



Consolidated Financial Statements
(In Canadian dollars)

EQ INC.

Years ended December 31, 2020 and 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EQ Inc.

Opinion

We have audited the consolidated financial statements of EQ Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis, but does not include the financial statements and our auditor's report thereon.

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 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.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. 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 International Financial Reporting Standards, 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.

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 Mark Jakovcic.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 15, 2021
Toronto, Ontario

EQ INC.

Consolidated Statements of Financial Position (In thousands of Canadian dollars) December 31, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash	\$ 3,209	\$ 3,691
Accounts receivable (note 18(a))	4,572	2,060
Other current assets (note 9(a))	197	197
	7,978	5,948
Non-current assets:		
Property and equipment (note 10)	102	102
Right-of-use asset (note 5)	76	146
Intangible asset (note 2(l), 3 & 11)	1,096	537
Goodwill (note 3 & 4)	732	535
	\$ 9,984	\$ 7,268
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 9(b) & 12 (a))	2,908	1,705
Lease liability (note 5)	132	70
Loans and borrowings (note 12(c))	1,989	-
Contract liabilities (note 9(c))	86	24
Earn-out (note 3 (a))	222	256
	5,337	2,055
Non-current liabilities:		
Lease liability (note 5)	18	88
Loans and borrowings (note 12 (b))	80	1,603
	5,435	3,746
Shareholders' equity	4,549	3,522
	\$ 9,984	\$ 7,268

On behalf of the Board:

"Vernon Lobo" _____ Director

"Geoffrey Rotstein" _____ Director

EQ INC.

Consolidated Statements of Loss and Comprehensive Loss (In thousands of Canadian dollars, except per share amounts) December 31, 2020 and 2019

	2020	2019
Revenue (note 6)	\$ 10,421	\$ 8,965
Expenses:		
Publishing costs	5,698	5,015
Employee compensation and benefits	4,622	3,026
Other operating costs	2,061	1,726
Depreciation of property and equipment	71	54
Depreciation of right-of-use asset (note 5)	70	76
Amortization of intangible assets	228	44
Impairment of goodwill and intangible assets (note 4 and 11)	655	-
	13,405	9,941
Loss from operations	(2,984)	(976)
Transaction costs of acquisition (note 3 (b))	(32)	-
Additional contingent consideration (note 3 (b))	85	(406)
Finance income (note 7)	42	3
Finance costs (note 7)	(538)	(535)
Net loss	(3,427)	(1,914)
Total comprehensive loss	\$ (3,427)	\$ (1,914)
Loss per share:		
Basic and diluted	\$ (0.06)	\$ (0.04)
Weighted average number of shares outstanding basic and diluted	56,959,951	48,331,260

EQ INC.

Consolidated Statements of Changes in Shareholders' Equity (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

	Common shares		Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total equity
	Number of shares	Amount					
	(note 13)						
Balance, January 1, 2020	54,914,426	\$ 77,411	\$ 2,975	\$ 852	\$ (2,062)	\$ (75,654)	\$ 3,522
Net loss	-	-	-	-	-	(3,427)	(3,427)
Share-based payments (note 15)	-	-	678	-	-	-	678
Exercise of stock options (note 13 & 15)	181,500	215	(97)	-	-	-	118
Exercise of warrants (note 13 & 14)	3,816,082	3,658	-	-	-	-	3,658
Warrants exercised	-	639	-	(639)	-	-	-
Expiry of warrants (note 12 & 13)	-	-	3	(3)	-	-	-
Balance, December 31, 2020	58,912,008	\$ 81,923	\$ 3,559	\$ 210	\$ (2,062)	\$ (79,081)	\$ 4,549

EQ INC.

Consolidated Statements of Changes in Shareholders' Equity (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

	Common shares		Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total equity
	Number of shares (note 13)	Amount					
Balance, January 1, 2019	47,483,306	\$ 72,555	\$ 2,605	\$ 271	\$ (2,062)	\$ (73,740)	\$ (371)
Net loss	-	-	-	-	-	(1,914)	(1,914)
Share-based payments (note 15)	-	-	155	-	-	-	155
Exercise of stock options (note 13 & 15)	21,332	4	(1)	-	-	-	3
Warrants issued (note 12 (b), 13 & 14)	-	-	-	257	-	-	257
Exercise of warrants (note 13 & 14)	466,198	280	-	-	-	-	280
Warrants exercised	-	55	-	(55)	-	-	-
Expiry of warrants (note 12)	-	-	216	(216)	-	-	-
Proceeds from private placement (note 13)	6,943,590	4,593	-	587	-	-	5,180
Share issuance costs (note 13)	-	(76)	-	-	-	-	(76)
Finders' warrants (note 13)	-	-	-	8	-	-	8
Balance, December 31, 2019	54,914,426	\$ 77,411	\$ 2,975	\$ 852	\$ (2,062)	\$ (75,654)	\$ 3,522

EQ INC.

Consolidated Statements of Cash Flows (In thousands of Canadian dollars) December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net loss	\$ (3,427)	\$ (1,914)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation of property and equipment	71	54
Depreciation of right-of-use asset	70	76
Amortization intangible assets	228	44
Share-based payments (note 15)	678	155
Unrealized foreign exchange loss (gain)	(4)	19
Additional contingent consideration	(85)	406
Transaction costs of acquisition	32	-
Impairment of goodwill and intangible assets	655	-
Finance cost, net	529	533
Change in non-cash operating working capital (note 20)	(1,492)	(417)
Net cash used in operating activities	(2,745)	(1,044)
Cash flows from financing activities:		
Repayment of obligations under property lease	(17)	(184)
Loans and borrowings (note 12(b))	80	-
Issuance of promissory notes	-	183
Proceeds from exercise of warrants (note 13)	3,658	280
Proceeds from private placement (note 13)	-	5,180
Share issuance costs (note 13)	-	(68)
Proceeds from exercise of stock options (note 15)	118	3
Interest paid	(4)	(246)
Net cash from financing activities	3,835	5,148
Cash flows from investing activities:		
Interest income received (note 7)	8	2
Acquisition	(850)	169
Transaction costs of acquisition	(32)	-
Earn-out payout (note 3 (a))	(59)	(744)
Purchases of property and equipment (note 10)	(68)	(30)
Addition of intangible asset (note 11)	(575)	(375)
Net cash used in investing activities	(1,576)	(978)
Increase (decrease) in cash	(486)	3,126
Foreign exchange gain (loss) on cash held in foreign currency	4	(19)
Cash, beginning of year	3,691	584
Cash, end of year	\$ 3,209	\$ 3,691

