Consolidated Condensed Interim Financial Statements
(Unaudited)

AirIQ Inc.

For the Three Month and Nine Month Periods ended December 31, 2020

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, 2020 $	March 31, 2020 $
ASSETS		
Current assets		
Cash and cash equivalents (note 15)	**1,910**	2,211
Prepaid expenses and deposits	**59**	115
Trade and other receivables (notes 12 and 15)	**356**	347
Inventory (note 5)	**343**	373
Total current assets	**2,668**	**3,046**
Non-current assets		
Software (note 6)	**674**	659
Rental units (note 6)	**349**	209
Property and equipment (note 6)	**35**	46
Right-of-use asset (note 13)	**75**	93
Total non-current assets	**1,133**	**1,007**
Total assets	**3,801**	**4,053**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 13 and 15)	**519**	797
Deferred revenues (notes 3 and 7)	**464**	737
Lease obligations (note 13)	**22**	20
Total current liabilities	**1,005**	**1,554**
Non-current liabilities		
Deferred revenues (notes 3 and 7)	**14**	124
Lease obligations (note 13)	**60**	77
Government loan (note 8)	**40**	—
Total non-current liabilities	**114**	**201**
Total liabilities	**1,119**	**1,755**
Shareholders' equity		
Share capital (note 9(a))	**91,418**	91,460
Other paid-in capital (note 9(b))	**4,448**	4,448
Contributed surplus (note 9(c))	**2,840**	2,833
Deficit	**(96,024)**	(96,443)
Total shareholders' equity	**2,682**	**2,298**
Total liabilities and shareholders' equity	**3,801**	**4,053**

Commitments and contingencies (notes 8 and 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 December 31		Nine Months Ended December 31	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Revenues				
Recurring revenue	**823**	742	**2,387**	2,204
Hardware and other revenue	**77**	122	**372**	1,844
Total revenues	**900**	864	**2,759**	4,048
Direct cost of sales (notes 5 and 6)	**265**	300	**892**	2,043
Gross profit	**635**	564	**1,867**	2,005
Expenses				
Sales and marketing	**200**	182	**477**	532
Research and development	**34**	34	**76**	105
General and administration	**202**	177	**567**	585
Total expenses (note 11 and 18)	**436**	393	**1,120**	1,222
Income before other expenses	**199**	171	**747**	783
Other expenses				
Interest expense (notes 8 and 13(c))	**1**	2	**4**	6
Interest income	**(1)**	(6)	**(6)**	(8)
Depreciation and amortization (notes 6 and 13(a))	**79**	73	**235**	250
Foreign exchange loss (gain)	**47**	36	**88**	57
Stock-based compensation (note 10(a))	**2**	4	**7**	15
Total other expenses	**128**	109	**328**	320
Net income and comprehensive income for the period	**71**	62	**419**	463
Net income per share (note 17)				
Basic	**—**	0.01	**0.01**	0.02
Diluted	**—**	0.01	**0.01**	0.02

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	
	2020	**2019**	**2020**	2019
	$	**$**	**$**	$
Cash flows from operating activities				
Net income for the year	**71**	62	**419**	463
Adjustments to reconcile profit before tax to net cash used in operating activities				
Stock-based compensation (note 10 (a))	**2**	4	**7**	15
Depreciation of property, plant and equipment (note 6)	**105**	99	**304**	297
Depreciation of right-of-use asset (note 13)	**6**	6	**18**	18
Loss on disposal of fixed assets	**(1)**	1	**1**	7
Interest expense	**1**	2	**4**	6
Changes in non-cash balances related to operations				
Trade and other receivables	**151**	92	**(9)**	507
Inventory	**(84)**	13	**30**	(113)
Prepaid expenses and deposits	**13**	1	**56**	(21)
Accounts payable and accrued liabilities	**69**	38	**(278)**	(175)
Deferred revenue (note 3)	**(215)**	(211)	**(383)**	440
Total cash inflows (outflows) from operating activities	**118**	107	**169**	1,444
Cash flows from investing activities				
Software (note 6)	**(68)**	(67)	**(221)**	(220)
Rental units (note 6)	**(82)**	(25)	**(227)**	(58)
Property, plant and equipment (note 6)	**(1)**	(5)	**(1)**	(43)
Total cash inflows (outflows) from investing activities	**(151)**	(97)	**(449)**	(321)
Cash flows from financing actiities				
Lease payments (note 13)	**(6)**	(7)	**(19)**	(20)
Proceeds from government loan (note 8)	**—**	—	**40**	—
Repurchase of common shares under NCIB (note 9)	**(42)**	—	**(42)**	—
Total cash inflows (outflows) from financing activities	**(48)**	(7)	**(21)**	(20)
Net change in cash and cash equivalents	**(81)**	3	**(301)**	1,103
Cash and cash equivalents at beginning of period	**1,991**	1,817	**2,211**	717
Cash and cash equivalents at end of period	**1,910**	1,820	**1,910**	1,820
Supplementary disclosure				
Cash	**1,510**	1,820	**1,510**	1,820
Cash equivalents (note 3(d))	**400**	—	**400**	—

