Unaudited Condensed Consolidated Interim Financial Statements
(In Canadian dollars)

EQ INC.

Three and nine months ended September 30, 2020 and 2019

(Unaudited)

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
September 30, 2020 and December 31, 2019

		2020		2019
Assets				
Current assets:				
Cash	$	**4,651**	$	3,691
Accounts receivable (note 15 (a))		**3,107**		2,060
Other current assets		**194**		197
		7,952		5,948
Non-current assets:				
Property and equipment		**115**		102
Right-of-use asset (note 5)		**94**		146
Intangible asset (note 3 and 8)		**1,141**		537
Goodwill (note 3 and 4)		**1,260**		535
	$	**10,562**	$	7,268
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities		**2,535**		1,705
Lease liability (note 5)		**70**		70
Loans and borrowings (note 9)		**1,893**		-
Contract liabilities		**107**		24
Earn-out (note 3)		**364**		256
		4,969		2,055
Non-current liabilities:				
Lease liability (note 5)		**36**		88
Loans and borrowings (note 9)		**80**		1,603
		5,085		3,746
Shareholders' equity		**5,477**		3,522
	$	**10,562**	$	7,268

See accompanying notes to unaudited condensed consolidated interim financial statements

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)
Three and nine months ended September 30, 2020 and 2019

	Three months ended September 30		Nine months ended September 30,	
	2020	2019	2020	2019
Revenue (note 6)	$ 2,851	$ 2,479	$ 6,775	$ 6,092
Expenses:				
Publishing costs	1,437	1,434	3,788	3,241
Employee compensation and benefits	1,309	767	3,175	2,205
Other operating expenses	493	416	1,377	1,286
Depreciation of property and equipment	18	13	53	40
Depreciation of right-of-use asset (note 5)	17	42	52	127
Amortization of intangible assets (note 8)	71	11	153	33
	3,345	2,683	8,598	6,932
Loss from operations	(494)	(204)	(1,823)	(840)
Transaction costs of acquisition (note 3(b))	-	-	(23)	-
Finance income (note 7)	4	1	27	10
Finance costs (note 7)	(137)	(124)	(409)	(324)
Net loss before income taxes	(627)	(327)	(2,228)	(1,154)
Total comprehensive loss	(627)	(327)	(2,228)	(1,154)
Loss per share:				
Basic and diluted	$ (0.01)	$ (0.01)	$ (0.04)	$ (0.03)
Weighted average number of shares outstanding basic and diluted	58,905,125	48,238,341	56,321,751	47,837,498

See accompanying notes to unaudited condensed consolidated interim financial statements

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Equity (Deficiency)
(In thousands of Canadian dollars)
Nine months ended September 30, 2020 and 2019

Nine months ended September 30, 2020	**Common shares** Number of shares	**Common shares** Amount		**Contributed surplus**		**Warrants**		**Accumulated other comprehensive loss**		**Deficit**		**Total equity**
	(note 10)											
Balance, January 1, 2020	54,914,426	$ 77,411	$	2,975	$	852	$	(2,062)	$	(75,654)	$	3,522
Net loss	-	-		-		-		-		(2,228)		(2,228)
Share-based payments (note 11)	-	-		411		-		-		-		411
Exercise of stock options (note 10 & 11)	174,834	173		(59)		-		-		-		114
Exercise of warrants (note 12)	3,816,082	3,658		-		-		-		-		3,658
Warrants exercised	-	639		-		(639)		-		-		-
Expiry of warrants (note 12)	-	-		3		(3)		-		-		-
Balance, September 30, 2020	**58,905,342**	**81,881**	**$**	**3,330**	**$**	**210**	**$**	**(2,062)**	**$**	**(77,882)**	**$**	**5,477**

