

Consolidated Financial Statements

**AirIQ Inc.**

Year ended March 31, 2018 and  
Year ended March 31, 2017

## 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, 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, UHY McGovern Hurley 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

July 11, 2018

251 Consumers Road, Suite 800  
Toronto, Ontario  
M2J 4R3  
Canada

Tel 416-496-1234  
Fax 416-496-0125  
Email [info@uhymh.com](mailto:info@uhymh.com)  
Web [www.uhymh.com](http://www.uhymh.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, 2018 and 2017, and the consolidated statements of income and comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity 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.

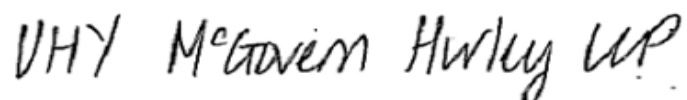
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, 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, 2018 and 2017, and their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

UHY McGovern Hurley LLP



Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
July 11, 2018

AirIQ Inc.

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(in thousands of Canadian dollars)

	31-Mar-2018	31-Mar-2017
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash (note 15)	527	132
Prepaid expenses and deposits	67	48
Trade and other receivables (notes 12 and 15)	401	479
Inventory (note 5)	126	143
Costs of deferred revenues (note 7)	343	299
<b>Total current assets</b>	<b>1,464</b>	<b>1,101</b>
<b>Non-current assets</b>		
Software (note 6)	574	527
Rental units (note 6)	349	384
Property, plant and equipment (note 6)	27	23
Costs of deferred revenues (note 7)	65	91
<b>Total non-current assets</b>	<b>1,015</b>	<b>1,025</b>
<b>Total assets</b>	<b>2,479</b>	<b>2,126</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 12, 13 and 15)	384	313
Deferred revenue (note 7)	723	609
<b>Total current liabilities</b>	<b>1,107</b>	<b>922</b>
<b>Non-current liabilities</b>		
Deferred revenue (note 7)	105	152
<b>Total non-current liabilities</b>	<b>105</b>	<b>152</b>
<b>Total liabilities</b>	<b>1,212</b>	<b>1,074</b>
<b>Shareholders' equity</b>		
Share capital (note 9(a))	91,390	91,375
Other paid-in capital (note 9(b))	4,483	4,483
Contributed surplus (note 9(c))	2,781	2,741
Deficit	(97,387)	(97,547)
<b>Total shareholders' equity</b>	<b>1,267</b>	<b>1,052</b>
<b>Total liabilities and shareholders' equity</b>	<b>2,479</b>	<b>2,126</b>
<b>Commitments and contingencies (note 13)</b>		
<b>Subsequent event (note 19)</b>		

Authorized for issue on behalf of the Board:

*"Vernon Lobo"*  
Director

*"Geoffrey Rotstein"*  
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, 2018 \$	Year ended March 31, 2017 \$
Recurring revenue	2,229	1,960
Hardware and other revenue	1,050	1,293
Total revenue	3,279	3,253
Direct cost of sales (notes 5 and 6)	1,295	1,467
<b>Gross profit</b>	<b>1,984</b>	<b>1,786</b>
<b>Expenses</b>		
Sales and marketing	616	427
Research and development	111	97
General and administration	778	733
Foreign exchange loss (gain)	16	(3)
<b>Total expenses (note 11)</b>	<b>1,521</b>	<b>1,254</b>
<b>Profit before other expenses</b>	<b>463</b>	<b>532</b>
<b>Other expenses</b>		
Interest expense (note 8)	2	3
Depreciation and amortization (note 6)	199	174
Impairment of long lived assets (note 13(a))	102	—
<b>Total other expenses</b>	<b>303</b>	<b>177</b>
<b>Net income and comprehensive income for the year</b>	<b>160</b>	<b>355</b>
<b>Net income per share (note 18)</b>		
<b>Basic</b>	<b>0.01</b>	<b>0.01</b>
<b>Diluted</b>	<b>0.01</b>	<b>0.01</b>

