



Unaudited Condensed Interim Financial Statements
(In Canadian dollars)

EQ INC.

Three and nine months ended September 30, 2017 and 2016

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

The accompanying interim financial statements of the Company for the three and nine months ended September 30, 2017 and 2016 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standard Board and are the responsibility of the Company’s management. The Company’s independent auditors have not performed an audit or a review of these interim financial statements.

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
September 30, 2017 and December 31, 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 731	\$ 151
Accounts receivable (note 11(a))	1,148	890
Other current assets	71	138
	1,950	1,179
Non-current assets:		
Leasehold Improvements	90	-
Property and equipment	47	8
Domain properties and other intangible assets	11	121
	\$ 2,098	\$ 1,308
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	1,578	1,892
Deferred lease inducement	-	63
Loans and borrowings (note 6 (b))	2,331	268
Deferred revenue	14	7
	3,923	2,230
Non-current liabilities:		
Loans and borrowings (note 6 (b))	613	2,421
	4,536	4,651
Shareholders' deficiency	(2,438)	(3,343)
	\$ 2,098	\$ 1,308

Going concern (note 2(a))

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, 2017 and 2016

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Revenue	\$ 1,575	\$ 731	\$ 3,895	\$ 2,409
Expenses:				
Publishing costs	847	369	2,092	1,195
Employee compensation and benefits	486	411	1,451	1,236
Other operating expenses	331	271	859	1,048
Depreciation of leasehold and equipment	10	3	20	10
Amortization of domain properties and other intangible assets	34	30	110	90
	1,708	1,084	4,532	3,579
Loss from operations	(133)	(353)	(637)	(1,170)
Finance income (note 5)	27	—	57	48
Realized gain on sale of investment (note 3)	—	—	—	201
Gain from extension of loans and borrowings (notes 6 (b))	—	179	80	179
Finance cost (note 5)	(185)	(185)	(500)	(366)
Loss before income taxes	(291)	(359)	(1,000)	(1,108)
Net loss	(291)	(359)	(1,000)	(1,108)
Other comprehensive income reclassified to profit or loss in subsequent periods (net of tax):				
Net loss on sale of investment (note 3)	—	—	—	(201)
Total comprehensive loss for the period, net of tax	\$ (291)	\$ (359)	\$ (1,000)	\$ (1,309)
Loss per share:				
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.05)	\$ (0.07)
Weighted average number of shares outstanding basic and diluted	27,115,745	15,857,225	21,441,102	15,857,225

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency (In thousands of Canadian dollars) Nine months ended September 30, 2017 and 2016

Nine months ended September 30, 2017	Common shares		Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total deficiency
	Number of shares (note 7)	Amount					
Balance, January 1, 2017	15,857,225	\$ 66,278	\$ 2,511	621	\$ (2,062)	\$ (70,691)	\$ (3,343)
Net loss	-	-	-	-	-	(1,000)	(1,000)
Share-based payments (note 8)	-	-	25	-	-	-	25
Warrants issued	-	-	-	162	-	(11)	151
Exercise of warrants (note 7)	8,369,583	672	-	-	-	-	672
Warrants exercised	-	232	-	(232)	-	-	-
Proceeds from private placement net of issuance cost (note 7)	3,817,857	1,057	-	-	-	-	1,057
Balance, September 30, 2017	28,044,665	68,239	2,536	551	(2,062)	(71,702)	(2,438)
Common shares							
Nine months ended September 30, 2016	Number of shares	Amount	Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total deficiency
Balance, January 1, 2016	15,857,225	\$ 66,278	\$ 2,509	259	\$ (1,861)	\$ (69,160)	\$ (1,975)
Net loss	-	-	-	-	-	(1,108)	(1,108)
Other comprehensive income	-	-	-	-	(201)	-	(201)
Balance, September 30, 2016	15,877,225	66,278	2,509	259	(2,062)	(70,268)	(3,284)

EQ INC.

