Consolidated Financial Statements
(In Canadian dollars)

EQ INC.

Years ended December 31, 2014 and 2013

EQ INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

December 31, 2014 and 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents (note 9)	$ 311	$ 2,797
Accounts receivable (note 18 (a))	722	2,231
Other current assets (note 10(a))	196	222
	1,229	5,250
Non-current assets:		
Investment (note 3)	50	50
Property and equipment (note 11)	124	281
Domain properties and other intangible assets (note 12)	324	1,610
	498	1,941
	$ 1,727	$ 7,191
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 10 (b))	$ 1,480	$ 2,316
Deferred lease inducement	22	14
Current portion of finance leases	64	122
Deferred revenue	90	602
	1,656	3,054
Non-current liabilities:		
Finance leases	–	64
Deferred lease inducement	73	–
	73	64
	$ 1,729	$ 3,118
Shareholders' (deficiency) equity (note 14)	(2)	4,073
	$ 1,727	$ 7,191

Going concern (note 2)

Commitments and contingencies (note 19)

On behalf of the Board:

"Vernon Lobo" Director "Geoffrey Rotstein" Director

See accompanying notes to consolidated financial statements.

EQ INC.

Consolidated Statements of Comprehensive Income (Loss)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2014 and 2013

	2014	2013
Revenue (note 4)	$ 4,877	$ 8,044
Publishing cost and advertising	2,322	4,228
Employee compensation and benefits	2,990	3,605
Other operating expense	2,217	2,549
Depreciation of property and equipment	186	273
Amortization of domain properties and other intangible assets	1,093	1,158
Impairment of goodwill and other intangible assets (note 12)	265	716
	9,073	12,529
Loss from operations	(4,196)	(4,485)
Finance income (note 6)	13	34
Finance costs (note 6)	(125)	(257)
Loss before income taxes	(4,308)	(4,708)
Income tax recovery (note 7):		
Current	22	2
Deferred	–	235
	22	237
Net loss	(4,286)	(4,471)
Other comprehensive income:		
Foreign currency translation adjustments to equity	156	436
Other comprehensive income, net of tax	156	436
Comprehensive loss	$ (4,130)	$ (4,035)
Loss per share (note 8):		
Basic	$ (0.27)	$ (0.28)
Diluted	(0.27)	(0.28)

See accompanying notes to consolidated financial statements.

EQ INC.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars)

Years ended December 31, 2014 and 2013

	Common shares Number of shares	Common shares Amount	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total (deficiency) equity
Balances, January 1, 2014	15,857,225	$ 66,278	$ 2,395	$ (2,022)	$ (62,578)	$ 4,073
Net loss	–	–	–	–	(4,286)	(4,286)
Share-based payments (note 15)	–	–	55	–	–	55
Foreign currency translation adjustments to equity	–	–	–	156	–	156
Balances, December 31, 2014	15,857,225	$ 66,278	$ 2,450	$ (1,866)	$ (66,864)	$ (2)

	Common shares Number of shares	Common shares Amount	Contributed surplus	Accumulated other comprehensive Income (loss)	Deficit	Total equity
Balances, January 1, 2013	126,858,304	$ 66,278	$ 2,338	$ (2,458)	$ (58,107)	$ 8,051
Net loss	–	–	–	–	(4,471)	(4,471)
Share-based payments (note 15)	–	–	57	–	–	57
Share consolidation (note 14)	(111,001,079)	–	–	–	–	–
Foreign currency translation adjustments to equity	–	–	–	436	–	436
Balances, December 31, 2013	15,857,225	$ 66,278	$ 2,395	$ (2,022)	$ (62,578)	$ 4,073

See accompanying notes to consolidated financial statements.

EQ INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Net loss	$ (4,286)	$ (4,471)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation of property and equipment	186	273
Amortization of domain properties and other intangible assets	1,093	1,158
Amortization of deferred lease inducement	(28)	(41)
Share-based payments (note 15)	55	57
Foreign exchange loss	123	260
Finance cost (income), net	2	(8)
Current income tax recovery	(22)	(2)
Deferred income tax recovery	–	(235)
Impairment of goodwill and other intangible assets	265	716
Loss on sale of property and equipment	–	1
Gain on sale of domain properties and other intangible assets	(79)	–
Change in non-cash operating working capital (note 21)	346	160
Cash used in operating activities	(2,345)	(2,132)
Income taxes received	22	44
Net cash used in operating activities	(2,323)	(2,088)
Cash flows from financing activities:		
Repayment of finance leases	(123)	(155)
Interest paid	(15)	(26)
Net cash used in financing activities	(138)	(181)
Cash flows from investing activities:		
Interest income received	13	34
Net proceeds from disposal of property and equipment	–	2
Net proceeds from disposal of domain properties	96	–
Additions to property and equipment	(11)	(78)
Additions to intangible assets	–	(51)
Net cash from (used in) investing activities	98	(93)
Foreign exchange loss on cash held in foreign currency	(123)	(260)
Decrease in cash and cash equivalents	(2,486)	(2,622)
Cash and cash equivalents, beginning of year	2,797	5,419
Cash and cash equivalents, end of year	$ 311	$ 2,797

See accompanying notes to consolidated financial statements.