*See accompanying notes*

**AirIQ Inc.**

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

	Year ended March 31, 2018	Year ended March 31, 2017
	\$	\$
<b>Cash flows from operating activities</b>		
Net income for the year	160	355
Adjustments to reconcile loss before tax to net cash used in operating activities		
Stock based compensation (note 10)	40	42
Depreciation of property, plant and equipment and impairment (note 6)	334	277
Gain/loss on disposal of fixed assets	27	—
Amortization of costs of deferred revenues	488	422
Interest expense	2	3
Changes in non-cash balances related to operations		
Trade and other receivables	78	1
Inventory	17	(54)
Prepaid expenses and deposits	(19)	1
Accounts payable and accrued liabilities	71	(149)
Deferred revenue	67	(112)
Cost of deferred revenues	(506)	(388)
<b>Total cash inflows from operating activities</b>	<b>759</b>	<b>398</b>
<b>Cash flows from investing activities</b>		
Software (see note 13 a))	(239)	(230)
Rental units	(126)	(132)
Property, plant and equipment	(12)	(9)
<b>Total cash (outflows) from investing activities</b>	<b>(377)</b>	<b>(371)</b>
<b>Cash flows from financing activities</b>		
Advances from credit facility	—	1,130
Repayment of credit facility	—	(1,130)
Interest paid	(2)	(3)
Proceeds from exercise of stock options	15	—
<b>Total cash (outflows) from financing activities</b>	<b>13</b>	<b>(3)</b>
Net change in cash and cash equivalents	395	24
Cash and cash equivalents at beginning of year	132	108
<b>Cash and cash equivalents at end of year</b>	<b>527</b>	<b>132</b>
<b>Supplemental disclosure</b>		
Change in accrued software	—	20

*See accompanying notes*

**AirIQ Inc.**

**CONSOLIDATED STATEMENTS OF CHANGES IN  
EQUITY**

(in thousands of Canadian dollars)

	Share capital \$	Other paid-in capital \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance March 31, 2016</b>	<b>91,375</b>	<b>4,483</b>	<b>2,699</b>	<b>(97,902)</b>	<b>655</b>
Net income for the year	—	—	—	355	355
Stock based compensation	—	—	42	—	42
<b>Balance March 31, 2017</b>	<b>91,375</b>	<b>4,483</b>	<b>2,741</b>	<b>(97,547)</b>	<b>1,052</b>
Net income for the year	—	—	—	160	160
Proceeds from exercise of stock options	15	—	—	—	15
Stock based compensation	—	—	40	—	40
<b>Balance March 31, 2018</b>	<b>91,390</b>	<b>4,483</b>	<b>2,781</b>	<b>(97,387)</b>	<b>1,267</b>

*See accompanying notes*

**AirIQ Inc.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 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 financial statements have been authorized for issue by the Board of Directors on July 11, 2018.

### **2. BASIS OF PREPARATION**

These consolidated financial statements of the Company for the year ended March 31, 2018 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. 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.



## AirIQ Inc.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

### 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. As at March 31, 2018 and 2017, the Company had no cash equivalents.

#### e) **Intangible assets**

Intangible assets are recorded at cost less accumulated amortization, and accumulated impairment losses if any.

**AirIQ Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

**f) 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.

**g) Impairment of non-financial assets**

Non-financial assets, including software, rental units, property, plant and equipment, intangible assets and costs of deferred revenues are subject to review for indicators of impairment at least annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any impairment indicators exist, an impairment test is performed. 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.

**h) 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.

## **AirIQ Inc.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

##### **h) 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 is 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 is 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.

##### **i) 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, 2018 and 2017 the Company has no development costs that met such criteria.

##### **j) Share-based payments**

The Company has an employee share-based payment plan that is described in note 10.