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

1. Corporate information:

EQ Inc. ("EQ Works") or (the "Company") enables businesses to better understand, predict, and influence customer behavior. Using unique data sets, advanced analytics, machine learning and artificial intelligence, the Company creates actionable intelligence for businesses to attract, retain, and grow the customers that matter most. Through its proprietary SaaS technology platforms, LOCUS and ATOM, the Company is able to ingest, enrich, analyze and action upon receipt of large quantities of data. 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. Significant accounting policies:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretation Committee ("IFRIC"), 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 of December 31, 2020. The Board of Directors authorized the consolidated financial statements for issue on April 15, 2021.

(b) Basis of presentation and going concern:

The consolidated financial statements have been prepared under the historical cost basis. Other measurement bases used are described in the applicable notes.

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

(c) Risk and uncertainties:

Since December 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in government worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown, Global equity markets have experienced with significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The extent to which COVID-19 and other pandemic or public health crisis impacts the Company's business, affairs, operations, financial condition, liquidity, availability of credit and results of operations will depend on future developments that are highly uncertain and cannot be predicted with any meaningful precision, including new information which may emerge concerning the severity of the COVID-19 virus and the action required to contain the

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(c) Risk and uncertainties (continued):

COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown this time, as is the efficacy of the government and central bank interventions. As with most other industries, the year ended December 31, 2020, was challenging as our media business had campaigns paused or reduced due to COVID-19. Our response to the pandemic, in terms of investments, cost saving measures and productivity has been strong resulting in improved results throughout the second half of the year. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company and its operating subsidiaries in future periods.

(d) Functional and presentation currencies:

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

(e) 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.

There have been no material revisions to the nature and amount of estimates and judgments made in prior periods. However, the effects of COVID-19 have required significant judgements and estimates to be made. For assumptions made by the Company in the estimates made to calculate the recoverable amount of CGUs, refer to Note 4.

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.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(e) 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) Business combinations – IFRS 3, Business Combinations, is applied to account for all business acquisitions. Identifying the fair value of assets and liabilities acquired, including intangible assets and residual goodwill requires significant judgement by management upon acquisition.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

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

(vii) Debt extinguishment - 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.

(f) 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

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(f) Business combinations (continued):

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.

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments became effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendment had no impact on these consolidated financial statements.

(g) Goodwill:

Goodwill is initially recognized at cost, being the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date acquired, and is allocated to the cash generating unit ("CGU") expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Subsequently, goodwill and indefinite life intangible assets are not amortized but are assessed at the end of each reporting period for impairment and more frequently whenever events or circumstances indicate that their carrying value may not be fully recoverable. The Company considers the relationship between its market capitalization and its book value, as well as other factors, when reviewing for indicators of impairment. Goodwill is assessed for impairment based on the CGUs or group of CGUs to which the goodwill relates. Any potential goodwill impairment is identified by comparing the recoverable amount of a CGU or group of CGUs to its carrying value which includes the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized.

The Company may need to test its goodwill for impairment between its annual test dates if market and economic conditions deteriorate or if volatility in the financial markets causes declines in the Company's share price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment. In addition, changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value could cause them to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities or debt covenants.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(g) Goodwill (continued):

An impairment loss of goodwill is not reversed. For other assets, an impairment loss may be reversed if the estimates used to determine the recoverable amount have changed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. The reversal is recognized in the consolidated statements of income.

(h) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company has the following wholly owned subsidiaries:

Subsidiary	Jurisdiction of incorporation	Ownership interest	
		December 31, 2020	December 31, 2019
CX Digital Media U.S.A Inc.	Delaware	100%	100%
CX Digital Media Inc.	Ontario	-	Amalgamated
EQ Advertising Group Ltd.	Ontario	100%	100%
Cyberplex Services Inc.	Ontario	-	Amalgamated
Cyberplex Ontario Holdings Inc.	Ontario	-	Amalgamated
1887811 Ontario Inc.	Ontario	-	Amalgamated
CX U.S.A Southwest Inc.	Texas	100%	100%
CX U.S.A. Pacific, Inc.	California	100%	100%
Bootcamp Media Inc.	Ontario	-	Amalgamated
Tapped Networks Inc. (note 3 (a))	Ontario	100%	100%

On January 1, 2019, the Company amalgamated Cyberplex Ontario Holdings Inc. into EQ Inc. and amalgamated CX Digital Media Inc., Cyberplex Services Inc., 1887811 Ontario Inc. and Bootcamp Media Inc. into EQ Advertising Group Ltd.

(ii) Transactions eliminated on consolidation:

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

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(i) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using 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 using the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognized in finance income or cost. Non-monetary assets and liabilities and related depreciation and amortization are translated at historical exchange rates. Revenue and expenses, other than depreciation and amortization, are translated at the monthly average rates of exchange for the year.

(j) Financial instruments:

The Company classifies its financial assets in the following measurement categories:

- (i) Those to be measured subsequently through fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- (ii) Those to be measured at amortized cost using the effective interest method.

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, accounts receivable, accounts payable and accrued liabilities, loan and borrowings, lease liability 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.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(j) Financial instruments (continued):

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.

(k) Property and equipment:

(i) 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 net within loss from operations.

