

Consolidated Condensed Interim Financial Statements
(Unaudited)

AirIQ Inc.

For the Three-Month period ended June 30, 2019

Notice to Reader:

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

AirIQ Inc.

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

	June 30, 2019	March 31, 2019
	\$	\$
ASSETS		
Current assets		
Cash (note 15)	811	717
Prepaid expenses and deposits	55	47
Trade and other receivables (notes 12 and 15)	1,540	759
Inventory (note 5)	519	169
Total current assets	2,925	1,692
Non-current assets		
Software (note 6)	637	623
Rental units (note 6)	258	276
Property and equipment (note 6)	51	20
Right-of-use asset (note 13)	110	—
Total non-current assets	1,056	919
Total assets	3,981	2,611
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 13 and 15)	1,186	570
Deferred revenues (notes 7)	672	375
Lease Obligation (note 13)	19	—
Total current liabilities	1,877	945
Non-current liabilities		
Deferred revenues (notes 7)	278	100
Lease Obligation (note 13)	92	—
Total non-current liabilities	370	100
Total liabilities	2,247	1,045
Shareholders' equity		
Share capital (note 9(a))	91,460	91,460
Other paid-in capital (note 9(b))	4,448	4,448
Contributed surplus (note 9(c))	2,821	2,814
Deficit	(96,995)	(97,156)
Total shareholders' equity	1,734	1,566
Total liabilities and shareholders' equity	3,981	2,611
Commitments and contingencies (note 13)		

Authorized for issue on behalf of the Board:

"Vernon Lobo"
Director

"Geoffrey Rotstein"
Director

See accompanying notes

AirIQ Inc.

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

(in thousands of Canadian dollars except per share amounts)

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
	\$	\$
Revenues		
Recurring revenue	700	674
Hardware and other revenue	1,064	133
Total Revenues	1,764	807
Direct cost of sales (notes 5 and 6)	1,029	315
Gross profit	735	492
Expenses		
Sales and marketing	179	148
Research and development	35	32
General and administration	211	172
Total expenses (note 11)	425	352
Operating profit before other expenses	310	140
Other expenses		
Interest expense (notes 8 and 13)	2	—
Depreciation and amortization (notes 6 and 13)	106	54
Foreign exchange (gain) loss	34	(17)
Stock Based Compensation	7	5
Total other expenses	149	42
Net income and comprehensive income for the period	161	98
Net income per share (note 18)		
Basic	0.01	0.00
Diluted	0.01	0.00

See accompanying notes

AirIQ Inc.

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

	June 30, 2019	June 30, 2018
	\$	\$
Cash flows from operating activities		
Net income for the period	161	98
Adjustments to reconcile profit before tax to net cash used in operating activities		
Stock-based compensation (note 10 (a))	7	5
Depreciation of property, plant and equipment (note 6)	100	84
Depreciation of right-of-use asset (note 13)	6	—
Loss on disposal of fixed assets	—	—
Interest expense	2	—
Changes in non-cash balances related to operations		
Trade and other receivables	(781)	63
Inventory	(350)	(19)
Prepaid expenses and deposits	(8)	(15)
Accounts payable and accrued liabilities	616	35
Deferred revenue (note 7)	475	(434)
Costs of deferred revenues	—	408
Total cash inflows from operating activities	228	225
Cash flows from investing activities		
Software (note 6)	(75)	(59)
Rental units (note 6)	(17)	(10)
Property, plant and equipment (note 6)	(35)	—
Total cash (outflows) from investing activities	(127)	(69)
Cash flows from financing activities		
Lease payments (note 13)	(7)	—
Interest paid	—	—
Proceeds from exercise of warrants and options	—	—
Total cash (outflows) from financing activities	(7)	—
Net change in cash and cash equivalents	94	156
Cash and cash equivalents at beginning of period	717	527
Cash and cash equivalents at end of period	811	683
Supplementary disclosure		

See accompanying notes

AirIQ Inc.

