Consolidated Financial Statements

AirIQ Inc.

Year ended March 31, 2016 and
Year ended March 31, 2015

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of **AirIQ Inc.** are the responsibility of management. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). When alternative accounting methods exist, management chooses those it deems to be most appropriate in the circumstances. The consolidated financial statements include amounts that are based on management's best estimates and best judgments. Management has determined these amounts in a reasonable way in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has also prepared the financial information presented elsewhere in the annual report, and has ensured that it is consistent with that contained in the consolidated financial statements.

Management maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and the Company's assets are appropriately accounted for and adequately safeguarded. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and has ultimate responsibility for examining and approving the consolidated financial statements. The Board of Directors exercises this responsibility principally through its Audit Committee. The Audit Committee met with management as well as with the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to ensure that all parties carry out their duties correctly, and to examine the consolidated financial statements and the external auditors' report.

The Board of Directors and the Audit Committee of the Company have reviewed and approved these annual consolidated financial statements as well as Management's Discussion and Analysis of Financial Condition and Results of Operations. The Audit Committee reviews the consolidated financial statements with management and the external auditors, and recommends the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the Company's independent auditor, McGovern, Hurley, Cunningham, LLP, in accordance with Canadian generally accepted auditing standards. The independent auditor, having been appointed by the Company's Shareholders to serve as the Company's independent auditor, was given full and unrestricted access to the Audit Committee to discuss matters related to their audit and the reporting of information.

The Board of Directors has approved the Company's consolidated financial statements on the recommendation of the Audit Committee.

"Michael Robb"

Michael Robb
President and Chief Executive Officer
and Chief Financial Officer

July 13, 2016

McGovern, Hurley, Cunningham, LLP
Chartered Accountants

2005 Sheppard Avenue East, Suite 300
Toronto, Ontario
M2J 5B4, Canada
Phone 416-496-1234
Fax 416-496-0125
Web www.mhc-ca.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AirIQ Inc.:

We have audited the accompanying consolidated financial statements of AirIQ Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at March 31, 2016 and 2015, and the consolidated statements of income and comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity (deficiency) for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AirIQ Inc. and its subsidiaries as at March 31, 2016 and 2015, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

McGOVERN, HURLEY, CUNNINGHAM, LLP

McGovern, Hurley, Cunningham, LLP

Chartered Accountants
Licensed Public Accountants

TORONTO, Canada
July 13, 2016

AirIQ Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	31-Mar-2016 $	31-Mar-2015 $
ASSETS		
Current assets		
Cash and cash equivalents (note 5)	**108**	186
Prepaid expenses and deposits	**49**	146
Trade and other receivables (note 16)	**480**	374
Inventory (note 6)	**89**	74
Costs of deferred revenues (note 8)	**303**	207
Total current assets	**1,029**	987
Non-current assets		
Software (note 7)	**445**	274
Rental units (note 7)	**355**	189
Property, plant and equipment (note 7)	**20**	1
Costs of deferred revenues (note 8)	**121**	103
Total non-current assets	**941**	567
Total assets	**1,970**	1,554
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (notes 13 and 16)	**442**	569
Deferred revenue (note 8)	**639**	524
Total current liabilities	**1,081**	1,093
Non-current liabilities		
Deferred revenue (note 8)	**234**	241
Total non-current liabilities	**234**	241
Total liabilities	**1,315**	1,334
Shareholders' equity (deficiency)		
Share capital (note 10(a))	**91,375**	91,375
Other paid-in capital (note 10(c))	**4,483**	4,483
Contributed surplus (note 10(b))	**2,699**	2,663
Deficit	**(97,902)**	(98,301)
Total shareholders' equity	**655**	220
Total liabilities and shareholders' equity	**1,970**	1,554

Commitments and contingencies (note 14)

Authorized for issue on behalf of the Board: *"Vernon Lobo"* Director *"Donald Gibbs"* Director

See accompanying notes

AirIQ Inc.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands of Canadian dollars except per share amounts)

	Year ended March 31, 2016 $	Year ended March 31, 2015 $
Revenues	**3,316**	2,795
Direct cost of sales (notes 6 and 7)	**1,465**	1,128
Gross profit	**1,851**	1,667
Expenses		
Sales and marketing	**470**	493
Research and development	**102**	184
General and administration	**724**	674
Foreign exchange loss (gain)	**31**	(43)
Total expenses	**1,327**	1,308
Operating profit before other expenses	**524**	359
Other expenses		
Interest expense (note 9(b))	**—**	46
Depreciation and amortization (note 7)	**112**	111
Impairment of long lived assets (note 7)	**13**	—
Total other expenses	**125**	157
Net income and comprehensive income for the year	**399**	202
Net income per share (basic and diluted) (note 19)	**0.01**	0.01

See accompanying notes

AirIQ Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands of Canadian dollars)

	Year ended March 31, 2016 $	Year ended March 31, 2015 $
Cash flows from operating activities		
Net income for the year	**399**	202
Adjustments to reconcile loss before tax to net cash used in operating activities		
Stock based compensation (note 11)	**36**	30
Depreciation of property, plant and equipment (note 7)	**178**	130
Amortization of customer contracts	**—**	10
Amortization of costs of deferred revenues	**311**	216
Impairment of long lived assets	**13**	—
Interest expense	**—**	14
Accretion expense on loan (note 9)	**—**	32
Changes in non-cash balances related to operations		
Trade and other receivables	**(106)**	(88)
Inventory	**(15)**	(32)
Prepaid expenses and deposits	**97**	(118)
Accounts payable and accrued liabilities	**(127)**	21
Deferred revenue	**108**	302
Cost of deferred revenues	**(425)**	(344)
Total cash inflows from operating activities	**469**	375
Cash flows from investing activities		
Software	**(279)**	(122)
Rental units	**(245)**	(147)
Property, plant and equipment	**(23)**	(1)
Total cash (outflows) from investing activities	**(547)**	(270)
Cash flows from financing activities		
Repayment of employee share loan (note10(d))	**—**	112
Repayment of loan (note 9)	**—**	(100)
Interest paid	**—**	(14)
Total cash (outflows) from financing activities	**—**	(2)
Net change in cash and cash equivalents	**(78)**	103
Cash and cash equivalents at beginning of year	**186**	83
Cash and cash equivalents at end of year	**108**	186