Unaudited Condensed Consolidated Interim Statements of Cash Flows (In thousands of Canadian dollars) Nine months ended September 30, 2017 and 2016

	2017	2016
Cash flows used in operating activities:		
Net loss	\$ (1,000)	\$ (1,108)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation of leasehold and equipment	20	10
Amortization of domain properties and other intangible assets	110	90
Amortization of deferred lease inducement	(63)	(15)
Gain on extension of loans and borrowings	(80)	(179)
Share-based payments (note 8)	25	-
Unrealized foreign exchange loss (gain)	9	(6)
Finance cost (income), net	495	308
Gain on sale of investment (note 3)	-	(201)
Change in non-cash operating working capital (note 12)	(499)	(151)
Net cash used in operating activities	(983)	(1,252)
Cash flows from financing activities:		
Repayment of term-loan	-	(102)
Repayment of loans and borrowings (note 6 (b) and 7)	(765)	-
Loans and borrowings (note 6 (b))	765	1,155
Proceeds from exercise of warrants (note 7)	672	-
Proceeds from private placement, net of issuance cost (note 7)	1,057	-
Interest paid	(8)	(10)
Net cash from financing activities	1,721	1,043
Cash flows from investing activities:		
Proceeds from disposal of investment (note 3)	-	251
Leasehold improvements	(91)	-
Purchases of property and equipment	(58)	(5)
Net cash from (used) in investing activities	(149)	246
Increase in cash	589	37
Foreign exchange gain (loss) on cash held in foreign currency	(9)	6
Cash, beginning of period	151	115
Cash, end of period	\$ 731	\$ 158

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

1. Corporate information:

EQ Inc. ("EQ Works") (the "Company") provides a smarter way to target customers. Using first-party, location-based behavior signals, advanced data analytics, and proprietary software, EQ creates and targets customized, performance-boosting audience segments. Proprietary algorithms and data generate attribution models that connect consumer behavior in the physical world to consumer behavior in the digital world, solving complex challenges for brands and agencies.

The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 1235 Bay Street, Suite 401, Toronto, ON, M5R 3K4. The Company is a publicly listed on the TSX Venture Exchange ("TSX-V").

2. Basis of preparation:

(a) Statement of compliance and basis of presentation:

These unaudited condensed consolidated interim financial statements (the "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, 2016 (the "2016 financial Statements"). The accounting policies applied in these interim financial statements are based on International Financial Reporting Standard ("IFRS") issued and outstanding as of the date the Board of Directors authorized the statements for issue.

The notes presented in these interim financial statements include, in general, only significant changes and transactions occurring since the Company's last year end, and are not fully inclusive of all disclosures required by IFRS for annual financial statements. These interim financial statements should be read in conjunction with the 2016 financial statements, including the notes thereto.

The interim financial statements were authorized for issue by the Board of Directors on November 21, 2017.

The interim financial statements have been prepared in accordance with IFRS and using accounting principles applicable to a going concern. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities in the normal course of operations. However, there is significant doubt about the appropriateness of the use of the going concern assumption because the Company has experienced losses and negative cash flows that exceeded expectations in the current period.

The Company's ability to continue as a going concern is dependent upon its ability to obtain additional financing from existing shareholders or other sources and/or generate cash flows from operations in the future. There is no certainty that the Company will be able to secure additional forms of financing which are not yet committed or generate cash flows from operations in the foreseeable future.

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

2. Basis of preparation (continued):

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

If the going concern assumption was not appropriate for these interim financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported net loss, and the classifications used in the statement of financial position. The interim financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate.

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

(b) Functional and presentation currencies:

These interim financial statements are presented in Canadian dollars. The primary and secondary indicators when determining functional currency. Primary indicators are closely linked to the primary economic environment in which the entity operates and are given more weight. Secondary indicators provide supporting evidence to determine an entity's functional currency. Once the functional currency of an entity is determined, it should be used consistently, unless significant changes in economic factors, events and conditions indicate that the functional currency has changed.

