

**Consolidated Condensed Interim Financial Statements
(Unaudited)**

AirIQ Inc.

For the three-month and six-month periods ended September 30, 2018

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

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

	30-Sep-2018	31-Mar-18 *
	\$	\$
ASSETS		
Current assets		
Cash (note 14)	854	527
Prepaid expenses and deposits	78	67
Trade and other receivables (notes 12 and 14)	264	401
Inventory (note 5)	149	126
Costs of deferred revenues (notes 3 and 7)	—	343
Total current assets	1,345	1,464
Non-current assets		
Software (note 6)	609	574
Rental units (note 6)	314	349
Property, plant and equipment (note 6)	23	27
Costs of deferred revenues (notes 3 and 7)	—	65
Total non-current assets	946	1,015
Total assets	2,291	2,479
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 13 and 14)	359	384
Deferred revenues (notes 3 and 7)	396	723
Total current liabilities	755	1,107
Non-current liabilities		
Deferred revenues (notes 3 and 7)	88	105
Total non-current liabilities	88	105
Total liabilities	843	1,212
Shareholders' equity		
Share capital (note 9(a))	91,390	91,390
Other paid-in capital (note 9(b))	4,483	4,483
Contributed surplus (note 9(c))	2,797	2,781
Deficit	(97,222)	(97,387)
Total shareholders' equity	1,448	1,267
Total liabilities and shareholders' equity	2,291	2,479
Commitments and contingencies (note 13)		

*The Company adopted IFRS 15 as described in note 3. Under this adoption, the comparative information is not restated.

Authorized for issue on behalf of the Board:

"Vernon Lobo"
Director

"Geoffrey Rotstein"
Director

See accompanying notes

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

(in thousands of Canadian dollars except per share amounts)

	3 months ended September 30		6 months ended September 30	
	2018	2017 *	2018	2017 *
	\$	\$	\$	\$
Revenues				
Recurring revenue	691	512	1,365	1,056
Hardware and other revenue	332	262	465	530
Total Revenues	1,023	774	1,830	1,586
Direct cost of sales (notes 5 and 6)	462	312	777	619
Gross profit	561	462	1,053	967
Expenses				
Sales and marketing	184	135	332	279
Research and development	34	23	66	47
General and administration	200	209	377	417
Foreign exchange loss (gain)	18	24	1	38
Total Expenses (note 11)	436	391	776	781
Operating profit before other expenses	125	71	277	186
Other expenses				
Interest expense (note 8)	2	—	2	—
Depreciation and amortization (note 6)	56	48	110	95
Total other expenses	58	48	112	95
Net income and comprehensive income for the period	67	23	165	91
Net income per share (note 17)				
Basic	0.01	0.00	0.01	0.00
Diluted	0.01	0.00	0.01	0.00

*The Company adopted IFRS 15 as described in note 3. Under this adoption, the comparative information is not restated.

See accompanying notes

**CONSOLIDATED CONDENSED INTERIM STATEMENTS
OF CASH FLOWS
(UNAUDITED)**

(in thousands of Canadian dollars)

	3 months ended September 30		6 months ended September 30	
	2018	2017 *	2018	2017 *
	\$	\$	\$	\$
Cash flows from operating activities				
Net income for the period	67	23	165	91
Adjustments to reconcile profit before tax to net cash used in operating activities				
Stock-based compensation (note 10)	11	10	16	20
Depreciation of property, plant and equipment (note 6)	88	80	172	156
Amortization of costs of deferred revenues	—	126	—	250
Changes in non-cash balances related to operations				
Trade and other receivables	74	117	137	41
Inventory	(4)	19	(23)	7
Prepaid expenses and deposits	4	20	(11)	(35)
Accounts payable and accrued liabilities	(60)	(11)	(25)	55
Deferred revenue (note 3)	90	(39)	(344)	319
Costs of deferred revenues (note 3)	—	(88)	408	(417)
Total cash inflows from operating activities	270	257	495	487
Cash flows from investing activities				
Software (see note 13)	(80)	(55)	(139)	(124)
Rental units	(17)	(35)	(27)	(58)
Property, plant and equipment	(2)	(8)	(2)	(9)
Total cash (outflows) from investing activities	(99)	(98)	(168)	(191)
Net change in cash and cash equivalents	171	159	327	296
Cash and cash equivalents at beginning of period	683	269	527	132
Cash and cash equivalents at end of period	854	428	854	428
Supplementary disclosure				
Cash Interest	—	—	—	(1)