1. Corporate information:

EQ Inc. ("EQ Works") (the "Company") uses real-time technology and advanced analytics to improve performance for all web, mobile, social and video advertising initiatives. The Company balances the many components that comprise the complex advertising ecosystem and establishes equilibrium for reaching the right audience at the right time through any web or mobile device. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 1255 Bay Street, Suite 400, Toronto, ON M5R 2A9. The Company is a publicly listed on the TSX Venture Exchange ("TSX-V") (note 22).

2. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of 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 April 30, 2015, the date the Board of Directors authorized the consolidated financial statements for issue.

(b) Basis of presentation and going concern:

The consolidated financial statements have been prepared mainly 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.

2. Significant accounting policies (continued):

The Company has incurred significant operating losses $ 4.3 million (2013 - $4.5) and negative cash flows from operations $2.3 million (2013 - $2.1) in recent years, and has a working capital deficiency $400 surplus of (2013 - $2.2 million). Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company will need to raise capital in order to fund its operations. This need may be adversely impacted by: a lack of normally available financing and an accelerating loss of customers. To address its financing requirements, the Company will seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

On June 13, 2013, the Company announced the consolidation of all of the outstanding common shares of the Company. The common shares were consolidated on the basis of one new common share for eight existing common shares. Following the common share consolidation, the number of outstanding common shares of the Company was approximately 15,857,225. Accordingly, income (loss) per share has been determined on a basis that is consistent with the effect of the share consolidation for all years presented.

(c) Functional and presentation currencies:

These consolidated financial statements are presented in Canadian dollars. The Company's functional currency is the U.S. dollar. The Company has elected its presentation currency to be the Canadian dollar as it is listed on the TSX-V and its shareholders are primarily Canadian.

(d) 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.

2. Significant accounting policies (continued):

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.

(e) 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.

(ii) Revenue recognition - In their determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy. Revenue from fixed fee arrangements is recognized using the percentage-of-completion method. Estimates of the percentage-of-completion for customer projects are based upon current actual and forecasted information and contractual terms.

(iii) Trade receivables - The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. Credit risks for outstanding trade receivables are regularly assessed and allowances are recorded for estimated losses.

(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.

(In thousands of Canadian dollars, except per share amounts)

2. Significant accounting policies (continued):

(f) Critical judgments in applying accounting policies:

(i) Impairment tests for non-financial assets - Judgment is applied in determining whether events or changes in circumstances during the years are indicators that a review for impairment should be conducted.

(ii) Functional currency - Judgment is applied in situations where primary and secondary indicators are mixed. Primary indicators such as the currency that mainly influences sales prices are given priority before considering secondary indicators.

(g) 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. Transaction costs, other than those associated with the issuance of debt and equity securities that the Company incurs in connection with a business combination, are expensed as incurred.

The Company has the following wholly owned subsidiaries:

		Ownership interest	
	Jurisdiction of incorporation	December 31, 2014	December 31, 2013
CX Digital Media U.S.A Inc.	Delaware	100%	100%
CX Digital Media Inc.	Ontario	100%	100%
EQ Advertising Group LTD	Ontario	100%	100%
Cyberplex Services Inc.	Ontario	100%	100%
Cyberplex Ontario Holdings Inc.	Ontario	100%	100%
1887811 Ontario Inc.	Ontario	100%	100%
CX U.S.A Southwest Inc.	Texas	100%	100%
CX U.S.A. Pacific, Inc.	California	100%	100%
Bootcamp Media Inc.	Ontario	100%	100%

(ii) Transactions eliminated on consolidation:

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

2. Significant accounting policies (continued):

(h) 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 translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. 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 average rates of exchange for the year. Exchange gains and losses resulting from the translation of functional to presentation currency are recorded to other comprehensive income (loss) ("OCI") in the year in which they occur.

(i) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes loans and receivables and deposits on the date they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

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

Financial instruments are, for measurement purposes, grouped into categories. The classification depends on the purpose and is determined upon initial recognition. The Company has the following categories of non-derivative financial assets: financial assets

2. Significant accounting policies (continued):

at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

(a) Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. The Company's short-term investments, if any, are classified as held-for-trading.

(b) Loans and receivables:

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

Cash and cash equivalents comprise cash balances and cash deposits with original maturities of three months or less and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows.

(c) Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories, and include private company investments. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity

2. Significant accounting policies (continued):

instruments, are recognized in OCI and presented within equity in the fair value reserve. When an investment is derecognized, the cumulative gain or loss in OCI is transferred to profit or loss.

(ii) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company's non-derivative financial liabilities consist of accounts payable and accrued liabilities and finance leases. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition and measurement, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial assets and liabilities:

The Company holds derivative financial instruments from time to time to hedge its foreign currency exposures as compared to the functional currency of the Company or its subsidiaries. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value with any gains or losses being recognized in finance income or finance cost when they occur.

(j) 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 operating income.

2. Significant accounting policies (continued):

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

(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.