Nine months ended September 30, 2019	Common shares Number of shares	Common shares Amount		Contributed surplus		Warrants		Accumulated other comprehensive loss		Deficit		Total deficiency
	(note 10)											
Balance, January 1, 2019	47,483,306	$ 72,555	$	2,605	$	271	$	(2,062)	$	(73,740)	$	(371)
Net loss	-	-		-		-		-		(1,154)		(1,154)
Share-based payments (note 11)	-	-		87		-		-		-		87
Exercise of stock options (note 10 & 11)	17,999	2		(1)		-		-		-		1
Warrant issued (note 9 (c))	-	-		-		384		-		-		384
Exercise of Warrants (note 12)	466,198	335		-		(55)		-		-		280
Expiry of Warrants (note 12)	-	-		216		(216)		-		-		-
Proceeds from private placement (note 10)	276,924	180		-		-		-		-		180
Share issuance costs (note 10)	-	(4)		-		-		-		-		(4)
Balance, September 30, 2019	48,244,427	73,068	$	2,907	$	384	$	(2,062)	$	(74,894)	$	(597)

See accompanying notes to unaudited condensed consolidated interim financial statements

EO INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
Nine months ended September 30, 2020 and 2019

		2020		2019
Cash flows from operating activities:				
Net loss	$	(2,228)	$	(1,154)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Depreciation of property and equipment		53		40
Depreciation of right-of-use asset (note 5)		52		127
Amortization of intangible assets		153		33
Share-based payments (note 11)		411		87
Unrealized foreign exchange loss (gain)		(23)		5
Finance costs, net		406		310
Change in non-cash operating working capital (note 17)		(263)		-
Net cash used in operating activities		(1,439)		(552)
Cash flows from financing activities:				
Repayment of loans and borrowings (note 9 (c))		-		(1,534)
Repayment of obligations under property lease (note 5)		(139)		(127)
Loans and borrowings (note 9 (a) and (b))		80		200
Issuance of promissory notes (note 9 (c))		-		1,717
Proceeds from private placement (note 10)		-		180
Share issuance costs (note 10)		-		(4)
Proceeds from exercise of warrants (note 10)		3,658		280
Proceeds from exercise of stock options (note 10 and 11)		114		1
Interest paid		(3)		(240)
Net cash from financing activities		3,710		473
Cash flows from investing activities:				
Interest income received (note 7)		5		2
Investment in GIC		-		(30)
Acquisition of Juice Mobile (note 3 (b))		(850)		-
Purchases of property and equipment		(64)		(28)
Addition of intangible asset		(425)		(250)
Net cash used in investing activities		(1,334)		(306)
Increase (decrease) in cash		937		(385)
Foreign exchange gain (loss) on cash held in foreign currency		23		(5)
Cash, beginning of the period		3,691		584
Cash, end of the period	$	4,651	$	194

See accompanying notes to unaudited condensed consolidated interim financial statements

1. Corporate information:

EQ Inc. (“EQ Works”) or (the "Company") enables businesses to better understand, predict, and influence customer behaviour. 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. Basis of preparation:

(a) Statement of compliance and basis of presentation:

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting (“IAS 34”), as issued by the International Accounting Standards Board ("IASB") and on a basis consistent with the accounting policies disclosed in the Company’s annual audited consolidated financial statements for the year ended December 31, 2019 (the “2019 financial statements”). The accounting policies applied in these condensed consolidated interim financial statements are based on International Financial Reporting Standard (“IFRS”) issued and outstanding as of the date the Board of Directors authorized the statements for issue.

The notes presented in these condensed consolidated interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year ended December 31, 2019, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These condensed consolidated interim financial statements should be read in conjunction with the 2019 financial statements, including the notes thereto.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 17, 2020.

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

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

2. Basis of preparation (continued):

(b) Risk and uncertainties:

Since December 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19," has resulted in governments 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 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 any 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 actions required to contain the COVID-19 virus or remedy its impact, among others. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. 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.

(c) Functional and presentation currencies:

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

(d) Significant accounting policies:

These condensed consolidated interim financial statements have been using the same accounting policies and methods of computation as the annual audited consolidated financial statements of the Company for the year ended December 31, 2019, with the exception of the addition of a policy related to IAS 20 – Government Assistance and amendments to IFRS 3 – Business Combinations.

(i) 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.

2. Basis of preparation (continued):

(d) Significant accounting policies (continued):

(ii) IFRS 3 Business combinations

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 are 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 Company expects no impact on these condensed consolidated financial statements under the new standard.

(e) There have been no significant changes to critical accounting judgments, estimates and assumptions made since the annual financial reporting for the year ended December 31, 2019.

