Consolidated Condensed Interim Financial Statements
(Unaudited)

AirIQ Inc.

For the three-month and nine-month periods ended December 31, 2017

Notice to Reader:

The following consolidated condensed interim financial statements have been prepared by the management of AirIQ Inc. and have not been reviewed by the Company's external auditors.

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

(in thousands of Canadian dollars)

	31-Dec-2017 $	31-Mar-2017 $
ASSETS		
Current assets		
Cash (note 14)	**439**	132
Prepaid expenses and deposits	**76**	48
Trade and other receivables (notes 12 and 14)	**355**	479
Inventory (note 5)	**175**	143
Costs of deferred revenues (note 7)	**363**	299
Total current assets	**1,408**	1,101
Non-current assets		
Software (note 6)	**567**	527
Rental units (note 6)	**373**	384
Property, plant and equipment (note 6)	**27**	23
Costs of deferred revenues (note 7)	**106**	91
Acquired Customer Contracts (notes 3, 13)	**102**	—
Total non-current assets	**1,175**	1,025
Total assets	**2,583**	**2,126**
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 13 and 14)	**421**	313
Deferred revenue (note 7)	**724**	609
Total current liabilities	**1,145**	922
Non-current liabilities		
Deferred revenue (note 7)	**182**	152
Total non-current liabilities	**182**	152
Total liabilities	**1,327**	**1,074**
Shareholders' equity (deficiency)		
Share capital (note 9(a))	91,375	91,375
Other paid-in capital (note 9(c))	4,483	4,483
Contributed surplus (note 9(b))	2,772	2,741
Deficit	(97,374)	(97,547)
Total shareholders' equity	**1,256**	**1,052**
Total liabilities and shareholders' equity	**2,583**	**2,126**

Commitments and contingencies (note 13)

Authorized for issue on behalf of the Board: *"Vernon Lobo"* Director *"Geoffrey Rotstein"* Director

See accompanying notes

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

(in thousands of Canadian dollars except per share amounts)

	3 months ended December 31		9 months ended December 31	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Revenues				
Recurring revenue	**557**	500	**1,613**	1,457
Hardware and other revenue	**263**	272	**793**	991
Total Revenues	**820**	772	**2,406**	2,448
Direct cost of sales (notes 5 and 6)	**318**	313	**937**	1,117
Gross profit	**502**	459	**1,469**	1,331
Expenses				
Sales and marketing	**146**	107	**425**	323
Research and development	**31**	22	**78**	70
General and administration	**194**	179	**611**	546
Foreign exchange loss (gain)	**(3)**	(3)	**35**	(3)
Total Expenses	**368**	305	**1,149**	936
Operating profit before other expenses	**134**	154	**320**	395
Other expenses				
Interest expense (note 8)	**1**	—	**1**	1
Depreciation and amortization (note 6)	**51**	44	**146**	128
Total other expenses	**52**	44	**147**	129
Net income and comprehensive income for the period	**82**	110	**173**	266
Net income per share (basic and diluted) (note 17)	**0.00**	0.00	**0.01**	0.01

See accompanying notes

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands of Canadian dollars)

	3 months ended December 31		9 months ended December 31	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Cash flows from operating activities				
Net income for the period	**82**	110	**173**	267
Adjustments to reconcile profit before tax to net cash used in operating activities				
Stock-based compensation (note 10)	**11**	8	**31**	34
Depreciation of property, plant and equipment (note 6)	**84**	71	**240**	204
Amortization of costs of deferred revenues	**123**	111	**373**	319
Interest expense	**1**	—	**1**	1
Changes in non-cash balances related to operations				
Trade and other receivables	**83**	108	**124**	247
Inventory	**(39)**	(56)	**(32)**	(111)
Prepaid expenses and deposits	**7**	(29)	**(28)**	(65)
Accounts payable and accrued liabilities	**53**	(44)	**108**	(154)
Deferred revenue	**(174)**	(158)	**145**	(145)
Costs of deferred revenues	**(35)**	(44)	**(452)**	(288)
Total cash inflows from operating activities	**196**	**77**	**683**	**309**
Cash flows from investing activities				
Software (see note 13)	**(57)**	(41)	**(180)**	(191)
Rental units	**(25)**	(31)	**(83)**	(91)
Property, plant and equipment	—	—	**(10)**	(7)
Acquired customer contracts	**(102)**	—	**(102)**	—
Total cash (outflows) from investing activities	**(184)**	**(72)**	**(375)**	**(289)**
Cash flows from financing activities				
Interest paid	**(1)**	—	**(1)**	(1)
Total cash (outflows) from financing activities	(1)	**—**	(1)	**(1)**
Net change in cash and cash equivalents	**11**	5	**307**	19
Cash and cash equivalents at beginning of period	**428**	122	**132**	108
Cash and cash equivalents at end of period	**439**	**127**	**439**	**127**
Supplementary disclosure				
Cash Interest	**(1)**	—	**(1)**	(1)