**The Company adopted IFRS 15 as described in note 3. Under this adoption, the comparative information is not restated.*

See accompanying notes

**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 September 30, 2016	91,375	4,483	2,725	(97,746)	837
Net income for the period	—	—	—	199	199
Stock based compensation	—	—	16	—	16
Balance March 31, 2017	91,375	4,483	2,741	(97,547)	1,052
Income for the period	—	—	—	91	91
Stock based compensation	—	—	20	—	20
Balance September 30, 2017	91,375	4,483	2,761	(97,456)	1,163
Income for the period	—	—	—	69	69
Proceeds from exercise of Stock Options	15	—	—	—	15
Stock based compensation	—	—	20	—	20
Balance March 31, 2018	91,390	4,483	2,781	(97,387)	1,267 *
Income for the period	—	—	—	165	165
Stock based compensation	—	—	16	—	16
Balance September 30, 2018	91,390	4,483	2,797	(97,222)	1,448 *

**The Company adopted IFRS 15 as described in note 3. Under this adoption, the comparative information is not restated.*

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 six months ended September 30, 2018

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 November 21, 2018.

2. BASIS OF PRESENTATION

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, 2018 and 2017, except for any new accounting pronouncements which have been adopted. Changes to significant accounting policies are described in note 3.

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 years ended March 31, 2018 and 2017 and the accompanying notes thereto.

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

These consolidated condensed interim financial statements have been prepared on a historical cost basis. In addition, the 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 year ended March 31, 2018.

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 six months ended September 30, 2018

2. BASIS OF PRESENTATION continued

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. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied to these consolidated condensed interim financial statements are the same as those applied to the Company's audited annual financial statements and notes thereto for the year ended March 31, 2018 and 2017.

The following changes in accounting policies were adopted in these consolidated condensed interim financial statements at and for the three-month and six-month periods ended September 30, 2018.

IFRS 9 – Financial Instruments (“IFRS 9”) was issued by the IASB as a complete standard in July 2014 and replaces 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. The Company has adopted the new standard effective April 1, 2018, however there is no material impact on the Company's financial statements.

IFRS 15 - Revenue From Contracts With Customers (“IFRS 15”) replaces 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 affect the amount and/or timing of revenue recognized. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

**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 six months ended September 30, 2018

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 15 - Revenue From Contracts With Customers continued

The standard is mandatory for financial years commencing on or after January 1, 2018. The Company has adopted the standard effective April 1, 2018 using the modified retrospective approach which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at April 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 – Revenue. The details of the significant changes and quantitative impact of the changes, if any, are set out below.

In its adoption of IFRS 15, the Company has elected to apply the requirements of the new standard only to contracts that are incomplete at the date of initial application. The Company has also elected to apply the contract modification practical expedient and reflect the aggregate effect of all contact modifications prior to the transition date.

The Company earns revenue through the supply of GPS solutions for asset management services in the commercial and consumer markets.