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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

#### **j) Share-based payments continued**

All share-based remuneration is ultimately recognized as an expense in the consolidated statements of income with a corresponding credit to contributed surplus. Upon exercise of stock 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.

#### **k) 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 the consolidated statement of income.

#### **l) Income taxes**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in the 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.

## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

m) **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.

n) **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:

<u>Asset/liability</u>	<u>Category</u>	<u>Measurement</u>
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

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 income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated allowance.

## **AirIQ Inc.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

#### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

##### **n) 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, 2018 and 2017, the Company had no financial instruments recorded at fair value.

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.

##### **o) 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.

##### **p) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the lease term.

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the fair value of the leased property.

Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

#### **q) New accounting policies**

The Company has adopted the following new standards, along with any consequential amendments, effective April 1, 2017. These changes were made in accordance with the applicable transitional provisions. The impact, if any, is disclosed below.

IAS 7 – Statement of Cash Flows (“IAS 7”) was amended in January 2016 to clarify that disclosures shall be provided that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments are effective for annual periods beginning on or after January 1, 2017. For the year ending March 31, 2017, the Company provided supplemental disclosure of the change in accrued software of \$20.

IAS 12 – Income Taxes (“IAS 12”) was amended in January 2016 to clarify that, among other things, unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument’s holder expects to recover the carrying amount of the debt instrument by sale or by use; the carrying amount of an asset does not limit the estimation of probable future taxable profits; and estimates for future taxable profits exclude tax deduction resulting from the reversal of deductible temporary differences. The amendments are effective for annual periods beginning on or after January 1, 2017.

#### **r) Future accounting policies**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after April 1, 2018. 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 as a complete standard in July 2014 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 profit or 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

#### **r) Future accounting policies continued**

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, 2018.

IFRS 16 – Leases (“IFRS 16”) was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted if IFRS 15 has also been applied.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration (“IFRIC 22”) was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognised in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018.



## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued**

#### **r) Future accounting policies continued**

IFRIC 23 – Uncertainty Over Income Tax Treatments (“IFRIC 23”) was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019. Earlier adoption is permitted.

### **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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued**

#### **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.

#### **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) Judgement in Determining Asset Acquisition vs. Business Combination**

The determination of whether a transaction meets the definition of a business combination or constitutes an asset acquisition under IFRS3 is disclosed in note 13(a).

#### **e) Recognition and Valuation of Deferred Taxes**

The Company assesses the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income at the end of each reporting period.

#### **f) 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.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued**

#### **g) 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 6.

#### **h) 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 5.

#### **i) 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.

#### **j) 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.

## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 5. INVENTORY

Inventory consists of components used to assemble hardware equipment and finished goods. For the year ended March 31, 2018, the amount of inventory recognized as an expense in direct cost of sales was \$838 (March 31, 2017 – \$1,014). Inventory is valued at the lower of cost or net realizable value. There was a \$nil write-down of inventory included in general and administration expenses during the year ended March 31, 2018 (2017 -\$31).

#### 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/System equipment \$	Leasehold improvements \$	Total \$
<b>Cost</b>					
<b>Balance at March 31, 2016</b>	711	448	18	5	<b>1,182</b>
Additions for the year	250	132	9	—	<b>391</b>
<b>Balance at March 31, 2017</b>	961	580	27	5	<b>1,573</b>
Additions for the year	<b>239</b>	<b>114</b>	<b>11</b>	—	<b>364</b>
Disposals during the year	<b>(170)</b>	<b>(95)</b>	<b>(1)</b>	—	<b>(266)</b>
<b>Balance at March 31, 2018</b>	<b>1,030</b>	<b>599</b>	<b>37</b>	<b>5</b>	<b>1,671</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at March 31, 2016</b>	266	93	2	1	<b>362</b>
Depreciation for the year	168	103	5	1	<b>277</b>
<b>Balance at March 31, 2017</b>	434	196	7	2	<b>639</b>
Depreciation for the year	<b>191</b>	<b>127</b>	<b>7</b>	<b>1</b>	<b>326</b>
Recaptured depreciation	<b>(170)</b>	<b>(73)</b>	<b>(1)</b>	—	<b>(244)</b>
<b>Balance at March 31, 2018</b>	<b>455</b>	<b>250</b>	<b>13</b>	<b>3</b>	<b>721</b>
<b>Carrying amounts</b>					
At March 31, 2017	527	384	20	3	<b>934</b>
<b>At March 31, 2018</b>	<b>575</b>	<b>349</b>	<b>24</b>	<b>2</b>	<b>950</b>