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 30, 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 30, 2019	**91,460**	**4,448**	**2,829**	**(96,693)**	**2,044**
Income for the period	—	—	—	250	250
Stock based compensation	—	—	4	—	4
Balance March 31, 2020	**91,460**	**4,448**	**2,833**	**(96,443)**	**2,298**
Income for the period	**—**	**—**	**—**	**419**	**419**
Stock based compensation	**—**	**—**	**7**	**—**	**7**
Common shares repurchased under NCIB	**(42)**	**—**	**—**	**—**	**(42)**
Balance December 30, 2020	**91,418**	**4,448**	**2,840**	**(96,024)**	**2,682**

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, 2020

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 10, 2021.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak (“COVID-19”) a “Public Health Emergency of International Concern” and, on March 11, 2020, declared COVID-19 a pandemic. This resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the effectiveness of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods. *Also see notes 8 and 18.*

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, 2020 and 2019, 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, 2020 and 2019 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.

2. BASIS OF PRESENTATION continued

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, 2020.

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) except share and per share amounts, 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, 2020.

Subsequent to March 31, 2020, the Company adopted additional IFRS standards, interpretations, amendments and improvements of existing standards.

Effective April 1, 2020, the Company adopted the following amendments to IAS 1 and IFRS 3. These new standards and changes did not have any material impact on the Company's unaudited consolidated condensed interim financial statements, and are described as follows:

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.

IFRS 3 – Business Combinations ("IFRS 3") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

Effective July 1, 2020, the Company adopted IAS 20 in connection with the government grants received in connection with the COVID-19 pandemic.

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, 2020

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued

IAS 20 – Accounting for Government Grants and Disclosure - Government grants are recognized when there is reasonable assurance that the grant will be received, and all conditions associated with the grant are met. Claims under government grant programs related to income are recorded as a reduction to the eligible expenses incurred. In the three months and nine months ended December 31, 2020, amounts received from the Government of Canada under the Canada Emergency Wage Subsidy ("CEWS") and the Canada Emergency Business Account ("CEBA") were recognized as government grants. Refer to notes 8 and 18.

There are no other IFRS standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Future Changes in Accounting Policies

IFRS 10 – Consolidated Financial Statements ("IFRS 10") and IAS 28 – Investments in Associates and Joint Ventures ("IAS 28") were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined, however early adoption is permitted.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("IAS 37") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e. a full-cost approach. Such costs include both the incremental costs of the contract (i.e. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

IFRS 3 – Business Combinations ("IFRS 3") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

IAS 16 – Property, Plant and Equipment ("IAS 16") was amended. The amendments introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022.

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

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 month and nine month periods ended December 31, 2020, the amount of inventory recognized as an expense in direct cost of sales was $95 and $412, respectively, (three months and nine months ended December 31, 2019 – $107 and $1,481 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 month and nine month periods ended December 31, 2020 and 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, 2020	1,307	484	57	24	**1,872**
Additions for the period	**221**	**227**	**1**	**—**	**449**
Disposals during the period	**—**	**(103)**	**—**	**—**	**(103)**
Balance at December 31, 2020	**1,528**	**608**	**58**	**24**	**2,218**
Depreciation and impairment losses					
Balance at March 31, 2020	648	275	31	4	**958**
Depreciation for the period	**206**	**86**	**8**	**4**	**304**
Disposals during the period	**—**	**(102)**	**—**	**—**	**(102)**
Balance at December 31, 2020	**854**	**259**	**39**	**8**	**1,160**
Carrying amounts					
At March 31, 2020	659	209	26	20	**914**
At December 31, 2020	**674**	**349**	**19**	**16**	**1,058**

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, 2020

6. SOFTWARE, RENTAL UNITS AND PROPERTY AND EQUIPMENT continued

Depreciation expense for software, rental units and property and equipment for the three month and nine month periods ended December 31, 2020, respectively is $105 and $304, respectively, (three months and nine months ended December 31, 2019 - $99 and $297, respectively) of which $31 and $86, respectively, (three months and nine months ended December 31, 2019 - $32 and $100, respectively) is included in direct cost of sales relating to rental units.