See accompanying notes

AirIQ Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(in thousands of Canadian dollars)

	Share capital $	Other paid-in capital $	Contributed surplus $	Deficit $	Share Purchase Loan Receivable $	Total $
Balance March 31, 2014	**91,382**	**4,483**	**2,633**	**(98,503)**	**(119)**	**(124)**
Net Income for the year	—	—	—	**202**	—	**202**
Repayment of employee share loan	—	—	—	—	**112**	**112**
Shares returned to treasury	**(7)**	—	—	—	**7**	—
Stock based compensation	—	—	**30**	—	—	**30**
Balance March 31, 2015	**91,375**	**4,483**	**2,663**	**(98,301)**	—	**220**
Net Income for the year	—	—	—	**399**	—	**399**
Stock based compensation	—	—	**36**	—	—	**36**
Balance March 31, 2016	**91,375**	**4,483**	**2,699**	**(97,902)**	—	**655**

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars except share and per share amounts)

Years ended March 31, 2016 and 2015

1. CORPORATE INFORMATION

AirIQ Inc. ("AirIQ" or the "Company") is a public company that trades on the TSX Venture Exchange ("TSXV"), under the symbol "IQ". The Company was formed under the *Canada Business Corporations Act*. The Company's principal business is to develop and operate an asset management system using specialized software, digitized mapping, wireless communications, the internet and the Global Positioning System ("GPS"). The Company's head office is located at 1845 Sandstone Manor, Unit 10 in Pickering, Ontario.

These consolidated financial statements have been authorized for issue by the Board of Directors on July 13, 2016.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company for the year ended March 31, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and its interpretations.

The preparation of consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment of complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

These consolidated financial statements have been prepared on a historical cost basis except for cash equivalents which are carried at fair value. In addition, the consolidated financial statements are prepared using the accrual basis of accounting except for cash flow information.

These consolidated financial statements are presented in Canadian dollars, which is also the Company's functional currency, and all values are rounded to the nearest thousand (CDN $'000), unless otherwise indicated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars except share and per share amounts)

Years ended March 31, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been consistently applied to all periods presented.

a) **Basis of consolidation**

Subsidiaries are those entities where the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power, either directly or indirectly, to direct the financial and operating policies of the entity. These consolidated financial statements include the accounts of AirIQ and its wholly-owned subsidiaries, AirIQ U.S. Holdings, Inc. (“AirIQ Holdings”), AirIQ U.S., Inc. (“AirIQ USA”), and AirIQ, LLC (“AirIQ LLC”). All inter-company balances and transactions have been eliminated on consolidation.

b) **Inventory**

Inventory is valued initially at cost and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition using a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow moving inventory is identified and written down to estimated net realizable values.

c) **Software, rental units and property, plant and equipment**

Software, rental units and property, plant and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on the following estimated useful lives:

Software	5 years
Rental units	5 years
Office equipment	5 years
Leasehold improvements	term of the lease

d) **Cash and cash equivalents**

Cash and cash equivalents consist of cash on deposit and highly liquid investments subject to minimal risk of changes in value and which have original maturities of three months or less at the date of purchase. Changes in the fair value of the Company’s cash and cash equivalents are included in interest income each period. Cash equivalents are designated as at fair value through profit and loss, which are measured at fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

e) Costs of deferred revenues

Costs of deferred revenues relate to hardware equipment installed in customer vehicles that is used to communicate information for the provision of telematics services. These costs are an integral component of the service offering and are amortized over the life of the service contract. Costs of deferred revenues are reviewed for recoverability each period and losses on unprofitable contracts are recognized in the period they are identified.

Costs of deferred revenues are stated at cost less accumulated amortization. Amortization is calculated over the life of the initial service contract term.

f) Impairment of non-financial assets

Impairment tests on non-financial assets, including software, rental units, property, plant and equipment and intangible assets including customer contracts and costs of deferred revenues are subject to impairment tests at least annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the consolidated statement of income.

g) Revenue recognition

The Company earns revenue through the supply of GPS solutions for asset management services in the commercial and consumer markets. Revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. Consideration received from customers in advance is recorded as deferred revenue.

Provided the amount of revenue can be measured reliably and it is probable that the Company will receive any consideration, revenue for services is recognized in the period in which they are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

g) Revenue recognition continued

The principal sources of revenue to the Company and recognition of these revenues are as follows:

(i) Revenue from equipment sold in connection with service contracts are recorded as deferred revenue and recognized over the initial term of the service contract.
(ii) Revenue from equipment leased is recorded on a straight-line basis over the term of the lease.
(iii) Revenue from equipment sold with a month to month service plan is recognized at the time of the sale.
(iv) Revenue from providing wireless based services is recognized when the services are provided.
(v) Revenue from the sale of component parts and lost units are recognized in the period in which they are sold.
(vi) Payments received from customers in advance of revenue recognition are recorded as deferred revenue and recognized as the services are provided.

h) Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred unless a project meets the criteria of an intangible asset. As at March 31, 2016 and 2015 the Company has no development costs that met such criteria.

i) Share-based payments

The Company has an employee share-based payment plan that is described in note 11.