The costs of the day-to-day servicing of property and equipment are recognized in operating income as incurred.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(k) Property and equipment (continued):

(ii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its estimated 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	4 years
Computer equipment	3 years
Leasehold improvements	Lesser of useful life and term of lease

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

(l) Intangible assets:

(i) Intangible assets:

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are recorded at cost when internally generated and at fair value when acquired during a business acquisition. Intangible assets are amortized over their estimated useful lives.

Software platform: Certain costs incurred in connection with the development of software to be used internally is capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met;

1. It is technically feasible to complete the software product so that it will be available for use;
2. Management intends to complete the software product and use or sell it;
3. There is an ability to use or sell the software product;
4. It can be demonstrated how the software product will generate probable future economic benefits;

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(l) Intangible assets (continued):

(i) Intangible assets (continued):

5. Adequate technical, financial and other resources to complete the development and to use or sell the software product are available;
6. The expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs.

(ii) Amortization:

Amortization is calculated over the cost of the asset less its estimated residual value, which typically is expected to be nil. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Useful lives, residual values and amortization methods for intangible assets with finite lives are reviewed at least annually.

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

Customer relationships	6 years
Software	3 years
Non-compete	2 years
Backlog	1 year

(iii) Research and development:

Research and development activities are assessed to determine if they qualify for recognition as internally generated intangible assets. Apart from complying with the general requirements for initial measurement of an intangible asset, qualification criteria are met only when technical as well as commercial feasibility can be demonstrated and cost can be reliably measured. It must also be probable that the intangible asset will generate future economic benefits, be clearly identifiable and allocable to a specific product. Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalized. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project-related costs are treated as if they were incurred in the research phase only. Capitalized development costs are amortized over the estimated useful life of the internally generated intangible asset. Internally generated intangible assets are reviewed for impairment annually when the asset is not yet in use or when events or changes in circumstances indicate that the carrying amount may not be recoverable and the asset is in use.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(l) Intangible assets (continued):

(iii) Research and development (continued):

For the year ended December 31, 2020 \$274 (2019 - \$79) of research and development costs have been reimbursed from the Scientific Research and Experimental Development and Industrial Research Assistance Tax Incentive Program and recorded as part of employee compensation and benefits in profit or loss.

(m) Impairment:

(i) 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 flow of that asset that can be estimated reliably. Individually 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.

An impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of the future cash flows expected to be derived from the asset. The carrying value is reduced through the use of an expected credit losses accounts, with the loss recognized in the statement of profit or loss.

For trade and other receivables, the Company applies the simplified approach permitted by IFRS 9, Financial Instruments, which requires expected lifetime losses to be recognized at the time of initial recognition of the receivables.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than deferred tax 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. An impairment test is conducted annually, for intangible assets that are not yet available for use.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(n) 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 awards, such as options, the fair value of the stock options exercised that has been expensed to contributed surplus along with the cash received is reclassified to common shares and reflected in the statements of changes in shareholders' equity.

Under the Company's restricted share unit ("RSU") plan, RSU's may be granted to directors, officers, employees and consultants. Compensation expense for each grant is recorded in the statement of loss and comprehensive loss with a corresponding increase in contributed surplus on the statement of financial position. The expense is based on the fair values at the time of the grant and is recognized over the vesting period of the respective RSU. The Company settles RSU's by issuing shares.

(o) Warrants:

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. Unit proceeds are allocated to shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, the applicable relative fair value recognized in warrants is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus. In situation where warrants are issued as consideration for goods and services received and some or all of the goods or services received cannot be specifically identified or reliably measured, then these warrants are measured at the fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model.

(p) 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 finance cost.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(q) Revenue:

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 perform 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.

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 December, 31, 2020 the Company had \$86 (2019 - \$24) 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.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(q) Revenue (continued):

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 obligations 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.

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 obligations 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.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(r) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if it 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 use of the asset throughout the period of use; and
- 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 all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct to use of the asset if either (i) the Company has the right to operate the asset, or (ii) the Company has designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, the Company recognizes a lease liability with a corresponding right-of-use (“ROU”) asset on the date at which the leased asset is available for use by the Company. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company’s incremental borrowing rate is used, being the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost and decreased by lease payments made over the lease period. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company’s estimate of any residual amount payable, or if applicable, the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

The ROU asset is depreciated using the straight-line method from the recognition date to the earlier of the end of the useful life of the asset or the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are expensed as they are incurred in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(s) Finance income and finance cost:

Finance income comprises interest income on funds invested (including available-for-sale financial instruments), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on loans and borrowings, changes in the fair value of financial instruments at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gain and losses arising from the translation and settlement of assets and liabilities as well as revenue and expenses are reported on a net basis within finance cost (income).

(t) 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 income (loss), except to the extent that they relate to items recognized in OCI or directly in equity. In these cases, the taxes are also recognized in OCI or directly in equity, respectively.

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 consolidated statement of financial position carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carryforwards. 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 profit will be available against which the deductible temporary differences, as well as unused tax losses and tax credit carryforwards 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 profit or 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.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(t) Income taxes (continued):

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered

The Company records current income tax expense or recovery based on taxable 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.

(u) Loss per share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

(v) Government assistance

Government assistance is recognized when there is reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Government assistance related to current expense is recorded as a reduction of the related expense.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

2. Significant accounting policies (continued):

(w) Segment reporting

Reportable segments are those whose operating results are reviewed by the chief operating decision-maker, identified as the Chief Executive Officer, which is responsible for allocating resources and assessing performance.

The Company has one reportable segment, refer to Note 6 for additional information.

3. Acquisition:

(a) Tapped Networks Inc.:

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 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.