See accompanying notes

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY) (UNAUDITED)

(in thousands of Canadian dollars)

	Share capital $	Other paid-in capital $	Contributed surplus $	Deficit $	Total $
Balance March 31, 2016	**91,375**	**4,483**	**2,699**	**(97,902)**	**655**
Income for the period	—	—	—	266	266
Stock based compensation	—	—	34	—	34
Balance December 31, 2016	**91,375**	**4,483**	**2,733**	**(97,636)**	**955**
Net income for the period	—	—	—	89	89
Stock based compensation	—	—	8	—	8
Balance March 31, 2017	**91,375**	**4,483**	**2,741**	**(97,547)**	**1,052**
Income for the period	**---**	**---**	**---**	**173**	**173**
Stock based compensation	—	—	**31**	—	**31**
Balance December 31, 2017	**91,375**	**4,483**	**2,772**	**(97,374)**	**1,256**

See accompanying notes

AirIQ Inc.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS UNAUDITED

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

For the three months and nine months ended December 31, 2017

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 a telematics 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 condensed interim financial statements have been authorized for issue by the Board of Directors on February 14, 2018.

2. BASIS OF PREPARATION

These consolidated condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and using the same accounting policies and methods as were used for the Company's annual financial statements and notes thereto for the year ended March 31, 2017, except for any new accounting pronouncements which have been adopted. No new accounting pronouncements were adopted during the quarter. These consolidated condensed interim financial statements do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual financial statements. Accordingly, these consolidated condensed interim financial statements should be read in conjunction with the Company's annual financial statements as at and for the year ended March 31, 2017 and the accompanying notes thereto.

The preparation of 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 these consolidated condensed interim financial statements are disclosed in note 4.

These consolidated condensed interim financial statements have been prepared on a historical cost basis except for cash equivalents which are carried at fair value. In addition, these consolidated condensed interim financial statements are prepared using the accrual basis of accounting except for cash flow information. These consolidated condensed interim financial statements should be read in conjunction with the Company's financial statements for the years ended March 31, 2017 and 2016.

These consolidated condensed interim 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies adopted are consistent with those of the previous financial year. See note 3 in the Company's audited consolidated financial statements for the years ended March 31, 2017 and 2016 for details.

As disclosed in Note 13, during the quarter, the Company entered into an agreement to purchase the customer contracts of Connected Telematics Corp. Consideration paid at the time of closing, plus related costs, are included in "Acquired Customer Contracts".

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of 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 condensed interim 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. Critical accounting estimates are reviewed quarterly by the Audit Committee of the Board of Directors. Management's judgment is applied to the following areas: income taxes, share-based payment transactions, warranty provisions, asset impairments, useful lives of depreciable assets, net realizable value of inventory, fair value of assets acquired in business combinations, revenue recognition, legal claim and contingency provisions.

5. INVENTORY

Inventory consists of components used to assemble hardware equipment and finished goods. For the three months and nine months ended December 31, 2017, the amount of inventory recognized as an expense in cost of goods sold was $187 and $546, respectively (three months and nine months ended December 31, 2016 – $178 and $712, respectively). Inventory is valued at the lower of cost or net realizable value. As at December 31, 2017, al1 inventory was carried at cost. There were no write-downs of inventory included in general and administration expenses during the three months and nine months ended December 31, 2017 (three months and nine months ended December 31, 2016 - $nil and $nil, respectively).

