Consolidated Condensed Interim Financial Statements
(Unaudited)

AirIQ Inc.

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

	December 31, 2019 $	March 31, 2019 $
ASSETS		
Current assets		
Cash (note 15)	**1,820**	717
Prepaid expenses and deposits	**68**	47
Trade and other receivables (notes 12 and 15)	**252**	759
Inventory (note 5)	**282**	169
Total current assets	**2,422**	**1,692**
Non-current assets		
Software (note 6)	**658**	623
Rental units (note 6)	**227**	276
Property and equipment (note 6)	**51**	20
Right-of-use asset (note 13)	**98**	—
Total non-current assets	**1,034**	**919**
Total assets	**3,456**	**2,611**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 13 and 15)	**395**	570
Deferred revenues (notes 7)	**710**	375
Lease obiligation (note 13)	**20**	—
Total current liabilities	**1,125**	**945**
Non-current liabilities		
Deferred revenues (notes 7)	**205**	100
Lease obiligation (note 13)	**82**	—
Total non-current liabilities	**287**	**100**
Total liabilities	**1,412**	**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))	**2,829**	2,814
Deficit	**(96,693)**	(97,156)
Total shareholders' equity	**2,044**	**1,566**
Total liabilities and shareholders' equity	**3,456**	**2,611**

Commitments and contingencies (note 13)

Authorized for issue on behalf of the Board:

	"Vernon Lobo"	*"Geoffrey Rotstein"*
	Director	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 December 31		Nine Months Ended December 31	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Revenues				
Recurring revenue	**742**	681	**2,204**	2,046
Hardware and other revenue	**122**	102	**1,844**	567
Total revenues	**864**	783	**4,048**	2,613
Direct cost of sales (notes 5 and 6)	**300**	282	**2,043**	1,059
Gross profit	**564**	**501**	**2,005**	**1,554**
Expenses				
Sales and marketing	**182**	215	**532**	547
Research and development	**34**	30	**105**	96
General and administration	**177**	194	**585**	555
Total expenses (note 11)	**393**	**439**	**1,222**	**1,198**
Operating profit before other expenses	**171**	**62**	**783**	**356**
Other expenses				
Interest expense (notes 8 and 13)	**2**	—	**6**	2
Interest income	**(6)**	—	**(8)**	—
Depreciation and amortization (notes 6 and 13)	**73**	57	**250**	167
Foreign exchange (gain) loss	**36**	(34)	**57**	(33)
Stock-based compensation	**4**	8	**15**	24
Total other expenses	**109**	**31**	**320**	**160**
Net income and comprehensive income for the period	**62**	**31**	**463**	**196**
Net income per share (note 17)				
Basic	**0.01**	—	**0.02**	0.01
Diluted	**0.01**	—	**0.02**	0.01

See accompanying notes

AirIQ Inc.

CONSOLIDATED CONDENSED INTERIM STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands of Canadian dollars)

	Three Months Ended December 31		Nine Months Ended December 31	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Cash flows from operating activities				
Net income for the period	**62**	31	**463**	196
Adjustments to reconcile profit before tax to net cash used in operating activities				
Stock-based compensation (note 10 (a))	**4**	8	**15**	24
Depreciation of property, plant and equipment (note 6)	**99**	89	**297**	261
Depreciation of right-of-use asset (note 13)	**6**	—	**18**	—
Loss on disposal of fixed assets	**1**	—	**7**	—
Interest expense	**2**	—	**6**	—
Changes in non-cash balances related to operations				
Trade and other receivables	**92**	20	**507**	157
Inventory	**13**	(71)	**(113)**	(94)
Prepaid expenses and deposits	**1**	7	**(21)**	(4)
Accounts payable and accrued liabilities	**38**	88	**(175)**	63
Deferred revenue (note 7)	**(211)**	(117)	**440**	(461)
Costs of deferred revenues	**—**	—	**—**	408
Total cash inflows from operating activities	**107**	55	**1,444**	550
Cash flows from investing activities				
Software (note 6)	**(67)**	(61)	**(220)**	(200)
Rental units (note 6)	**(25)**	(13)	**(58)**	(40)
Property, plant and equipment (note 6)	**(5)**	—	**(43)**	(2)
Total cash (outflows) from investing activities	**(97)**	(74)	**(321)**	(242)
Cash flows from financing actiities				
Lease payments (note 13)	**(7)**	—	**(20)**	—
Proceeds from exercise of warrants and options	**—**	35	**—**	35
Total cash (outflows) from financing activities	**(7)**	35	**(20)**	35
Net change in cash and cash equivalents	**3**	16	**1,103**	343
Cash and cash equivalents at beginning of period	**1,817**	854	**717**	527
Cash and cash equivalents at end of period	**1,820**	870	**1,820**	870