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

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

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

The allocation of the purchase consideration was and subsequent recognition of additional Earn-out as follows:

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

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

3. Acquisition (continued):

(a) Tapped Networks Inc. (continued):

The acquisition agreement provides for contingent consideration payment up to $2,800, based on achievement of certain predetermined revenue and gross profit 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 Earnout 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, 2019, an accretion of $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. The first year of Earn-out of $744 was paid in December 2019. For the three and nine months ended September 30, 2020, an accretion of $8 and $25 was recorded, respectively.

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

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

The Company uses estimates in determining the recoverable amount of goodwill. The determination of the recoverable amount for the purpose of impairment testing requires the use of significant estimates, such as: future cash flows; terminal growth rates; and discount rates. The Company did not identify any goodwill impairments as at December 31, 2019.

The Company recorded $552 of revenue and a $202 net income in the condensed consolidated interim statements of net loss and comprehensive loss for the three months ended September 30, 2020 and $623 and $254 for the three months ended September 30, 2019, from the Tapped Mobile as a result of the Acquisition and recorded $644 of revenue and a $1 net loss in the condensed consolidated interim statements of net loss and comprehensive loss for the nine months ended September 30, 2020 and $2,215 of revenue and a $883 net income for the nine months ended September 30, 2019.

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

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

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3 Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a preliminary business valuation of Juice Mobile at the date of acquisition and a preliminary purchase price allocation. At the time of issuance of these condensed consolidated interim financial statements, certain aspects of the valuation are not finalized, and the business valuation and the purchase price allocations are subject to change. The Company incurred transaction costs of $23 associated with the acquisition which were expensed.

The preliminary allocation of the purchase consideration was as follows:

Allocation		
Fixed assets	**$**	**3**
Intangible assets		**332**
Goodwill		**725**
Contract liabilities		**(131)**
Net assets acquired		**929**

Purchase consideration:		
Consideration in cash	**$**	**850**
Contingent consideration (“Earn-out”)		**79**
Purchase consideration		**929**

3. Acquisition (continued):

(b) Juice Mobile (continued):

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 period. The estimated Earnout 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 three and nine months ended September 30, 2020, an accretion of $2 and $4 was recorded, respectively.

As at September 30, 2020, the Company recognized goodwill of $725 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 Company recorded $726 of revenue and a $198 net income in the condensed consolidated interim statement of net loss and comprehensive loss for the three months ended September 30, 2020, from Juice Mobile as a result of the Acquisition and recorded $1,229 of revenue and $110 net income in the condensed consolidated interim statement of net loss and comprehensive loss for the nine months ended September 30, 2020. If the Acquisition had occurred as at January 1, 2020, revenue for the nine month ended September 30, 2020 would have been $1,856 and the income would have been $99.

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

4. Goodwill:

Changes to the carrying amount of goodwill during the nine months ended September 30, 2020 was as follows:

		Goodwill
Balance at January 1, 2020	$	535
Acquired through business combination (Note 3 (b))		725
Goodwill at September 30, 2020		1,260

The Company is required to assess whether a triggering event has occurred which would require an interim impairment testing. The Company considered the current and future economic and market conditions surrounding the COVID-19 pandemic and its impact on the carrying value of the goodwill associated with the acquisitions refer to note 2(b) and (3). Further, the Company assessed the current market capitalization, budget and revised forecasts associated with the pandemic. The Company determined that a triggering event has not occurred which would require an interim impairment test to be performed.

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

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

For the three and nine months ended September 30, 2020, an accretion of $28 and $87 in carrying amount of lease liability was recorded, respectively, because of the use of present value factor at initial measurement.

For the three and nine months ended September 30, 2020, lease payments of $46 and $139 was recorded, respectively.