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

6. 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, 2017	**961**	**580**	**27**	**5**	**1,573**
Additions for the period	181	83	9	—	273
Balance at December 31, 2017	**1,142**	**663**	**36**	**5**	**1,846**
Depreciation and impairment losses					
Balance at March 31, 2017	**434**	**196**	**7**	**2**	**639**
Depreciation for the period	141	94	5	—	240
Balance at December 31, 2017	**575**	**290**	**12**	**2**	**879**
Carrying amounts					
At March 31, 2017	527	384	20	3	934
At December 31, 2017	**567**	**373**	**24**	**3**	**967**

Depreciation expense for software, rental units and property, plant and equipment for the three months and nine months ended December 31, 2017 was $84 and $240, respectively (three months and nine months ended December 31, 2016 - $71 and $204, respectively) of which $33 and $94, respectively (three months and nine months ended December 31, 2016 - $27 and $76, respectively) was 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. No impairment charges were recorded during the three months and nine months ended December 31, 2017 and December 31, 2016.

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

7. DEFERRED REVENUE AND COSTS OF DEFERRED REVENUES

	Deferred revenue $	Costs of deferred revenues $
Balance, March 31, 2017	**761**	**390**
At March 31, 2017:		
Current	609	299
Non-current	152	91
Changes during the period:		
Deferred during the period	**953**	**452**
Released to the consolidated statements of income	**(808)**	**(373)**
Balance, December 31, 2017	**906**	**469**
At December 31, 2017:		
Current	**724**	**363**
Non-current	**182**	**106**

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 three months and nine months ended December 31, 2017 and December 31, 2016.

8. FINANCING

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. As at December 31, 2017, $nil (December 31, 2016 - $nil) has been drawn from this demand credit facility. The Company paid RBC a total of $1 and $1, respectively, related to interest on the credit facility during the three months and nine months ended December 31, 2017 (three months and nine months ended December 31, 2016 - $nil and $1, respectively) which is included in interest expense in the accompanying consolidated condensed interim statement of income and comprehensive income.

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

9. 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.

As of December 31, 2017, March 30, 2017 and December 31, 2016, the Company had a total of 28,928,947 common shares issued and outstanding with a value of $91,375.

b) Contributed Surplus

The following is a summary of changes in contributed surplus from March 31, 2017 to December 31, 2017:

	$
Balance at March 31, 2017	**2,741**
Stock-based compensation charge	31
Balance at December 31, 2017	**2,772**

c) Other paid in capital

As at December 31, 2017, 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.

No warrants were granted during the three months and nine months ended December 31, 2017 and December 31, 2016.

9. SHARE CAPITAL AND RESERVES continued

d) **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' 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

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

10. 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 ten (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 terms of the current Plan, unless otherwise determined by AirIQ, options granted to eligible participants 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 or ceasing to be an eligible participant without cause, or (d) immediately in the event such participant is terminated for cause.

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

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

As at December 31, 2017, the Company reserved 2,892,895 (December 31, 2016 – 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 April 18, 2017, the Company granted options to the Chief Financial Officer and a consultant to purchase in the aggregate up to 290,000 common shares in the capital of the Company at an exercise price of $0.17 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 April 18, 2027.

The Company recorded share-based compensation expense of approximately $11 and $31, respectively, for the three months and nine months ended December 31, 2017 (three months and nine months ended December 31, 2016 - $8 and $34, respectively), of which $nil and $18, respectively (three months and nine months ended December 31, 2016 - $nil and $nil, respectively) related to options granted during the period.

Share option activity within the Plan is as follows:

	Three months ended 31-Dec-2017		**Three months ended 31-Dec-2016**	
	Number of options #	**Weighted average exercise price** $	**Number of options** #	**Weighted average exercise price** $
Outstanding options, beginning of period	**2,890,627**	**0.11**	2,884,078	0.15
Granted	—	—	—	—
Expired	—	—	(282,951)	0.58
Outstanding options, end of period	**2,890,627**	**0.11**	2,601,127	0.11
Exercisable, end of period	**2,200,627**	**0.11**	1,942,377	0.11

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 periods ended December 31, 2017 or December 31, 2016.

