

Consolidated Condensed Interim Financial Statements
(Unaudited)

AirIQ Inc.

For the three-month and six-month periods ended September 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)

	September 30, 2019	March 31, 2019
	\$	\$
ASSETS		
Current assets		
Cash (note 15)	1,817	717
Prepaid expenses and deposits	69	47
Trade and other receivables (notes 12 and 15)	344	759
Inventory (note 5)	295	169
Total current assets	2,525	1,692
Non-current assets		
Software (note 6)	654	623
Rental units (note 6)	235	276
Property and equipment (note 6)	50	20
Right-of-use asset (note 13)	104	—
Total non-current assets	1,043	919
Total assets	3,568	2,611
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 13 and 15)	357	570
Deferred revenues (notes 7)	803	375
Lease obligation (note 13)	20	—
Total current liabilities	1,180	945
Non-current liabilities		
Deferred revenues (notes 7)	323	100
Lease obligation (note 13)	87	—
Total non-current liabilities	410	100
Total liabilities	1,590	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))	2,825	2,814
Deficit	(96,755)	(97,156)
Total shareholders' equity	1,978	1,566
Total liabilities and shareholders' equity	3,568	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 September		Six Months Ended September	
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenues				
Recurring revenue	762	691	1,462	1,365
Hardware and other revenue	658	332	1,722	465
Total revenues	1,420	1,023	3,184	1,830
Direct cost of sales (notes 5 and 6)	714	462	1,743	777
Gross profit	706	561	1,441	1,053
Expenses				
Sales and marketing	171	184	350	332
Research and development	36	34	71	66
General and administration	197	189	408	361
Total expenses (note 11)	404	407	829	759
Operating profit before other expenses	302	154	612	294
Other expenses				
Interest expense (notes 8 and 13)	2	2	4	2
Interest income	(2)	—	(2)	—
Depreciation and amortization (notes 6 and 13)	71	56	177	110
Foreign exchange (gain) loss	(13)	18	21	1
Stock-based compensation	4	11	11	16
Total other expenses	62	87	211	129
Net income and comprehensive income for the period	240	67	401	165
Net income per share (note 17)				
Basic	—	0.01	0.01	0.01
Diluted	—	0.01	0.01	0.01

See accompanying notes

AirIQ Inc.

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

(in thousands of Canadian dollars)

	Three months ended		Six months ended	
	September 30		September 30	
	2019	2018	2019	2018
	\$		\$	
Cash flows from operating activities				
Net income for the period	240	67	401	165
Adjustments to reconcile profit before tax to net cash used in operating activities				
Stock-based compensation (note 10 (a))	4	11	11	16
Depreciation of property, plant and equipment (note 6)	98	88	198	172
Depreciation of right-of-use asset (note 13)	6	—	12	—
Loss on disposal of fixed assets	6	—	6	—
Interest expense	2	—	4	—
Changes in non-cash balances related to operations				
Trade and other receivables	1,196	74	415	137
Inventory	224	(4)	(126)	(23)
Prepaid expenses and deposits	(14)	4	(22)	(11)
Accounts payable and accrued liabilities	(829)	(60)	(213)	(25)
Deferred revenue (note 7)	176	90	651	(344)
Costs of deferred revenues	—	—	—	408
Total cash inflows from operating activities	1,109	270	1,337	495
Cash flows from investing activities				
Software (note 6)	(78)	(80)	(153)	(139)
Rental units (note 6)	(16)	(17)	(33)	(27)
Property, plant and equipment (note 6)	(3)	(2)	(38)	(2)
Total cash (outflows) from investing activities	(97)	(99)	(224)	(168)
Cash flows from financing activities				
Lease payments (note 13)	(6)	—	(13)	—
Total cash (outflows) from financing activities	(6)	—	(13)	—
Net change in cash and cash equivalents	1,006	171	1,100	327
Cash and cash equivalents at beginning of period	811	683	717	527
Cash and cash equivalents at end of period	1,817	854	1,817	854

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 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
Income for the period	—	—	—	66	66
Proceeds from exercise of warrants	70	(35)	—	—	35
Stock based compensation	—	—	17	—	17
Balance March 31, 2019	91,460	4,448	2,814	(97,156)	1,566
Income for the period	—	—	—	401	401
Stock based compensation	—	—	11	—	11
Balance September 30, 2019	91,460	4,448	2,825	(96,755)	1,978