The Company offers certain arrangements whereby a customer can purchase products and services together. Prior to adoption of IFRS 15, the products and related services were not accounted for as separately identifiable components. As a result, revenues received from the sale of a product and service bundle were deferred and recognized over the term of the contract. However, upon adoption of IFRS 15, it was determined that the products and the related services are distinct and should be recognized separately. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. When the fair value cannot be determined based on when it was sold separately, the Company uses the residual method to determine a value that most reasonably reflects the selling price that might be achieved in a stand-alone transaction. Any discounts identified as part of a multi-element arrangement are proportionately allocated to all separately identifiable components, unless there is observable evidence that the discount relates to only one of the performance obligations in a contract. Upon adoption of IFRS 15, revenues related to the sale of hardware are recognized at the time of sale, and revenues for monitoring and supporting services are recognized over the term of the contracted service period with amounts prepaid by customers accounted for as deferred revenue.

AirIQ Inc.

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FINANCIAL STATEMENTS
(UNAUDITED)**

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

For the three months and six months ended September 30, 2018

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 15 - Revenue From Contracts With Customers continued

The cumulative effect of the changes made to the Company's Consolidated Condensed Interim Statements of Financial Position as at April 1, 2018 for the adoption of IFRS 15 Revenue From Contracts with Customers was as follows:

	Balance at March 31, 2018	Adjustments due to IFRS 15	Balance as at April 1, 2018
Balance Sheet			
Assets			
Deferred costs - current	\$343	(\$343)	\$nil
Deferred costs – long term	\$65	(\$65)	\$nil
Total Assets	\$408	(\$408)	\$nil
Liabilities			
Deferred revenues - current	(\$723)	\$343	\$380
Deferred revenues – long term	(\$105)	\$65	\$40
Total Liabilities	(\$828)	\$408	\$420
Shareholders Equity			
Total shareholders' equity	\$1,267	\$nil	\$1,267

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on the Consolidated Condensed Interim Statements of Income and Comprehensive Income as follows:

	For the three months ended September 30, 2018		
	As reported after adoption of IFRS 15	Balances prior to adoption of IFRS 15	Effect of change Higher/(Lower)
Income Statement			
Revenues			
Recurring revenues	\$691	\$612	\$79
Hardware and other revenues	\$332	\$245	\$87
Total revenues	\$1,023	\$857	\$166
Direct cost of sales	\$462	\$356	\$106
Gross profit	\$561	\$501	\$60
Expenses	\$436	\$436	—
Other expenses	\$58	\$58	—
Net income and comprehensive income	\$67	\$7	\$60

AirIQ Inc.

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FINANCIAL STATEMENTS
(UNAUDITED)**

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

For the three months and six months ended September 30, 2018

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 15 - Revenue From Contracts With Customers continued

	For the six months ended September 30, 2018		
	As reported after adoption of IFRS 15	Balances prior to adoption of IFRS 15	Effect of change Higher/(Lower)
Income Statement			
Revenues			
Recurring revenues	\$1,365	\$1,218	\$147
Hardware and other revenues	\$465	\$488	(\$23)
Total revenues	\$1,830	\$1,706	\$124
Direct cost of sales	\$777	\$713	\$64
Gross profit	\$1,053	\$993	\$60
Expenses			
Other expenses	\$112	\$112	—
Net income and comprehensive income	\$165	\$105	\$60

Practical Expedients Used

AirIQ has elected to make use of the following practical expedients:

- Completed contracts under IAS 11 and IAS 18 before the date of transition have not been reassessed.

	For the Years Ending March 31st			
	2,019	2,020	2,021	Total
Revenues expected to be recognised on deferred revenues at September 30, 2018	\$282	\$172	\$30	\$484

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. The Company has adopted the new standard effective April 1, 2018, however there is no material impact on the Company’s financial statements.

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FINANCIAL STATEMENTS
(UNAUDITED)**

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For the three months and six months ended September 30, 2018

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated condensed interim 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 six months ended September 30, 2018, the amount of inventory recognized as an expense in direct cost of sales was \$329 and \$507, respectively (three months and six months ended September 30, 2017 - \$180 and \$359, respectively). Inventory is valued at the lower of cost or net realizable value. There were no write-downs of inventory included in general and administration expenses during the three months and six months ended September 30, 2018 (three months and six months ended September 30, 2017 - \$nil and \$nil, respectively).