As part of its remuneration, the Company grants stock options and warrants to buy common shares of the Company to its employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

i) Share-based payments continued

All share-based remuneration is ultimately recognized as an expense in the consolidated statements of income and comprehensive income with a corresponding credit to contributed surplus. Upon exercise of share options, the proceeds received net of any directly attributable transactions costs and the amount originally credited to contributed surplus are allocated to share capital. When options expire unexercised the related value remains in contributed surplus.

j) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each statement of financial position date, foreign currency monetary assets and liabilities are translated using the reporting date foreign exchange rate. Foreign currency non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in consolidated statement of income.

k) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in consolidated statement of income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or recoverable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

l) Income per share
Basic income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period after giving effect to potentially dilutive financial instruments.

m) Financial instruments
Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus directly attributable transactions costs, except for financial assets and financial liabilities carried at fair value through net income, which are measured initially at fair value.

The Company's financial assets and liabilities are generally classified and measured as follows:

Asset/liability	Category	Measurement
Cash	Loans and receivables	Amortized cost
Cash equivalents	Fair value through profit and loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Loan and promissory notes	Other financial liabilities	Amortized cost

Loans and receivables and other financial liabilities are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Company will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net of provisions for doubtful accounts. Such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the consolidated statement of comprehensive loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

m) Financial instruments continued

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of March 31, 2016 and 2015, the Company's cash equivalents are measured at Level 2 in the fair value hierarchy.

Transaction costs incurred in the course of raising debt financing are netted against the carrying value of the liability and then amortized over the expected life of the instrument using the effective interest rate method to expense interest over the period to maturity of the related debt. Other transaction costs incurred are included in the consolidated statement of income.

n) Warranty

The Company has provided a warranty on its hardware devices against defects in material and workmanship, with the exception of defects caused by abuse, misuse, accident, alteration, modification, neglect or incorrect installation, operation or removal of the equipment, for a period of one (1) year from the date of installation or purchase. The Company's obligation during the warranty period is to either replace or repair a defective unit, at its sole option. Estimated costs associated with the repair or replacement are included in the Company's direct cost of sales.

o) New accounting policies

The Company has adopted the following new standards, along with any consequential amendments, effective April 1, 2015. These changes were made in accordance with the applicable transitional provisions.

IFRS 13 – Fair Value Measurement ("IFRS 13") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32. The amendment is effective for annual periods beginning on or after July 1, 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

o) New accounting policies continued

IAS 24 – Related Party Disclosures ("IAS 24") was amended to clarify that an entity providing key management services to the reporting entity or the parent of the reporting entity is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. The amendments to IAS 24 are effective for annual periods beginning on or after July 1, 2014.

p) Future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after April 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9") was issued by the IASB in November 2009 with additions in October 2010 and May 2013 and will replace IAS 39 Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within net income (loss). The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") proposes to replace IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2017. Earlier adoption is permitted.

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. The amendments are effective for annual periods beginning on or after January 1, 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

p) **Future accounting policies continued**

IAS 38 - Intangible Assets ("IAS 38") and IAS 16 – Property, Plant and Equipment ("IAS 16"), were amended in May 2014 to introduce a rebuttable presumption that the use of revenue-based amortization methods is inappropriate. The amendments are effective for annual periods beginning on or after January 1, 2016.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The most significant estimates and assumptions made by management in the preparation of the Company's consolidated financial statements are outlined below.

a) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

b) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, forfeiture rate and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 11.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

c) Warranty
The Company uses historical warranty claim information, as well as recent trends that might suggest that post cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Company's productivity and quality initiatives, as well as parts and labour costs. Actual claims costs may differ from management's estimates depending upon whether the actual claims costs were significantly different than the estimates.

d) Impairment
An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

e) Useful Lives of Depreciable Assets
Management reviews the useful lives of depreciable assets including software, rental units, property, plant and equipment and customer contracts at each reporting date based on the expected utility of the assets to the Company. Actual results, however, may vary due to technical obsolescence. Details of the software, rental units and property, plant and equipment are provided in note 7.

f) Inventory
Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's business is subject to technology changes which may cause selling prices to change rapidly. Moreover, future realization of the carrying amounts of inventory assets is affected by price changes in different market segments. Details of the inventory balances are provided in note 6.

g) Revenue recognition
The recognition of revenue from multiple component arrangements requires management to assess if the arrangements have separately identifiable components. The sale of equipment in connection with service contracts and the service contracts themselves are considered linked and are not separable; therefore these elements are combined and recognized as a whole transaction.

(in thousands of Canadian dollars except share and per share amounts)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

h) Legal claims

The Company recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the consolidated financial statements could have a material effect on the Company's financial position. Application of these accounting principles to legal cases requires the Company's management to make determinations about various factual and legal matters beyond its control. The Company reviews outstanding legal cases, following developments in the legal proceedings, and at each reporting date in order to assess the need for provisions and disclosures in its consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of the litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment.

5. CASH AND CASH EQUIVALENTS

Cash at banks and on hand earns interest at floating rates based on daily bank deposit rates.

	31-Mar-2016 **$**	**31-Mar-2015** **$**
Cash	**108**	171
Restricted cash equivalents	**—**	15
	108	186

Restricted cash equivalents is comprised of restricted cash in support of a letter of credit guaranteeing payment of services for a supplier of the Company. In April 2015, the irrevocable standby letter of credit for $15 was released.