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 December 31, 2017	**91,375**	**4,483**	**2,772**	**(97,374)**	**1,256**
Income for the period	—	—	—	(13)	(13)
Proceeds from exercise of Stock Options	15	—	—	—	15
Stock based compensation	—	—	9	—	9
Balance March 31, 2018	**91,390**	**4,483**	**2,781**	**(97,387)**	**1,267**
Income for the period	—	—	—	196	196
Proceeeds from exercise of Warrants	35	—	—	—	35
Stock based compensation	—	—	24	—	24
Balance December 31, 2018	**91,425**	**4,483**	**2,805**	**(97,191)**	**1,522**
Income for the period	—	—	—	35	35
Proceeds from exercise of warrants	35	(35)	—	—	—
Stock based compensation	—	—	9	—	9
Balance March 31, 2019	**91,460**	**4,448**	**2,814**	**(97,156)**	**1,566**
Income for the period	**—**	**—**	**—**	**463**	**463**
Stock based compensation	**—**	**—**	**15**	**—**	**15**
Balance December 31, 2019	**91,460**	**4,448**	**2,829**	**(96,693)**	**2,044**

See accompanying notes

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

For the three months and nine months ended December 31, 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 February 12, 2020.

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 (CAD $’000), unless otherwise indicated.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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 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.

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 nine months ended December 31, 2019, the amount of inventory recognized as an expense in direct cost of sales was $107 and $1,481, respectively (three months and nine months ended December 31, 2018 – $158 and $665, 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 nine months ended December 31, 2019 or for the three months and nine months ended December 31, 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 nine-months ended December 31, 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	**220**	**58**	**19**	**24**	**321**
Disposals during the period	**—**	**(14)**	**—**	**—**	**(14)**
Balance at December 31, 2019	**1,369**	**696**	**58**	**29**	**2,152**
Depreciation and impairment losses					
Balance at March 31, 2019	526	376	21	3	926
Depreciation for the period	**185**	**100**	**8**	**4**	**297**
Disposals during the period	**—**	**(7)**	**—**	**—**	**(7)**
Balance at December 31, 2019	**711**	**469**	**29**	**7**	**1,216**
Carrying amounts					
At March 31, 2019	**623**	**276**	**18**	**2**	**919**
At December 31, 2019	**658**	**227**	**29**	**22**	**936**

Depreciation expense for software, rental units and property and equipment for the three months and nine months ended December 31, 2019 is $99 and $297, (three months and nine months ended December 31, 2018 - $89 and $261, respectively) of which $32 and $100, respectively, (three months and nine months ended December 31, 2019 - $32 and $94, respectively) is included in direct cost of sales relating to rental units.

During the three months and nine months ended December 31, 2019, the Company disposed of $4 and $14, respectively, of fixed assets (three months and nine months ended December 31, 2018 - $nil and $nil, respectively), and disposed of $4 and $7, respectively, of depreciation (three months and nine months ended December 31, 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 nine months ended December 31, 2019 and December 31, 2019.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

For the three-months and nine-months ended December 31, 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	**1,136**
Released to the consolidated statement of income	**(696)**
Balance, December 31, 2019	**915**
At Decenber 31, 2019:	
Current	**710**
Non-current	**205**

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 nine months ended December 31, 2019 and December 31, 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 December 31 2019, $nil (December 31, 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 nine months ended December 31, 2019 (three months and nine months ended December 31, 2018 - $nil and $2, respectively), which is included in interest expense in the accompanying consolidated condensed interim statement of income.

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

9. SHARE CAPITAL AND RESERVES

a) Common shares

The Company is authorized to issue an unlimited number of common shares without par value. The holders of common shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares are ranked equally with regards to the Company's residual assets.