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 \$
Cost					
Balance at March 31, 2018	\$1,030	\$599	\$37	\$5	\$1,671
Additions for the period	\$139	\$27	\$2	—	\$168
Balance at September 30, 2018	\$1,169	\$626	\$39	\$5	\$1,839
Depreciation and impairment losses					
Balance at March 31, 2018	\$456	\$250	\$12	\$3	\$721
Depreciation for the period	\$104	\$62	\$5	\$1	\$172
Balance at September 30, 2018	\$560	\$312	\$17	\$4	\$893
Carrying amounts					
At March 31, 2018	\$574	\$349	\$25	\$2	\$950
At September 30, 2018	\$609	\$314	\$22	\$1	\$946

**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 six months ended September 30, 2018

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

Depreciation expense for software, rental units and property, plant and equipment for the three months and six months ended September 30, 2018 is \$88 and \$172, respectively (three months six months ended September 30, 2017 - \$80 and \$156, respectively) of which \$32 and \$62, respectively (three months and six months ended September 30, 2017 - \$32 and 61, 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 six months ended September 30, 2018 and September 30, 2017.

7. DEFERRED REVENUES AND COSTS OF DEFERRED REVENUES

	Deferred revenues	Costs of deferred revenues
	\$	\$
Balance, March 31, 2018	828	408
At March 31, 2018:		
Current	723	343
Non-current	105	65
Changes during the period:		
Deferred during the period	(295)	—
Released to the consolidated statement of income	359	—
Changes resulting in adoption of IFRS 15 (note 3)	(408)	(408)
Balance, September 30, 2018	484	—
At September 30, 2018:		
Current	396	—
Non-current	88	—

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 six months ended September 30, 2018 and September 30, 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 September 30, 2018, \$nil (three months and six months ended September 30, 2017 - \$nil) has been drawn from this demand credit facility. The Company paid RBC a total of approximately \$nil and \$2, respectively, related to interest on the credit facility during the three months and six months ended September 30, 2018 (three months and six months ended September 30, 2017 - \$nil and \$nil, respectively), which is included in interest expense in the accompanying consolidated statement of income.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM
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(UNAUDITED)**

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

For the three months and six months ended September 30, 2018

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 September 30, 2017 to September 30, 2018:

	Number of Shares #	Issue Price \$	Amount \$
Balance at September 30, 2017	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
Balance at March 31, 2018	29,128,947		91,390
Balance at September 30, 2018	29,128,947		91,390

b) **Other paid in capital**

As at September 30, 2018, the Company had outstanding warrants as follows:

Number of warrants	Exercise price	Expiry Date
700,000	\$0.05	17-Dec-18

No warrants were granted during the three months and six months ended September 30, 2018 and September 30, 2017.

c) **Contributed Surplus**

The following is a summary of changes in contributed surplus from March 31, 2018 to September 30, 2018:

	\$
Balance at March 31, 2018	2,781
Stock-based compensation charge	16
Balance at September 30, 2018	2,797

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 six months ended September 30, 2018

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.

As at September 30, 2018, the Company has reserved 2,912,894 (September 30, 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.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM
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(UNAUDITED)**

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

For the three months and six months ended September 30, 2018

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

On July 12, 2018, the Company granted options to a consultant to purchase in the aggregate up to 250,000 common shares in the capital of the Company at an exercise price of \$0.18 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 July 12, 2028.

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 \$10 and \$16, respectively, for the three months and six months ended September 30, 2018 (three months and six months ended September 30, 2017 - \$10 and \$20, respectively), of which \$6 and \$6, respectively, related to options granted during the three months and six months ended September 30, 2018 (three months and six months ended September 30, 2017 - \$6 and 12, respectively).