6. INVENTORY

Inventory consists of components used to assemble hardware equipment and finished goods. For the year ended March 31, 2016, the amount of inventory recognized as an expense in cost of goods sold was $882 (2015 – $547). Inventory is valued at the lower of cost or net realizable value. As at March 31, 2016 and 2015, al1 inventory was carried at cost.

(in thousands of Canadian dollars except share and per share amounts)

7. SOFTWARE, RENTAL UNITS AND PROPERTY, PLANT AND EQUIPMENT

Software, rental units and property, plant and equipment consist of the following:

	Software $	Rental units $	Office equipment $	Leasehold improvements $	Total $
Cost					
Balance at March 31, 2014	**705**	**124**	**52**	**84**	**965**
Additions for the year	122	147	1	—	270
Balance at March 31, 2015	**827**	**271**	**53**	**84**	**1,235**
Assets retired for the year	**(395)**	**—**	**(53)**	**(84)**	**(532)**
Additions for the year	**279**	**245**	**18**	**5**	**547**
Impairment for the year	**—**	**(68)**	**—**	**—**	**(68)**
Balance at March 31, 2016	**711**	**448**	**18**	**5**	**1,182**
Depreciation and impairment losses					
Balance at March 31, 2014	**471**	**53**	**52**	**65**	**641**
Depreciation for the year	82	29	—	19	130
Balance at March 31, 2015	**553**	**82**	**52**	**84**	**771**
Assets retired for the year	**(395)**	**—**	**(53)**	**(84)**	**(532)**
Depreciation for the year	**108**	**66**	**3**	**1**	**178**
Impairment for the year	**—**	**(55)**	**—**	**—**	**(55)**
Balance at March 31, 2016	**266**	**93**	**2**	**1**	**362**
Carrying amounts					
At March 31, 2015	274	189	1	—	464
At March 31, 2016	**445**	**355**	**16**	**4**	**820**

Depreciation expense for software, rental units and property, plant and equipment for the year ended March 31, 2016 is $178 (2015 - $130) of which $66 (2015 - $29) is included in direct cost of sales relating to rental units.

The Company continues to assess the carrying value of its software, rental units and property, plant and equipment and determines whether they are impaired. The impairment charge for the year ended March 31, 2016 is $13 (2015 – $nil).

(in thousands of Canadian dollars except share and per share amounts)

8. DEFERRED REVENUE AND COSTS OF DEFERRED REVENUES

	Deferred revenue $	Costs of deferred revenues $
Balance, March 31, 2014	**463**	**182**
At March 31, 2014:		
Current	326	129
Non-current	137	53
Changes during the year:		
Deferred during the year	881	344
Released to the consolidated statements of income	(579)	(216)
Balance, March 31, 2015	**765**	**310**
At March 31, 2015:		
Current	524	207
Non-current	241	103
Changes during the year:		
Deferred during the year	**903**	**425**
Released to the consolidated statements of income	**(795)**	**(311)**
Balance, March 31, 2016	**873**	**424**
At March 31, 2016:		
Current	**639**	**303**
Non-current	**234**	**121**

The Company assesses the carrying value of its costs of deferred revenues at least annually or whenever events or changes in circumstances indicate that their carrying value may be impaired. As a result of the assessment, the Company recorded no impairment charge for the years ended March 31, 2016 and 2015.

9. FINANCING

(a) Credit Facility
On December 15, 2014, the Company announced the establishment of a revolving demand facility with Royal Bank of Canada ("RBC"). The credit facility is a standard operating line with certain covenants, including a first priority general security over the Company's assets. In connection with the facility, the Company's lender, Mosaic Capital Partners, L.P. ("Mosaic"), agreed to subordinate its security interest to the Bank. As at March 31, 2016 and 2015, $nil has been drawn from this demand credit facility.

(b) Loan

On December 17, 2013, the Company entered into a credit agreement with Mosaic for a loan of $100 (the "Loan"). Pursuant to the terms of the credit agreement, the Company executed a promissory note in favour of Mosaic for $100. The Loan had a maturity date of June 17, 2015 and bore interest at a rate of 15% per annum, calculated daily and payable monthly in arrears. The Company paid a fee of $5 to Mosaic in connection with the advance of the Loan. The work fee was recorded against the carrying value of the Loan to be accreted over the term of the Loan. The amount accreted as an expense for the year ended March 31, 2016 related to the work fee is $nil (2015 - $4). Interest only was payable on the Loan on a monthly basis, and the Loan was secured by a charge over all of AirIQ's property and assets. The Loan was not convertible into shares of the Company.

In consideration of the Loan, the Company issued 700,000 warrants to Mosaic to purchase up to 700,000 common shares of the Company (the "Warrants") at an exercise price of $0.05 per share. The Warrants will expire on December 17, 2018. The Warrants were valued at $35 (see note 10(c) – Share Capital and Reserves – Other paid-in capital) and recorded against the carrying value of the Loan to be accreted over the term of the Loan. The amount accreted as an expense for the year ended March 31, 2016 related to the Warrants is $nil (2015 - $28). Concurrent with this Loan and the issuance of the Warrants, Mosaic agreed to cancel warrants to purchase up to 133,333 common shares of the Company which were granted to Mosaic on November 30, 2009 as part of a financing.

Mosaic is a shareholder of the Company and Vernon Lobo, a director and Chairman of AirIQ, is a managing director of Mosaic. During the Company's approval of the Loan, Mr. Lobo declared his conflict on the matter and abstained from voting.

