

Consolidated Condensed Interim Financial Statements  
(Unaudited)

**AirIQ Inc.**

For the Three-Month and Six Month Periods ended September 30, 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)

	September 30, 2020	March 31, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 15)	1,991	2,211
Prepaid expenses and deposits	72	115
Trade and other receivables (notes 12 and 15)	507	347
Inventory (note 5)	259	373
<b>Total current assets</b>	<b>2,829</b>	<b>3,046</b>
<b>Non-current assets</b>		
Software (note 6)	675	659
Rental units (note 6)	297	209
Property and equipment (note 6)	39	46
Right-of-use asset (note 13)	81	93
<b>Total non-current assets</b>	<b>1,092</b>	<b>1,007</b>
<b>Total assets</b>	<b>3,921</b>	<b>4,053</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 12, 13 and 15)	450	797
Deferred revenues (notes 3 and 7)	671	737
Lease obligations (note 13)	21	20
<b>Total current liabilities</b>	<b>1,142</b>	<b>1,554</b>
<b>Non-current liabilities</b>		
Deferred revenues (notes 3 and 7)	22	124
Lease obligations (note 13)	66	77
Government loan (note 8)	40	—
<b>Total non-current liabilities</b>	<b>128</b>	<b>201</b>
<b>Total liabilities</b>	<b>1,270</b>	<b>1,755</b>
<b>Shareholders' equity</b>		
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))	2,838	2,833
Deficit	(96,095)	(96,443)
<b>Total shareholders' equity</b>	<b>2,651</b>	<b>2,298</b>
<b>Total liabilities and shareholders' equity</b>	<b>3,921</b>	<b>4,053</b>
<b>Commitments and contingencies</b> (notes 8 and 13)		
<b>Authorized for issue on behalf of the Board:</b>	"Vernon Lobo"	"Geoffrey Rotstein"
	Director	Director

See accompanying notes

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

(in thousands of Canadian dollars except per share amounts)

	Three Months Ended September 30		Six Months Ended September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Revenues</b>				
Recurring revenue	787	762	1,564	1,462
Hardware and other revenue	159	658	295	1,722
<b>Total revenues</b>	<b>946</b>	1,420	<b>1,859</b>	3,184
Direct cost of sales (notes 5 and 6)	314	714	627	1,743
<b>Gross profit</b>	<b>632</b>	706	<b>1,232</b>	1,441
<b>Expenses</b>				
Sales and marketing	152	171	277	350
Research and development	23	36	42	71
General and administration	193	197	365	408
<b>Total expenses</b> (note 11 and 18)	<b>368</b>	404	<b>684</b>	829
<b>Income before other expenses</b>	<b>264</b>	302	<b>548</b>	612
Other expenses				
Interest expense (notes 8 and 13(c))	1	2	3	4
Interest income	—	(2)	(5)	(2)
Depreciation and amortization (notes 6 and 13(a))	78	71	156	177
Foreign exchange (gain)	16	(13)	41	21
Stock-based compensation (note 10(a))	2	4	5	11
<b>Total other expenses</b>	<b>97</b>	62	<b>200</b>	211
<b>Net income and comprehensive income for the period</b>	<b>167</b>	240	<b>348</b>	401
<b>Net income per share</b> (note 17)				
<b>Basic</b>	—	—	<b>0.01</b>	0.01
<b>Diluted</b>	—	—	<b>0.01</b>	0.01

*See accompanying notes*

**CONSOLIDATED CONDENSED INTERIM  
STATEMENTS OF CASH FLOWS**

(UNAUDITED)