For the year ended December 31, 2020, an accretion of \$25 (2019 - \$70) in carrying amount of Earn-out was recorded because of the use of present value factor at initial measurement. Subsequent to the date of acquisition, the Company recorded an additional Earn-out of \$406 which has been recognized in profit and loss for the year ended December 31, 2019. The first year of Earn-out of \$744 was paid in December 2019. The second year Earn-out is still being finalized. The Company paid \$95 of second year Earn-out during 2020 and has a remaining accruals of \$186 for potential future claims. Refer to Note 4 for impairment analysis performed on the Tapped Mobile CGU during 2020.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

3. Acquisition (continued):

(b) Juice Mobile

On March 1, 2020, the Company, through its wholly owned subsidiary EQ Advertising Group Ltd., completed the acquisition and licensing of certain assets of Curate Mobile Ltd. ("Curate"), including Juice Mobile ("Juice Mobile"). Juice Mobile's platform is targeted to advertisers looking to boost user value or increase brand awareness on mobile. By leveraging existing and new clients under the EQ Works Mobile umbrella, the expanded company will offer more precise and targeted mobile programmatic ad buy solutions for agencies, brands, and publishers. The company will also use machine learning and proprietary learning algorithms to optimize bidding behaviours towards a range of campaign goals by making billions of automated decisions on a daily basis.

The total consideration was \$850 and additional cash consideration to be paid out over the following 12 months based on certain performance thresholds being met.

In accordance with IFRS 3, Business Combinations, the assets acquired constitute a business for accounting purposes and was accounted for using the acquisition method of accounting. The Company incurred transaction costs of \$32 associated with the acquisition which were expensed.

The allocation of the purchase consideration was as follows:

Allocation	
Fixed assets	\$ 3
Customer relationships	311
Backlog	21
Goodwill	732
Contract liabilities	(138)
Net assets acquired	929

Purchase consideration:

Consideration in cash	\$ 850
Contingent consideration ("Earn-out")	79
Purchase consideration	929

The acquisition agreement provides for contingent consideration payment up to \$79, based on achievement of certain predetermined revenue and gross profits targets, in the 12-months period following the closing of the acquisition to a maximum total compensation paid to Curate up to \$929. The Company has estimated the Earn-out to be \$87 of the contingent consideration. The estimated Earn-out consideration was fair valued by discounting the after-tax cash flow over the life of the capital payment period of 12 months at a discount rate of 12% to be \$79 and was recognized at March 31, 2020. For the year ended December 31, 2020, an accretion of \$6 was recorded. Subsequent to the date of acquisition, the Company wrote off Earn-out of \$85, due to not achieving predetermined revenue, which has been recognized in profit and loss for the year ended December 31, 2020.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

3. Acquisition (continued):

(b) Juice Mobile (continued):

As at December 31, 2020, the Company recognized goodwill of \$732 arising from the acquisition of Juice Mobile, on March 1, 2020. The acquisition of Juice Mobile will provide increased scale to the Company's existing business and additional sales presence to better service the Canadian market and US Market and pursue strategic new partnership opportunities with some of North America's leading companies for location based data platforms and digital marketing solutions. The acquisition also reflects the value of the Juice's skilled and experienced workforce. The \$732 recognized as goodwill is deductible for tax purposes.

The Company recorded \$2,218 of revenue and a \$228 net income in these consolidated statements of net loss and comprehensive loss for year ended December 31, 2020, from Juice Mobile as a result of the Acquisition. If the Acquisition had occurred as at January 1, 2020, revenue for the year ended December 31, 2020 would have been \$2,354 and the loss would have been \$45.

4. Goodwill:

Changes to the carrying amount of goodwill during the fiscal years ended December 31, 2020 and 2019 were as follows:

	Goodwill
Balance at January 1, 2020 and 2019	\$ 535
Acquired through business combination (Note 3 (b))	732
Impairment	(535)
Goodwill at December 31, 2020	<u>732</u>

On December 31, 2020, the Company performed its annual goodwill impairment test in accordance with its policy described in note 2. Based on the results of the 2020 tests performed, the Company concluded that the recoverable amount of the Juice Mobile CGU has exceeded its carrying amount, and therefore goodwill was not impaired. However, during the year ended December 31, 2020, the COVID-19 pandemic caused a reduction in sales volumes, delayed project deployment and delayed expected growth in the Tapped Mobile CGU. Management has decided it will no longer pursue the revival of the CGU, which had a negative impact on the impairment analysis and judgment was applied in developing the key assumptions. Based on the impairment analysis performed, the Company concluded the recoverable amount of the CGU is less than the carrying value, resulting in a goodwill and intangible asset (Note 11) impairment charge. The Company recorded an impairment expense during the year ended December 31, 2020 of \$655 within operating expenses. Subsequent to the impairment of the goodwill and intangible assets in the Tapped Mobile CGU, management has realigned its CGUs as a result of its decision not to revive the operations of Tapped Mobile. The operations of Tapped Mobile are now integrated within the EQ Ads CGU and as a result, the Company has two CGUs at December 31, 2020.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

4. Goodwill (continued):

The Juice Mobile CGU's recoverable amount was determined based on value in use using a 5 year discounted cash flow model. Key assumptions used in the discounted cash flow model are as follows: (a) projected revenue used in the forecast was estimated considering current and historical results with growth rates between 5% and 43% and a 2% terminal growth to reflect the inflationary growth; (b) projected general and administrative expenses used in the forecast were estimated using current and historical results as a percentage of revenue with consideration to variable costs, with fixed costs estimated to remain fairly constant, the gross margin has been estimated at 50% throughout the forecast; and (c) working capital and capital expenditures were estimated considering industry benchmarks as a percentage of revenue. The pre-tax discount rate applied in the discounted cash flow model was 26.29%.

5. Right-of- use asset and lease liability:

The Company has one office facility under lease. The lease term is 5 years from 2017, with an option to renew the lease after that date.

Non-cancellable lease rentals are payable as follows:

	2020	2019
Less than 1 year	\$ 252	\$ 186
Between 1 and 5 years	32	236
more than 5 years	-	-
	\$ 284	\$ 422

The lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The lessee's incremental borrowing rate applied to the lease liabilities is 7.5%.

For the year ended December 31, 2020, an accretion of \$9 (2019 - \$14) in carrying amount of lease liability was recorded because of the use of present value factor at initial measurement.