On February 26, 2015, the Company repaid the Loan in full, and the Company is no longer indebted to Mosaic.

The Company paid Mosaic a total of approximately $nil related to interest on the Loan during the year ended March 31, 2016 (2015 - $14), which is included in interest expense in the consolidated statement of income.

(in thousands of Canadian dollars except share and per share amounts)

10. SHARE CAPITAL AND RESERVES

a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital during the years ended March 31, 2016 and 2015:

	Number of Shares #	Issue Price $	Amount $
Balance at March 31, 2014	**29,058,947**		**91,382**
Shares cancelled and returned to treasury	(130,000)	0.05	(7)
Balance at March 31, 2015	**28,928,947**		**91,375**
Balance at March 31, 2016	**28,928,947**		**91,375**

On May 14, 2014, the Company cancelled a share purchase loan receivable on termination of an employee in the amount of $7, and returned to treasury a total of 130,000 common shares (see note 10(d) – Share Capital and Reserves – Share purchase loans receivable).

As of March 31, 2016, the Company had a total of 28,928,947 common shares issued and outstanding.

b) Contributed Surplus

The following is a summary of changes in contributed surplus during the years ended March 31, 2016 and 2015:

	$
Balance at March 31, 2014	**2,633**
Stock-based compensation charge	30
Balance at March 31, 2015	**2,663**
Stock-based compensation charge	**36**
Balance at March 31, 2016	**2,699**

(in thousands of Canadian dollars except share and per share amounts)

10. SHARE CAPITAL AND RESERVES continued

c) Other paid in capital

As at March 31, 2016, the Company had outstanding warrants as follows:

Number of warrants	Exercise price	Expiry Date
700,000	**$0.05**	**December 17, 2018**

On December 17, 2013, in consideration of a $100 loan from Mosaic to the Company, the Company issued 700,000 warrants to purchase 700,000 common shares in the capital of the Company at a price of $0.05 per share (note 10(c) – Financing – Loans). On the same date, Mosaic and the Company agreed to cancel 133,333 warrants issued to Mosaic with an exercise price of $4.00 per warrant, unexercised. The 133,333 warrants were issued to Mosaic on November 30, 2009 in connection with a private placement and would have expired on November 30, 2014. The TSXV agreed to the cancellation of the 133,333 warrants and the issuance of the 700,000 warrants.

No warrants were granted during the years ended March 31, 2016 and 2015.

The fair value of the warrants at the date of issue was estimated using a Black-Scholes option pricing model that takes into account the exercise price, the term of the warrant, the impact of dilution, the share price at issue date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the warrant.

The model inputs for warrants granted during the year ended March 31, 2014 included:

Issue Date	Expiry Date	Share Price at Issue Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
17-Dec-2013	17-Dec-2018	$0.05	$0.05	3%	60 months	233%	nil%

d) Share purchase loans receivable

On December 12, 2013, the Company entered into loan agreements with its employees and consultants in the aggregate amount of $156 to facilitate the purchase of shares of the Company pursuant to the December 17, 2013 private placement. A total of 3,111,000 common shares were purchased by the employees and consultants pursuant to such private placement at a price of $0.05 per share. The loans were interest free and principal only was repayable in equal monthly or bi-monthly installments over a one year term. The loans were secured solely with the pledge of the shares purchased with the loan proceeds and were otherwise non-recourse loans. During the year ended March 31, 2015, the outstanding balances on the employee loans were assigned to the holding companies of Messrs. Michael Robb and Vernon Lobo, two of the directors of the Company. On February 24, 2015, all of the share purchase loans were repaid in full, and the shares held as security for such loans, were released to their respective owners.

(in thousands of Canadian dollars except share and per share amounts)

10. SHARE CAPITAL AND RESERVES continued

d) Share purchase loans receivable continued

Shares purchased with these loans have been accounted for as share based compensation expense as the only security for the loans are the issued Company shares. Share based compensation expense of $nil was recorded for the year ended March 31, 2016 in relation to the share purchase loans (2015-$nil)

The fair value of the loan arrangements was determined using the Black-Scholes option pricing model that takes into account the share price at the date the loans were issued, the term of the loan, the impact of dilution, the purchase price of the shares and expected price volatility of the shares, the expected dividend yield and the risk free interest rate for the term of the loans.

The model inputs for the loan arrangement issued during the year ended March 31, 2014 included:

Issue Date	Due Date	Share Price at Issue Date	Purchase Price	Risk-Free Interest Rate	Expected Life	Volatility Factor	Dividend Yield
17-Dec-2013	31-Dec-2014	$0.05	$0.05	3.61%	12 months	173%	nil%

e) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's consolidated statements of financial position include 'Other paid-in capital', 'Contributed surplus', 'Share purchase loans receivable' and 'Accumulated deficit'.

'Other Paid-In Capital' is used to recognize the value of share warrants prior to exercise.

'Contributed Surplus' is used to recognize the value of share option grants prior to exercise.

'Share Purchase Loans Receivable' is used to record the value of loans issued to purchase shares of the Company and their related repayments.

'Accumulated Deficit' is used to record the Company's change in deficit from earnings from period to period.