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

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

Outstanding and exercisable options under the Plan as at December 31, 2017 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 — 0.17	**2,886,127**	**0.11**	**6.18**	**2,196,127**	**0.10**
1.60	**4,500**	**1.60**	**0.55**	**4,500**	**1.60**
	2,890,627	**0.11**	**6.17**	**2,200,627**	**0.11**

b) Fair Value of Options Issued During the Period

The weighted average fair value at grant date of options granted during the nine months ended December 31, 2017 was $46. There were no options granted during the three months ended December 31, 2017, or for the three months and nine months ended December 31, 2016.

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 nine months ended December 31, 2017 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Expected Volatility Factor	Expected Dividend Yield
18-Apr-17	18-Apr-27	$0.16	$0.17	3.61%	10 years	179%	nil

The expected price volatility is based on the historic volatility (based on the expected life of the options).

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

11. NATURE OF EXPENSES

	Three months ended December 31		Nine months ended December 31	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Salaries and benefits	**166**	164	**511**	467
Consulting	**76**	47	**211**	133
Computer operating	**34**	39	**113**	120
Commercial, officer and director insurance	**16**	17	**47**	52
Rent and maintenance	**11**	9	**32**	31
Legal fees, audit and tax	**11**	10	**33**	32
Public reporting costs	**4**	10	**34**	27
Stock-based compensation - Directors' fees	**—**	—	**—**	8
- Employees, consultants	**11**	8	**31**	26
Foreign Exchange (Gain)/Loss	**(3)**	(3)	**36**	(3)
Other	**42**	4	**101**	43
	368	**305**	**1,149**	**936**

12. 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 periods ended December 31, 2017 and December 31, 2016:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Three months ended December 31, 2017	Three months ended December 31, 2016
	$	$
Salary, consulting fees and benefits	**51**	40
Share-based payments	**11**	8
	62	**48**

AirIQ owed a company controlled by the Chief Executive Officer $nil as at December 31, 2017 (December 31, 2016 - $6).

12. RELATED PARTY TRANSACTIONS continued

b) **Related Party Transactions**

During the three months and nine months ended December 31, 2017, $4 and $32, respectively, was expensed for directors' fees and stock-based compensation (December 31, 2016 - $4 and $34, respectively).

AirIQ owed one of the enterprises controlled by a Director $36 at December 31, 2017 (December 31, 2016 - $36) which is included in accounts payable and accrued liabilities. AirIQ is also owed $36 from this related company and/or its controlling shareholder at December 31, 2017 (December 31, 2016 - $36) which is included in trade and other receivables. These amounts are unsecured, non-interest bearing and due on demand.

See also note 9.

13. COMMITMENTS AND CONTINGENCIES

On December 8, 2017, the Company entered into an asset purchase agreement for the purchase of the assets of Connected Telematics Corp. ("Connected"). The purchased assets included customer contracts and approximately 2,000 devices generating approximately $500 in annual recurring service revenues. The purchase price for the acquisition included an initial cash payment of $90 plus potential performance based earn-outs on the first, second and third anniversaries of the transaction (the "Earn-Outs") equal to the monthly recurring revenue from the acquired business times a factor of 1.33. The Earn-Outs are payable in cash and/or common stock of AirIQ, in its sole discretion, and any share issuances shall be subject to approval of the TSX Venture Exchange. In the event any common shares of the Company are issued in connection with the Earn-Outs, the share price will be calculated using the Company's volume weighted average price of the common shares for the twenty (20) days prior to the calculation date.

The Company entered into an asset purchase agreement with Timeout Studios Inc. ("Timeout") on May 31, 2016, for the purchase of certain software assets. Pursuant to the terms of the asset purchase agreement, the Company executed a promissory note in favour of Timeout in the principal amount of $45, payable in equal monthly installments of $2.5 from June 2016 to May 2017, and $1.25 each month from June 2017 to May 2018. An additional earn-out was contemplated under the terms of the asset purchase agreement provided that the acquired assets result in certain revenue objectives in the first twelve months following the acquisition. These objectives have not been met. Therefore, no additional consideration is required. As at December 31, 2017, the principal amount outstanding on the promissory note is $6 (December 31, 2016 - $28) and this amount has been included in accounts payable and accrued liabilities.