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

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

The Company’s lease liability and movements therein during the nine months ended September 30, 2020:

		Lease liability
Balance at January 1, 2020	$	**158**
Accretion on lease liability		**87**
Lease payment		**(139)**
Lease liability at September 30, 2020		**106**
Of which are:		
Current lease liabilities	$	**70**
Long-term lease liabilities		**36**
		106

The Company’s right-of-use asset and movements therein during the nine months ended September 30, 2020:

		Office lease
Balance at January 1, 2020	$	**146**
Depreciation on right-of-use assets		**(52)**
Right-of-use asset at September 30, 2020		**94**

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

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

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

6. Segment information (continued):

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

	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Canada	$ 2,655	$ 2,224	$ 6,407	$ 4,935
U.S.	196	255	368	1,155
Outside North America	-	-	-	2
	$ 2,851	$ 2,479	$ 6,775	$ 6,092

For the three months ended September 30, 2020, there were three customers that comprised 21%, 12% and 12%, respectively, of the Company's total revenue from operations. No other customers exceeded 10% of revenue. For the three months ended September 30, 2019, there were two customers that comprised 37% and 20%, respectively, of the Company's total revenue from operations. For the nine months ended September 30, 2020, there were two customers that comprised 24% and 14% of the Company's total revenue and two customers that comprised 29% and 19% of the Company's total revenue for the same period in 2019.

The Company generates revenue across four streams and customer revenue by stream was as follows:

	Three months ended September 30, 2020	2019	Nine months ended September 30, 2020	2019
Advertising Services	**$ 2,096**	$ 2,052	**$ 4,973**	$ 5,092
Fixed Fee Data Sales	**335**	236	**512**	481
CPM Data Sales	**374**	156	**1,059**	426
Other Services	**46**	35	**231**	93
	$ 2,851	$ 2,479	**$ 6,775**	$ 6,092

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

7. Finance income and finance costs:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Finance income:				
Interest income on cash and cash equivalents	4	–	5	2
Foreign exchange gain, net	–	1	22	8
Total finance income	4	1	27	10
Finance costs:				
Other interest expense	(1)	(3)	(3)	(16)
Accretion on Earn-out (note 3)	(10)	(14)	(29)	(61)
Accretion on lease	(28)	–	(87)	–
Accretion on interest (note 9(c))	(45)	(57)	(135)	(146)
Interest on loans and borrowings (note 9(c))	(52)	(50)	(155)	(101)
Foreign exchange loss, net	(1)	–	–	–
Total finance costs	(137)	(124)	(409)	(324)
Net finance costs recognized in profit or loss	$ (133)	$ (123)	$ (382)	$ (314)

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

8. 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	–	–	–	425	425
Acquisition (note 3 (b))	311	–	21	–	332
Balance, September 30, 2020	**$ 501**	**$ 25**	**$ 71**	**$ 800**	**$ 1,397**

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

8. 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	50	9	11	83	153
Balance, September 30, 2020	**$ 88**	**$ 24**	**$ 61**	**$ 83**	**$ 256**

Carrying amounts					
Balance, December 31, 2019	$ 152	$ 10	$ –	$ 375	$ 537
Balance, September 30, 2020	**$ 413**	**$ 1**	**$ 10**	**$ 717**	**$ 1,141**

9. Loans and borrowings:

(a) Bank credit facilities:

In July, 2020, the Company closed a new $1,600 revolving credit facility (the "Facility"), including credit card facility of $100, with one of Canada's largest chartered bank. Borrowings under this Facility are secured by accounts receivable and the Facility bears interest at the bank's prime rate plus 2.5% per annum. As at September 30, 2020, nil (2019 - $200) was outstanding under the Facility included in the loans and borrowings and $76 (2019 - $16) 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 note payable:

On August 19, 2019, the 2018 Notes of $1,534 was 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.

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

9. Loans and borrowings (continued):

(c) Promissory note payable (continued):

The following table outlines the activity for loans and borrowings as at September 30, 2020:

		2020
Promissory notes balance, January 1, 2020	**$**	**1,603**
Accretion of interest		**135**
Accrued interest		**155**
CEBA loan		**80**
Total loans and borrowings	**$**	**1,973**
Of which are:		
Current loans and borrowings	**$**	**1,893**
Long-term loans and borrowings		**80**
		1,973

10. Common shares:

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

On January 9, 2019, the Company closed a private placement, resulting in the issuance of 276,924 common shares of the Company at a price of $0.65 per common share, resulting in gross proceeds of $180. The Company incurred share issuance costs of $4.

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 Units 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.