11. SHARE-BASED PAYMENTS

a) **Option Plan Details**

The Company has an incentive stock option plan (the "Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company. Under the Plan, the Company is authorized to issue options for common shares in aggregate up to 10% of the number of common shares of the Company outstanding from time to time. Any increase in the issued and outstanding common shares will result in an increase in the available number of common shares issuable under the Plan, and any exercise of options will make new grants available under the Plan, effectively resulting in a re-loading of the number of options available to grant under the Plan. The terms of the Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the average closing price of the shares on the trading exchange for the 10 trading days immediately preceding the date of grant of the options. Options under the Plan are typically granted by the Board of Directors for a term of 10 years, consistent with the terms of the Plan. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. The vesting period for options granted to employees of the Company is typically four years with 25% vesting after the first year from the date of grant, and 6.25% vesting in each quarter thereafter. Board and Committee member options typically vest over a one-year period; 25% each quarter from the date of grant. Under the Plan, in the absence of any determination by the Board of Directors, the earliest exercise date for options granted under the Plan is one year from the date of grant, at which time 25% of the options granted shall vest, following which 2.0833% of options granted vest each month thereafter. Pursuant to the Plan, options granted to eligible employees and consultants terminate and are no longer exercisable upon the earlier of (a) 12 months after the death, disability or retirement of an option holder, or (b) the end of the option term, or (c) 30 days after termination of employment without cause or immediately in the event such employee or consultant is terminated for cause. Options granted to eligible directors terminate and are no longer exercisable upon the earlier of (i) twelve months after the death of the option holder; and (ii) the latest exercise date of the option.

As at March 31, 2016, the Company has reserved 2,892,895 (2015 – 2,892,895) common shares for future issuance under the Plan, representing 10% of the issued and outstanding common shares of the Company as of such date.

On March 24, 2016, the Company granted options to the Chief Executive Officer to purchase up to 490,000 common shares in the capital of the Company at an exercise price of $0.11 per share. These options have a term of ten years, vest over four years from the date of grant; 25% the first year and 6.25% each quarter thereafter, and will expire on March 24, 2026.

On September 16, 2015, the Company granted options to the non-executive Board members to purchase in aggregate up to 250,000 common shares in the capital of the Company at an exercise price of $0.07 per share. These options have a term of ten years, vest over one year from the date of grant; 25% each quarter, and will expire on September 16, 2025.

(in thousands of Canadian dollars except share and per share amounts)

11. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

On February 4, 2015, the Company granted options to the Chief Executive Officer to purchase up to 300,000 common shares in the capital of the Company at a price of $0.06 per share. These options have a term of ten years, vest over four years from the date of grant; 25% the first year and 6.25% each quarter thereafter, and will expire on February 4, 2025.

On September 17, 2014, the Company granted options to the non-executive Board members to purchase in aggregate up to 250,000 common shares in the capital of the Company at a price of $0.08 per share. These options have a term of ten years, vest over one year from the date of grant; 25% each quarter, and will expire on September 17, 2024.

The Company recorded share-based compensation expense of approximately $36 (2015 - $30), of which $14 related to options granted during the year ended March 31, 2016 (2015 - $30).

Share option activity within the Plan is as follows:

	Year Ended 31-Mar-2016		**Year Ended 31-Mar-2015**	
	Number of options	**Weighted average exercise price**	**Number of options**	**Weighted average exercise price**
	#	$	#	$
Outstanding options, beginning of year	**2,217,718**	**0.32**	1,671,430	0.44
Granted	**740,000**	**0.10**	550,000	0.07
Expired	**65,138**	**4.25**	(3,712)	17.25
Outstanding options, end of year	**2,892,580**	**0.18**	2,217,718	0.32
Exercisable, end of year	**1,990,080**	**0.21**	1,605,218	0.42

No common shares of AirIQ were issued from treasury pursuant to the exercise of stock options issued under the Company’s Plan for either of the years ended March 31, 2016 or 2015.

(in thousands of Canadian dollars except share and per share amounts)

11. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

Outstanding and exercisable options under the Plan as at March 31, 2016 are summarized as follows:

		Outstanding		Exercisable	
Exercise price range $	**Number outstanding** #	**Weighted average exercise price** $	**Weighted remaining contractual life (years)**	**Number outstanding and exercisable** #	**Weighted average exercise price** $
0.05 — 1.60	**2,865,627**	**0.11**	**7.38**	**1,963,127**	**0.13**
6.00 — 8.00	**26,953**	**6.67**	**0.97**	**26,953**	**6.67**
	2,892,580	**0.18**	**7.32**	**1,990,080**	**0.21**

b) Fair Value of Options Issued During the Year

The weighted average fair value at grant date of options granted during the year ended March 31, 2016 was $0.09 per option (2015 - $0.06).

c) Options Issued to Employees

The fair value at grant date is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The model inputs for options granted during the year ended March 31, 2016 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Expected Volatility Factor	Expected Dividend Yield
24-Mar-16	24-Mar-26	$0.105	$0.11	3.61%	120 months	181%	nil%
16-Sep-15	16-Sep-25	$0.065	$0.07	3.61%	120 months	181%	nil%

The model inputs for options granted during the year ended March 31, 2015 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Expected Volatility Factor	Expected Dividend Yield
04-Feb-15	04-Feb-25	$0.05	$0.06	2.26%	10 years	233%	0%
17-Sep-14	17-Sep-24	$0.08	$0.08	2.26%	10 years	232%	0%

The expected price volatility is based on the historic volatility (based on the expected life of the options). No options have been exercised during the years ended March 31, 2016 or 2015.

(in thousands of Canadian dollars except share and per share amounts)

12. NATURE OF EXPENSES

	Year ended March 31, 2016 $	**Year ended March 31, 2015 $**
Salaries and benefits	**631**	657
Consulting	**185**	149
Computer operating	**131**	135
Commercial, officer and director insurance	**68**	75
Rent and maintenance	**57**	107
Legal fees, audit and tax	**41**	56
Public reporting costs	**36**	40
Stock-based compensation – Directors' fees	**24**	10
– Employees, consultants	**12**	20
Other	**142**	59
	1,327	1,308

13. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, and enterprises that are controlled by these individuals, as well as certain person performing similar functions.