(in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Cash flows from operating activities</b>				
Net income for the year	167	240	348	401
<b>Adjustments to reconcile profit before tax to net cash used in operating activities</b>				
Stock-based compensation (note 10 (a))	2	4	5	11
Depreciation of property, plant and equipment (note 6)	101	98	199	198
Depreciation of right-of-use asset (note 13)	6	6	12	12
Loss on disposal of fixed assets	1	6	2	6
Interest expense	1	2	3	4
<b>Changes in non-cash balances related to operations</b>				
Trade and other receivables	95	1,196	(160)	415
Inventory	61	224	114	(126)
Prepaid expenses and deposits	16	(14)	43	(22)
Accounts payable and accrued liabilities	(245)	(829)	(347)	(213)
Deferred revenue (note 3)	(57)	176	(168)	651
<b>Total cash inflows (outflows) from operating activities</b>	<b>148</b>	<b>1,109</b>	<b>51</b>	<b>1,337</b>
<b>Cash flows from investing activities</b>				
Software (note 6)	(81)	(78)	(153)	(153)
Rental units (note 6)	(135)	(16)	(145)	(33)
Property, plant and equipment (note 6)	—	(3)	—	(38)
<b>Total cash inflows (outflows) from investing activities</b>	<b>(216)</b>	<b>(97)</b>	<b>(298)</b>	<b>(224)</b>
<b>Cash flows from financing activities</b>				
Interest paid	—	—	—	—
Lease payments (note 13)	(6)	(6)	(13)	(13)
Proceeds from government loan (note 8)	40	—	40	—
<b>Total cash inflows (outflows) from financing activities</b>	<b>34</b>	<b>(6)</b>	<b>27</b>	<b>(13)</b>
Net change in cash and cash equivalents	(34)	1,006	(220)	1,100
Cash and cash equivalents at beginning of period	2,025	811	2,211	717
<b>Cash and cash equivalents at end of period</b>	<b>1,991</b>	<b>1,817</b>	<b>1,991</b>	<b>1,817</b>
Supplementary disclosure				
Cash	1,591	1,817	1,591	1,817
Cash equivalents (note 3(d))	400	—	400	—

See accompanying notes

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

(in thousands of Canadian dollars)

	Share capital \$	Other paid-in capital \$	Contributed surplus \$	Deficit \$	Total \$
<b>Balance September 30, 2018</b>	<b>91,390</b>	<b>4,483</b>	<b>2,797</b>	<b>(97,222)</b>	<b>1,448</b>
Income for the period	—	—	—	66	66
Proceeds from exercise of warrants	70	(35)	—	—	35
Stock based compensation	—	—	17	—	17
<b>Balance March 31, 2019</b>	<b>91,460</b>	<b>4,448</b>	<b>2,814</b>	<b>(97,156)</b>	<b>1,566</b>
Income for the period	—	—	—	401	401
Stock based compensation	—	—	11	—	11
<b>Balance September 30, 2019</b>	<b>91,460</b>	<b>4,448</b>	<b>2,825</b>	<b>(96,755)</b>	<b>1,978</b>
Income for the period	—	—	—	312	312
Stock based compensation	—	—	8	—	8
<b>Balance March 31, 2020</b>	<b>91,460</b>	<b>4,448</b>	<b>2,833</b>	<b>(96,443)</b>	<b>2,298</b>
Income for the period	—	—	—	348	348
Stock based compensation	—	—	5	—	5
<b>Balance September 30, 2020</b>	<b>91,460</b>	<b>4,448</b>	<b>2,838</b>	<b>(96,095)</b>	<b>2,651</b>

*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 six months ended September 30, 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 November 18, 2020.

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.

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

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

For the three months and six months ended September 30, 2020

**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.

Effective April 1, 2020, the Company adopted new IFRS standards, interpretations, amendments and improvements of existing standards. These included the 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.

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

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

For the three months and six months ended September 30, 2020

**3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued**

The following IFRS standard was applied in these consolidated condensed interim financial statements.

**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 six months ended September 30, 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.