(iii) Research and development:

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new substantially improved products and processes, is capitalized only if the product or process is technically and commercially feasible, if development costs can be measured reliably, if future economic benefits are probable, if the Company intends to use or sell the asset and the Company intends and has sufficient resources to complete development. To date, no material development expenditures have been capitalized.

For the year ended December 31, 2014, $349 (2013 - $90) of research and development costs have been expensed primarily as part of employee compensation and benefits in profit or loss.

2. Significant accounting policies (continued):

(k) Intangible assets:

(i) Domain properties and other intangible assets:

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

(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:

Computer Software	2 years
Technology	4 years
Domain properties and content	7 years
Customer relationships	1- 5 years

(l) 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.

2. Significant accounting policies (continued):

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 allowance for doubtful accounts, with the loss recognized in net income (loss).

An impairment loss on available-for-sale financial assets is recognized by reclassifying the losses accumulated in the fair value reserve in equity to the consolidated statements of comprehensive income (loss). The cumulative loss that is reclassified from equity to net income (loss) is the difference between the acquisition cost less any impairment loss previously recognized and the current fair value. An impairment loss in respect of an equity-accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount.

(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. For intangible assets that are not yet available for use, the recoverable amount is estimated each year during the fourth quarter in alignment with the Company's annual planning cycle.

2. Significant accounting policies (continued):

(m) 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.

(n) 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.

(o) Revenue:

The Company generates revenue from the targeted delivery of digital advertisements to internet users through various channels, including online display, mobile, social and video using its “Programmatic Marketing Platform”. The Company offers its services on a fully-managed and a self-service technology basis. Revenue is recognized when all four of the following criteria are met: (i) evidence of an arrangement exists, (ii) delivery has occurred or a service has been provided, (iii) customer fees are fixed or determinable, and, (iv) collection is reasonably assured.

Revenue arrangements are evidenced by a fully executed insertion order (“IO”). Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price, and performance objectives for an ad campaign.

Performance objectives are generally a measure of targeting as defined by the parties in

2. Significant accounting policies (continued):

advance, such as number of ads displayed, consumer clicks on ads, or consumer actions (which may include qualified leads, registrations, downloads, inquiries or purchase). These payment models are commonly referred to as "CPM" (cost per impression), "CPC" (cost per click) and "CPA" (cost per action).

Professional services revenue is based on either time and material arrangements or fixed fee arrangements. Revenue related to time and materials arrangements is recognized as services are performed. Revenue from fixed fee arrangements is recognized using the percentage-of-completion method, based on the ratio of total labour hours incurred to date to total estimated labour hours. Changes in job performance, job conditions, estimated profitability and final settlement may result in revisions to costs and income and are recognized in the year in which the revisions are determined. Costs include direct material and labour costs which are expensed as incurred. Provisions for estimated losses on incomplete arrangements are made in the year in which such losses are determined.

Revenue from hosting services is recognized on a straight-line basis over the term of the hosting arrangement.

Amounts billed in excess of revenue recognized to date on a contract-by-contract basis are classified as deferred revenue, whereas revenue recognized in excess of amounts billed is classified as accrued income within other current assets.

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 may check 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 fees are collected. Revenue is recorded net of trade discounts and volume rebates. If it is probable that discounts will be granted and amounts can be measured reliably, then the discount is recognized as a reduction of revenue as the related sales are recognized.
In instances where the Company contracts with third party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. Generally the Company is the primary obligor and is responsible for (i) fulfilling the advertisement delivery, (ii) establishing the selling prices for delivery ofthe advertisements, and (iii) performing all billing and collection activities including retaining credit risk, resulting in a determination that the Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis.

2. Significant accounting policies (continued):

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

(p) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for in the period in which they are incurred.

(q) Finance income and finance cost:

Finance income comprises interest income on funds invested (including available-for-sale financial assets), 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 assets at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gains and losses are reported on a net basis within finance cost (income).

(r) 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

2. Significant accounting policies (continued):

consolidated financial statement 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.

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.

(s) Income (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

2. Significant accounting policies (continued):

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.

(t) Recently issued accounting pronouncements:

Effective for annual periods beginning on or after January 1, 2016

(i) IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures were amended by the IASB in September 2014 to eliminate an inconsistency between IFRS 10 and IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. Subsequent to the amendments, a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not) and a partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. Earlier application is permitted.

(ii) IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures were amended by the IASB in December 2014 to clarify the application of the requirement for investment entities to measure subsidiaries at fair value instead of consolidating them. Earlier application is permitted.

(iii) IAS 1 Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2017

(iv) IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were amended by the IASB in May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is

2. Significant accounting policies (continued):

generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. Earlier application is permitted.

(v) IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

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

(ii) IFRS 9 Financial Instruments was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Earlier application is permitted.

The Company is assessing the impact of this new standard on its consolidated financial statements.

3. Investment:

In July 2012, the Company acquired an available-for-sale equity investment in a private company for $50. The fair value of the equity investment has not changed in 2014 or 2013.

4. Revenue:

The Company sub-classifies revenue into the following components: advertising and Marketing services revenue.