For the year ended December 31, 2020, variable lease payments of \$107 (2019 - \$76) was recorded.

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

5. Right-of-use asset and lease liability (continued):

The Company's lease liability and movements therein during the year ended December 31, 2020 and 2019:

	Lease liability
Lease liability recognized on adoption of IFRS 16 on January 1, 2019	\$ 222
Accretion on lease liability	14
Lease payment	(78)
Lease liability at December 31, 2019	158
Lease liability at January 1, 2020	\$ 158
Accretion on lease liability	9
Lease payment	(17)
Lease liability at December 31, 2020	150
Of which are:	
Current lease liabilities	\$ 132
Long-term lease liabilities	18
	150

The Company's right-of-use assets and movements therein during the year ended December 31, 2020 and 2019:

	Office lease
Right-of-use assets recognized on adoption of IFRS 16 on January 1, 2019	\$ 222
Depreciation on right-of-use assets	(76)
Right-of-use assets at December 31, 2019	146
Right-of-use assets at January 1, 2020	\$ 146
Depreciation on right-of-use assets	(70)
Right-of-use assets at December 31, 2020	76

6. 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 reportable 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.

EQ INC.

Notes to Consolidated Financial Statements
(In thousands of Canadian dollars, except per share amounts)
Years ended December 31, 2020 and 2019

6. Segment information (continued):

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

	2020	2019
Canada	\$ 9,919	\$ 7,513
United States	502	1,445
Outside North America	-	7
	\$ 10,421	\$ 8,965

In 2020, there were two customers that comprised 23% and 14%, respectively, of the Company's total revenue from operations. In 2019, there were three customers that comprised 27%, 13% and 11%, respectively of the Company's total revenue from operations.

The components of revenue are as follows:

	2020	2019
Advertising Services	\$ 7,596	\$ 7,518
Data Sales ⁽¹⁾	2,546	1,308
Other Services	279	139
	\$ 10,421	\$ 8,965

⁽¹⁾ Data Sales are comprised of Fixed Fee Data Sales and CPM Data Sales.

7. Finance income and finance cost:

	2020	2019
Finance income:		
Interest income on cash	8	2
Foreign exchange gain, net	34	1
Total finance income	42	3
	2020	2019
Finance costs:		
Other interest expense	(5)	(8)
Accretion on Earn-out (note 3)	(31)	(70)
Accretion on lease	(116)	(76)
Accretion on promissory notes (note 12 (c))	(179)	(198)
Interest on loans and borrowings (note 12 (c))	(207)	(183)
Total finance costs	(538)	(535)

EQ INC.

Notes to Consolidated Financial Statements (In thousands of Canadian dollars, except per share amounts) Years ended December 31, 2020 and 2019

8. Income taxes:

(a) Income tax expense:

The following table reconciles income taxes calculated at combined Canadian federal and provincial tax rates with the income tax expense in these consolidated financial statements:

	2020	2019
Loss before income taxes	\$ (3,427)	\$ (1,914)
Statutory rate	26.5%	26.5%
Expected income tax recovery	(908)	(507)
Effect on income taxes of unrecognized deferred income tax assets relating to deductible temporary differences on:		
Impact of ITCs	17	12
Non-deductible expenses and unrecognized tax losses	772	346
Change in rates	-	-
Change deferred taxes not recognized	119	149
Deferred tax recovery	\$ -	\$ -

(b) Unrecognized deferred income taxes:

Deferred tax assets have not been recognized in respect of the following items, because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	2020	2019
Amounts related to tax loss and SRED costs	\$ 99,169	\$ 99,099
Property and equipment and intangible assets	373	358
Share issue cost	56	77
Change deferred taxes not recognized	\$ 99,598	\$ 99,534

EQ INC.

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8. Income taxes (Continued):

(b) Unrecognized deferred income taxes (continued):

The Company also has non-capital losses of approximately \$39,873 expiring as follows:

2029	\$	2,325
2030		907
2031		3,470
2032		8,685
2033		2,959
2034		14,402
2035		1,923
2036		1,769
2037		818
2038		448
2039		954
2040		1,213
	\$	39,873

In addition, the Company has undeducted scientific research and experimental development (“SRED”) costs of approximately \$494 available to apply against future taxable income, as well as federal investment tax credits SRED costs of approximately \$1,031 and provincial investment tax credits relating to SRED of approximately \$1,718 available to reduce future taxes payable. The Company also has capital losses of \$58,119 available. The potential tax benefit relating to the non-capital losses, capital losses and tax credit carryforwards has not been reflected in these consolidated financial statements.

9. Other current assets and accounts payable and accrued liabilities:

(a) Other current assets:

The major components of other current assets are as follows:

	2020	2019
Prepaid expenses	\$ 93	\$ 153
Accrued income	21	44
Other receivables	83	-
	\$ 197	\$ 197

(b) Accounts payable and accrued liabilities:

The major components of accounts payable and accrued liabilities are as follows:

	2020	2019
Trade accounts payable	\$ 2,096	\$ 1,229
Accrued liabilities	812	476
	\$ 2,908	\$ 1,705

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9. Other current assets and accounts payable and accrued liabilities (continued):

(c) Contract liabilities:

	2020	2019
Outstanding, beginning of the year	\$ 24	\$ 348
Addition	270	7
Acquisition of Juice Mobile	138	-
Earned	(346)	(331)
	\$ 86	\$ 24

10. Property and equipment:

	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost				
Balance, January 1, 2019	\$ 36	\$ 80	\$ 100	\$ 216
Additions	8	22	-	30
Balance, December 31, 2019	\$ 44	\$ 102	\$ 100	\$ 246
Cost				
Balance, January 1, 2020	\$ 44	\$ 102	\$ 100	\$ 246
Additions	6	62	-	68
Acquisition (note 3 (b))	-	3	-	3
Balance, December 31, 2020	\$ 50	\$ 167	\$ 100	\$ 317
Depreciation				
Balance, January 1, 2019	\$ 21	\$ 34	\$ 35	\$ 90
Depreciation	8	26	20	54
Balance, December 31, 2019	\$ 29	\$ 60	\$ 55	\$ 144
Depreciation				
Balance, January 1, 2020	\$ 29	\$ 60	\$ 55	\$ 144
Depreciation	10	41	20	71
Balance, December 31, 2020	\$ 39	\$ 101	\$ 75	\$ 215
Carrying amounts				
December 31, 2019	\$ 15	\$ 42	\$ 45	\$ 102
December 31, 2020	\$ 11	\$ 66	\$ 25	\$ 102