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, 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 November 20, 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 and six months ended September 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 and six month periods ended September 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 and six months ended September 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 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 and six months ended September 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 and six months ended September 30, 2019, the amount of inventory recognized as an expense in direct cost of sales was \$519 and \$1,374, respectively (three months and six months ended September 30, 2018 – \$329 and \$507, respectively). Inventory is valued at cost, as it is 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, 2019 or for the three months and six months ended September 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 and six months ended September 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	153	33	18	20	224
Disposals during the period	—	(10)	—	—	(10)
Balance at September 30, 2019	1,302	675	57	25	2,059
Depreciation and impairment losses					
Balance at March 31, 2019	526	376	21	3	926
Depreciation for the period	122	68	5	3	198
Disposals during the period	—	(4)	—	—	(4)
Balance at September 30, 2019	648	440	26	6	1,120
Carrying amounts					
At March 31, 2019	623	276	18	2	919
At September 30, 2019	654	235	31	19	939

Depreciation expense for software, rental units and property and equipment for the three months and six months ended September 30, 2019 is \$98 and \$198, (three months and six months ended September 30, 2018 - \$88 and \$172, respectively) of which \$33 and \$68, respectively, (three months and six months ended September 30, 2019 - \$32 and \$62, respectively) is included in direct cost of sales relating to rental units. During the three months and six months ended September 30, 2019, the Company disposed of \$9 and \$10, respectively, of fixed assets (three months and six months ended September 30, 2018 - \$nil and \$nil, respectively), and disposed of \$3 and \$1, respectively, of depreciation (three months and six months ended September 30, 2018 - \$nil and \$nil, respectively).

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, 2019 and September 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 and six months ended September 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	1,091
Released to the consolidated statement of income	(440)
Balance, September 30, 2019	1,126
At September 30, 2019:	
Current	803
Non-current	323

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 charges for the three months and six months ended September 30, 2019 and September 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 September 30, 2019, \$nil (September 30, 2018 - \$nil) has been drawn from this demand credit facility. The Company paid RBC a total of approximately \$nil and \$nil, respectively, related to interest on the credit facility during the three months and six months ended September 30, 2019 (three months and six months ended September 30, 2018 - \$2 and \$2, respectively), 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 and six months ended September 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 September 30, 2018 to September 30, 2019:

	Number of Shares #	Issue Price \$	Amount \$
Balance at September 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 September 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 September 30, 2019, the Company had no warrants outstanding.

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

c) **Contributed Surplus**

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

	\$
Balance March 31, 2019	2,814
Stock-based compensation charge	11
Balance at September 30, 2019	2,825

**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, 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 and six months ended September 30, 2019

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

As at September 30, 2019, the Company has reserved 2,982,894 (September 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 and six month periods ended September 30, 2019.

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 \$4 and \$11, respectively, for the three months and six months ended September 30, 2019 (three months and six months ended September 30, 2018 - \$11 and \$16, respectively), of which \$nil and \$nil, respectively, related to options granted during the three months and six months ended September 30, 2019 (three months and six months ended September 30, 2018 - \$6 and \$6, respectively).

Share option activity within the Plan is as follows:

	Three Months Ended Sep-30-2019		Three Months Ended Sep-30-2018	
	Weighted average		Weighted average	
	Number of options	Exercise price	Number of options	Exercise price
	#	\$	#	\$
Outstanding options, beginning of period	2,196,127	0.10	1,698,002	0.10
Granted	—	—	250,000	0.18
Expired	—	—	—	—
Outstanding options, end of period	2,196,127	0.10	1,948,002	0.11
Exercisable, end of period	1,925,502	0.10	1,765,502	0.10

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 and six months ended September 30, 2019 or September 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 and six months ended September 30, 2019

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

Outstanding and exercisable options under the Plan as at September 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	5.16	750,000	0.06
0.10 — 0.18	1,446,127	0.13	4.13	1,175,502	0.12
	2,196,127	0.10	5.14	1,925,502	0.10

b) Fair Value of Options Issued During the Period

There were no options granted during the three months and six months ended September 30, 2019. 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 three months and six months ended September 30, 2018 was \$45.

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 and six months ended September 30, 2019.

