,384,498	13,843,998

18 Commitments and contingencies

Restricted cash

In July 2015, the Company entered into a letter of credit as security for an office lease in Toronto. As at December 31, 2019, the letter of credit is backed up by $100,000 that is held at a Canadian financial institution and is drawn down by the landlord until the end of the lease term.

19 Revolving line of credit

On November 13, 2015, the Company secured a US$3.5 million (approximately CA$4.6 million) revolving line of credit ("the Line of Credit") from Silicon Valley Bank ("SVB"). On September 1, 2016, the Company secured an addendum to the Line of Credit increasing the total borrowing limit to US$6.5 million (approximately CA$8.5 million). On March 30, 2017, the Company secured an addendum to the Line of Credit increasing the total borrowing limit to US$10.0 million (approximately CA$13.3 million).

On October 18, 2018, the Company and SVB agreed to increase its line of credit to US$15 million (CA$20 million) from US$10 million (CA$13 million) and extend the maturity date to March 2020. In addition, the applicable interest rate has been reduced from prime plus 3.0% to prime plus 1.50%. At December 31, 2018, the prime rate was 5.25%.

On September 23, 2019, the Company and SVB agreed to increase its line of credit to US$18 million (CA$24 million) from US$15 million (CA$20 million) and extend the maturity date to April 1, 2021. In addition, the applicable interest rate has been reduced from prime plus 1.5% to prime plus 1.0%.

The Line of Credit is calculated based on a maximum total amount of 80% of the Company's accounts receivable and 80% of ITCs receivable.

(expressed in Canadian dollars)

The following table outlines the activity of the revolving line of credit during the years ended December 31, 2019 and 2018:

	$
Amortized cost – January 1, 2019	13,843,998
Amount drawn from revolving line of credit	(75,321,614)
Principal amount repaid	77,372,076
Accrued interest on revolving line of credit	1,057,399
Payment of interest on revolving line of credit	(985,108)
Foreign exchange differences	(582,252)
Amortized cost – December 31, 2019	15,384,498

	$
Amortized cost – January 1, 2018	11,297,000
Amount drawn from revolving line of credit	14,730,525
Principal amount repaid	(12,979,000)
Accrued interest on revolving line of credit	752,671
Payment of interest on revolving line of credit	(683,682)
Foreign exchange differences	726,484
Amortized cost – December 31, 2018	13,843,998

Transaction costs incurred securing the Line of Credit were $73,223 (2018 – $173,900). All transaction costs have been capitalized and deferred. These deferred transaction costs are being amortized over the term of the agreement under the effective interest method and are included in finance costs.

The Line of Credit is secured by a full general security agreement, an assignment of ITCs and a pledge of all shares of any direct or indirect subsidiary of the Company.

20 Term loans

On June 15, 2018, all outstanding principal balances related to previous term loans were repaid and the Company obtained a new $7,263,000 term loan (the “Loan”) from a group of private lenders (the “Lenders”). The Loan was made pursuant to a credit agreement dated June 15, 2018, between the Company and various Lenders, including several individuals who are non-arms length to the Company (the “NAL Lenders”). The NAL Lenders included several officers and directors of the Company who funded an aggregate of $2,263,000 of the Loan.

The Loan is subordinate to the Company’s existing credit facility with SVB and has a term of two years. The Loan accrues interest at the rate of 12.0% per annum and the Lenders were issued an aggregate of 2,420,990 warrants (the “Warrants”) as bonus warrants in connection with the Loan. Each warrant entitles the Lender to acquire one common share for a period of two years at an exercise price of $1.01 per common share, which represents the closing price of the common shares on June 14, 2018. The 2,420,990 warrants have a fair value of $0.46 per warrant. The fair value of the warrants was determined using the Black-Scholes option pricing

(expressed in Canadian dollars)

model using the following assumptions: risk-free interest rate of 2.18%, expected volatility of 98%, expected life of 1.75 years and expected dividends of $nil.

Transaction costs incurred in securing the Loan were $256,403. Included in that amount are nominal fees that the Company agreed to pay to two eligible parties assisting in the Loan. All transaction costs have been capitalized and deferred. These deferred transaction costs are being amortized over the term of the agreement under the effective interest rate method and included in the finance costs.

Fifty percent of the principal portion of the Loan is to be repaid in ten equal quarterly installments beginning January 1, 2019. The remaining 50% of the Loan is to be paid at maturity.

On March 31, 2019, the Company entered into an amending agreement to its credit agreement dated June 15, 2018, whereby the maturity date of the term loan was extended from June 15, 2020 to June 15, 2021.

The following table outlines the activity of the term loans during the years ended December 31, 2019 and 2018:

	$
Amortized cost – January 1, 2019	5,159,109
Accrued interest	825,720
Payment of interest	(716,749)
Principal amount repaid	(1,815,750)
Balance – December 31, 2019	3,452,330

	$
Amortized cost – January 1, 2018	796,653
Accrued interest	809,687
Payment of interest	(532,125)
Principal amount repaid	(999,431)
Additional borrowing, net of transaction costs and warrants	5,084,325
Balance – December 31, 2018	5,159,109

21 International loans

On June 15, 2018, as a part of the acquisition of ADman, the Company assumed various government and bank loans and lines of credits.

Term loans

The interest rate and term date of each of the unsecured term loans held and the activity during the years ended December 31, 2019 and 2018 are set out in the table below.