**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 six month periods ended September 30, 2020, the amount of inventory recognized as an expense in direct cost of sales was \$162 and \$317, respectively, (three months and six months ended September 30, 2019 – \$519 and \$1,374, 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 six month periods ended September 30, 2020 and September 30, 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 six months ended September 30, 2020

**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 \$
<b>Cost</b>					
<b>Balance at March 31, 2020</b>	1,307	484	57	24	1,872
Additions for the period	153	145	—	—	298
Disposals during the period	—	(54)	—	—	(54)
<b>Balance at September 30, 2020</b>	<b>1,460</b>	<b>575</b>	<b>57</b>	<b>24</b>	<b>2,116</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at March 31, 2020</b>	648	275	31	4	958
Depreciation for the period	137	55	5	2	199
Disposals during the period	—	(52)	—	—	(52)
<b>Balance at September 30, 2020</b>	<b>785</b>	<b>278</b>	<b>36</b>	<b>6</b>	<b>1,105</b>
<b>Carrying amounts</b>					
<b>At March 31, 2020</b>	659	209	26	20	914
<b>At September 30, 2020</b>	<b>675</b>	<b>297</b>	<b>21</b>	<b>18</b>	<b>1,011</b>

Depreciation expense for software, rental units and property and equipment for the three month and six month periods ended September 30, 2020, respectively is \$101 and \$199, respectively, (three months and six months ended September 30, 2019 - \$98 and \$198, respectively) of which \$30 and \$55, respectively, (three months and six months ended September 30, 2019 - \$33 and \$68, respectively) is included in direct cost of sales relating to rental units.

During the three month and six month periods ended September 30, 2020, the Company disposed of \$29 and \$54, respectively, of fixed assets (three months and six months ended September 30, 2019 - \$9 and \$10, respectively), and disposed of \$28 and \$52, respectively, of depreciation (three months and six months ended September 30, 2019 - \$3 and \$1, respectively).

The Company continues to assess the carrying value of its software, rental units and property, plant and equipment and determines whether they are impaired. No impairment charges were recorded during the three months and six months ended September 30, 2020 and September 30, 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 six months ended September 30, 2020

**7. DEFERRED REVENUE**

	<b>Deferred revenues</b>
	<b>\$</b>
<b>Balance, March 31, 2020</b>	<b>861</b>
<b>At March 31, 2020:</b>	
Current	737
Non-current	124
<b>Changes during the period:</b>	
Deferred during the period	355
Released to the consolidated statement of income	(523)
<b>Balance, September 30, 2020</b>	<b>693</b>
<b>At September 30, 2020</b>	
Current	671
Non-current	22

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 six months ended September 30, 2020 and September 30, 2019.

**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 September 30, 2020, \$nil (three months and six months ended September 30, 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 six month periods ended September 30, 2020, (three months and six months ended September 30, 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.

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

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

For the three months and six months ended September 30, 2020

**9. SHARE CAPITAL AND RESERVES**

**a) Common shares**

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

The following is a summary of changes in common share capital from September 30, 2019 to September 30, 2020:

	Number of Shares #	Issue Price \$	Amount \$
<b>Balance at September 30, 2019</b>	<b>29,828,947</b>		<b>91,460</b>
<b>Balance at March 31, 2020</b>	<b>29,828,947</b>		<b>91,460</b>
<b>Balance at September 30, 2020</b>	<b>29,828,947</b>		<b>91,460</b>

**b) Other paid in capital**

As at September 30, 2020, the Company had no warrants outstanding. No warrants were granted during the three months ended September 30, 2020 and September 30, 2019.

**c) Contributed Surplus**

The following is a summary of changes in contributed surplus from March 31, 2020 to September 30, 2020:

	\$
<b>Balance at March 31, 2020</b>	<b>2,833</b>
Stock-based compensation charge	5
<b>Balance at September 30, 2020</b>	<b>2,838</b>

**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.

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

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

For the three months and six months ended September 30, 2020

**10. SHARE-BASED PAYMENTS**

**a) Option Plan Details**

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

As at September 30, 2020, the Company has reserved 2,982,894 (September 30, 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.