Depreciation expense for software, rental units and property, plant and equipment for the year ended March 31, 2018 is \$326 (March 31, 2017 - \$277) of which \$127 (March 31, 2017 - \$103) is included in direct cost of sales relating to rental units. During the year ended March 31, 2018, the Company disposed of \$266 of fixed assets, recapturing \$244 of depreciation.

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, 2018 is \$nil (March 31, 2017 – \$nil).

## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 7. DEFERRED REVENUE AND COSTS OF DEFERRED REVENUES

	Deferred revenue \$	Costs of deferred revenues \$
<b>Balance, March 31, 2016</b>	<b>873</b>	<b>424</b>
At March 31, 2016:		
Current	639	303
Non-current	234	121
Changes during the year:		
Deferred during the year	806	388
Released to the consolidated statement of income	(918)	(422)
<b>Balance, March 31, 2017</b>	<b>761</b>	<b>390</b>
At March 31, 2017:		
Current	609	299
Non-current	152	91
Changes during the year:		
Deferred during the year	1,135	506
Released to the consolidated statement of income	(1,068)	(488)
<b>Balance, March 31, 2018</b>	<b>828</b>	<b>408</b>
At March 31, 2018:		
Current	723	343
Non-current	105	65

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, 2018 and 2017.

#### 8. FINANCING

##### Credit Facility

The Company has 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 March 31, 2018, \$nil (March 31, 2017 - \$nil) has been drawn from this demand credit facility. The Company paid RBC a total of approximately \$2, related to interest on the credit facility during the year ended March 31, 2018 (March 31, 2017 - \$3), which is included in interest expense in the accompanying consolidated statement of income.

## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 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.

The following is a summary of changes in common share capital from during 2018 and 2017:

	Number of Shares #	Issue Price \$	Amount \$
<b>Balance at March 31, 2016</b>	28,928,947		91,375
<b>Balance at March 31, 2017</b>	28,928,947		91,375
Shares issued pursuant to exercise of stock options	100,000	0.07	7
Shares issued pursuant to exercise of stock options	100,000	0.08	8
<b>Balance at March 31, 2018</b>	<b>29,128,947</b>		<b>91,390</b>

##### b) Other paid in capital

As at March 31, 2018, the Company had outstanding warrants as follows:

Number of warrants	Exercise price	Expiry Date
<b>700,000</b>	<b>\$0.05</b>	<b>December 17, 2018</b>

No warrants were granted during the years ended March 31, 2018 and 2017.

##### c) Contributed Surplus

The following is a summary of changes in contributed surplus during the years ended March 31, 2018 and 2017:

	\$
<b>Balance at March 31, 2016</b>	<b>2,699</b>
Stock-based compensation charge	42
<b>Balance at March 31, 2017</b>	<b>2,741</b>
Stock-based compensation charge	40
<b>Balance at March 31, 2018</b>	<b>2,781</b>

## **AirIQ Inc.**

# **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

## **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 '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.

'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 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.

## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 10. SHARE-BASED PAYMENTS continued

##### a) Option Plan Details continued

As at March 31, 2018, the Company has reserved 2,912,894 (March 31, 2017 – 2,892,894) common shares for 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 \$40 for the year ended March 31, 2018 (March 31, 2017 - \$42), of which \$24 related to options granted during the year ended March 31, 2018 (March 31, 2017 - \$nil).