Advertising revenue is derived from the on-line network connecting advertisers and publishers to execute advertising. Marketing services revenue is derived from consulting services and developing advertising strategies for the Company's customers.

	2014	2013
Advertising	$ 3,507	$ 5,945
Marketing services	1,370	2,099
	$ 4,877	$ 8,044

(In thousands of Canadian dollars, except per share amounts)

5. Segment information:

The Company has one operating segment and report as such. EQ's business focus 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 substantially all located in Canada; however, the Company services many customers in the United States and internationally.

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

	2014	2013
Canada	$ 3,533	$ 3,776
Outside North America	80	116
United States	1,264	4,152
	$ 4,877	$ 8,044

In 2014, there was one customer that comprised 12% of the Company's total revenue from operations. No other customers exceeded 10% of revenue. In 2013, there were two customers that comprised 21% and 17% of the Company's total revenue from operations, respectively.

(In thousands of Canadian dollars, except per share amounts)

6. Finance income and finance cost:

	2014	2013
Finance income:		
Interest income on cash and cash equivalents	$ 13	$ 34
Total finance income	$ 13	$ 34
Finance costs:		
Other interest expense	$ (15)	$ (26)
Foreign exchange loss	(110)	(231)
Total finance costs	$ (125)	$ (257)

7. Income taxes:

(a) Income tax recovery:

The Company recorded a deferred income tax recovery of $ nil (2013 - $235) and a current income tax recovery of $22 (2013 - $2) in the year ended December 31, 2014. The deferred income tax recovery is primarily due to the amortization of the intangible assets recognized on acquisitions and the related deferred tax liability that was recorded at that time. The deferred tax liability is drawn down as that portion of the asset value is amortized. No other deferred income tax recovery on losses is recorded in comprehensive loss and will not be until, in the opinion of management, it is probable that the deferred tax assets will be realized.

(In thousands of Canadian dollars, except per share amounts)

7. Income taxes (continued):

The major components of income tax recovery:

	2014	2013
Current income tax:		
Current income tax recovery	$ (22)	$ (2)
Deferred tax:		
Relating to the origination and reversal of temporary differences	(1,060)	920
Relating to the changes in unrecognized tax losses and deductible temporary differences	(1,060)	(1,155)
Income tax recovery reported in the consolidated statements of comprehensive income (loss)	$ (22)	$ (237)

A reconciliation between tax expense and the product of accounting profit multiplied by the Company's domestic tax rate for the years ended December 31, 2014 and 2013 is as follows:

	2014	2013
Loss before income taxes	$ (4,308)	$ (4,708)
Income tax at the Company's statutory rate of tax 26.5% (2013 - 26.5%)	$ (1,142)	$ (1,248)
Increase (decrease) in income taxes resulting from:		
Permanent differences	96	1,508
Changes in unrecognized tax losses and deductible temporary differences	1,060	(1,155)
Difference due to tax rates in other jurisdictions	–	45
Differences in effected tax rates	–	–
Effects of functional currency differences and other	(36)	613
Income tax recovery	$ (22)	$ (237)

(In thousands of Canadian dollars, except per share amounts)

7. Income taxes (continued):

(b) Deferred taxes:

Recognized deferred income tax assets and deferred income tax liability:

Deferred income tax assets and liabilities are attributable to the following:

	Intangible assets	Financing costs	Non-capital losses	Property and equipment	Other	Set-off of tax	Total
Deferred income tax asset:							
January 1, 2012	$ 309	$ 175	$ 113	$ 226	$ –	$ (823)	$ –
Recognized in profit or loss	(261)	(117)	225	51	–	–	(102)
Other	–	–	–	–	–	102	102
December 31, 2012	48	58	338	277	–	(721)	–
Recognized in profit or loss	(48)	(58)	(55)	(277)	–	–	(438)
Other	–	–	–	–	9	429	438
December 31, 2013	$ –	$ –	$ 283	$ –	$ 9	$ (292)	$ –

	Intangible assets	Property and equipment	Unrealized foreign exchange	Other	Set-off of tax	Total
Deferred income tax liability:						
January 1, 2012	$ (709)	$ (10)	$ (456)	$ (251)	$ 823	$ (603)
Recognized in profit or loss	144	(11)	78	247	–	458
Other	–	–	–	3	(102)	(99)
December 31, 2012	(565)	(21)	(378)	(1)	721	(244)
Recognized in profit or loss	308	(14)	378	1	–	673
Other	–	–	–	–	(429)	(429)
December 31, 2013	$ (257)	$ (35)	$ –	$ –	$ 292	$ –

(In thousands of Canadian dollars, except per share amounts)

7. Income taxes (continued):

(c) Unrecognized deferred tax asset:

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

	2014	2014
Deductible temporary differences	$ 1,188	$ 7,198
Tax losses	83,893	79,225
	$ 85,081	$ 86,423

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

Inherent in the unrecognized deferred tax assets are non-capital losses of $24,462 and capital losses of $59,431.

The losses carried forward will expire as follows:

Canada:

	Amount
2030	$ 9,506
2031	2,987
2032	3,007
2033	3,488
	$ 18,988

United States:

	Amount
2029	$ 404
2030	382
	$ 786

The capital losses carried forward do not expire.