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

(in thousands of Canadian dollars)

	Share capital \$	Other paid-in capital \$	Contributed surplus \$	Deficit \$	Total \$
Balance June 30, 2017	91,375	4,483	2,751	(97,479)	1,130
Income for the period	—	—	—	92	92
Proceeds from exercise of stock options	15	—	—	—	15
Stock based compensation	—	—	30	—	30
Balance March 31, 2018	91,390	4,483	2,781	(97,387)	1,267
Income for the period	—	—	—	98	98
Stock based compensation	—	—	5	—	5
Balance June 30, 2018	91,390	4,483	2,786	(97,289)	1,370
Income for the period	—	—	—	133	133
Proceeds from exercise of warrants	70	(35)	—	—	35
Stock based compensation	—	—	28	—	28
Balance March 31, 2019	91,460	4,448	2,814	(97,156)	1,566
Income for the period	—	—	—	161	161
Stock based compensation	—	—	7	—	—
Balance June 30, 2019	91,460	4,448	2,821	(96,995)	1,727

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 ended June 30, 2019

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 1815 Ironstone Manor, Unit 9 in Pickering, Ontario.

These consolidated condensed interim financial statements have been authorized for issue by the Board of Directors on August 19, 2019.

2. BASIS OF PREPARATION

These consolidated condensed interim financial statements have been prepared in accordance with International Accounting Standards (“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 years ended March 31, 2019 and 2018, 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, 2019 and 2018 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, and should be read in conjunction with the Company’s financial statements for the year ended March 31, 2019.

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.

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

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

For the three months ended June 30, 2019

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, 2019. The accounting policies set out below have been consistently applied to all periods presented.

The following changes in accounting policies were adopted in these consolidated condensed interim financial statements at and for the three-month period ended June 30, 2019:

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 recognizes 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 recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

In the adoption of IFRS 16, the Company has elected to apply the modified retrospective approach whereby the financial statements of prior periods presented were not restated. The cumulative effect of initially applying IFRS 16 as an adjustment to the opening equity at April 1, 2019 was \$nil, as the Company had no outstanding lease contracts as of March 31, 2019.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

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

For the three months ended June 30, 2019

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued

IFRS 16 – Leases continued

A lease liability is initially measured at the present value of the unpaid lease payments discounted using the interest rate implicit in the lease or if that rate cannot be reliably determined, the Company's incremental borrowing rate. Subsequently, the Company measures a lease liability at amortized cost using the effective interest method. It is then remeasured to reflect revised in-substance fixed lease payments. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

All the components of the lease liability are required to be discounted to reflect the present value of the payments. The discount rate to use is the rate implicit in the lease, unless this cannot readily be determined, in which case the lessee's incremental borrowing rate is used instead. The definition of the lessee's incremental borrowing rate states that the rate should represent what the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment. Significant judgment is required to estimate an incremental borrowing rate in the context of a right-of-use asset.

Variable non-lease costs such as, property taxes, maintenance, and other non-lease costs, are not included in the calculation of the right-of-use asset or lease liability.

As permitted by IFRS 16, the Company has elected to not to recognize lease liabilities and right-of-use assets for short-term or low value assets.

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. The Company has adopted the new standard effective April 1, 2019, however there is no material impact on the Company's financial statements.

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

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

For the three months ended June 30, 2019

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued

Future Changes in Accounting Policies

IAS 1 – Presentation of Financial Statements (“IAS 1”) and **IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors** (“IAS 8”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

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 ended June 30, 2019, the amount of inventory recognized as an expense in direct cost of sales was \$855 (three months ended June 30, 2018 – \$220). Inventory is valued at cost, as it is the lower of cost or net realizable value. There was a \$nil write-down of inventory included in general and administration expenses during the three months ended June 30, 2019 (June 30, 2018 – \$nil).

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

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

For the three months ended June 30, 2019

6. SOFTWARE, RENTAL UNITS AND PROPERTY AND EQUIPMENT

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

	Software \$	Rental units \$	Office equipment \$	Leasehold improvements \$	Total \$
Cost					
Balance at March 31, 2019	1,149	652	39	5	1,845
Additions for the period	75	17	17	18	127
Disposals during the period	—	(1)	—	—	(1)
Balance at June 30, 2019	1,224	668	56	23	1,971
Depreciation and impairment losses					
Balance at March 31, 2019	526	376	21	3	926
Depreciation for the period	61	35	2	2	100
Disposals during the period	—	(1)	—	—	(1)
Balance at June 30, 2019	587	410	23	5	1,025
Carrying amounts					
At March 31, 2019	623	276	18	2	919
At June 30, 2019	637	258	33	18	946

Depreciation expense for software, rental units and property and equipment for the three months ended June 30, 2019 is \$100 (three months ended June 30, 2018 - \$84) of which \$35 (three months ended June 30, 2019 - \$30) is included in direct cost of sales relating to rental units. During the three months ended June 30, 2019, the Company disposed of \$1 of fixed assets (three months ended June 30, 2018 - \$nil), and disposed of \$1 of depreciation (three months ended June 30, 2018 - \$nil).