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-18	12-Jul-28	\$0.18	\$0.18	3.61%	10 years	140%	—%

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

**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, 2019

11. NATURE OF EXPENSES

	Three Months Ended September 30th		Three Months Ended September 30th	
	2019	2018	2019	2018
	\$		\$	
Salaries and benefits	249	205	500	381
Consulting	36	67	78	145
Computer operating	21	30	61	59
Commercial, officer and director insurance	16	15	31	31
Rent and maintenance	14	10	28	20
Legal fees, audit and tax	13	14	23	27
Public reporting costs	22	21	27	28
Other	33	45	81	68
	404	407	829	759

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 and six months ended September 30, 2019 and September 30, 2018:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2018
	\$	\$
Salary, consulting fees and benefits	81	47
Share-based payments	1	4
	82	51

**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, 2019

12. RELATED PARTY TRANSACTIONS continued

b) Related Party Transactions

During the three months and six months ended September 30, 2019, \$4 and \$8, respectively, was expensed for directors' fees and stock-based compensation (three months and six months ended September 30, 2018 - \$4 and \$6, respectively).

AirIQ owed a company controlled by a former director \$36 at September 30, 2019 (September 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 September 30, 2019 (September 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.

During the quarter, on August 13, 2019, the Company entered into an early discounted agreement with 2448609 Ontario Corp. (formerly Connected Telematics Corp.) in connection with the final settlement of all Earn-Out payments due pursuant to the asset purchase agreement.

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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 \$31K was paid to 2448609 Ontario Corp. representing the settlement amount less permitted set-offs under the asset purchase agreement. The final settlement expense was recognized as depreciation and amortization expense in June 2019.

As of September 30, 2019, no Earn-Outs are due or payable (September 30, 2018 - \$nil).

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 were not been met. Therefore, no additional consideration is required. As at September 30, 2019, the principal amount outstanding on the promissory note is \$nil (September 30, 2018 - \$nil).
- c) The Company entered into a new 60-month office contract on April 1, 2019. At inception of this contract, the Company assessed that the 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.

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13. COMMITMENTS AND CONTINGENCIES continued

(c) *Continued*

	Right-of-use Asset	Lease Obligations
	\$	\$
Balance at April 1, 2019	—	—
Additions	116	116
Amortization	(12)	—
Payments	—	(13)
Interest	—	4
Balance at September 30, 2019	104	107
Current	—	20
Non-current	—	87

As of September 30, 2019 and September 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, the Company has 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.

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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, 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.

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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, 2019	March 31, 2019
	\$	\$
Cash	1,295	637
Trade and other receivables	197	593
Accounts payable and accrued liabilities	(74)	(242)
	1,418	988

For the three months and six months ended September 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 \$14 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 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.

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14. FINANCIAL INSTRUMENTS continued

(b) Credit risk continued

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	18
Provisions used during the period	(8)
Closing balance, September 30, 2019	10

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

	September 30, 2019	March 31, 2019
	\$	\$
Trade accounts receivable, before	300	690
Less allowance for doubtful accounts	(10)	—
Other receivables	54	69
Trade and other receivables	344	759

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

	September 30, 2019	March 31, 2019
	\$	\$
Current	95	586
31-60 days	48	73
61-90 days	1	63
Over 91 days	200	37
Total accounts receivables	344	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 September 30, 2019, the Company's accounts payable and accrued liabilities were \$357 (September 30, 2018 - \$359).

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14. FINANCIAL INSTRUMENTS continued

(c) Liquidity risk continued

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

September 30, 2019: Payments due by period

	Total	2020	2021	2022	2023	2024
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	357	357	—	—	—	—
Lease Obligation	107	11	20	22	26	28
	464	368	20	22	26	28

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	—	—

(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.

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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 \$1,978 as at September 30, 2019 (September 30, 2018 – \$1,448). 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, 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.

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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 \$939 as at September 30, 2019 (September 30, 2018 - \$946).

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

	September 30, 2019	September 30, 2018
	\$	\$
Canada	1,303	771
United States	1,881	1,059
	3,184	1,830

For the three months and six months ended September 30, 2019, one customer represented more than 10% of total revenue (September 30, 2018: one customer). This customer accounted for 12% of total revenue for the period ended September 30, 2019 (perior ended September 30, 2018 – 16%).

17. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Three Months Ended		Six Months Ended	
	September 30th		September 30th	
	2019	2018	2019	2018
Issued common shares at beginning of period	29,828,947	29,128,947	29,828,947	29,128,947
Weighted average number of common shares (basic)	29,828,947	29,128,947	29,828,947	29,128,947
Weighted average number of common shares (diluted)	30,822,673	30,561,020	30,768,065	30,586,586

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