(In thousands of Canadian dollars, except per share amounts)

8. Loss per share:

On June 13, 2013, the Company announced the consolidation of all of the outstanding common shares of the Company. The common shares were consolidated on the basis of one new common share for eight existing common shares. Following the common share consolidation, the number of outstanding common shares of the Company was approximately 15,857,225. Accordingly, loss per share has been determined on a basis that is consistent with the effect of the share consolidation for all years presented.

The computations for basic and diluted loss per share for the years ended December 31, 2014 and 2013 are as follows:

		2014		2013
Net loss	$	(4,286)	$	(4,471)
Weighted average number of shares outstanding:				
Basic		15,857,225		15,857,225
Diluted		15,857,225		15,857,225
Loss per share:				
Basic	$	(0.27)	$	(0.28)
Diluted		(0.27)		(0.28)

Stock options to purchase 1,037,498 common shares were outstanding during 2014 but were not included in the computation of diluted loss per share because the options' exercise price was greater than the average market price of the common shares. The total number of options that were excluded from the calculation of diluted loss per share, because their inclusion would have been anti-dilutive for the year ended December 31, 2014, was 1,037,498 (2013 – 1,106,871)

(In thousands of Canadian dollars, except per share amounts)

9. Cash and cash equivalents:

The major component of cash and cash equivalents is as follows:

	2014	2013
Cash on deposit	$ 311	$ 494
Cashable Guaranteed Investment Certificate (1.4% yield)	–	2,303
	$ 311	$ 2,797

All cash and cash equivalents are with major financial institutions.

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

(a) Other current assets:

The major components of other current assets are as follows:

	2014	2013
Prepaid expenses	$ 141	$ 160
Other assets:		
Tax credits receivable	–	–
Accrued income	55	62
	55	62
	$ 196	$ 222

(b) Accounts payable and accrued liabilities:

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

	2014	2013
Trade accounts payable	$ 926	$ 1,052
Accrued liabilities	554	1,264
	$ 1,480	$ 2,316

(In thousands of Canadian dollars, except per share amounts)

11. Property and equipment:

	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost				
Balance, January 1, 2013	$ 545	$ 2,595	$ 262	$ 3,402
Additions	7	65	–	72
Disposal	(4)	–	–	(4)
Effect of movements in exchange rates	114	341	41	496
Balance, December 31, 2013	$ 662	$ 3,001	$ 303	$ 3,966
Cost				
Balance, January 1, 2014	$ 662	$ 3,001	$ 303	$ 3,966
Additions	1	10	–	11
Effect of movements in exchange rates	159	482	58	699
Balance, December 31, 2014	$ 822	$ 3,493	$ 361	$ 4,676
Depreciation				
Balance, January 1, 2013	$ 593	$ 2,143	$ 260	$ 2,942
Depreciation	2	269	2	273
Disposal	(1)	–	–	(1)
Effect of movements in exchange rates	115	315	41	471
Balance, December 31, 2013	$ 655	$ 2,727	$ 303	$ 3,685
Depreciation				
Balance, January 1, 2014	$ 655	$ 2,727	$ 303	$ 3,685
Depreciation	2	184	–	186
Effect of movements in exchange rates	58	465	58	681
Balance, December 31, 2014	$ 815	$ 3,376	$ 361	$ 4,552
Carrying amounts				
December 31, 2013	$ 7	$ 274	$ –	$ 281
December 31, 2014	7	117	–	124

Included in property and equipment is equipment acquired under finance leases with an original cost of $269 (2013 - $469) and a carrying value of $60 (2013 - $175).

EQ INC.

Notes to Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2014 and 2013

12. Domain properties and other intangible assets and goodwill:

(a) Intangible assets by category are as follows:

	Customer relationships	Technology	Domain properties and content	Computer software	Total
Cost					
Balance, January 1, 2013	$ 17,994	$ 9,712	$ 7,719	$ 1,057	$ 36,482
Additions	–	51	–	–	51
Disposals	–	–	–	–	–
Effect of movements in exchange rates	38	235	81	62	416
Balance, December 31, 2013	$ 18,032	$ 9,998	$ 7,800	$ 1,119	$ 36,949
Cost					
Balance, January 1, 2014	$ 18,032	$ 9,998	$ 7,800	$ 1,119	$ 36,949
Additions	–	–	–	–	–
Disposals	–	–	(32)	–	(32)
Effect of movements in exchange rates	53	328	113	87	581
Balance, December 31, 2014	$ 18,085	$ 10,326	$ 7,881	$ 1,206	$ 37,498
Amortization and impairment loss					
Balance, January 1, 2013	$ 17,669	$ 8,052	$ 6,820	$ 1,052	$ 33,593
Amortization	112	869	173	4	1,158
Impairment	232	–	103	–	335
Disposals	–	–	–	–	–
Effect of movements in exchange rates	19	147	25	62	253
Balance, December 31, 2013	$ 18,032	$ 9,068	$ 7,121	$ 1,118	$ 35,339
Amortization and impairment loss					
Balance, January 1, 2014	$ 18,032	$ 9,068	$ 7,121	$ 1,118	$ 35,339
Amortization	–	926	166	1	1,093
Impairment	–	–	265	–	265
Disposals	–	–	(14)	–	(14)
Effect of movements in exchange rates	53	296	55	87	491
Balance, December 31, 2014	$ 18,085	$ 10,290	$ 7,593	$ 1,206	$ 37,174
Carrying amounts					
December 31, 2013	$ –	$ 930	$ 679	$ 1	$ 1,610
December 31, 2014	–	36	288	–	324