A change in functional currency is accounted for prospectively from the date of the change by translating all assets and liabilities into the new functional currency using the exchange rate at the date of the change.

Effective January 1, 2016, the functional currency changed from the U.S dollar to the Canadian dollar as a result of significant economic changes, including its predominant transaction currency for pricing of revenues, being the Canadian dollar.

Certain financial information relating to September 30, 2016 statements are rearranged for presentation purposes to reflect the change in functional currency.

(c) Significant accounting policies:

(a) Use of estimates and judgments :

The preparation of consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment. The Company is using management judgment to assess whether financial liabilities have been extinguished by barred under the limitation Act, 2002. Under limitation Act, 2002 (Ontario) the standard limitation period for a preceding in respect of a claim is two years from the day on which the claim was discovered. As a result the Company is in the process of analyzing the liabilities and may discharge the liabilities based on the outcome.

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

2. Basis of preparation (continued):

(c) Significant accounting policies (continued):

(b) 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.

(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.

(b) Loans and receivables:

Loans and receivables, which include cash and accounts receivable and other current assets, 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 comprise cash balances and cash deposits. 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 for the purpose of the consolidated statements of cash flows.

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

2. Basis of preparation (continued):

(i) Non-derivative financial assets (continued):

(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 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 instruments, are recognized in OCI and presented within equity in the accumulated other comprehensive income ("AOCI"). When an investment is derecognized, the cumulative gain or loss in AOCI 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 loans and borrowings. 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's derivative financial assets and liabilities consist of warrant liabilities. 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 re-measured each period with the movement being recorded as a gain or loss in the statement of profit or loss.

(iv) Fair value measurement:

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.

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

2. Basis of preparation (continued):

(d) Recently issued accounting pronouncements:

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the current fiscal year, and have not been applied in preparing these financial statements. Future changes to our existing accounting policies and other note disclosures may result. The Company is currently assessing the impact that new pronouncements may have on its results of operations, financial position and disclosure.

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

- (i) IFRS 15, "Revenue from Contracts with Customers" ("IFRS 15") was issued 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 to which the Company expect to be entitled in exchange for those goods or services. IFRS 15 will also result in enhanced disclosures about revenue, and provide guidance for transactions that were not previously addressed comprehensively (for example, multiple-element arrangements and contract modifications). Application of the standard is mandatory and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. IFRS 15 is available for early application with mandatory adoption required for fiscal years commencing on or after January 1, 2018 and is to be applied using the retrospective or the modified transition approach.
- (ii) On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.
- (iii) In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. In 2013, the IASB also incorporated new accounting requirements for hedging and introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The effective date of this pronouncement has been set to be effective for annual periods beginning on or after January 1, 2018.

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

2. Basis of preparation (continued):

(d) Recently issued accounting pronouncements (continued):

- (iv) In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), which replaces IAS 17 – Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019.

3. Investment:

In July 2012, the Company acquired 116,267 shares of an available-for-sale equity investment ("Investment") in a private company for \$50. On February, 2016, the Company sold its Investment for \$251. The gross realized gain on the sale of such Investment was \$201.

4. Segment information:

The Company has one operating segment. EQ Works business focuses on targeted advertising and incorporates the most sophisticated advertising technologies, data analytics and programmatic media buying capabilities into a single system. The chief operating decision maker evaluates the Company's performance, makes operating decision, and allocates resources based on financial data consistent with the presentation in these financial statements.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Canada	\$ 1,361	\$ 719	\$ 3,132	\$ 2,309
U.S.	214	10	760	86
Outside North America	-	2	3	14
	\$ 1,575	\$ 731	\$ 3,895	\$ 2,409

For the three months ended September 30, 2017, there were two customers that comprised 23% and 13% of the Company's total revenue from operations. No other customers exceeded 10% of revenue. For the three months ended September 30, 2016, there were three customers that comprised 32%, 13% and 10% of the Company's total revenue from operations. For nine months ended September 30, 2017, there were two customers that comprised 19% and 11% of the Company's total revenue and one customer that comprised 25% of the Company's total revenue for the same period in 2016.