Share option activity within the Plan is as follows:

	<b>Year Ended 31-Mar-2018</b>		<b>Year Ended 31-Mar-2017</b>	
	<b>Weighted average</b>		<b>Weighted average</b>	
	<b>Number of options #</b>	<b>exercise price \$</b>	<b>Number of options #</b>	<b>exercise price \$</b>
Outstanding options, beginning of year	<b>2,601,127</b>	<b>0.11</b>	2,892,580	0.18
Granted	<b>290,000</b>	<b>0.17</b>	—	—
Expired	<b>500</b>	<b>8.00</b>	291,453	0.80
Exercised	<b>200,000</b>	<b>0.08</b>	—	—
Outstanding options, end of year	<b>2,690,627</b>	<b>0.11</b>	2,601,127	0.11
Exercisable, end of year	<b>1,958,127</b>	<b>0.11</b>	2,083,627	0.11

A total of 200,000 common shares of AirIQ were issued from treasury pursuant to the exercise of stock options under the Company's Plan on February 27, 2018 for an aggregate exercise price of \$15 (March 31, 2017 - \$nil).



**AirIQ Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

**10. SHARE-BASED PAYMENTS continued**

**a) Option Plan Details continued**

Outstanding and exercisable options under the Plan as at March 31, 2018 are summarized as follows:

Exercise price range \$	Number outstanding #	Outstanding		Exercisable	
		Weighted average exercise price \$	Weighted remaining contractual life (years)	Number outstanding and exercisable #	Weighted average exercise price \$
0.05 — 0.17	2,686,127	0.11	5.29	1,953,627	0.11
1.60	4,500	1.60	0.12	4,500	1.60
	2,690,627	0.11	5.28	1,958,127	0.11

**b) Fair Value of Options Issued During the Year**

The weighted average fair value at grant date of options granted during March 31, 2018 was \$0.16 per option (March 31, 2017 - \$nil).

**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, 2018 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-2017	18-Apr-2027	\$0.16	\$0.17	3.61%	10 years	179%	—%

There were no options granted during the year ended March 31, 2017.

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

**AirIQ Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

**11. NATURE OF EXPENSES**

	Year ended March 31, 2018	Year ended March 31, 2017
	\$	\$
Salaries and benefits	649	605
Consulting	299	188
Computer operating	145	157
Commercial, officer and director insurance	62	68
Rent and maintenance	43	42
Legal fees, audit and tax	50	41
Public reporting costs	39	34
Stock-based compensation – Directors’ fees	—	8
– Employees, consultants	40	34
Bad debt expense	78	30
Foreign exchange	17	(3)
Other	99	50
	<b>1,521</b>	<b>1,254</b>

**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 years ended March 31, 2018 and 2017:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Year ended March 31, 2018	Year ended March 31, 2017
	\$	\$
Salary, consulting fees and benefits	196	149
Share-based payments	36	31
	<b>232</b>	<b>180</b>

## **AirIQ Inc.**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

#### **12. RELATED PARTY TRANSACTIONS continued**

##### **b) Related Party Transactions**

During the year ended March 31, 2018, \$17 was expensed for directors' fees and stock-based compensation (March 31, 2017 - \$16).

AirIQ owed a company controlled by a former director \$36 at March 31, 2018 (March 31, 2017 - \$36) which is included in accounts payable and accrued liabilities. AirIQ is also owed \$36 from the related company of the former director and/or its controlling shareholder at March 31, 2018 (March 31, 2017 - \$36) which is included in trade and other receivables. These amounts are unsecured, non-interest bearing and due on demand.

See also notes 10 and 13.