(In thousands of Canadian dollars, except per share amounts)

12. Domain properties and other intangible assets and goodwill (continued):

(b) Goodwill:

Balance, January 1, 2013	$	357
Impairment		(381)
Effect of movements in exchange rates		24
Balance, December 31, 2013	$	–

c) Intangible assets:

Balance, January 1, 2014	$	1,610
Impairment		265
Amortization		1,093
Effect of movements in exchange rates		72
Balance, December 31, 2014	$	324

(d) Impairment:

In 2013, The Company tested its one remaining CGU with allocated goodwill for impairment as at December 31 of each year. In assessing whether or not there is impairment, the Company used a discounted cash flows approach to assess the value in use for each CGU. The Company estimated the discounted future cash flows for five years and a terminal value. The future cash flows are based on the Company's estimates and include consideration for expected future operating results, economic conditions and a general outlook for the industry in which the CGU operates. The discount rates used by the Company consider debt to equity ratios and certain risk premiums. The terminal value is the value attributed to the CGUs' operations beyond the projected time period of the cash flows, using a perpetuity rate based on expected economic conditions and a general outlook for the industry. The Company has made certain assumptions for the discount and terminal growth rates to reflect variations in expected future cash flows. Based on this assessment, the Company's analysis reflected on estimated recoverable amount that could no longer support the carrying value of the CGU, inclusive of goodwill. The Company has applied significant estimates and assumptions to estimates the lives of intangible assets. In 2014 the Company booked an impairment for the domain properties and other intangible assets of $265 using the discounted cash flows approach, the Company determined the recoverable amount of this assets to be lower than its carrying value.

13. Bank credit facilities, loans and borrowings:

The Company has a revolving demand facility and credit card facility with a Canadian chartered bank, to be used for general operating requirements. As at December 31, 2014, no amounts were outstanding under the revolving demand facility and there was $61 outstanding under the business credit card facility (2013 - $77) included in accounts payable. The aggregate of available borrowings under all facilities described below cannot exceed $250 at any time.

The revolving demand facility is up to $100 by way of Canadian and U.S. dollar currency loans. The facility bears interest at the bank's prime rate plus 2.35%. Borrowings outstanding under this facility plus a $150 business credit card allocation must not exceed 75% of accounts receivable with an aging less than 90 days, as defined in the credit agreement. Amounts outstanding are repayable upon demand.

The Company renegotiated the revolving amended demand facility with the lender during the year ended December 31, 2014 and under the amended credit agreement, the Company is required to maintain a minimum cash balance of $275. The Company did not draw against the line of credit as at December 31, 2014.

14. Shareholders' equity:

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 June 13, 2013, the Company announced the consolidation of all of the outstanding common shares of the Company. The common shares were consolidated on the basis of one new common share for eight existing common shares. Following the common share consolidation, the number of outstanding common shares of the Company was approximately 15,857,225. Accordingly, income (loss) per share has been determined on a basis that is consistent with the effect of the share consolidation for all years presented.

(In thousands of Canadian dollars, except per share amounts)

15. Share-based payments:

The Company's stock option plan (the "Plan") provides for the granting of options to employees, officers, directors and consultants of the Company. The maximum number of common shares which may be set aside for issuance under the Plan is a rolling fixed maximum percentage of 10% of the common shares issued and outstanding from time to time and automatically reloaded after the exercise of an option, provided the number of common shares issuable does not then exceed the maximum percentage. Options issued under the Plan may be exercised during a period not exceeding five years from the grant date and typically vest annually over a three- or four-year period.

The common shares issuable, upon exercise of any option that is cancelled or terminated prior to its exercise, will become available again for grant under the Plan. In accordance with the Plan, the exercise price of options is determined based on the fair market value per share on the day preceding the grant date.

Options granted under the Plan may be exercised during a period not exceeding five years from the date of grant, subject to earlier termination if the optionee ceases to be an employee, officer or director of the Company. Options issued under the Plan are non-transferable.

The following table summarizes the continuity of options issued under the Plan on a post-consolidated basis (note 14):

	2014		2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,106,871	$ 1.75	1,109,104	$ 2.08
Granted	200,000	0.54	95,000	0.55
Forfeited or cancelled	(269,373)	3.76	(97,228)	4.73
Adjustment on consolidation	–	–	(5)	–
Outstanding, end of year	1,037,498	0.99	1,106,871	1.75
Options exercisable, end of year	302,080	1.63	347,286	$ 3.89

(In thousands of Canadian dollars, except per share amounts)

15. Share-based payments (continued):

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

	2014			2013		
Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
$0.54 - 0.55	200,000	4.01	–	95,000	4.85	–
$0.80	768,750	2.50	233,332	787,500	3.50	122,915
$4.08 - $4.72	68,748	0.54	68,748	68,748	1.54	68,748
$6.08 - 6.40	–	–	–	155,623	0.23	155,623
	1,037,498		302,080	1,106,871		347,286

During the year ended December 31, 2014, the Company recorded compensation expense related to stock options granted to employees of $55 (2013 - $57).