(expressed in Canadian dollars)

Line of credit

The line of credit is secured against the Company's accounts receivable. The interest rate and term date of line of credit held and the activity during the years ended December 31, 2019 and 2018 are set out in the table below:

	Balance – January 1, 2019 $	Amount drawn $	Principal amount repaid $	Balance – December 31 2019 $	Interest rate %	Maturity date
Term Loans						
Bankinter	144,554	-	64,232	80,322	2.75	May 20, 2021
La Caixa	78,065	-	53,760	24,305	1.96	June 1, 2020
Santander	694,516	-	186,490	508,026	2.53	May 18, 2023
Banco Sabadell	187,376	-	81,351	106,025	4.6	October 20, 2021
Bankinter	287,344	-	90,034	197,310	2.35	August 17, 2022
Banco Sabadell	46,863	195,686	220,634	21,918		
Banco Sabadell	88,362	-	19,169	69,193	3.25	October 15, 2022
CDTI	170,507	-	11,249	159,258	3.00	December 31, 2020
Avanza 2013	163,767	-	163,767	-	3.00	December 20, 2019
Avanza 2014	581,089	-	310,680	270,409	3.00	December 20, 2020
	2,445,446	195,686	1,201,366	1,436,666		
Line of credit						
Bankia	389,740	54,377	418,405	-	2.90	December 10, 2019
Banco Sabadell	71,874	-	168,893	85,045	2.47	October 18, 2020
Bankinter	232,032	-	124,548	92,177	-	July 23, 2020
La Caixa	153,091	-	142,991	-	2.12	May 31, 2019
Santander	152,926	381,229	-	524,066	Euribor + 1,75	April 25, 2020
Bankinter	-	655,330	525,536	129,794	-	July 23, 2020
Santander	275,268	542,005	623,542	175,571	Euribor + 1,75	April 25, 2020
	1,274,930	1,632,941	2,003,915	1,006,653		
Total	3,917,376	1,828,627	3,044,445	2,443,319		

(expressed in Canadian dollars)

	Balance – January 1, 2018 $	Amount drawn $	Principal amount repaid $	Balance – December 31 2018 $	Interest rate %	Maturity date
Term Loans						
Bankinter	178,034	-	33,480	144,554	2.75	May 20, 2021
La Caixa	108,424	-	30,359	78,065	1.94	June 1, 2020
Bankinter	19,837	-	19,837	-	4.00	December 14, 2018
Santander	400,307	378,845	84,635	694,516	2.50	May 18, 2023
Banco Sabadell	150,021	37,355	-	187,376	3.00	October 20, 2021
Bankinter	-	312,260	24,916	287,344	2.35	August 17, 2022
Banco Sabdell	-	156130	20,902	135,228	4.6	October 15, 2022
CDTI	170,507	-	-	170,507	3.00	December 31, 2020
Avanza 2013	273,000	-	109,233	163,767	3.00	December 20, 2019
Avanza 2014	781,531	-	200,442	581,089	3.00	December 20, 2019
	2,081,659	884,590	523,804	2,442,446		
Line of credit						
Bankia	-	-	-	1,474,930	2.47	December 10, 2019
	2,081,659	884,590	523,803	3,917,376		

(expressed in Canadian dollars)

22 Income taxes

Income tax recovery

The Company has not recorded any deferred income tax recovery on losses in comprehensive income (loss) and will not be until, in the opinion of management, it is probable that the deferred tax assets will be realized. A reconciliation between tax recovery and accounting income multiplied by the Company's domestic tax rate for the years ended December 31, 2019 and 2018 is as follows:

	2019 $	2018 $
Loss before income taxes	(5,454,299)	(12,180,971)
Income tax recovery at the Company's statutory tax rate of 26.5% (2018 – 26.5%)	(1,445,389)	(3,227,957)
Increase (decrease) in income taxes resulting from		
Permanent differences	1,385,671	837,617
Changes in unrecognized SRED pool and temporary differences	1,114,611	-
Taxable income of US subsidiary	298,127	(300,354)
Effect of foreign exchange rates	-	(902,779)
Current year loss for which no benefit recognized	551,064	2,690,694
Prior year loss applied in current year previously not recognized	(1,778,434)	-
Other	27,457	-
Income tax expense	153,107	(902,779)

Deferred taxes

- Unrecognized deferred tax asset

Deferred tax assets have not been recognized in respect of the following items:

	2019 $	2018 $
Non-capital loss carryforwards	34,864,311	30,441,000
SRED expenditure pool	7,105,467	5,152,000
Deductible temporary differences	1,152,977	5,497,733
	43,122,755	41,090,733

(expressed in Canadian dollars)

As at December 31, 2019, the Company had non-capital losses of approximately $404,780 that are available to reduce future taxable income and for which no benefit has currently been recognized in the consolidated financial statements. The non-capital losses will expire as follows: The non-capital losses will expire as follows: 2034 – $564,037; 2035 – $1,523,811; 2036 – $355,512; 2037 – $3,143,271; and 2038 – $2,061,821. The Company had SRED Investment tax credits carry-forward of $1,341,257 will expire as follows: 2031 – $821; 2032 – $4,684; 2034 – $109,706; 2035 – $173,302; 2036 – $266,245; 2037 – $383,882; and 2038 – $404,596.

Investment tax credits

The Company is entitled to certain federal and provincial income tax incentives for qualified SRED expenditures based on management's interpretation of the applicable legislation in the Income Tax Act (Canada). These tax incentives are available to reduce future income taxes payable or are refundable in cash depending on various factors.

ITCs are recorded as a reduction in employee compensation and benefits, which was $629,881 (2018 – $623,372).