The following is a summary of changes in common share capital from December 31, 2018 to December 31, 2019:

	Number of Shares	Issue Price	Amount
	#	$	$
Balance at December 31, 2018	**29,128,947**		**91,425**
Balance at March 31, 2019	**29,828,947**		**91,460**
Balance at December 31, 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 December 31, 2019, the Company had no warrants outstanding.

No warrants were granted during the three months and nine months ended December 31, 2019 and December 31, 2018.

c) Contributed Surplus

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

	$
Balance March 31, 2019	2,814
Stock-based compensation charge	15
Balance at December 31, 2019	**2,829**

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 nine-months ended December 31, 2019

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

As at December 31, 2019, the Company has reserved 2,982,894 (December 31, 2018 – 2,982,894) 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 nine-month periods ended December 31, 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 $15, respectively, for the three months and nine months ended December 31, 2019 (three months and nine months ended December 31, 2018 - $8 and $24, respectively), of which $nil and $nil, respectively, related to options granted during the three months and nine months ended December 31, 2019 (three months and nine months ended December 31, 2018 - $nil and $12, respectively).

Share option activity within the Plan is as follows:

	Three Months Ended Dec-31-2019		**Three Months Ended Dec-31-2018**	
		Weighted average		**Weighted average**
	Number of options	**Exercise price**	**Number of options**	**Exercise price**
	#	$	#	$
Outstanding options, beginning of period	**2,196,127**	**0.10**	2,436,127	0.10
Granted	—	—	—	—
Forfeited	—	—	165,000	0.17
Expired	—	—	75,000	0.17
Outstanding options, end of period	**2,196,127**	**0.10**	2,196,127	0.10
Exercisable, end of period	**1,974,877**	**0.10**	1,836,752	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 nine months ended December 31, 2019 or December 31, 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 nine-months ended December 31, 2019

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

Outstanding and exercisable options under the Plan as at December 31, 2019 are summarized as follows:

		Outstanding		Exercisable	
Exercise price range $	Number outstanding #	Weighted average exercise price $	Weighted remaining contractual life (years)	Number outstanding and exercisable #	Weighted average exercise price $
0.05 — 0.08	**750,000**	**0.06**	**4.91**	**750,000**	**0.06**
0.10 — 0.18	**1,446,127**	**0.13**	**4.88**	**1,224,877**	**0.12**
	2,196,127	**0.10**	**4.89**	**1,974,877**	**0.10**

b) Fair Value of Options Issued During the Period

There were no options granted during the three months and nine months ended December 31, 2019. There were nil and 250,000, respectively, options granted during the three months and nine months ended December 31, 2018. The weighted average fair value at grant date of options granted during the three months and nine months ended December 31, 2018 was $nil and $45, respectively.

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 nine months ended December 31, 2019.

The model inputs for options granted during the nine months ended December 31, 2018 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Expected Volatility Factor	Expected Dividend Yield
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 nine-months ended December 31, 2019

11. NATURE OF EXPENSES

	Three Months Ended December 31st		Nine Months Ended December 31st	
	2019	**2018**	**2019**	**2018**
	$			**$**
Salaries and benefits	**240**	225	**740**	606
Consulting	**42**	70	**120**	215
Computer operating	**17**	32	**78**	91
Commercial, officer and director insurance	**15**	16	**46**	47
Rent and maintenance	**13**	11	**41**	31
Legal fees, audit and tax	**10**	18	**33**	45
Public reporting costs	**5**	6	**32**	34
Other	**51**	61	**132**	129
	393	**439**	**1,222**	**1,198**

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 nine months ended December 31, 2019 and December 31, 2018:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Three Months Ended December 31, 2019	Three Months Ended December 31, 2019
	$	**$**
Salary, consulting fees and benefits	**60**	58
Share-based payments	**1**	2
	61	**60**

12. RELATED PARTY TRANSACTIONS continued

b) **Related Party Transactions**

During the three months and nine months ended December 31, 2019, $3 and $11, respectively, was expensed for directors' fees and stock-based compensation (three months and nine months ended December 31, 2018 - $4 and $10, respectively).

AirIQ owed a company controlled by a former director $36 at December 31, 2019 (December 31, 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 December 31, 2019 (December 31, 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.