During the three month and nine month periods ended December 31, 2020, the Company disposed of $49 and $103, respectively, of fixed assets (three months and nine months ended December 31, 2019 - $4 and $14, respectively), and disposed of $50 and $102, respectively, of depreciation (three months and nine months ended December 31, 2019 - $4 and $7, 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, 2020 and December 31, 2019.

7. DEFERRED REVENUE

	Deferred revenues $
Balance, March 31, 2020	**861**
At March 31, 2020:	
Current	**737**
Non-current	**124**
Changes during the period:	
Deferred during the period	**403**
Released to the consolidated statement of income	**(786)**
Balance, December 31, 2020	**478**
At December 31, 2020	
Current	**464**
Non-current	**14**

The Company assesses the carrying value of its costs of deferred revenues at least annually or whenever events or changes in circumstances indicate that their carrying value may be impaired. As a result of the assessment, the Company recorded no impairment charge for the three month and nine months ended December 31, 2020 and December 31, 2019.

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

8. FINANCING AND GOVERNMENT LOAN

(a) Credit Facility

The Company has a $750 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, 2020, $nil (three months and nine months ended December 31, 2019 - $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 month and nine month periods ended December 31, 2020, (three months and nine months ended December 31, 2019 - $nil and $nil), which is included in interest expense in the accompanying consolidated condensed interim statement of income.

(b) Government Loan - Canada Emergency Business Account

On September 2, 2020, the Company obtained $40, in revolving credit from the Government of Canada under the Canada Emergency Business Account ("CEBA") COVID-19 Economic Response Plan. The funding is granted in the form of an interest-free revolving credit line of which up to $40 may be drawn. On January 1, 2021, any balance remaining on the revolving credit line will automatically convert to a non-revolving term loan. Effective January 1, 2023, any outstanding balance on the term loan shall bear interest at a rate of 5% per annum. The term loan matures on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan is repaid on or before December 31, 2022, the remaining 25% of the balance shall be forgiven. The Company has drawn the full $40 available under the CEBA program and will continue to monitor its eligibility under the CEBA program as well as any other programs offering assistance during COVID-19.

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, 2019 to December 31, 2020:

	Number of Shares	Issue Price	Amount
	#	$	$
Balance at December 31, 2019	**29,828,947**		**91,460**
Balance at March 31, 2020	**29,828,947**		**91,460**
Repurchased for cancellation - NCIB	**(123,000)**	**0.335**	**(41)**
Broker fee for repurchased shares			**(1)**
Balance at December 31, 2020	**29,705,947**		**91,418**

Subsequent to the quarter end, on January 20, 2021, an additional 101,007 common shares were issued from treasury pursuant to the exercise of stock options under the Company's stock option plan. *See notes 10 and 19.*

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

9. SHARE CAPITAL AND RESERVES continued

a) Common shares continued

Normal Course Issuer Bid
The Company filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Bid") with the TSX Venture Exchange ("TSXV") commencing March 27, 2020 and ending on March 26, 2021. Pursuant to the Bid, the Company proposed to purchase through the facilities of the TSXV up to 1,491,447 common shares, representing approximately 5% of the then issued and outstanding common shares of the Company. The Company's broker for the Bid is Hampton Securities Limited.

During the three months ended December 31, 2020, the Company purchased 123,000 common shares under the Bid for a total of $41 or $0.335 per common share (three months and nine months ended December 31, 2019 – nil common shares were purchased), plus an additional $1 in broker fees were paid for the repurchase of the shares (December 31, 2019 - $nil). Subsequent to the quarter end, additional shares were repurchased under the Bid. *Refer to note 19 – Subsequent Events*.

b) Other paid in capital

As at December 31, 2020, the Company had no warrants outstanding. No warrants were granted during the three months and nine months ended December 31, 2019.

c) Contributed Surplus

The following is a summary of changes in contributed surplus from March 31, 2020 to December 31, 2020:

	$
Balance at March 31, 2020	**2,825**
Stock-based compensation charge	7
Balance at December 31, 2020	**2,832**

d) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's consolidated condensed interim statements of financial position include:

'Other paid-in capital', 'Contributed surplus' and 'Deficit'.