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

5. Finance income and finance cost:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Finance income:				
Foreign exchange gain, net	27	–	57	48
Total finance income	27	–	57	48
Finance cost:				
Other interest expense	(1)	(3)	(7)	(10)
Foreign exchange loss, net	–	(2)	–	–
Accretion on interest (note 6(b))	(125)	(135)	(321)	(252)
Interest on loans and borrowings (note 6(b))	(59)	(45)	(172)	(104)
Total finance cost	(185)	(185)	(500)	(366)
Net finance cost recognized in profit or loss	\$ (158)	\$ (185)	\$ (443)	\$ (318)

6. Loans and borrowings:

(a) Bank credit facilities:

The Company has a credit card facility with a Canadian chartered bank. As at September 30, 2017, \$40 (2016 - \$44) was outstanding under the credit card facility included in accounts payable.

(b) Promissory note payable:

On November 25, 2015, the Company entered into new promissory notes (“New Notes”) in the amount of \$1,421 due on November 25, 2016. The New Notes, which are non-convertible, bear interest at an annual rate of 8% with principal and interest payment due on maturity date. The lenders received seven non-transferable warrants (the “Bonus Warrants”) for each dollar of principal amount of New Notes, with each Bonus Warrant being exercisable for a period of twelve months from the date of issuance for one common share of the Company (a “Bonus Share”) at an exercise price of \$0.10 per Bonus Share. All Bonus Warrants will be subject to a four months hold period from the date of issuance in accordance with the applicable securities law.

On August 18, 2016, the Company completed the first tranche of a debt financing. Pursuant to this first tranche closing, the Company issued \$1,155 non-convertible promissory notes (the “New Promissory Notes”). The New Promissory Notes accrues interest at a rate of 8% per annum, calculated annually, and have a maturity of February 18, 2018.

On November 18, 2016, the Company completed the second tranche of the New Promissory Notes. Pursuant to this second tranche closing, the Corporation issued \$345 non-convertible secured promissory notes.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per share amounts)
Three and nine months ended September 30, 2017 and 2016

6. Loans and borrowings (continued):

(b) Promissory note payable (continued):

In connection with the issuance of the New Promissory Notes, the lenders received seven non-transferable warrants (the "New Bonus Warrants") for each dollar of principal amount of New Promissory Notes, with each New Bonus Warrant being exercisable for a period of fifteen months from the date of issuance for one common share of the Corporation (a "Common Share") at an exercise price of \$0.08 per Common Share.

The Company also extended the maturity dates of \$1,175 including accrued interest of \$68 of the outstanding New Notes from November 25, 2016 to eighteen months from the date of issuance of the New Promissory Notes. \$246 of the New Notes were not extended and, including accrued interest \$22, classified as current liabilities.

In connection with the above-mentioned extension of \$1,175 plus interest of \$68 of New Notes, the Corporation cancelled the existing non-transferable Bonus Warrants with New Bonus Warrants on a one-for-one basis.

The extension of the maturity dates was considered a substantial change in terms of the loan and, accordingly, the Company applied debt extinguishment accounting and calculated a gain on extinguishment of the New Notes of \$179 and a loss on extinguishment of the Bonus Warrants of \$36, as the difference between the fair value of the New Promissory Notes immediately after the amendment and the amortized costs of the New Notes immediately prior to the extension.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

6. Loans and borrowings (continued):

(b) Promissory note payable (continued):

The New Notes and New Promissory Notes were separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the debentures assuming an 29.4% and 25.0% effective interest rate, respectively which was the estimated rate for the debentures without the warrants. The fair value of the warrants was determined at the time of issue as the difference between the face value of the debentures and the fair value of the liability component.