Share option activity within the Plan is as follows:

	Three months ended 30-Sep-2018		Three months ended 30-Sep-2017	
	Weighted average		Weighted average	
	Number of options #	Exercise price \$	Number of options #	Exercise price \$
Outstanding options, beginning of period	1,698,002	0.10	2,890,627	0.11
Granted	250,000	0.18	—	—
Expired	—	—	—	—
Outstanding options, end of period	1,948,002	0.11	2,890,627	0.11
Exercisable, end of period	1,765,502	0.10	2,151,252	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 the three months and six months ended September 30, 2018 or September 30, 2017.

AirIQ Inc.

**NOTES TO THE CONSOLIDATED CONDENSED INTERIM
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(in thousands of Canadian dollars except share and per share amounts)

For the three months and six months ended September 30, 2018

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

Outstanding and exercisable options under the Plan as at September 30, 2018 are summarized as follows:

Exercise price range	Number outstanding	Outstanding		Exercisable	
		Weighted average exercise price	Weighted remaining contractual life	Number outstanding and exercisable	Weighted average exercise price
\$	#	\$	(years)	#	\$
0.05 — 0.08	750,000	0.06	6	712,500	0.06
0.10 — 0.18	1,686,127	0.13	5	1,053,002	0.12
	2,436,127	0.11	6	1,765,502	0.10

b) Fair Value of Options Issued During the Period

There were 250,000 options granted during the three months ended September 30, 2018. The weighted average fair value at grant date of options granted during the six months ended September 30, 2018 was \$45 (three months and six months ended September 31, 2017 was \$46).

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 six months ended September 30, 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
12-Jul-2018	12-Jul-2028	\$0.18	\$0.18	3.61%	10 years	140%	—%

The model inputs for options granted during the three months and six months ended September 30, 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-2017	18-Apr-2027	\$0.16	\$0.17	3.61%	10 years	179%	—%

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

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11. NATURE OF EXPENSES

	Three months ended		Six months ended	
	September 30th		September 30th	
	2018	2017	2018	2017
	\$	\$	\$	\$
Salaries and benefits	205	168	381	345
Consulting	67	68	145	135
Computer operating	30	39	59	79
Commercial, officer and director insurance	15	15	31	31
Rent and maintenance	10	10	20	21
Legal fees, audit and tax	14	12	27	22
Public reporting costs	21	19	28	30
Stock-based compensation - Employees, consultants	11	10	16	20
Foreign Exchange (Gain)/Loss	18	24	1	39
Other	45	50	68	98
	436	415	776	820

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 three month period ended September 30, 2018 and September 30, 2017:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Three months ended	Three months ended
	30-Sep-18	30-Sep-17
	\$	\$
Salary, consulting fees and benefits	47	45
Share-based payments	4	10
	51	55

AirIQ Inc.

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12. RELATED PARTY TRANSACTIONS continued

b) Related Party Transactions

During the three months and six months ended September 30, 2018, \$4 and \$6, respectively, was expensed for directors' fees and stock-based compensation (three months and six months ended September 30, 2017 - \$14 and \$28, respectively).

AirIQ owed a company controlled by a former director \$36 at September 30, 2018 (September 30, 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 September 30, 2018 (September 30, 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 revenues 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 September 30, 2018, no Earn-Outs are due or payable (September 30, 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.

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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 September 30, 2018, the principal amount outstanding on the promissory note is \$nil (three months and six months ended September 30, 2017 - \$10, which amount was included in accounts payable and accrued liabilities).
- c) Leases relate to office lease terms of 36 months payable in monthly instalments in advance. As of September 30, 2018 and September 30, 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	9
2020	18
2021	5
	32