#### **13. COMMITMENTS AND CONTINGENCIES**

- a) On December 8, 2017, the Company entered into an asset purchase agreement for the purchase of certain assets of Connected Telematics Corp. ("Connected"). The purchased assets included customer contracts and approximately 2,000 GPS devices. 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 recurring revenue of the month immediately preceding the anniversary of 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. As at March 31, 2018, no Earn-Outs are due or payable (March 31, 2017 - \$nil) and the Company recognized an impairment charge of \$102 for the entire purchase amount.

The transaction does not constitute a business combination as the acquired assets did not meet the definition of a business under IFRS 3, Business Combinations, as substantially all of the fair value of the gross assets acquired is concentrated in the customer contracts. As a result, the transaction is accounted for as an asset acquisition with the Company identified as the acquirer and the equity consideration accounted for in accordance with IFRS 2, Share-based Payment, measured at fair value. Related transaction costs were capitalized as part of the cost of the asset acquisition.

## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 13. COMMITMENTS AND CONTINGENCIES continued

- b) The Company entered into an asset purchase agreement with Timeout Studios Inc. (“Timeout”) on May 31, 2016, for the purchase of certain software assets in the aggregate amount of \$60 and included in software additions (Note 6). Pursuant to the terms of the asset purchase agreement, the Company executed a promissory note in favor 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 March 31, 2018, the principal amount outstanding on the promissory note is \$nil (March 31, 2017 - \$20).
- c) Leases relate to office lease terms of 36 months payable in monthly instalments in advance. As of March 31, 2018 and 2017, there are no annual lease payments under a capital lease.

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

	\$
2019	18
2020	18
2021	5
	<b>41</b>

The Company is party to certain management contracts. The Company has minimum contractual commitments with these contracts of \$145, all due within one year. Included is a contractual commitment to pay a consultant \$100 on termination of his contract by the Company without cause or in the event of a “change of control” as defined in the consulting agreement; provided however in no event shall the Company be required to pay more than \$100 if both events shall occur simultaneously. As a triggering event has not occurred, no provision has been made with respect to this commitment.

The Company has a one-time bonus plan of \$35, payable at the sole discretion of the Chief Executive Officer, which was accrued at March 31, 2018.

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.

**AirIQ Inc.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

**14. INCOME TAXES**

The reconciliation of income taxes attributable to operations computed at the statutory income tax rates of 26.5% (March 31, 2017 – 26.5%) to income tax expense is as follows:

	Year ended 31-Mar-2018	Year ended 31-Mar-2017
	\$	\$
Net income from operations	160	355
Tax at combined federal and provincial tax rates	42	94
Foreign tax differential and other	(47)	(1,182)
Tax effect of expenses not deductible for income tax purposes	111	95
Change in deferred tax assets not recognized relating to comprehensive income (loss)	(106)	993
	—	—

The tax effect of temporary differences that give rise to deferred tax assets and liabilities in Canada at March 31, 2018 and 2017 are as follows:

	31-Mar-2018	31-Mar-2017
	\$	\$
Deferred tax assets (liabilities) recognized:		
Service contracts	(108)	(103)
Tax loss carryforwards	108	103
Deferred income tax liability	—	—

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

	31-Mar-2018	31-Mar-2017
	\$	\$
Book amortization in excess of capital cost allowance	10,327	9,695
Tax loss carryforwards	19,087	20,517
Financing and share issue costs	—	3
Scientific research and development expenditure carryforwards	995	995
Investment in subsidiaries	15,855	15,855
Deferred revenue	421	762
Deductible temporary differences not recognized	46,685	47,827

Deferred tax assets have not been 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.

**AirIQ Inc.**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

### **14. INCOME TAXES continued**

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, 2018 the Company has unused Canadian tax losses of \$11,532 and US federal tax losses of US\$6,145 (\$7,978) available to reduce taxes payable in future years. The unused tax losses are due to expire from 2025 to 2037.

### **15. 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, 2018 and 2017.

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.

## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 15. FINANCIAL INSTRUMENTS continued

##### (a) Currency risk continued

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

	March 31, 2018	March 31, 2017
	\$	\$
Cash	355	80
Trade and other receivables	191	209
Accounts payable and accrued liabilities	(77)	(26)
	469	263

For the year ended March 31, 2018, all else being equal, a strengthening of 1.0% of the US dollar against the Canadian dollar would have a positive impact of approximately \$5 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.

##### (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.

**AirIQ Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

**15. FINANCIAL INSTRUMENTS continued**

**(b) Credit risk continued**

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

	\$
<b>Closing balance, March 31, 2016</b>	<b>11</b>
Provisions made during the year	20
Provisions used during the year	(11)
<b>Closing balance, March 31, 2017</b>	<b>20</b>
Provisions made during the year	<b>116</b>
Provisions used during the year	<b>(136)</b>
<b>Closing balance, March 31, 2018</b>	<b>—</b>

The following table sets forth details of the accounts receivable as at March 31, 2018 and 2017:

	March 31, 2018	March 31, 2017
	\$	\$
Trade accounts receivable, before allowances	<b>363</b>	453
Less allowance for doubtful accounts	—	(20)
Other receivables	<b>38</b>	46
<b>Trade and other receivables</b>	<b>401</b>	<b>479</b>

Pursuant to their respective terms, accounts receivable are aged as follows as at March 31, 2018 and 2017:

	March 31, 2018	March 31, 2017
	\$	\$
Current	<b>209</b>	365
31-60 days	<b>40</b>	49
61-90 days	<b>37</b>	45
Over 91 days	<b>115</b>	20
<b>Total accounts receivable</b>	<b>401</b>	<b>479</b>



## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 15. 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 March 31, 2018, the Company's accounts payable and accrued liabilities were \$384 (March 31, 2017 - \$313).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and operating lease commitments as at March 31, 2018 and 2017 respectively:

##### **March 31, 2018: Payments due by period**

	<b>Total</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	<b>384</b>	<b>384</b>	—	—	—	—
Operating leases	<b>41</b>	<b>18</b>	<b>18</b>	<b>5</b>	—	—
	<b>425</b>	<b>402</b>	<b>18</b>	<b>5</b>	—	—

##### **March 31, 2017: Payments due by period**

	<b>Total</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	313	311	2	—	—	—
Operating leases	59	18	18	18	5	—
	<b>372</b>	<b>329</b>	<b>20</b>	<b>18</b>	<b>5</b>	—

##### (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.

## AirIQ Inc.

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2018 and 2017

#### 16. 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 \$1,267 as at March 31, 2018 (March 31, 2017 – \$1,052). 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, 2018 and 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.

#### 17. 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 \$950 as at March 31, 2018 (March 31, 2017 - \$934).

Revenues attributed to regions based on location of customer were as follows:

	March 31, 2018	March 31, 2017
	\$	\$
Canada	1,410	1,139
United States	1,869	2,114
	<b>3,279</b>	<b>3,253</b>

For the year ended March 31, 2018, one customer represented more than 10% of total revenue (year ended March 31, 2017: one customer). This customer accounted for 17% and 23% of total revenue for the years ended March 31, 2018 and 2017, respectively.

**AirIQ Inc.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

Years ended March 31, 2018 and 2017

**18. NET INCOME PER SHARE**

Weighted Average Number of Common Shares:

	<b>Year ended March 31, 2018</b>	<b>Year ended March 31, 2017</b>
	<b>#</b>	<b>#</b>
Issued common shares	<b>28,928,947</b>	28,928,947
Weighted average number of common shares (basic)	<b>28,946,481</b>	28,928,947
Weighted average number of common shares (diluted)	<b>31,819,574</b>	30,342,640

For the year ended March 31, 2018, diluted net income per share did not include the effect of 294,500 stock options (March 31, 2017 – 661,127) and nil warrants (March 31, 2017 – nil) as they are anti-dilutive.