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 three months ended June 30, 2019 is \$nil (three months ended June 30, 2018 - \$nil).

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

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

For the three months ended June 30, 2019

7. DEFERRED REVENUE

	Deferred revenue
	\$
Balance, March 31, 2019	475
At March 31, 2019:	
Current	375
Non-current	100
Changes during the period:	
Deferred during the period	661
Released to the consolidated statement of income	(186)
Balance, June 30, 2019	950
At June 30, 2019:	
Current	672
Non-current	278

The Company assesses the carrying value of its costs of deferred revenue 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 ended June 30, 2019 and June 30, 2018.

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 June 30, 2019, \$nil (three months ended June 30, 2018 - \$nil) has been drawn from this demand credit facility. The Company paid RBC a total of approximately \$nil, related to interest on the credit facility during the three months ended June 30, 2019 (three months ended June 30, 2018 - \$nil), which is included in interest expense in the accompanying consolidated condensed interim statement of income.

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

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

For the three months ended June 30, 2019

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 June 30, 2018 to June 30, 2019:

	Number of Shares #	Issue Price \$	Amount \$
Balance at June 30, 2018	29,128,947		91,390
Shares issued pursuant to exercise of warrants	700,000	0.05	70
Balance at March 31, 2019	29,828,947		91,460
Balance at June 30, 2019	29,828,947		91,460

b) **Other paid in capital**

On December 17, 2018, Mosaic Capital Partners LP exercised 700,000 warrants with an exercise price of \$0.05 per warrant for 700,000 newly issued common shares in the capital of the Company for an aggregate cash consideration of \$35.

As at June 30, 2019, the Company had no warrants outstanding.

No warrants were granted during the three months ended June 30, 2019 and June 30, 2018.

c) **Contributed Surplus**

The following is a summary of changes in contributed surplus from March 31, 2019 to June 30, 2019:

	\$
Balance March 31, 2019	2,814
Stock-based compensation charge	7
Balance at June 30, 2019	2,821

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

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

For the three months ended June 30, 2019

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.

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

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

For the three months ended June 30, 2019

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

As at June 30, 2019, the Company has reserved 2,982,894 (June 30, 2018 – 2,912,894) common shares for issuance under the Plan, representing 10% of the issued and outstanding common shares of the Company as of such date.

No options for common shares were granted during the three-month periods ended June 30, 2019 and June 30, 2018.

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.

The Company recorded share-based compensation expense of approximately \$7 for the three months ended June 30, 2019 (three months ended June 30, 2018 - \$5), of which \$nil related to options granted during the three months ended June 30, 2019 (three months ended June 30, 2018 - \$nil).

Share option activity within the Plan is as follows:

	Three Months Ended 30-Jun-19		Three Months Ended 30-Jun-18	
	Weighted average		Weighted average	
	Number of options #	Exercise price \$	Number of options #	Exercise price \$
Outstanding options, beginning of period	2,196,127	0.10	2,690,627	0.11
Granted	—	—	—	—
Expired	—	—	504,500	0.16
Outstanding options, end of period	2,196,127	0.10	2,186,127	0.10
Exercisable, end of period	1,798,627	0.09	1,698,002	0.09

No common shares of AirIQ were issued from treasury pursuant to the exercise of stock options issued under the Company's Plan during the three months ended June 30, 2019 or June 30, 2018.

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

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

For the three months ended June 30, 2019

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

Outstanding and exercisable options under the Plan as at June 30, 2019 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 — 0.08	750,000	0.06	5.41	750,000	0.06
0.10 — 0.18	1,446,127	0.13	5.38	1,048,627	0.11
	2,196,127	0.10	5.39	1,798,627	0.09

b) Fair Value of Options Issued During the Period

There were no options granted during the three months ended June 30, 2019 or June 30, 2018.

