Unaudited Consolidated Interim Financial Statements
(In Canadian dollars)

EQ INC.

Three months ended March 31, 2018 and 2017

(Unaudited)

Notice of disclosure of non-auditor review of unaudited consolidated interim financial statements ("interim financial statements") pursuant to National 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 months ended March 31, 2018 and 2017 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 Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
March 31, 2018 and December 31, 2017

		2018		2017
Assets				
Current assets:				
Cash	$	258	$	891
Accounts receivable (note 10(a))		826		1,292
Other current assets		106		64
		1,190		2,247
Non-current assets:				
Property and equipment		130		137
	$	1,320	$	2,384
Liabilities and Shareholders' Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities		1,239		1,494
Loans and borrowings (note 5(a) and (b))		714		3,132
Deferred revenue		2		10
		1,955		4,636
Non-current liabilities:				
Loans and borrowings (note 5(a) and (b))		1,300		-
		3,255		4,636
Shareholders' deficiency		(1,935)		(2,252)
	$	1,320	$	2,384

Going concern (note 2(a))

See accompanying notes to unaudited consolidated interim financial statements

EQ INC.

Unaudited Consolidated Interim Statements of Loss
(In thousands of Canadian dollars, except per share amounts)
Three months ended March 31, 2018 and 2017

		2018		2017
Revenue (note 3)	**$**	**882**	$	890
Expenses:				
Publishing costs		**458**		446
Employee compensation and benefits		**499**		464
Other operating costs		**317**		248
Depreciation of property and equipment		**10**		2
Amortization of domain properties and other intangible assets		**-**		38
		1,284		1,198
Loss from operations		**(402)**		(308)
Finance income (note 4)		**1**		6
Finance costs (note 4)		**(167)**		(148)
Loss before income taxes		**(568)**		(450)
Net loss		**(568)**		(450)
Loss per share:				
Basic and diluted	**$**	**(0.02)**	$	(0.03)
Weighted average number of shares outstanding basic and diluted		**35,929,086**		15,857,225

See accompanying notes to unaudited consolidated interim financial statements

EQ INC.

Unaudited Consolidated Interim Statements of Changes in Shareholders' Deficiency
(In thousands of Canadian dollars)
Three months ended March 31, 2018 and 2017

Three months ended March 31, 2018	Common shares: Number of shares (note 6)	Common shares: Amount	Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total deficiency
Balance, January 1, 2018	32,124,203	$ 68,730	$ 2,550	$ 440	$ (2,062)	$ (71,910)	$ (2,252)
Net loss	-	-	-	-	-	(568)	(568)
Share-based payments (note 7)	-	-	3	-	-	-	3
Warrants issued (note 5 (b))	-	-	-	271	-	-	271
Exercise of warrants (note 6)	7,582,577	824	-	(213)	-	-	611
Balance, March 31, 2018	**39,706,780**	**69,554**	**$ 2,553**	**$ 498**	**$ (2,062)**	**$ (72,478)**	**$ (1,935)**

Three months ended March 31, 2017	Common shares: Number of shares (note 6)	Common shares: Amount	Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total deficiency
Balance, January 1, 2017	15,857,225	$ 66,278	$ 2,511	$ 621	$ (2,062)	$ (70,691)	$ (3,343)
Net loss	-	-	-	-	-	(450)	(450)
Share-based payments (note 7)	-	-	7	-	-	-	7
Balance, March 31, 2017	15,877,225	66,278	$ 2,518	$ 621	$ (2,062)	$ (71,141)	$ (3,786)

See accompanying notes to unaudited consolidated interim financial statements

EO INC.

Unaudited Consolidated Interim Statements of Cash Flows
(In thousands of Canadian dollars)
Three months ended March 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Net loss	**$ (568)**	$ (450)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation of property and equipment	**10**	2
Amortization of domain properties and other intangible assets	**-**	38
Amortization of deferred lease inducement	**-**	(63)
Share-based payments (note 7)	**3**	7
Unrealized foreign exchange gain	**(4)**	(1)
Finance costs, net	**156**	141
Change in non-cash operating working capital (note 11)	**160**	327
Net cash from (used) in operating activities	**(243)**	1
Cash flows from financing activities:		
Repayment of loans and borrowing (note 5(b))	**(2,184)**	-
Issuance of promissory notes (note 5(b))	**1,534**	-
Proceeds from exercise of warrants (note 6)	**611**	-
Interest paid	**(353)**	-
Net cash used in financing activities	**(392)**	-
Cash flows from investing activities:		
Interest income received	**1**	-
Purchases of property and equipment	**(3)**	(48)
Net cash used in investing activities	**(2)**	(48)
Decrease in cash	**(637)**	(47)
Foreign exchange gain on cash held in foreign currency	**4**	1
Cash, beginning of the period	**891**	151
Cash, end of the period	**$ 258**	$ 105

See accompanying notes to unaudited consolidated interim financial statements

1. Corporate information:

EQ Inc. (“EQ Works”) (the "Company") North America’s leader in Location Behaviour data and Intelligence. The Company balances the many components that comprise the complex advertising ecosystem and establishes equilibrium for reaching the right audience at the right time through any web or mobile device. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 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 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, 2017 (the “2017 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 2017 financial statements, including the notes thereto.