'Other paid-in capital' is used to recognize the value of share warrants prior to exercise.

'Contributed surplus' is used to recognize the value of share option grants prior to exercise.

'Deficit' is used to record the Company's change in deficit from earnings from period to period.

10. SHARE-BASED PAYMENTS

a) **Option Plan Details**

The Company has an incentive stock option plan (the "Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company. Under the Plan, the Company is authorized to issue options for common shares in aggregate up to 10% of the number of common shares of the Company outstanding from time to time. Any increase in the issued and outstanding common shares will result in an increase in the available number of common shares issuable under the Plan, and any exercise of options will make new grants available under the Plan, effectively resulting in a re-loading of the number of options available to grant under the Plan. The terms of the Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the average closing price of the shares on the trading exchange for the 10 trading days immediately preceding the date of grant of the options. Options under the Plan are typically granted by the Board of Directors for a term of 10 years, consistent with the terms of the Plan. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria. The vesting period for options granted to employees of the Company is typically four years with 25% vesting after the first year from the date of grant, and 6.25% vesting in each quarter thereafter. Board and Committee member options typically vest over a one-year period; 25% each quarter from the date of grant. Under the Plan, in the absence of any determination by the Board of Directors, the earliest exercise date for options granted under the Plan is one year from the date of grant, at which time 25% of the options granted shall vest, following which 2.0833% of options granted vest each month thereafter. Pursuant to the terms of the current Plan, unless otherwise determined by AirIQ, options granted to eligible participants terminate and are no longer exercisable upon the earlier of (a) 12 months after the death, disability or retirement of an option holder, or (b) the end of the option term, or (c) 30 days after termination or ceasing to be an eligible participant without cause, or (d) immediately in the event such participant is terminated for cause.

As at December 31, 2020, the Company has reserved 2,970,594 (December 31, 2019 – 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.

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

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

Share option activity within the Plan is as follows:

	Three Months Ended 31-Dec-2020		Three Months Ended 31-Dec-2019	
		Weighted average		Weighted average
	Number of options	Exercise price	Number of options	Exercise price
	#	$	#	$
Outstanding options, beginning of period	**2,196,127**	**0.10**	2,196,127	0.10
Outstanding options, end of period	**2,196,127**	**0.10**	2,196,127	0.10
Exercisable, end of period	**2,099,252**	**0.10**	1,974,877	0.10

No options for common shares were granted, exercised or had expired during the three month and nine month periods ended December 31, 2020 and December 31, 2019, respectively.

The Company recorded share-based compensation expense of approximately $2 and $7, respectively, for the three month and nine month periods ended December 31, 2020, (three months and nine months ended December 31, 2019 - $4 and $15, respectively), of which $nil and $nil respectively, related to options granted during the three month and nine month periods ended December 31, 2020, respectively (three months and nine months ended December 31, 2019 - $nil and $nil, respectively).

A total of nil common shares of AirIQ were issued from treasury pursuant to the exercise of stock options under the Company's Plan during the three months ended December 31, 2020 and December 31, 2019.

Outstanding and exercisable options under the Plan as at December 31, 2020 are summarized as follows:

		Outstanding		Exercisable	
Exercise price range	Number outstanding	Weighted average exercise price	Weighted remaining contractual life	Number outstanding and exercisable	Weighted average exercise price
$	#	$	(years)	#	$
0.05 — 0.08	**750,000**	**0.06**	**3.91**	**750,000**	**0.06**
0.10 — 0.18	**1,446,127**	**0.13**	**3.88**	**1,349,252**	**0.12**
	2,196,127	**0.10**	**3.89**	**2,099,252**	**0.10**

Subsequent to the quarter end, options for common shares were exercised under the Company's Plan. *Refer to note 19 – Subsequent Events.*

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, 2020

10. SHARE-BASED PAYMENTS continued

b) Fair Value of Options Issued During the Period

No options were granted by the Company during the three month and nine month periods ended December 31, 2020, respectively (three months and nine months ended December 31, 2019 – nil).

c) Options Issued to Employees

The fair value at grant date is determined using the *Black-Scholes* option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

There were no options granted during the three months ended December 31, 2020 or December 31, 2019.