10. Common shares (continued):

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 with the 2019 Private Placement was accelerated by the Company set to be June 28, 2020.

On August 16, 2019, the Company received proceeds of approximately $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 the three months ended September 30, 2020, 2,500 stock options were exercised into 2,500 common shares with an exercise price of $0.62 for total proceeds of $2. During the nine months ended September 30, 2020, 174,834 stock options were exercised into 174,834 common shares with an exercise price of $0.65 for total proceeds of $114. During the three and nine months ended September 30, 2019, 6,666 and 17,999 stock options were exercised into 6,666 and 17,999 common shares, respectively, with an exercise price of $0.05 for total proceeds of $1.

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

11. Share-based payments:

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

	September 30, 2020			September 30, 2019		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Outstanding, beginning of the period	1,865,501	$	0.25	1,651,834	$	0.19
Grant	2,483,000		0.96	200,000		0.72
Exercised	(174,834)		0.65	(17,999)		0.05
Forfeited or cancelled	(65,000)		0.94	(13,334)		0.51
Outstanding, end of the period	4,108,667	$	0.65	1,820,501		0.23
Options exercisable, end of the period	1,601,333	$	0.18	1,372,828	$	0.22

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

	September 30, 2020			September 30, 2019		
Range of exercise price	**Number of options**	**Weighted average remaining contractual life (years)**	**Number of options exercisable**	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
$0.05	1,306,667	1.1	1,306,667	1,329,001	2.1	1,042,330
$0.60 - $0.69	24,000	3.0	8,000	41,500	4.0	13,832
$0.70 - $0.79	300,000	3.3	283,333	450,000	4.4	316,666
$0.80 - $0.89	55,000	4.0	3,333	-	-	-
$0.90 - $0.99	2,423,000	4.5	-	-	-	-

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

11. Share-based payments (continued):

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

	September 30, 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 the three months ended September 30, 2020, the Company recorded share-based payments of $277 compared to $45 during the same period in 2019. During the nine months ended on September 30, 2020, the Company recorded a share-based payment of $411 compared $87 during the same period in 2019.

During the three months ended September 30, 2020, no stock options were granted and 2,500 stock options were exercised. During the nine months ended September 30, 2020, 2,483,000 stock options were granted and 174,834 were exercised.

During the three months ended September 30, 2019, 200,000 stock options were granted and 6,666 stock options were exercised. During the nine months ended September 30, 2019, 200,000 stock options were granted and 17,999 stock options were exercised.

During the three and nine months ended September 30, 2020, 125,000 RSUs were granted and an expense of $17 was expensed. During the three and nine months ended September 30, 2019, no RSUs were granted.

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

11. 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:

	September 30, 2020	December 31, 2019
Dividend yield	**0%**	0%
Expected volatility (historical data basis)	**99%**	121%
Risk-free interest rate	**0.54%**	1.39%
Share price	**$ 0.96**	$ 0.75
Forfeiture rate	**22%**	50%
Expected life (years)	**5 years**	5 years
Weighted average grant date fair value	**$ 0.96**	$ 0.75

12. Warrant Capital:

The Company had the following warrants outstanding at September 30, 2020

	September 30, 2020		December 31, 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	(16,666)	1.00	(1,834,380)	0.60
Outstanding, end of period	2,110,459	$ 0.66	5,943,207	$ 0.85

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

13. 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:

September 30, 2020		**Carrying value total**		**Fair value total**
Measurement basis				
Financial assets at amortized cost:				
Cash	**$**	**4,651**	**$**	**4,651**
Accounts receivable		**3,107**		**3,107**
	$	**7,758**	**$**	**7,758**
Financial liabilities at amortized cost:				
Accounts payable and accrued liabilities	**$**	**2,535**	**$**	**2,535**
Loans and borrowings		**1,973**		**1,973**
		4,508		**4,508**
Earn-out at fair value		**364**		**364**
	$	**4,872**	**$**	**4,872**

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

There have been no transfers of assets between levels during the three and nine months ended September 30, 2020 and 2019.

14. 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 have been no changes to the Company’s capital management approach as at 2020 from 2019.