The following is a summary of the Company's related party transactions during the years ended March 31, 2016 and 2015:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Year ended March 31, 2016 $	**Year ended March 31, 2015 $**
Consulting fees and benefits	**129**	129
Share-based payments	**31**	30
	160	159

(in thousands of Canadian dollars except share and per share amounts)

13. RELATED PARTY TRANSACTIONS continued

(a) Key Management Compensation continued

The Company has also identified MR Accounting & Bookkeeping Inc. as a related party as this corporation has an officer in common with the Company and is controlled by such officer. The Company owed MR Accounting & Bookkeeping Inc. $11 as at March 31, 2016 (2015 - $nil).

(b) Related Party Transactions

The Company has also identified Mosaic as a related party as this corporation has a director in common with the Company. During the year ended March 31, 2016, Mosaic was paid $nil relating to the Loan and approximately $nil related to work fees and interest as per the Loan (note 9(c)) (2015 - $100 and $14).

The Company has identified DRGibbs and Associates as a related party as this corporation has a director in common with the Company and is controlled by such director. The Company owed DRGibbs and Associates $36 at March 31, 2016 (2015 - $36) which is included in accounts payable and accrued liabilities. The Company is also owed $36 from Mr. Gibbs at March 31, 2016 (2015 - $36) which is included in trade and other receivables.

See also notes 9, 10 and 14.

14. COMMITMENTS AND CONTINGENCIES

(a) Leases relate to office lease terms of 24 months payable in monthly instalments in advance. As of March 31, 2016 and 2015, there are no annual lease payments under capital lease.

The Company leases its office space and the future minimum annual operating lease payments for office space are as follows:

	$
2017	43
	43

(b) During the year ended March 31, 2015, **t**he Company had an outstanding irrevocable standby letter of credit of $15 as security for a certain supply agreement (note 5). In April of 2015, the irrevocable standby letter of credit was released.

(c) The Company is party to certain employee and management contracts. The Company has minimum contractual commitments with these contracts of $60, all due within one year.

(in thousands of Canadian dollars except share and per share amounts)

14. COMMITMENTS AND CONTINGENCIES continued

(d) The Company, in the course of its normal operations, is subject to claims, lawsuits, patent infringement claims and contingencies. Accruals are made in instances where it is probable that liabilities may be incurred and where such liabilities can be reasonably estimated. Although it is possible that liabilities may be incurred in instances for which no accruals have been made, the Company has no reason to believe that the ultimate outcome of these matters would have a significant impact on its consolidated financial position.

15. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory income tax rates of 26.5% (2015 – 26.5%) to income tax expense is as follows:

	Year ended 31-Mar-2016 $	**Year ended 31-Mar-2015** $
Net income from operations	**404**	202
Tax at combined federal and provincial tax rates	**107**	54
Foreign tax differential	**50**	226
Tax effect of expenses not deductible for income tax purposes	**—**	(81)
Expiration of non-capital loss	**—**	1,446
Other	**22**	(17)
Change in deferred tax assets not recognized relating to comprehensive loss	**(179)**	(1,628)
	—	—

The tax effect of temporary differences that give rise to deferred tax assets and liabilities in Canada at March 31, 2016 and 2015 are as follows:

	31-Mar-2016 $	**31-Mar-2015** $
Deferred tax assets (liabilities) recognized:		
Service contracts	**(112)**	(82)
Tax loss carryforwards	**112**	82
Deferred income tax liability	**—**	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands of Canadian dollars except share and per share amounts)

Years ended March 31, 2016 and 2015

15. INCOME TAXES continued

Deferred income tax assets have not been recognized in respect of the following temporary differences:

	31-Mar-2016 $	31-Mar-2015 $
Book amortization in excess of capital cost allowance	**9,394**	9,209
Tax loss carryforwards	**20,209**	21,367
Financing and share issue costs	**5**	65
Scientific research and development expenditure carryforwards	**2,059**	2,059
Investment in subsidiaries	**15,331**	14,808
Deferred revenue	**873**	766
Other reserves not currently deductible	**2,729**	2,350
Deductible temporary differences not recognized	**50,600**	50,624

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

No deferred tax asset is recognized on the temporary differences associated with investment in subsidiaries because the Company controls the timing of reversal and it is not probable that they will reverse in the foreseeable future.

As at March 31, 2016 the Company has unused Canadian federal tax losses of $13,868 and US federal tax losses of US$6,121 ($7,971) available to reduce taxes payable in future years. The unused tax losses are due to expire as follows:

	US federal US$	Canadian federal CDN$
2025	958	—
2026	758	3,374
2027	124	4,501
2028	1,184	4,935
2029	3,059	—
2030	14	993
2031 and thereafter	24	65
	6,121	**13,868**

(in thousands of Canadian dollars except share and per share amounts)

16. FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company’s finance function. The Board of Directors receives quarterly reports from the Company’s Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. There have been no changes in the risks, objectives, policies and procedures during the years ended March 31, 2016 and 2015.

The Company’s financial instruments are exposed to certain financial risks, including credit risk liquidity risk, currency risk, and interest rate risk.

The Company’s exposure to these risks and its methods of managing the risks remain consistent.