During the year ended December 31, 2014, 200,000 stock options were granted and no stock options were exercised. During the year ended December 31, 2013, 95,000 stock options were granted and no stock options were exercised.

The weighted average grant date fair value of options granted during 2014 was $0.33 (2013 - $0.03). 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 assumptions used for grants for the year ended December 31, 2014: dividend yield of nil (2013 - nil), expected volatility of 108% (2013 - 108%), weighted average risk-free interest rate of 1% (2013 - 1%), and expected lives of 2.5 (2013 - 2.5) years forfeiture rate.

(In thousands of Canadian dollars, except per share amounts)

16. Fair values of financial instruments:

(a) Classification of financial instruments:

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2014:

	Loans and receivables/ other financial liabilities	Available-for-sale securities	Total
Measurement basis	Amortized cost	Fair value	
Financial assets:			
Cash and cash equivalents	$ 311	$ –	$ 311
Accounts receivable	722	–	722
Other current assets	196	–	196
Investment	–	50	50
	$ 1,229	$ 50	$ 1,279
Financial liabilities:			
Accounts payable and accrued liabilities	$ 1,480	$ –	$ 1,480
Finance lease	64	–	64
	$ 1,544	$ –	$ 1,544

(In thousands of Canadian dollars, except per share amounts)

16. Fair values of financial instruments (continued):

The following table provides the allocation of financial instruments and their associated financial instrument classifications as at December 31, 2013:

	Loans and receivables/ other financial liabilities	Available-for-sale securities	Total
Measurement basis	Amortized cost	Fair value	
Financial assets:			
Cash and cash equivalents	$ 2,797	$ –	$ 2,797
Accounts receivable	2,231	–	2,231
Other current assets	222	–	222
Investments	–	50	50
	$ 5,250	$ 50	$ 5,300
Financial liabilities:			
Accounts payable and accrued liabilities	$ 2,316	$ –	$ 2,316
Finance leases	186	–	186
	$ 2,502	$ –	$ 2,502

(In thousands of Canadian dollars, except per share amounts)

16. Fair values of financial instruments (continued):

(b) Carrying value and fair value of financial instruments:

The following table provides the carrying value and fair value of financial instruments as at December 31, 2014 and 2013:

	2014		2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and cash equivalents	$ 311	$ 311	$ 2,797	$ 2,797
Accounts receivable	722	722	2,231	2,231
Other current assets	196	196	222	222
Available-for-sale investment	50	50	50	50
	$ 1,279	$ 1,279	$ 5,300	$ 5,300
Financial liabilities:				
Accounts payable and accrued liabilities	$ 1,480	$ 1,480	$ 2,316	$ 2,316
Finance leases	64	64	186	186
	$ 1,544	$ 1,544	$ 2,502	$ 2,502

(c) Fair value measurements:

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

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

(In thousands of Canadian dollars, except per share amounts)

16. Fair values of financial instruments (continued):

In the tables below, the Company has segregated all financial assets and financial liabilities that are measured at fair value into the most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date. The Company has no financial liabilities measured at fair value.

Financial assets measured at fair value as at December 31, 2014 and 2013 in the consolidated financial statements are summarized below:

2014	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	$ 311	$ –	$ –	$ 311
Available-for-sale equity securities[(i)]	–	–	50	50
	$ 311	$ –	$ 50	$ 361

2013	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	$ 2,797	$ –	$ –	$ 2,797
Available-for-sale equity securities[(i)]	–	–	50	50
	$ 2,797	$ –	$ 50	$ 2,847

[(i)]The Company initially measured the available-for-sale equity investment purchased in 2012 based on the cash exchanged between the parties. The investment is being accounted for at its estimated fair value. No significant change in fair value was determined through December 31, 2014 and 2013.

There have been no transfers of assets between levels during the years ended December 31, 2014 and 2013.

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 undertake other activities, as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

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.

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 and cash equivalents. The majority of the Company's customers are located in the United States and Canada. At December 31, 2014, three customers represented 20%, 12% and 10% of the gross accounts receivable balance of $779, respectively. At December 31, 2013, three customers represented 27%, 17% and 11% of the gross accounts receivable balance of $2,322, respectively. The accounts receivable balances due from these significant customers were aged less than 30 days and classified as current at December 31, 2014. No other individual customers represented more than 10% of accounts receivable. As at December 31, 2014, the allowance for doubtful accounts was $57 (2013 - $91). In establishing the appropriate allowance for doubtful accounts, management makes assumptions with respect to the future collectability of the receivables. Assumptions are based on an individual assessment of a customer's credit quality, as well as subjective factors and trends. As at December 31, 2014, approximately 59% of accounts receivable balances over 90 days were not provided for. Management believes that the allowance is adequate. The Company, from time to time, invests its excess cash in cash equivalents and other short-term investments, 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, 2014 is not subject to external restrictions and is held with Schedule I banks in Canada. Investments must be rated at least investment grade by recognized rating agencies. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

18. Financial risk management (continued):

(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.