11. NATURE OF EXPENSES

	Three Months Ended December 31st		Nine Months Ended December 31st	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Salaries and benefits	**263**	240	**652**	740
Consulting	**49**	42	**136**	120
Computer operating	**22**	17	**62**	78
Commercial, officer and director insurance	**14**	15	**42**	46
Rent and maintenance	**12**	13	**37**	41
Legal fees, audit and tax	**12**	10	**33**	33
Public reporting costs	**6**	5	**34**	32
Other	**58**	51	**124**	132
	436	**393**	**1,120**	**1,222**

The Company recognized the CEWS government grants in the nine months ended December 31, 2020. Details are provided in note 18 to these consolidated condensed interim financial statements.

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

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 persons 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, 2020 and December 21, 2019:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Three Months Ended December 31, 2020	**Three Months Ended December 31, 2019**
	$	**$**
Salary, consulting fees and benefits	**67**	60
Share-based payments	**—**	1
	67	**61**

b) Related Party Transactions

During the three month and nine month periods ended December 31, 2020, $8 and $26, respectively, was expensed for directors' fees and stock-based compensation (three months and nine months ended December 31, 2019 - $3 and $11, respectively).

AirIQ owed a company controlled by a former director $36 at December 31, 2020 (December 31, 2019 - $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, 2020 (December 31, 2019 - $36) which is included in trade and other receivables. These amounts are unsecured, non-interest bearing and due on demand.

See also note 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.

   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. 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 $31 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.

   As at December 31, 2020, no Earn-Outs are due or payable (December 31, 2019 - $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.

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

13. COMMITMENTS AND CONTINGENCIES continued

b) 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.

	Right-of-use Asset	Lease Obligations
	$	$
Balance at April 1, 2020	**93**	**97**
Additions	—	—
Amortization	(18)	—
Payments	—	(19)
Interest	—	4
Balance at December 31, 2020	**75**	**82**
Current	—	22
Non-current	—	60

c) The Company is party to certain management contracts. The Company has minimum contractual commitments with these contracts of $130, all due within one year. Included is a contractual commitment to pay a consultant $100 on termination of the consulting contract by the Company without cause or in the event of a "change of control" as defined in the consulting agreement; provided however in no event shall the Company be required to pay more than $100 if both events shall occur simultaneously. As a triggering event has not occurred, no provision has been made with respect to this commitment. In addition, included in the management contracts is a contractual commitment to pay an employee approximately $43 on termination of the employee by the Company without cause in the event of a "change of control" (as defined in the employment agreement) occurring within one (1) year of such "change of control". As a triggering event has not occurred, no provision has been made with respect to this commitment.

d) 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 to 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.

e) 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.

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

14. FINANCIAL INSTRUMENTS

The Board of Directors has overall responsibility for the determination of the Company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure effective implementation of the objectives and policies to the Company's finance function. The Board of Directors receives quarterly reports from the Company's Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. There have been no changes in the risks, objectives, policies and procedures during the three months ended December 31, 2020 and the fiscal years ended March 31, 2020 and 2019.

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

	December 31, 2020	March 31, 2020
	$	$
Cash	**884**	615
Trade and other receivables	**241**	206
Accounts payable and accrued liabilities	**(130)**	(317)
	995	**504**

For the three month and nine month periods ended December 31, 2020, all else being equal, a strengthening of 1.0% of the US dollar against the Canadian dollar would have a positive impact of approximately $8, respectively, 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.

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

14. FINANCIAL INSTRUMENTS continued

(b) Credit risk

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

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

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

Allowance for doubtful accounts and past due receivables are reviewed by management regularly. The allowance for doubtful accounts balance is also updated regularly based on an impairment calculation under IFRS 9 based on the expected credit loss (ECL) model. Accounts receivable are written off once determined not to be collectible.