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.

There were no options granted during the three months ended June 30, 2019 or June 30, 2018.

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

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

For the three months ended June 30, 2019

11. NATURE OF EXPENSES

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
	\$	\$
Salaries and benefits	251	176
Consulting	42	78
Computer operating	40	29
Commercial, officer and director insurance	15	16
Rent and maintenance	14	10
Legal fees, audit and tax	10	13
Public reporting costs	5	7
Other	48	23
	425	352

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 months ended June 30, 2019 and June 30, 2018:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
	\$	\$
Salary, consulting fees and benefits	53	45
Share-based payments	1	5
	54	50

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

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

For the three months ended June 30, 2019

12. RELATED PARTY TRANSACTIONS continued

b) Related Party Transactions

During the three months ended June 30, 2019, \$4 was expensed for directors' fees and stock-based compensation (three months ended June 30, 2018 - \$9).

AirIQ owed a company controlled by a former director \$36 at June 30, 2019 (three months ended June 30, 2018 - \$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 June 30, 2019 (three months ended June 30, 2018 - \$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. The Company calculated the First Earn-Out Amount based on the monthly recurring revenues of Connected as of December 8, 2018, less any setoffs as permitted under the asset purchase agreement, and amounts owed by Connected to AirIQ. As a result, a \$10 impairment charge was recognized, and no amounts were paid or due to Connected in respect of the First Earn-out. The Company recognized an impairment charge of \$102 for the entire purchase amount in March 2018. As at June 30, 2019, no Earn-Outs are due or payable and the Company elected to accrue \$35 in other expenses for future Earn-Out amounts (June 30, 2018 - \$nil).

Subsequent to the quarter end, on August 13, 2019, the Company entered into a settlement agreement with 2448609 Ontario Corp. (formerly Connected Telematics Corp.) in connection with the final settlement of all Earn-out payments due pursuant to an asset purchase agreement previously announced and entered into between the parties in December 2017.

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

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

For the three months ended June 30, 2019

13. COMMITMENTS AND CONTINGENCIES continued

a) *Continued*

A settlement amount of \$35 was mutually agreed upon based on the First Earn-out amount calculated in December 2018, discounted in consideration of early payment, in full satisfaction of both the Second Earn-out and Third Earn-out payments and any and all future amounts due pursuant to the asset purchase agreement. A total of approximately \$30K was paid to 2448609 Ontario Corp. representing the settlement amount less permitted set-offs under the asset purchase agreement.

The transaction did 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 was 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.

- 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 \$2.50 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 June 30, 2019, the principal amount outstanding on the promissory note is \$nil (three months ended June 30, 2018 - \$nil).

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

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

For the three months ended June 30, 2019

13. COMMITMENTS AND CONTINGENCIES continued

- c) The Company entered into a new 60-month office contract on April 1, 2019. At inception of this contract, the Company assessed this contract contained a lease under the new IFRS 16 standards. At commencement, the Company recognized the right-of-use asset and lease liability based on the present value of the lease payments discounted by AirIQ's incremental borrowing rate. A depreciation charge for right-of-use assets is recorded in depreciation and an interest expense on lease obligations is recorded in interest expense in the income statement.

	Right-of-use Asset	Lease Obligations
	\$	\$
Balance at April 1, 2019	—	—
Additions	116	116
Amortization	(6)	—
Payments	—	(7)
Interest	—	2
Balance at June 30, 2019	110	111
Current	—	19
Non-current	—	92

As of June 30, 2019 and June 30, 2018, there are no annual lease payments under a capital lease.

- 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. As 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". As 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, officers and designated consultants of the Company to meet specific goals and objectives. The current profit sharing plan approved by the Board includes a profit sharing pool equal ten percent (10%) of the pre-bonus operating profits generated by the Company calculated annually commencing April 1, 2019, subject to meeting certain criteria related to operating profits in each fiscal year. A prorated portion of the bonus pool has been accrued. Payments under the profit-sharing plan shall be determined annually by the Board of Directors and the Chief Executive Officer following release of the Company's March 31st fiscal year end results.