On May 10, 2017, the Company entered into new promissory notes ("2017 New Notes") in the amount of \$765 due on December 31, 2018. The 2017 New Notes, which are non-convertible, bear interest at an annual rate of 8% with principal and interest payment due on maturity date. The lenders received seven non-transferable warrants (the "Bonus Warrants") for each dollar of principal amount of 2017 New Notes, with each Bonus Warrant being exercisable for a period of Twenty months from the date of issuance for one common share of the Company (a "Bonus Share") at an exercise price of \$0.13 per Bonus Share. All Bonus Warrants will be subject to a four months hold period from the date of issuance in accordance with the applicable securities law.

In connection with the above-mentioned 2017 New Notes, in which, \$490 were considered as an extension of the New Promissory Notes in 2016. The extension of the maturity dates was considered a substantial change in terms of the loan and, accordingly, the Company applied debt extinguishment accounting and calculated a gain on extinguishment of the 2017 New Notes of \$80 and a loss on extinguishment of the Bonus Warrants of \$11, as the difference between the fair value of the 2017 New Notes immediately after the amendment and the amortized costs of the New Promissory Notes immediately prior to the extension.

The 2017 New Notes were separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the debentures assuming an 26.47% effective interest rate which was the estimated rate for the debentures without the warrants. The fair value of the warrants was determined at the time of issue as the difference between the face value of the debentures and the fair value of the liability component.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

6. Loans and borrowings (continued):

(b) Promissory note payable (continued):

The following table outlines the activity for loans and borrowings as at September 30, 2017:

		<u>2017</u>
Promissory notes balance, January 1, 2017	\$	2,689
Repayment of loans and borrowing		(765)
2017 New notes		765
Warrants		(162)
Accretion of interest		321
Gain in extension of loans and borrowings		(80)
Loss on extinguishment of warrants		11
Accrued interest		172
Interest paid		(7)
Total loans and borrowings	\$	2,944
Current	\$	2,331
Non-current		613

7. 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 7, 2017, the Company closed a private placement (the "Equity Financing"), resulting in the issuance of 3,817,857 common shares of the Company (the "shares") at a price of \$0.28 per share, resulting in proceeds of \$1,057 net of issuance costs of \$12.

On April 26, 2017, the Company received proceeds of approximately \$492 as a result of the exercise of approximately 6,147,633 previously issued common share purchase warrants. The warrants were issued in connection with the Company's New Promissory Notes issued in August and November 2016 and were set to expire on February 18, 2018. The exercise prices of the warrants were \$0.08 per share.

On June 29, 2017, the Company received proceeds of approximately \$97 as a result of the exercise of approximately 1,207,500 previously issued common share purchase warrants. The warrants were issued in connection with the Company's New Promissory Notes issued in August and November 2016 and were set to expire on February 18, 2018. The exercise prices of the warrants were \$0.08 per share.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

7. Common shares (continued):

In September 2017, the Company received proceeds of approximately \$83 as a result of the exercise of approximately 1,014,450 previously issued common share purchase warrants. The warrants were issued in connection with the Company's Promissory Notes. The average exercise prices of the warrants were \$0.08 per share.

8. Share-based payments:

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

	September 30, 2017		September 30, 2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,305,000	\$ 0.05	-	\$ -
Granted	150,000	0.13	-	-
Forfeited or cancelled	-	-	-	-
Outstanding, end of period	1,455,000	\$ 0.06	-	-
Options exercisable, end of period	300,000	\$ -	-	\$ -

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

		September 30, 2017		September 30, 2016		
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
\$0.13	150,000	4.52	-	-	-	-
\$0.05	1,455,000	4.22	300,000	-	-	-

During the three months ended September 30, 2017, the Company recorded share-based payments of \$12 compared to nil during the same period in 2016. During nine months ended September 30, 2017, the Company recorded a share-based payments of \$25 compared to nil during the same period in 2016.