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11. Intangible assets:

	Customer relationships	Non-compete	Backlog	Software	Total
Cost					
Balance					
January 1, 2019	\$ 190	\$ 25	\$ 50	\$ –	\$ 265
Addition	–	–	–	375	375
Balance, December 31, 2019	\$ 190	\$ 25	\$ 50	\$ 375	\$ 640
Cost					
Balance					
January 1, 2020	\$ 190	\$ 25	\$ 50	\$ 375	\$ 640
Addition	–	–	–	575	575
Acquisition (note 3 (b))	311	–	21	–	332
Balance, December 31, 2020	\$ 501	\$ 25	\$ 71	\$ 950	\$ 1,547

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11. Intangible assets (continued):

Amortization	Customer relationships	Non-compete	Backlog	Software	Total
Balance, January 1, 2019	\$ 6	\$ 3	\$ 50	\$ –	\$ 59
Amortization	32	12	–	–	44
Balance, December 31, 2019	\$ 38	\$ 15	\$ 50	\$ –	\$ 103
Amortization					
Balance January 1, 2020	\$ 38	\$ 15	\$ 50	\$ –	\$ 103
Amortization	75	10	18	125	228
Impairment (see note 4)	120	–	–	–	120
Balance, December 31, 2020	\$ 233	\$ 25	\$ 68	\$ 125	\$ 451

Carrying amounts

Balance, December 31, 2019	\$ 152	\$ 10	\$ –	\$ 375	\$ 537
Balance, December 31, 2020	\$ 268	\$ –	\$ 3	\$ 825	\$ 1,096

As of December 31, 2019, EQ has completed 75% of the development work and capitalized \$375 of developers' salary. Since the product wasn't completed as at December 31, 2019, no amortization was recorded. In 2020, EQ completed the rest of 25% of the development work and capitalized \$125. Amortization of \$125 was recorded. EQ has started the new development work and capitalized \$450 of developers' salary. In 2020, the Company booked an impairment of the intangible assets of \$120 using the value in use impairment test, the Company determined the recoverable amount of the CGU to be lower than its carrying value which resulted in the impairment of the intangible assets (see note 4).

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12. Loans and borrowings:

(a) Bank credit facility:

In July 2020, the Company closed a new \$1,600 (2019 - \$500) revolving credit facility (the "Facility"), including credit card facility of \$100 (2019 - \$50), with a Canadian chartered bank. Borrowing under this Facility are secured by accounts receivable and the Facility bears interest at the bank's prime rate plus 2.5% per annum. As at December 31, 2020, nil (2019 – nil) was outstanding under the Facility included in the loans and borrowings and \$61 (2019 – nil) was outstanding under the credit card facility included in accounts payable.

(b) Canada Emergency Business Loan:

The Government of Canada launched the Canada Emergency Business Loan ("CEBA") to provide interest-free loans to business to help cover operating costs during the period of COVID-19. The Company received \$80 from the CEBA. The loan is interest-free until December 31, 2022. The remaining balance is converted to a 3 years term loan at an annual interest rate of 5% after December 31, 2022.

(c) Promissory notes payable:

On August 19, 2019, the promissory notes entered in 2018 (\$1,534) were fully repaid.

On August 19, 2019, the Company entered into debt financing (the "2019 Notes") in the amount of \$1,717 due on January 19, 2021. The 2019 Notes, which are non-convertible, bear interest at annual rate of 12% with principal and interest payment due on maturity date. The lenders received one and half non-transferable warrants (the "2019 Bonus Warrants") for each dollar of principal amount of 2019 Notes, with each 2019 Bonus Warrants being exercisable for a period of seventeen months from the date of issuance for one common share of the Company at an exercise price of \$0.66 per common share. All 2019 bonus Warrants are subject to a four month hold period from the date of issuance in accordance with the applicable securities law.

The 2019 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 issuance 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 issuance as the difference between the face value of the debentures and the fair value of the liability component. The value of the warrants has been classified as a component of equity.

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12. Loans and borrowings (continued):

(c) Promissory notes payable (continued):

	2020	2019
2018 Notes, 10% Maturing August 2019	\$ -	\$
2019 Notes, 12% Maturing January 2021	1,717	1,717
Equity component of promissory notes payable	(257)	(257)
	1,460	1,460
Accrued interest and interest paid	282	75
Accretion in carrying amount of notes	247	68
Balance end of year	\$ 1,989	\$ 1,603

The following table outlines the activity for loans and borrowings

	2020	2019
Promissory notes balance, January 1,	\$ 1,603	\$ 1,577
Promissory notes	-	1,717
Repayment of promissory notes (2016, 2017 and 2018 Notes)	-	(1,534)
Warrants	-	(257)
Accretion of interest	179	184
Accrued interest	207	145
Interest Paid	-	(229)
Total promissory notes payable	1,989	1,603

(d) Change in liabilities arising from financing activities:

	Loans and borrowings
Balance, January 1, 2019	\$ 1,465
Net cash from financing activities	-
Balance, December 31, 2019	1,465
Net cash used in financing activities	-
Balance, December 31, 2020	\$ 1,465

13. 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 the second tranche of 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 proceeds gross proceeds of \$180.

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13. Common shares (continued):

On December 10, 2019, the Company completed the first tranche of a non-brokered private placement (the "Private Placement") of 6,101,830 units ("Units") at a price of \$0.75 per Unit for aggregate gross proceeds of \$4,577 (the "First Tranche").