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

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

For the three months ended June 30, 2019

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 ended June 30, 2019 and the fiscal years ended March 31, 2019 and 2018.

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

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

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

(a) Currency risk

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

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

	June 30, 2019	March 31, 2019
	\$	\$
Cash	587	637
Trade and other receivables	986	593
Accounts payable and accrued liabilities	(603)	(242)
	970	988

For the three months ended June 30, 2019, all else being equal, a strengthening of 1.0% of the US dollar against the Canadian dollar would have a positive impact of approximately \$10 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.

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

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

For the three months ended June 30, 2019

14. FINANCIAL INSTRUMENTS continued

(b) Credit risk

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

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

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

Allowance for doubtful accounts and past due receivables are reviewed by management regularly. The allowance for doubtful accounts balance is also updated regularly based on an impairment calculation under IFRS 9 based on the expected credit loss (ECL) model. 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, 2019	—
Provisions made during the period	11
Provisions used during the period	(6)
Closing balance, June 30, 2019	5

The following table sets forth details of the accounts receivable as at June 30, 2019 and March 31, 2019:

	June 30, 2019	March 31, 2019
	\$	\$
Trade accounts receivable, before allowances	1,486	690
Less allowance for doubtful accounts	(5)	—
Other receivables	59	69
Trade and other receivables	1,540	759

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

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

For the three months ended June 30, 2019

14. FINANCIAL INSTRUMENTS continued

(b) Credit risk continued

Pursuant to their respective terms, accounts receivable are aged as follows as at June 30, 2019 and March 31, 2019:

	June 30, 2019	March 31, 2019
	\$	\$
Current	1,258	586
31-60 days	44	73
61-90 days	81	63
Over 91 days	157	37
Total accounts receivables	1,540	759

(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 June 30, 2019, the Company's accounts payable and accrued liabilities were \$1,176 (June 30, 2018 - \$418).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and operating lease commitments as at June 30, 2019 and June 30, 2018 respectively:

June 30, 2019: Payments due by period

	Total	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,186	1,186	—	—	—	—
Lease Obligation	111	15	20	22	26	28
	1,297	1,201	20	22	26	28

June 30, 2018: Payments due by period

	Total	2019	2020	2021	2022	2023
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	418	418	—	—	—	—
Operating leases	41	18	18	5	—	—
	459	436	18	5	—	—

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

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

For the three months ended June 30, 2019

14. FINANCIAL INSTRUMENTS continued

(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 \$1,744 as at June 30, 2019 (June 30, 2018 – \$1,370). 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 ended June 30, 2019.

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.

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 ended June 30, 2019

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 \$946 as at June 30, 2019 (June 30, 2018 - \$935).

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

	June 30, 2019	June 30, 2018
	\$	\$
Canada	782	354
United States	982	453
	1,764	807

For the three months ended June 30, 2019, one customer represented more than 10% of total revenue (three months ended June 30, 2018: one customer). This customer accounted for 55% of total revenue for the three months ended June 30, 2019 (three months ended June 30, 2018 – 27%).

17. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Issued common shares at beginning of period	29,828,947	29,128,947
Weighted average number of common shares (basic)	29,828,947	29,128,947
Weighted average number of common shares (diluted)	30,710,681	30,611,793

For the three months ended June 30, 2019, diluted net income per share did not include the effect of 250,000 stock options (three months ended June 30, 2018 – nil) and nil warrants (three months ended June 30, 2018 – nil) as they are anti-dilutive.

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 ended June 30, 2019

18. SUBSEQUENT EVENT

Subsequent to the quarter end, on August 13, 2019, the Company entered into a settlement agreement with 2448609 Ontario Corp. (formerly Connected Telematics Corp.) in connection with the final settlement of all Earn-out payments due pursuant to an asset purchase agreement previously announced and entered into between the parties in December 2017. A settlement amount of \$35 was mutually agreed upon based on the First Earn-out amount calculated in December 2018, discounted in consideration of early payment, in full satisfaction of both the Second Earn-out and Third Earn-out payments and any and all future amounts due pursuant to the asset purchase agreement. A total of approximately \$30K was paid to 2448609 Ontario Corp. representing the settlement amount less permitted set-offs under the asset purchase agreement. See note 13(a), *Commitments and Contingencies* above.