15. Financial risk management:

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

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash. The majority of the Company's customers are located in Canada and the United States. At September 30, 2020, three customers represented 21%, 12% and 12% of the gross accounts receivable balance of $3,241. At December 31, 2019, two customers represented 35% and 22% of the gross accounts receivable balance of $2,102, respectively. The accounts receivable balance due from these significant customers were aged less than 90 days at September 30, 2020. No other individual customers represented more than 10% of accounts receivable. As at September 30, 2020, the expected credit losses was $134 (December 31, 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 review by the Company take into account the counterparty’s financial position, past experience and other factors. As at September 30, 2020, approximately 68%, $289 (December 31, 2019 – 68%, $89) of accounts receivable balance over 90 days were not impaired. The consolidated entity has a credit risk exposure with an agency located in Canada, which as at September 30, 2020, owed the consolidated entity $380 (12% of trade receivable) (December 31, 2019: $744 (35% of trade receivable)). This balance was within its terms of trade and no impairment was made at September 30, 2020. The Company’s payment terms range from 30 days to 60 days from the invoice date. There is 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 believe that the expected credit loss allowance is adequate.

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

15. Financial risk management (continued):

(a) Credit risk (continued):

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 September 30, 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.

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

September 30, 2020	**Carrying amount**	**Contractual cash flow**	**Less than 1 year**	**1-3 years**	**>3 years**
Trade and other payables(i)	**$ 2,535**	**$ 2,535**	**$ 2,535**	**$ -**	**$ -**
Lease liability	**106**	**111**	**79**	**32**	**-**
Loans and borrowings	**1,973**	**2,090**	**2,010**	**80**	**-**
Earn-out	**364**	**368**	**368**	**-**	**-**
	$ 4,978	**$ 5,104**	**$ 4,992**	**$ 112**	**$ -**

December 31, 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	$ -	$ -
Lease liability	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

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

15. 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:

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.

(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 $20 (December 31, 2019 - $26) due to the fluctuation and this would be recorded in the condensed consolidated statements of comprehensive income (loss).

Balances held in non-Canadian dollars are as follows:

		2020		2019
		September 30		December 31
		US		US
Cash and cash equivalents	$	180	$	488
Accounts receivable		172		76
Accounts payable and accrued liabilities		509		304

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

16. Related party transactions and balances:

Directors and officers are eligible to participate in the stock options plan ("the Plan"). For nine months ended September 30, 2020, 1,850,000 stock options were granted to the officers of the Company. For the three and nine months ended September 30, 2019, 200,000 stock options were granted to the directors of the Company. A former director of the Company exercised 150,000 stock options during the nine months ended September 30, 2020, for a total proceeds of $111.

During the three and nine months ended September 30, 2020, the Company issued 125,000 RSUs to an officer of the Company and nil during the same period in 2019. An expense of $17 was realized for the three and nine months ended September 30, 2020.

On August 19, 2019, $888 of the 2019 Notes were subscribed for 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 nine months ended September 30, 2020 and 2019 was as follows:

		2020		2019
Short-term employee benefits	**$**	**584**	$	426
Share-based payments		**308**		65
	$	**892**	$	491

17. Condensed Consolidated statements of cash flows:

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

	Nine months ended September 30,			
		2020		2019
Accounts receivable	**$**	**(1,047)**	$	321
Other current assets		**3**		120
Accounts payable and accrued liabilities		**830**		(142)
Contract liabilities		**(49)**		(299)
	$	**(263)**	$	-

18. Subsequent event

Subsequent to quarter-end, The Company granted 165,000 stock options to directors and employees of the Company. These stock options are exercisable at CDN $ 1.35 per stock option and will expire on November 15, 2025. These stock options vest over a period of thirty-six months following the grant date and are governed by the terms and conditions of the Company's stock options plan. Following this grant of stock options, the Company has a total of 4,273,667 stock options outstanding representing approximately 7.3% of the outstanding common shares of the Company.

19. Additional information:

During the three and nine months ended September 30, 2020, the Company benefited from Canadian Employment Wage Subsidy ("CEWS") for $239 and $624, respectively, which was used to reduce the salary on the consolidated interim statements of loss. The CEWS benefits reduced sales and marketing costs by $146, research and development costs by $310 and client success and general admin costs by $168.