Share option activity within the Plan is as follows:

	<b>Three Months Ended 30-Sep-2020</b>		<b>Three Months Ended 30-Sep-2019</b>	
	<b>Weighted average</b>		<b>Weighted average</b>	
	<b>Number</b>	<b>Exercise</b>	<b>Number</b>	<b>Exercise</b>
	<b>of options</b>	<b>price</b>	<b>of options</b>	<b>price</b>
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Outstanding options, beginning of period	<b>2,196,127</b>	<b>0.10</b>	2,196,127	0.10
Outstanding options, end of period	<b>2,196,127</b>	<b>0.10</b>	2,196,127	0.10
Exercisable, end of period	<b>2,071,127</b>	<b>0.10</b>	1,798,627	0.09

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

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

For the three months and six months ended September 30, 2020

**10. SHARE-BASED PAYMENTS continued**

**a) Option Plan Details continued**

No options for common shares were granted, exercised or had expired during the three month and six month periods ended September 30, 2020, respectively and September 30, 2019.

The Company recorded share-based compensation expense of approximately \$2 and \$5, respectively, for the three month and six month periods ended September 30, 2020, (three months and six months ended September 30, 2019 - \$4 and \$11, respectively), of which \$nil and \$nil respectively, related to options granted during the three month and six month periods ended September 30, 2020, respectively (three months and six months ended September 30, 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 September 30, 2020 and September 30, 2019.

Outstanding and exercisable options under the Plan as at September 30, 2020 are summarized as follows:

Exercise price range	Number outstanding	Outstanding		Exercisable	
		Weighted average exercise price	Weighted remaining contractual life	Number outstanding and exercisable	Weighted average exercise price
\$	#	\$	(years)	#	\$
0.05 — 0.08	750,000	0.06	4.16	750,000	0.06
0.10 — 0.18	1,446,127	0.13	4.13	1,321,127	0.12
	2,196,127	0.10	4.14	2,071,127	0.10

**b) Fair Value of Options Issued During the Period**

No options were granted by the Company during the three month and six month periods ended September 30, 2020, respectively (three months and six months ended September 30, 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 September 30, 2020 or September 30, 2019.

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

For the three months and six months ended September 30, 2020

**11. NATURE OF EXPENSES**

	<b>Three Months Ended September 30th</b>		<b>Six Months Ended September 30th</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	\$	\$	\$	\$
Salaries and benefits	209	249	389	500
Consulting	43	36	87	78
Computer operating	20	21	40	61
Commercial, officer and director insurance	14	16	28	31
Rent and maintenance	13	14	25	28
Legal fees, audit and tax	11	13	21	23
Public reporting costs	23	22	28	27
Other	35	33	66	81
	<b>368</b>	<b>404</b>	<b>684</b>	<b>829</b>

The Company recognized the CEWS government grants in the three months and six months ended September 30, 2020. Details are provided in note 18 to these consolidated condensed interim financial statements.

**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 six months ended September 30, 2020 and September 30, 2019:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	<b>Three Months Ended September 30, 2020</b>	<b>Three Months Ended September 30, 2019</b>
	\$	\$
Salary, consulting fees and benefits	122	81
Share-based payments	—	1
	<b>122</b>	<b>82</b>

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**12. RELATED PARTY TRANSACTIONS continued**

**b) Related Party Transactions**

During the three month and six month periods ended September 30, 2020, \$9 and \$18, respectively, was expensed for directors' fees and stock-based compensation (three months and six months ended September 30, 2019 - \$4 and \$8, respectively).

AirIQ owed a company controlled by a former director \$36 at September 30, 2020 (September 30, 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 September 30, 2020 (September 30, 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 September 30, 2020, no Earn-Outs are due or payable (September 30, 2019 - \$nil).

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**13. COMMITMENTS AND CONTINGENCIES continued**

a) *Continued*

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 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.

	<b>Right-of-use Asset</b>	<b>Lease Obligations</b>
	\$	\$
<b>Balance at April 1, 2020</b>	<b>93</b>	<b>97</b>
Additions	—	—
Amortization	(12)	—
Payments	—	(13)
Interest	—	3
<b>Balance at September 30, 2020</b>	<b>81</b>	<b>87</b>
Current	—	21
Non-current	—	66

- 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.



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**13. COMMITMENTS AND CONTINGENCIES continued**

- 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.

**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 September 30, 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.