- d) The Company is party to certain management contracts. The Company has minimum contractual commitments with these contracts of \$130, all due within one year. Included is a contractual commitment to pay a consultant \$100 on termination of the consulting 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. If a triggering event has not occurred, no provision has been made with respect to this commitment. In addition, included in the management contracts is a contractual commitment to pay an employee approximately \$43 on termination of the employee by the Company without cause in the event of a “change of control” (as defined in the employment agreement) occurring within one (1) year of such “change of control”. If a triggering event has not occurred, no provision has been made with respect to this commitment.
- e) The Company has a profit-sharing plan to incentivize employees and certain officers of the Corporation to meet specific goals and objectives. The profit-sharing pool for fiscal year 2019 has been set by the Board at \$60,000, subject to meeting certain criteria related to total operating revenues, total recurring revenues and operating profit based on the March 31, 2019 audited year end results. Payments under the profit-sharing plan are at the sole discretion of the Chief Executive Officer.

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13. COMMITMENTS AND CONTINGENCIES continued

- f) 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 six months ended September 30, 2018 and the fiscal 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.

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14. 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:

	September 30, 2018	March 31, 2018
	\$	\$
Cash	620	355
Trade and other receivables	116	191
Accounts payable and accrued liabilities	(116)	(77)
	620	469

For the three months and six months ended September 30, 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 \$6 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.

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

	\$
Closing balance, March 31, 2018	—
Provisions made during the period	\$24
Provisions used during the period	(\$24)
Closing balance, September 30, 2018	—

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14. FINANCIAL INSTRUMENTS continued

(b) Credit risk continued

The following table sets forth details of the accounts receivable as at September 30, 2018 and March 31, 2018:

	September 30, 2018	March 31, 2018
	\$	\$
Trade accounts receivable, before allowances	214	363
Less allowance for doubtful accounts	—	—
Other receivables	50	38
Trade and other receivables	264	401

Pursuant to their respective terms, accounts receivable are aged as follows as at September 30, 2018 and March 31, 2018:

	September 30, 2018	March 31, 2018
	\$	\$
Current	103	209
31-60 days	40	40
61-90 days	2	37
Over 91 days	119	115
Total accounts receivables	264	401

(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 September 30, 2018, the Company's accounts payable and accrued liabilities were \$359 (September 30, 2017 - \$379).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and operating lease commitments as at September 30, 2018 and September 30, 2017, respectively:

September 30, 2018: Payments due by period

	Total	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	359	359	—	—	—	—
Operating leases	32	9	18	5	—	—
	391	368	18	5	—	—

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14. FINANCIAL INSTRUMENTS continued

(c) Liquidity risk continued

September 30, 2017: Payments due by period

	Total	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	368	368	—	—	—	—
Operating leases	41	18	18	5	—	—
	409	386	18	5	—	—

(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.

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 \$1,448 as at September 30, 2018 (September 30, 2017 – \$1,163). 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 six months ended September 30, 2018.

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.

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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 \$947 as at September 30, 2018 (September 30, 2017 - \$969).

Revenues attributed to regions based on location of customers for the six-month periods ended September 30, 2018 and 2017 were as follows:

	30-Sep-18	30-Sep-17
	\$	\$
Canada	771	555
United States	1,059	1,031
	1,830	1,586

For the three months and six months ended September 30, 2018, one customer represented more than 10% of total revenues (September 30, 2017: one customer). This customer accounted for 16% of total revenues for the period ended September 30, 2018 (19.1% of total revenues for the period ended September 30, 2017).

17. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Three months ended		Six months ended	
	September 30		September 30	
	2018	2017	2018	2017
Issued common shares at beginning of period	29,128,947	28,928,947	29,128,947	28,928,947
Weighted average number of common shares (basic)	29,128,947	28,928,947	29,128,947	28,928,947
Weighted average number of common shares (diluted)	30,561,020	28,928,947	30,586,586	28,928,947

For the three months and six months ended September 30, 2018, diluted net income per share did not include the effect of 250,000 stock options (three months and six months ended September 30, 2017 – 950,627) and nil warrants (three months and six months ended September 30, 2017 – nil) as they are anti-dilutive.