The interim financial statements were authorized for issue by the Board of Directors on May 30, 2018.

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.

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. 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 revenue, being the Canadian dollar.

(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.

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.

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.

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" was issued in May 2016 and supersedes existing standards and interpretations including IAS 18. Revenue and IFRC 13, Customer Loyalty Programmes. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17, Leases. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods and services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods and services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The standard is effective for annual periods beginning on or after January 1, 2018.

(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.

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

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.

The Company had assessed the impact of these new standards and no adjustment was required.

3. Segment information:

The Company has one operating segment and report as such. 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 March 31,	
	2018	2017
Canada	**$ 760**	$ 672
United States	**122**	216
Outside North America	**-**	2
	$ 882	$ 890

For the three months ended March 31, 2018, there were two customers that comprised 16% and 14% of the Company's total revenue from operations. No other customers exceeded 10% of revenue. For the three months ended March 31, 2017, there was three customers that comprised 22%, 20% and 11%, respectively, of the Company's total revenue from operations.

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

4. Finance income and finance costs:

		Three months ended March 31, 2018		2017
Finance income:				
Interest income on cash and cash equivalents	**$**	**1**	$	-
Foreign exchange gain, net		**-**		6
Total finance income	**$**	**1**		6

		2018		2017
Finance costs:				
Other interest expense	**$**	**(1)**	$	(3)
Accretion on interest (note 5(b))		**(101)**		(88)
Interest on loans and borrowings (note 5(b))		**(55)**		(57)
Foreign exchange loss, net		**(10)**		-
Total finance costs	**$**	**(167)**		(148)

5. Loans and borrowings:

(a) Bank credit facilities:

The Company has a credit card facility with a Canadian chartered bank. As at March 31, 2018, $70 (2017 - $55) 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 (“2015 Notes”) in the amount of $1,421 due on November 25, 2016. The 2015 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 “2015 Bonus Warrants”) for each dollar of principal amount of 2015 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 at an exercise price of $0.10 per Bonus Share.

5. Loans and borrowings (continued):

(b) Promissory note payable (continued):

On August 18, 2016, the Company extended the maturity dates of $1,175, including accrued interest of $68, of the outstanding 2015 Notes from November 25, 2016 to February 18, 2018. $246 of the 2015 Notes were not extended and, including accrued interest of $22, classified as current liabilities. The extension of the maturity dates was considered a substantial change in terms of the loans and, accordingly, the Company calculated a gain on extinguishment of the 2016 Notes of $179 and a loss on extinguishment of the Bonus Warrants of $36, as the difference between the fair value of the 2016 Notes immediately after the amendment and the amortized costs of the 2015 Notes immediately prior to the extension.

On August 16, 2016, the Company cancelled the existing non-transferable 2015 Bonus Warrants with new warrants (“2015 Extended Bonus Warrants”) on a one-to-one basis.

On August 18, 2016, the Company completed the first tranche of a debt financing. Pursuant to the first tranche closing, the Company issued $1,155 non-convertible promissory notes (the “2016 Notes”). On November 18, 2016, the Company completed the second tranche of the 2016 Notes. Pursuant to this second tranche closing, the Corporation issued $345 non-convertible secured promissory notes. The 2016 Notes bear interest at a rate of 8% per annum, calculated annually, and have a maturity date of February 18, 2018.

In connection with the issuance of the 2016 Notes, the lenders received seven non-transferable warrants (the “2016 Bonus Warrants”) for each dollar of principal amount of 2016 Notes, with each 2016 Bonus Warrant being exercisable for a period of fifteen months from the date of issuance for one common share of the Company at an exercise price of $0.08 per Common Share.

On May 10, 2017 the Company entered into new promissory notes (the “2017 Notes”) in the amount of $765 due on December 31, 2018. The 2017 Notes, which are non-convertible, bear interest at an annual rate of 8% with principal and interest payment due on the maturity date. The lenders received seven non-transferable warrants (the “2017 Bonus Warrants”) for each dollar of principal amount of 2017 Notes, with each 2017 Bonus Warrant being exercisable for a period of twenty months from the date of issuance for one common share of the Company at an exercise price of $0.13 per common share.

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

5. Loans and borrowings (continued):

(b) Promissory note payable (continued):

The 2015 Notes, 2016 Notes and 2017 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% and 26.47% 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 February 19, 2018, the Company closed a debt financing of $1,534 non-convertible secured promissory notes (the ‘2018 Notes”) to certain arm’s length and non-arm’s length lenders. The 2018 Notes bear interest at a rate of 10% per annum, calculated annually, and mature August 19, 2019. A total of $889 of the 2015 Notes and 2016 Notes were repaid. The remaining $1,295 plus interest of $238 was extended to August 19, 2019.

In connection with the 2018 Notes, the lender received up to 2,300,578 non-transferable warrants (the “2018 Bonus Warrants”), with each 2018 Bonus Warrant being exercisable for a period of eighteen months from the date of issuance for one common share of the Company at an exercise price of $0.60 per common share.