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

	$
Closing balance, March 31, 2020	**1**
Provisions made during the period	**27**
Provisions used during the period	**(6)**
Closing balance, December 31, 2020	**22**

The following table sets forth details of the accounts receivable as at December 31, 2020 and March 31, 2020:

	December 31, 2020	March 31, 2020
	$	$
Trade accounts receivable, before allowances	**339**	286
Less allowance for doubtful accounts	**(22)**	(1)
Other receivables	**39**	62
Trade and other receivables	**356**	**347**

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

14. FINANCIAL INSTRUMENTS continued

(b) Credit risk continued

Pursuant to their respective terms, accounts receivable are aged as follows as at December 31, 2020 and March 31, 2020:

	December 31, 2020	March 31, 2020
	$	$
Current	**127**	234
31-60 days	**78**	64
61-90 days	**4**	14
Over 91 days	**147**	35
Total accounts receivables	**356**	**347**

(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 and cash equivalents. 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, 2020, the Company's accounts payable and accrued liabilities were $519 (December 31, 2019 - $395).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and lease commitments as at December 31, 2020 and 2019 respectively:

December 31, 2020: Payments due by period

	Total	2021	2022	2023	2024	2025
	$	$	$	$	$	$
Accounts payable and accrued liabilities	**519**	**519**	—	—	—	—
Operating leases	**91**	**7**	**26**	**29**	**29**	—
	610	**526**	**26**	**29**	**29**	—

December 31, 2019: Payments due by period

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

14. FINANCIAL INSTRUMENTS continued

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

15. CAPITAL MANAGEMENT

The capital structure of the Company consists of equity consisting of issued share capital, other paid-in capital, contributed surplus and deficit and has total capital in the amount of $2,682 as at December 31, 2020 (December 31, 2019 – $2,044). The Company's objectives when managing capital is to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

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

The Company's capital management objectives, policies and processes have remained unchanged during the three months ended December 31, 2020.

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.

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

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 $1,058 as at December 31, 2020 (December 31, 2019 - $936).

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

	December 31, 2020	December 31, 2019
	$	$
Canada	**1,285**	1,750
United States	**1,474**	2,298
	2,759	**4,048**

For the nine months ended December 31, 2020, one customer represented more than 10% of total revenue (nine months ended December 31, 2019: one customer). This customer accounted for 28% for the nine months ended December 31, 2020, respectively (12% of total revenue for the three months and nine months ended December 31, 2019, respectively).

17. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Three Months Ended December 31st		Nine Months Ended December 31st	
	2020	2019	2020	2019
Issued common shares at beginning of period	**29,828,947**	29,828,947	**29,828,947**	29,828,947
Weighted average number of common shares (basic)	**29,787,958**	29,828,947	**29,815,234**	29,828,947
Weighted average number of common shares (diluted)	**31,385,013**	30,710,681	**31,231,168**	30,710,681

For the three month and nine month periods ended December 31, 2020, respectively, diluted net income per share did not include the effect of nil stock options (three months and nine months ended December 31, 2019 – nil) as they are anti-dilutive.

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

18. OTHER INFORMATION

Canada Emergency Wage Subsidy

In April 2020, the Government of Canada enacted the *Canada Emergency Wage Subsidy* ("CEWS") to assist businesses during COVID-19 by allowing qualifying businesses to recover up to 75% of certain wages paid to employees. The Company has applied for approximately $162 in wage subsidies under CEWS and, as at December 31, 2020, has an amount receivable related to CEWS of $nil, which is included in trade and other receivables.

The CEWS wage benefits received by the Company were applied to the consolidated condensed interim statements of income as a reduction against the following expenses:

	Three Months Ended December 31st		Nine Months Ended December 31st	
	2020	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**
Sales and marketing	**—**	—	**84**	—
Research and development	**—**	—	**30**	—
General and administration	**—**	—	**48**	—
	—	**—**	**162**	**—**

The Company will continue to monitor its eligibility under the CEWS program as well as any other programs offering assistance during COVID-19. As per the CEWS program, the wage subsidy is based on future revenues and as a result the Company is unable to estimate any future amounts of subsidies it will qualify for under the program. *Refer to note 11.*

19. SUBSEQUENT EVENTS

Normal Course Issuer Bid

Subsequent to the quarter end, the Company repurchased for cancellation an additional 107,000 common shares pursuant to the Company's normal course issuer bid described in *note 9* to these financial statements. The repurchase price per share was an average of $0.3326 per share for an aggregate consideration paid of approximately $36 plus a broker fee in the aggregate of $1. *Refer to note 9.*

Stock Option Plan

Subsequent to the quarter end, on January 20, 2021, options for a total of 101,077 common shares in the capital of the Company were exercised for an aggregate consideration of $10, and 101,077 common shares were issued from treasury. As of February 10, 2021, the Company has a total of 29,700,024 common shares issued and outstanding. *Refer to notes 9 and 10.*