   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.

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 December 31, 2019, no Earn-Outs are due or payable (December 31, 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 December 31, 2019, the principal amount outstanding on the promissory note is $nil (December 31, 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.

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

13. COMMITMENTS AND CONTINGENCIES continued

c) *Continued*

	Right-of-use Asset	Lease Obligations
	$	**$**
Balance at April 1, 2019	**—**	**—**
Additions	116	116
Amortization	(18)	—
Payments	—	(20)
Interest	—	6
Balance at December 31, 2019	**98**	**102**
Current	—	20
Non-current	—	82

As of December 31, 2019 and December 31, 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.

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 nine months ended December 31, 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.

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

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:

	December 31, 2019	March 31, 2019
	$	$
Cash	**1,379**	637
Trade and other receivables	**74**	593
Accounts payable and accrued liabilities	**(38)**	(242)
	1,415	**988**

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

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

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	**27**
Provisions used during the period	**(20)**
Closing balance, December 31, 2019	**7**

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

	December 31, 2019	March 31, 2019
	$	$
Trade accounts receivable, before	**205**	690
Less allowance for doubtful accounts	**(7)**	—
Other receivables	**54**	69
Trade and other receivables	**252**	**759**

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

	December 31, 2019	March 31, 2019
	$	$
Current	**144**	586
31-60 days	**22**	73
61-90 days	**5**	63
Over 91 days	**81**	37
Total accounts receivables	**252**	**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 December 31, 2019, the Company's accounts payable and accrued liabilities were $395 (December 31, 2018 - $447).

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

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 December 31, 2019 and December 31, 2018, respectively:

December 31, 2019: Payments due by period

	Total	2020	2021	2022	2023	2024
	$	$	$	$	$	$
Accounts payable and accrued liabilities	395	395	—	—	—	—
Lease Obligation	102	6	20	22	26	28
	497	**401**	**20**	**22**	**26**	**28**

December 31, 2018: Payments due by period

	Total	2019	2020	2021	2022	2023
	$	$	$	$	$	$
Accounts payable and accrued liabilities	447	447	—	—	—	—
Operating leases	28	5	18	5	—	—
	475	**452**	**18**	**5**	**—**	**—**

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management feels that the Company is not currently subject to significant interest rate risk as the Company currently does not have any interest-bearing debt with floating rates.

15. CAPITAL MANAGEMENT

The capital structure of the Company consists of loans and equity consisting of issued share capital, other paid-in capital, contributed surplus and deficit and has capital surplus in the amount of $2,044 as at December 31, 2019 (December 31, 2018 – $1,522). The Company's objectives when managing capital is to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

The Company manages its capital to ensure that financial flexibility is present to increase shareholder value through organic growth, selective acquisitions and dispositions as well as allow the Company to respond to changes in economic and /or marketplace conditions. In order to maintain or adjust its capital structure, the Company may, upon approval from its Board of Directors, balance its overall capital structure through the issuance of new shares, the purchase of shares for cancellation pursuant to a normal course issuer bid, raising debt or refinancing existing debt with different characteristics or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company's capital management objectives, policies and processes have remained unchanged during the three months and nine months ended December 31, 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 and nine-months ended December 31, 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 $936 as at December 31, 2019 (December 31, 2018 - $931).

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

	December 31, 2019	December 31, 2018
	$	$
Canada	**1,750**	1,106
United States	**2,298**	1,507
	4,048	**2,613**

For the three months and nine months ended December 31, 2019, one customer represented more than 10% of total revenue (December 31, 2018: one customer). This customer accounted for 12% of total revenue for the nine-month period ended December 31, 2019 (nine-month period ended December 31, 2018 – 18%).

17. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Three Months Ended December 31st		Nine Months Ended December 31st	
	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**	29,243,077	**29,828,947**	29,167,129
Weighted average number of common shares (diluted)	**30,947,555**	30,318,351	**30,827,388**	30,721,736

For the three months and nine months ended December 31, 2019, diluted net income per share did not include the effect of nil stock options (three months and nine months ended December 31, 2018 – 300,000) and nil warrants (three months and nine months ended December 31, 2018 – nil), as they are anti-dilutive.