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements
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Three and nine months ended September 30, 2017 and 2016

8. Share-based payments (continued):

During the three and nine months ended September 30, 2017, 150,000 stock options were granted and no stock options were exercised. During the three and nine months ended September 30, 2016, no stock options were granted and no stock options were exercised.

9. Fair values of financial instruments:

Classification of financial instruments:

The following table provides the allocation of financial instruments, their associated financial instrument classifications, their carrying values, and fair values including their most appropriate level within the fair value hierarchy, based on the inputs used to determine the fair value at the measurement date:

September 30, 2017	Loans and receivables/ other financial liabilities	Carrying value total	Fair value total
Measurement basis	Amortized cost		
Financial assets:			
Cash	\$ 731	\$ 731	\$ 731
Accounts receivable	1,148	1,148	1,148
	\$ 1,879	\$ 1,879	\$ 1,879
Financial liabilities:			
Accounts payable and accrued liabilities	\$ 1,578	\$ 1,578	\$ 1,578
Loans and borrowings	2,944	2,944	2,944
	\$ 4,522	\$ 4,522	\$ 4,522

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

9. Fair values of financial instruments (continued):

December 31, 2016	Loans and receivables/ other financial liabilities	Carrying value total	Fair value total
Measurement basis	Amortized cost		
Financial assets:			
Cash	\$ 151	\$ 151	\$ 151
Accounts receivable	890	890	890
	\$ 1,041	\$ 1,041	\$ 1,041
Financial liabilities:			
Accounts payable and accrued liabilities	\$ 1,892	\$ 1,892	\$ 1,892
Loans and borrowings	2,689	2,689	2,689
	\$ 4,581	\$ 4,581	\$ 4,581

There have been no transfers of assets between levels during the three and nine months ended September 30, 2017 and 2016.

10. Capital risk management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which comprises issued capital, contributed surplus, accumulated other comprehensive income and retained earnings (deficit). The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares, pay dividends or raising capital and borrowings, as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There has been no changes to the Company's capital management approach in 2017 from 2016.

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three and nine months ended September 30, 2017 and 2016

11. Financial risk management:

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

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash. The majority of the Company's customers are located in the United States and Canada. At September 30, 2017, one customer represented 20% of the gross accounts receivable balance of \$1,170. At September 30, 2016, two customers represented 36% and 12% of the gross accounts receivable balance of \$726. The accounts receivable balance due from these significant customers were aged less than 60 days and classified as current at September 30, 2017. No other individual customers represented more than 10% of accounts receivable.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for principal and interest payments on its debt, capital expenditures and working capital needs. The Company uses its operating cash flows, operating facilities and cash balances to maintain liquidity.

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

2017	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	>3 years
Trade and other payables⁽ⁱ⁾	\$ 1,578	\$ 1,578	\$ 1,578	\$ -	\$ -
Operating leases	761	761	166	572	23
Loans and borrowings	2,949	2,949	2,184	765	-
	\$ 5,288	\$ 5,288	\$ 3,928	\$ 1,337	\$ 23

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

EQ INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements (In thousands of Canadian dollars, except per share amounts) Three months ended March 31, 2017 and 2016

12. Consolidated statements of cash flows:

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

	Nine months ended September 30,	
	2017	2016
Accounts receivable	\$ (258)	\$ 16
Other current assets	66	38
Accounts payable and accrued liabilities	(314)	(196)
Deferred revenue	7	(9)
	<u>\$ (499)</u>	<u>\$ (151)</u>

13. Related party transactions and balances:

During May 10, 2017, the Company announced the closing of the 2017 New Notes, which consisted of \$765 New Notes, \$242 of such 2017 New Notes having been subscribed for by officer and director of the Company.

During April 2017, the Company received proceeds of approximately \$491 as a result of the exercise of 6,147,633 warrants, 1,125,000 of such warrants having been exercised by officer and director of the Company for a total proceeds of \$90. The exercise prices of the warrants were \$0.08 per share.