The 2018 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.

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

5. Loans and borrowings (continued):

(b) Promissory note payable (continued):

The following table outlines the activity for loans and borrowings as at March 31, 2018:

		2018
Promissory notes balance, January 1,	**$**	**3,132**
Repayment of promissory notes		**(2,184)**
2018 Notes		**1,534**
2018 Bonus Warrants		**(271)**
Accretion of interest		**101**
Accrued interest		**55**
Interest paid		**(353)**
Total loans and borrowings	**$**	**2,014**
Current	**$**	**714**
Non-current		**1,300**

6. 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.

During the three months ended March 31, 2018, the Company received proceeds of approximately $611 as a result of the exercise of 7,582,577 warrants. Each warrant was converted into one common share. The bonus warrants were issued in connection with the Company's 2016 Notes and 2017 Notes, which were set to expire on February 18, 2018 and December 31, 2018, respectively. 7,502,854 of 2016 Bonus Warrants at $0.08 and 79,723 of 2017 Bonus Warrants at $0.13 were exercised.

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

7. Share-based payments:

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

	March 31, 2018		March 31, 2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of the period	1,405,000	$ 0.05	1,305,000	$ 0.05
Granted	-	-	-	-
Forfeited or cancelled	(25,000)	-	-	-
Outstanding, end of the period	1,380,000	$ -	1,305,000	0.05
Options exercisable, end of the period	589,996	$ -	300,000	$ -

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

	March 31, 2018			March 31, 2017		
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	1,370,000	3.7	589,996	1,305,000	4.7	300,000
$0.47	10,000	4.5	-	-	-	-

During the three months ended March 31, 2018, the Company recorded share-based payments of $3 compared to $7 during the same period in 2017.

During the three months ended March 31, 2018 and 2017, no stock options were granted and no stock options were exercised.

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

8. Fair values of financial instruments:

(a) 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:

March 31, 2018	Loans and receivables/ other financial liabilities	Carrying value total	Fair value total
Measurement basis	**Amortized cost**		
Financial assets:			
Cash	$ 258	$ 258	$ 258
Accounts receivable	826	826	826
	$ 1,084	$ 1,084	$ 1,084
Financial liabilities:			
Accounts payable and accrued liabilities	$ 1,239	$ 1,239	$ 1,239
Loans and borrowings	2,014	2,014	2,014
	$ 3,253	$ 3,253	$ 3,253

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

8. Fair values of financial instruments (continued):

(a) Classification of financial instruments: (continued)

December 31, 2017		Loans and receivables/other financial liabilities		Carrying value total		Fair value total
Measurement basis		Amortized cost				
Financial assets:						
Cash	$	891	$	891	$	891
Accounts receivable		1,292		1,292		1,292
	$	2,183	$	2,183	$	2,183
Financial liabilities:						
Accounts payable and accrued liabilities	$	1,494	$	1,494	$	1,494
Loans and borrowings		3,132		3,132		3,132
	$	4,626	$	4,626	$	4,626

There have been no transfers of assets between levels during the three months ended March 31, 2018 and 2017.

9. 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 as at 2018 from 2017.

10. 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 March 31, 2018, two customers represented 36% and 10% of the gross accounts receivable balance of $864, respectively. At March 31, 2017, three customers represented 16%, 15% and 14% of the gross accounts receivable balance of $658, respectively. The accounts receivable balance due from these significant customers were aged less than 30 days and classified as current at March 31, 2018. 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.

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

10. Financial risk management (continued):

(b) Liquidity risk (continued):

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

2018	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	>3 years
Trade and other payables(i)	**$ 1,239**	**$ 1,239**	**$ 1,239**	**$ -**	**$ -**
Operating leases	**678**	**678**	**125**	**553**	
Loans and borrowings	**2,014**	**2,629**	**865**	**1,764**	**-**
	$ 3,931	**$ 4,546**	**$ 2,229**	**$ 2,317**	**$ -**

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

11. Consolidated statements of cash flows:

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

	Three months ended March 31, **2018**	2017
Accounts receivable	**$ 466**	$ 319
Other current assets	**(42)**	15
Accounts payable and accrued liabilities	**(256)**	(24)
Deferred revenue	**(8)**	17
	$ 160	$ 327

12. Related party transactions and balances:

On February 19, 2018, the Company closed a debt financing of $1,534 non-convertible secured promissory notes (the '2018 Notes") to certain arm's length and non-arm's length lenders. $773 of such promissory notes having been subscribed for by officers and directors of the Corporation.

During the three months ended March 31, 2018, 5,782,537 of warrants were exercised by officer and director of the Company for a total proceeds of $463. The exercise price of the warrants was $0.08 per share.

13. Subsequent event

Subsequent to the quarter ended March 31, 2018, the Board of Directors of the Corporation has adopted an amended and restated stock option plan (the "Stock Option Plan") so as to convert the previously adopted 20% fixed plan into a 10% rolling plan and was approved by the shareholders at the Annual General Meeting on May 24, 2018.