The Company is exposed to the following risks related to financial assets and liabilities:

(a) **Currency risk**
Currency risk is the risk that variations in exchange rates between U.S. and Canadian currencies will affect the Company’s operating and financial results. The Company’s consolidated activities that result in exposure to fluctuations in foreign currency exchange rates consist of the sale of products to customers in foreign currencies and the purchases of services and raw materials from suppliers invoiced in foreign currencies. The Company does not use derivative instruments to reduce its exposure.

The carrying amount of the Company’s U.S. currency denominated monetary assets and liabilities is as follows:

	March 31, 2016	**March 31, 2015**
	$	**$**
Cash	**99**	85
Trade and other receivables	**252**	170
Accounts payable and accrued liabilities	**(99)**	(84)
	252	**171**

For the year ended March 31, 2016, all else being equal, a strengthening of 1.0% of the US dollar against the Canadian dollar would have a positive impact of approximately $3 on net income and comprehensive income. A weakening of 1.0% of the US dollar against the Canadian dollar would have the opposite impact on net income.

(in thousands of Canadian dollars except share and per share amounts)

16. FINANCIAL INSTRUMENTS continued

(b) **Credit risk**
Credit risk refers to the potential that a customer or counterparty to a financial instrument will fail to discharge its contractual obligations, and arises principally from the Company's receivables from customers and its cash. The maximum credit risk exposure for these balances is their carrying values.

The Company attempts to mitigate its credit risk over cash by dealing only with large financial institutions with good credit ratings. All of the financial institutions that the Company deals with meet these qualifications.

The Company is exposed to credit risk from customers. The Company performs ongoing credit evaluations of new and existing customers' financial condition and reviews the collectability of its trade accounts receivable in order to mitigate any possible credit losses.

Allowance for doubtful accounts and past due receivables are reviewed by management at each reporting date. The Company's policy for determining the required allowance is to provide 100% for all aged balance over 180 days and to review all remaining balances on a customer-by-customer basis. Accounts receivable are written off once determined not to be collectible.

The following table sets forth the continuity of allowance for doubtful accounts for the periods indicated:

	$
Closing balance, March 31, 2014	**—**
Provisions made during the year	6
Provisions used during the year	—
Closing balance, March 31, 2015	**6**
Provisions made during the year	**27**
Provisions used during the year	**(22)**
Closing balance, March 31, 2016	**11**

The following table sets forth details of the accounts receivable as at March 31, 2016 and 2015:

	March 31, 2016 **$**	**March 31, 2015** $
Trade accounts receivable, before allowances	**419**	316
Less allowance for doubtful accounts	**(11)**	(6)
Other receivables	**72**	40
Trade and other receivables	**480**	**350**

(in thousands of Canadian dollars except share and per share amounts)

16. FINANCIAL INSTRUMENTS continued

(b) **Credit risk continued**
Pursuant to their respective terms, accounts receivable are aged as follows as at March 31, 2016 and 2015:

	March 31, 2016	**March 31, 2015**
	$	**$**
Current	**328**	188
31-60 days	**104**	120
61-90 days	**22**	18
Over 91 days	**26**	24
Total accounts receivable	**480**	**350**

(c) **Liquidity risk**
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. At March 31, 2016 the Company's accounts payable and accrued liabilities were $442 (2015 - $569).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and operating lease commitments as at March 31, 2016:

	Payments due by period					
	Total	**2017**	**2018**	**2019**	**2020**	**2021**
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**442**	442	—	—	—	—
Operating leases	**43**	34	9	—	—	—
	485	**476**	**9**	**—**	**—**	**—**

(d) **Interest rate risk**
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management feels that the Company is not currently subject to significant interest rate risk as the Company currently does not have any interest-bearing debt with floating rates.

17. CAPITAL MANAGEMENT

The capital structure of the Company consists of loans and equity consisting of issued share capital, other paid-in capital, contributed surplus, share purchase loans receivable and deficit and has capital surplus in the amount of $655 as at March 31, 2016 (2015 –$220). The Company's objectives when managing capital is to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

The Company manages its capital to ensure that financial flexibility is present to increase shareholder value through organic growth, selective acquisitions and dispositions as well as allow the Company to respond to changes in economic and /or marketplace conditions. In order to maintain or adjust its capital structure, the Company may, upon approval from its Board of Directors, balance its overall capital structure through the issuance of new shares, the purchase of shares for cancellation pursuant to a normal course issuer bid, raising debt or refinancing existing debt with different characteristics or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company's capital management objectives, policies and processes have remained unchanged during the years ended March 31, 2016 and 2015.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) $50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months.

18. SEGMENTED INFORMATION

The Company has one reportable segment. The Company’s software, rental units and property, plant and equipment are located in Canada and have a net book value of $820 as at March 31, 2016 (2015 - $464).

(in thousands of Canadian dollars except share and per share amounts)

19. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Year ended March 31, 2016 #	**Year ended March 31, 2015 #**
Issued common shares at beginning of year	**28,928,947**	29,058,947
Effect of shares issued pursuant to private placement	**—**	—
Effect of shares issued pursuant to shares-for-debt	**—**	—
Effect of shares purchased for cancellation	**—**	(114,329)
Weighted average number of common shares (basic)	**28,928,947**	28,944,618
Weighted average number of common shares (diluted)	28,928,947	30,194,618

For the year ended March 31, 2016, diluted net income per share did not include the effect of 1,892,580 stock options (2015 – 2,217,718) and nil warrants (2015 – 700,000) as they are anti-dilutive.

20. SUBSEQUENT EVENT

Subsequent to the year end, on May 31, 2016, the Company purchased certain software assets of Timeout Studios Inc., a private, arm's length third party, Canadian mobile web application company. Financial terms of the transaction were not material, and no securities of the Company were issued in connection with the transaction.