(In thousands of Canadian dollars, except per share amounts)

18. Financial risk management (continued):

The following are the contractual maturities for the financial liabilities:

2014	Carrying amount	Contractual cash flow	On demand	Less than 1 year	1 - 3 years	>3 years
Trade and other payables[(i)]	$ 1,480	$ 1,480	$ –	$ 1,480	$ –	$ –
Finance leases	64	64	–	64	–	–
	$ 1,544	$ 1,544	$ –	$ 1,544	$ –	$ –

2013	Carrying amount	Contractual cash flow	On demand	Less than 1 year	1 - 3 years	>3 years
Trade and other payables[(i)]	$ 2,316	$ 2,316	$ –	$ 2,316	$ –	$ –
Finance leases	186	186	–	186	64	–
	$ 2,502	$ 2,502	$ –	$ 2,438	$ 186	$ –

[(i)] Trade and other payables exclude sales tax payable and other non-contractual liabilities.

18. Financial risk management (continued):

(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:

Interest rate risk is insignificant on the Company's cash and cash equivalents due to the short-term maturity of the investments held.

(ii) Currency risk:

The Company operates internationally with the U.S. dollar as its functional currency and is exposed to foreign exchange risk from purchase transactions and payroll, as well as recognized financial assets and liabilities denominated in Canadian dollars. In addition, the Company is exposed to exchange gains or losses on translation from its U.S. dollar functional currency to its Canadian dollar presentation currency. The Company's main objective in managing its foreign exchange risk is to maintain Canadian cash on hand to support Canadian 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 and cash equivalents held. The Company also utilizes foreign currency derivative instruments to hedge against currency fluctuations from time to time. During the years ended December 31, 2014 and 2013, the Company maintained a portion of its cash resources in both U.S. and Canadian dollar cash and cash equivalents. The Company does not have any foreign currency derivative instruments outstanding as at December 31, 2014. The gain (loss) realized during the year in respect of these instruments was ($4) (2013 - $13).

(In thousands of Canadian dollars, except per share amounts)

18. Financial risk management (continued):

The Company has performed a sensitivity analysis model for foreign exchange exposure over fiscal 2014. The analysis used a modeling technique that compares the U.S. dollar equivalent of all revenue recognized and expenses incurred in Canadian dollars, at the actual exchange rate, to a hypothetical 10% adverse movement in the foreign currency exchange rates against the U.S. dollar, with all other variables held constant. Foreign currency exchange rates used were based on the market rates in effect during fiscal 2014. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in an increase in net loss for fiscal 2014 of approximately $124. There can be no assurances that the above projected exchange rate decrease will materialize.

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 $255 due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income (loss).

Balances held in Canadian dollars are as follows:

	2014	2013
Cash and cash equivalents	$ 306	$ 2,668
Accounts receivable	707	1,295
Other current assets	132	149
Accounts payable and accrued liabilities	501	910
Deferred lease inducement	95	14
Finance lease	64	186
Deferred revenue	2	284

(In thousands of Canadian dollars, except per share amounts)

19. Commitments and contingencies:

Non-cancellable operating lease rentals are payable as follows:

	2014	2013
Less than 1 year	$ 280	$ 359
Between 1 and 5 years	1,092	1,276
More than 5 years	–	112
	$ 1,372	$ 1,747

The Company leases a number of office facilities under operating leases. The lease terms are between 1 and 5 years, with an option to renew the lease after that date. Some leases provide for additional rent payments that are based on changes in the local price index.

During the year ended December 31, 2014, a net amount of $312 was recognized as an expense in profit or loss in respect of operating leases (2013 - $323).

20. Related party transactions and balances:

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, 2014 and 2013 was as follows:

	2014	2013
Short-term employee benefits	$ 650	$ 650
Share-based payments	31	55
	$ 681	$ 705

(In thousands of Canadian dollars, except per share amounts)

21. Consolidated statements of cash flows:

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

	2014	2013
Accounts receivable	$ 1,535	$ 252
Other current assets	26	105
Accounts payable and accrued liabilities	(821)	(266)
Deferred revenue	(503)	69
Lease inducement	109	–
	$ 346	$ 160

22. Subsequent event

(i) On March 27, 2015, EQ's common shares had been accepted for listing by the TSX-V through its streamlined listing procedures, and trading of the common shares on the TSX-V commenced at the opening of the market on March 31, 2015.

(ii) On March 30, 2015, EQ closed a financing consisting of $700,000 15% secured notes ("Notes"), $300,000 of such Notes having been subscribed for by certain insiders of the Company. The Notes, which are non-convertible, have a six-month maturity and all interest and principal owing under the Notes are payable at maturity.

(iii) In February 2015, all issued and outstanding stock options of 1,037,498 were cancelled. The stock options value were greater than the average market price.