On December 17, 2019, the Company completed the second and final tranche of the Private Placement of 564,836 Units at a price of \$0.75 per Unit for aggregate gross proceeds of \$423 (the "Second Tranche").

Each Unit is comprised of one common share in the capital of the Company ("Common Share") and one-half of one common share purchase warrant (each full warrant, a "Warrant"). Each Warrant is exercisable at a price of \$1.00 per Common Share, for a period of 24 months following the closing of the Private Placement. The expiry date of the Warrants may be accelerated by the Company at any time if the closing price of the Common Shares on the facilities of the TSX Venture Exchange is greater than \$1.25 for any 10 consecutive trading days following the date that is four months and one day after the closing of the Private Placement.

In connection with the Private Placement, the Company paid finders fee of \$26 in cash and issued 34,893 finder warrants at a fair value of \$8 on the same terms as the Warrants.

Total gross cash proceeds of \$5,000 from the Private Placement were allocated as \$4,413 and \$587, respectively, to the common shares and warrants issued in the Private Placement based on their relative fair values at the closing date of the Private Placement. The Company incurred share issuance costs of \$76, including the finder warrants.

On May 29, 2020, the Company announced that it is accelerating the expiry date of 3,333,333 outstanding common share purchase warrants (the "Warrants"), which were issued pursuant to a non-brokered private placement in December 2019. Each Warrant is exercisable at a price of \$1.00 per common share for a period of 24 months following issuance. The terms of the Warrants are such that the expiry date can be accelerated by the Company at any time if the closing price of the Company's common shares on the facilities of the TSX-V is greater than \$1.25 for any 10 consecutive trading days following the date that is four months and one day after the closing of the private placement (the "Acceleration Trigger"). The Company confirmed that as of the close of markets on May 25, 2020, the Acceleration Trigger had occurred.

The Company received proceeds of approximately \$3,658 as a result of the exercise of 3,816,082 warrants. Each warrant was converted into one common share. The warrants were issued in connection of the 2019 Private Placement and 2019 Notes, with expiry dates of December 9, 2021, and January 19, 2021, respectively. 3,349,884 of 2019 Private Placement warrants at \$1.00 and 466,198 of 2019 Bonus warrants at \$0.66 were exercised. The expiry date of the warrants in connection of 2019 Private Placement was accelerated by the Company set to be June 28, 2020.

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13. Common shares (continued):

On August 16, 2019, the Company received proceeds of \$280 as a result of the exercise of 466,198 warrants at \$0.60 per common share. Each warrant was converted into one common share. The bonus warrants were issued in connection with the Company's 2018 Notes, which were set to expire on August 19, 2019.

During 2020, 181,500 stock options were exercised into 181,500 common share with an average exercise price of \$0.65 for a total proceeds of \$118. During 2019, 21,332 stock options were exercised into 21,332 common share with an average exercise price \$0.15 for a total proceeds of \$3.

14. Warrant Capital:

The Company had the following warrants outstanding at December 31, 2020

	2020		2019	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of year	5,943,207	\$ 0.85	2,300,578	\$ 0.60
Granted	-	-	5,943,207	0.85
Exercised	(3,816,082)	0.96	(466,198)	0.60
Expired	(18,342)	1.00	(1,834,380)	0.60
Outstanding, end of year	2,108,783	\$ 0.66	5,943,207	\$ 0.85

15. Share-based payments:

The following table summarizes the continuity of options issued under the Company's stock option plan (the "Plan") for the year ended:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,865,501	\$ 0.25	1,651,834	\$ 0.19
Granted	2,648,000	0.98	255,000	0.74
Exercised	(181,500)	0.65	(21,332)	0.15
Forfeited or cancelled	(78,334)	0.93	(20,001)	0.56
Outstanding, end of year	4,253,667	0.68	1,865,501	0.25
Options exercisable, end of year	1,692,664	\$ 0.23	1,656,166	\$ 0.19

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15. Share-based payments (continued):

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

Range of exercise price	Number of options	2020	Number of options exercisable	Number of options	2019	Number of options exercisable
		Weighted average remaining contractual life (years)			Weighted average remaining contractual life (years)	
\$0.05	1,306,667	0.9	1,306,667	1,329,001	1.9	1,329,001
\$0.60 – 0.69	14,000	2.8	9,332	31,500	3.8	10,499
\$0.70 – 0.79	300,000	3.1	283,332	450,000	4.2	316,666
\$0.80 – 0.89	55,000	3.8	18,333	-	-	-
\$0.90 – 0.99	2,413,000	4.3	-	-	-	-
\$1.30 – 1.39	165,000	4.9	75,000	-	-	-

The Company granted 125,000 Restricted Share Units (each unit an "RSU") to an officer of the Company in accordance with the Company's shareholder approved RSU plan. Each RSU is exercisable into one common share of the Company. This is a normal-course grant that comprises part of the long-term compensation and employee retention incentive provided by the Company. The RSU will vest over 3 years and will expired on August 24, 2025 and an expense of \$59 was expensed.

The following table summarizes the continuity of RSUs for the period ended:

	December 31, 2020	
	Number of RSUs	Market price at the grant date
Outstanding, beginning of the period	-	\$ -
Grant	125,000	1.50
Outstanding, end of the period	125,000	1.50
RSUs exercisable, end of the period	-	\$ -

During 2020, the Company recorded share-based payments of \$678 (2019 - \$155).

During 2020, 2,648,000 stock options were granted and 181,500 were exercised. During 2019, 255,000 stock options were grant and 21,332 stock options were exercised.