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

13. COMMITMENTS AND CONTINGENCIES continued

Leases relate to office lease terms of 36 months payable in monthly instalments in advance. As of December 31, 2017, and December 31, 2016, 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:

	$
2018	18
2019	18
2020	5
	41

The Company is party to certain employee and management contracts. The Company has minimum contractual commitments with these contracts of $135 all due within one year.

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.

14. 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 three months and nine months ended December 31, 2017 and the fiscal years ended March 31, 2017 and 2016.

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

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

14. FINANCIAL INSTRUMENTS continued

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:

	December 31, 2017 $	March 31, 2017 $
Cash	**346**	80
Trade and other receivables	**147**	209
Accounts payable and accrued liabilities	**(81)**	(26)
	412	**263**

For the three months and nine months ended December 31, 2017, all else being equal, a strengthening of 1.0% of the U.S. dollar against the Canadian dollar would have a positive impact of approximately $1 and $3, respectively, on net income and comprehensive income. A weakening of 1.0% of the U.S. dollar against the Canadian dollar would have the opposite impact on net income.

(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.

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

14. FINANCIAL INSTRUMENTS continued

(b) **Credit risk continued**

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, 2017	**20**
Provisions made during the period	18
Provisions used during the period	(38)
Closing balance, December 31, 2017	**—**

The following table sets forth details of the accounts receivable as at December 31, 2017 and March 31, 2017:

	December 31, 2017	March 31, 2017
	$	$
Trade accounts receivable, before allowances	**319**	453
Less allowance for doubtful accounts	—	(20)
Other receivables	**36**	46
Trade and other receivables	**355**	**479**

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31, 2017 and March 31, 2017:

	December 31, 2017	March 31, 2017
	$	$
Current	**190**	365
31-60 days	**30**	49
61-90 days	**5**	45
Over 91 days	**130**	20
Total accounts receivable	**355**	**479**

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

14. FINANCIAL INSTRUMENTS continued

(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 December 31, 2017, the Company's accounts payable and accrued liabilities were $422 (December 31, 2016 - $288).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and operating lease commitments as at December 31, 2017 and December 31, 2016 respectively:

December 31, 2017 - Payments due by period

	Total	**2018** $	**2019** $	**2020** $	**2021** $	**2022** $
Accounts payable and accrued liabilities	**421**	421	—	—	—	—
Operating leases	**41**	18	18	5	—	—
	462	**439**	**18**	**5**	**—**	**—**

December 31, 2016 - Payments due by period

	Total $	**2017** $	**2018** $	**2019** $	**2020** $	**2021** $
Accounts payable and accrued liabilities	288	288	—	—	—	—
Operating leases	15	15	—	—	—	—
	303	**303**	**—**	**—**	**—**	**—**

(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.

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

15. CAPITAL MANAGEMENT

The capital structure of the Company consists of loans and equity consisting of issued share capital, other paid-in capital, contributed surplus and deficit and has capital surplus in the amount of $1,256 as at December 31, 2017 (December 31, 2016 – $955). 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 three months and nine months ended December 31, 2017.

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.

16. 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 $967 as at December 31, 2017 (December 31, 2016 - $905).

Revenues attributed to regions based on location of customer for the nine-month periods ended December 31, 2017 and 2016 were as follows:

	2017	**2016**
	$	**$**
Canada	**975**	857
United States	**1,431**	1,591
	2,406	**2,448**

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

16. SEGMENTED INFORMATION continued

For the three and nine months ended December 31, 2017, one customer represented more than 10% of total revenue (December 31, 2016 - one customer). This customer accounted for 17.1% of total revenue for the nine-month period ended December 31, 2017 compared to 19.1% of total revenue for the same period in 2016.

17. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Three months ended December 31		Nine **months ended December 31**	
	2017	**2016**	**2017**	**2016**
Issued common shares at beginning of period	**28,928,947**	28,928,947	**28,928,947**	28,928,947
Weighted average number of common shares (basic)	**28,928,947**	28,928,947	**28,928,947**	28,928,947
Weighted average number of common shares (diluted)	**28,928,947**	28,928,947	**28,928,947**	28,928,947

For the three months and nine months ended December 31, 2017, diluted net income per share did not include the effect of 294,500 stock options (three months and nine months ended December 31, 2016 – 5,000) and $nil warrants (December 31, 2016 – $nil), as they are anti-dilutive.