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**14. FINANCIAL INSTRUMENTS continued**

**(a) Currency risk continued**

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

	September 30, 2020	March 31, 2020
	\$	\$
Cash	716	615
Trade and other receivables	354	206
Accounts payable and accrued liabilities	(106)	(317)
	<b>964</b>	<b>504</b>

For the three month and six month periods ended September 30, 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 \$7, 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.

**(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.

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**14. FINANCIAL INSTRUMENTS continued**

**(b) Credit risk continued**

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

	\$
<b>Closing balance, March 31, 2020</b>	<b>1</b>
Provisions made during the period	18
Provisions used during the period	(6)
<b>Closing balance, September 30, 2020</b>	<b>13</b>

The following table sets forth details of the accounts receivable as at September 30, 2020 and March 31, 2020:

	September 30, 2020	March 31, 2020
	\$	\$
Trade accounts receivable, before allowances	449	286
Less allowance for doubtful accounts	(13)	(1)
Other receivables	71	62
<b>Trade and other receivables</b>	<b>507</b>	<b>347</b>

Pursuant to their respective terms, accounts receivable are aged as follows as at September 30, 2020 and March 31, 2020:

	September 30, 2020	March 31, 2020
	\$	\$
Current	233	234
31-60 days	156	64
61-90 days	7	14
Over 91 days	111	35
<b>Total accounts receivables</b>	<b>507</b>	<b>347</b>

**(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 September 30, 2020, the Company's accounts payable and accrued liabilities were \$450 (September 30, 2019 - \$357).

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**14. FINANCIAL INSTRUMENTS continued**

**(c) Liquidity risk continued**

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and lease commitments as at September 30, 2020 and 2019 respectively:

**September 30, 2020: Payments due by period**

	<b>Total</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	450	450	—	—	—	—
Operating leases	97	13	26	29	29	—
	<b>547</b>	<b>463</b>	<b>26</b>	<b>29</b>	<b>29</b>	<b>—</b>

**September 30, 2019: Payments due by period**

	<b>Total</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	357	357	—	—	—	—
Operating leases	107	11	20	22	26	28
	<b>464</b>	<b>368</b>	<b>20</b>	<b>22</b>	<b>26</b>	<b>28</b>

**(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 \$2,651 as at September 30, 2020 (three months and six months ended September 30, 2019 – \$1,978). 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.

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**15. CAPITAL MANAGEMENT continued**

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 September 30, 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.

**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 \$1,011 as at September 30, 2020 (September 30, 2019 - \$939).

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

	<b>September 30, 2020</b>	<b>September 30, 2019</b>
	\$	\$
Canada	<b>685</b>	1,303
United States	<b>1,174</b>	1,881
	<b>1,859</b>	<b>3,184</b>

For the three month and six month periods ended September 30, 2020, respectively, two customers represented more than 10% of total revenue (three months ended September 30, 2019: one customer). These customers accounted for 36% of total revenue for the three-months ended September 30, 2020 (12% of total revenue for the three months ended September 30, 2019).

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**17. NET INCOME PER SHARE**

Weighted Average Number of Common Shares:

	<b>Three Months Ended September 30th</b>		<b>Six Months Ended September 30th</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Issued common shares at beginning of period	<b>29,828,947</b>	29,828,947	<b>29,828,947</b>	29,828,947
Weighted average number of common shares (basic)	<b>29,828,947</b>	29,828,947	<b>29,828,947</b>	29,828,947
Weighted average number of common shares (diluted)	<b>31,246,180</b>	30,710,681	<b>31,108,527</b>	30,710,681

For the three month and six month periods ended September 30, 2020, respectively, diluted net income per share did not include the effect of nil stock options (three months and six months ended September 30, 2019 – nil) as they are anti-dilutive.

**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 September 30, 2020, has an amount receivable related to CEWS of \$14, 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:

	<b>Three Months Ended September 30th</b>		<b>Six Months Ended September 30th</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sales and marketing	<b>37</b>	—	<b>84</b>	—
Research and development	<b>13</b>	—	<b>30</b>	—
General and administration	<b>22</b>	—	<b>48</b>	—
	<b>72</b>	—	<b>162</b>	—

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.