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15. Share-based payments (continued):

The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option pricing model with the following weighted average input and assumptions:

	Year Ended	
	December 31, 2020	December 31, 2019
Dividend yield	0%	0%
Expected volatility (historical data basis)	98%	121%
Risk-free interest rate	0.72%	1.39%
Share price	\$ 0.98	\$ 0.75
Forfeiture rate	22%	50%
Expected life (years)	5 years	5 years
Weighted average grant date fair value	\$ 0.98	\$ 0.75

16. 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:

December 31, 2020	Carrying value total	Fair value total
Measurement basis		
Financial assets at amortized cost:		
Cash	\$ 3,209	\$ 3,209
Accounts receivable	4,572	4,572
	\$ 7,781	\$ 7,781
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	\$ 2,908	\$ 2,908
Loans and borrowings	2,069	2,079
	4,977	4,987
Earn-out at fair value	222	222
	\$ 5,199	\$ 5,209

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16. Fair values of financial instruments (continued):

December 31, 2019	Carrying value total	Fair value total
<u>Measurement basis</u>		
Financial assets at amortized cost:		
Cash	\$ 3,691	\$ 3,691
Accounts receivable	2,060	2,060
	<u>\$ 5,751</u>	<u>\$ 5,751</u>
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	\$ 1,705	\$ 1,705
Loans and borrowings	1,603	1,791
	<u>3,308</u>	<u>3,496</u>
Earn-out at fair value	256	256
	<u>\$ 3,564</u>	<u>\$ 3,752</u>

There have been no transfers of assets between levels during the years ended December 31, 2020 and 2019.

17. 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 in 2020 from 2019.

18. 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.

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18. Financial risk management (continued):

(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 Canada. At December 31, 2020, two customers represented 20% and 15% of the gross accounts receivable balance of \$4,786, respectively. At December 31, 2019, two customers represented 35% and 22% of the gross accounts receivable balance of \$2,102, respectively. No other individual customers represented more than 10% of accounts receivable. As at December 31, 2020, the expected credit losses was \$214 (2019 - \$42). 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. As at December 31, 2020, approximately 82%, \$997 (2019 - 68%, \$89) of accounts receivable balances over 90 days were not impaired. The consolidated entity has a credit risk exposure with two agency located in Canada, which as at December 31, 2020 owed the consolidated entity \$1,652 (35% of trade receivables) (2019: \$744 (35% of trade receivables)). This balance was within its terms of trade and no impairment was made as at December 31, 2020. The Company's payment terms range from 30 days to 60 days from the invoice date. There are no guarantees against this receivable but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. Management believes that the expected credit loss allowance is adequate.

The Company, from time to time, invests its excess cash with the objective of maintaining 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, 2020 is not subject to external restrictions and is held with Schedule I banks in Canada.

(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.

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18. Financial risk management (continued):

(b) Liquidity risk (continued):

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

2020	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	>3 years
Trade and other payables ⁽ⁱ⁾	\$ 2,908	\$ 2,908	\$ 2,908	\$ -	\$ -
Leases	150	284	252	32	-
Loans and borrowings	2,069	2,090	2,010	80	-
Earn-out	222	222	222	-	-
	\$ 5,349	\$ 5,504	\$ 5,392	\$ 112	\$ -

2019	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	>3 years
Trade and other payables ⁽ⁱ⁾	\$ 1,705	\$ 1,705	\$ 1,705	\$ -	\$ -
Leases	158	422	186	236	-
Loans and borrowings	1,603	2,010	-	2,010	-
Earn-out	256	281	281	-	-
	\$ 3,722	\$ 4,418	\$ 2,172	\$ 2,246	\$ -

⁽ⁱ⁾ Trade and other payables exclude other non-contractual liabilities

(c) Market risk:

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

(i) Interest rate risk:

The Company's interest rate risk arises primary from its loans and borrowings obligations, which bear a fixed interest rate of 12%. Management believes that the Company is not significantly exposed to cash flow interest rate risk in the next twelve months.

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18. Financial risk management (continued):

(c) Market risk (continued):

(ii) Currency risk:

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

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 \$19 (2019 - \$26) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income (loss).

Balances held in non-Canadian dollars are as follows:

	2020		2019
	US		US
Cash	\$ 239	\$	488
Accounts receivable	111		76
Accounts payable and accrued liabilities	498		304

19. Related party transactions and balances:

On August 19, 2019, \$888 of the 2019 Notes were subscribed by officers and directors of the Company. The Company issued 1,332,448 of warrants related to the 2019 Notes.

Transactions with key management personnel:

The key management personnel of the Company are the members of the Company's executive management team and Board of Directors.

The remuneration of key management personnel of the Company during the years ended December 31, 2020 and 2019 was as follows:

	2020		2019
Short-term employee benefits	\$ 791	\$	562
Share-based payments	538		126
	\$ 1,329	\$	688

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20. Consolidated statements of cash flows:

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

	2020	2019
Accounts receivable	\$ (2,512)	\$ 107
Other current assets	-	(73)
Accounts payable and accrued liabilities	1,096	(127)
Deferred revenue	(76)	(324)
	<u>\$ (1,492)</u>	<u>\$ (417)</u>

21. Subsequent events

a. Repayment of 2019 Promissory Notes

On January 19, 2021, the 2019 Promissory Notes of \$1,717 and accrued and unpaid interest of \$293 were fully repaid.

b. Exercise of 2019 Bonus Warrant

The Company received proceeds of approximately \$1,392 as a result of the exercise of 2,108,783 warrants. Each warrant was converted into one common share. The warrants were issued in connection of the 2019 Notes, with expiry dates of January 19, 2021. 2,108,783 of 2019 Bonus warrants at \$0.66 were exercised. The Company used the proceeds from the Bonus Warrants as partial repayment for the amount owed under the 2019 Promissory Notes.

c. Public offering

On February 19, 2021, the Company closed an overnight marketed public offering of aggregate of 7,187,500 shares in the capital of the Company at a price of \$1.60 per offered security for total proceeds of \$11,500, which includes the full exercise of the over-allotment option granted to the Underwriters.

22. Additional information

During the year ended December 31, 2020, the Company benefited from Canadian Employment Wage Subsidy ("CEWS") for \$624, which was used to reduce the salary on the consolidated statement of loss. The CEWS benefits reduced employee compensation and benefits by \$624.