Consolidated Financial Statements

AirIQ Inc.

Year ended March 31, 2023 and
Year ended March 31, 2022

MANAGEMENT'S REPORT

The accompanying consolidated financial statements of **AirIQ Inc.** are the responsibility of management. The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). When alternative accounting methods exist, management chooses those it deems to be most appropriate in the circumstances. The consolidated financial statements include amounts that are based on management's best estimates and best judgments. Management has determined these amounts in a reasonable way in order to ensure that the consolidated financial statements are presented fairly, in all material respects. Management has also prepared the financial information presented elsewhere, and has ensured that it is consistent with that contained in the consolidated financial statements.

Management maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate, and the Company's assets are appropriately accounted for and adequately safeguarded. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and has ultimate responsibility for examining and approving the consolidated financial statements. The Board of Directors exercises this responsibility principally through its Audit Committee. The Audit Committee met with management as well as with the external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to ensure that all parties carry out their duties correctly, and to examine the consolidated financial statements and the external auditor's report.

The Board of Directors and the Audit Committee of the Company have reviewed and approved these annual consolidated financial statements as well as Management's Discussion and Analysis of Financial Condition and Results of Operations. The Audit Committee reviews the consolidated financial statements with management and the external auditors, and recommends the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited on behalf of the shareholders by the Company's independent auditor, McGovern Hurley LLP, in accordance with Canadian generally accepted auditing standards. The independent auditor, having been appointed by the Company's Shareholders to serve as the Company's independent auditor, was given full and unrestricted access to the Audit Committee to discuss matters related to their audit and the reporting of information.

The Board of Directors has approved the Company's consolidated financial statements on the recommendation of the Audit Committee.

"Michael Robb"

Michael Robb
President and Chief Executive Officer

July 12, 2023

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of AirIQ Inc.

Opinion

We have audited the consolidated financial statements of AirIQ Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2023 and 2022, and the consolidated statements of income and comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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McGovern Hurley

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of deferred tax assets	
We identified the valuation of deferred tax assets as a key audit matter due to the recognition of these assets involving judgement by management as to the likelihood of the realization of these deferred tax assets, which is based on a number of factors including whether there will be sufficient taxable profits in future periods to support recognition.	In this regard, our audit procedures included: Review of the assumptions used in management's profit before tax projection. Review the projection model prepared by management. Recalculate the deferred tax asset recognized and assess whether it is probable the deferred tax asset will be realized.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner of the audit resulting in this independent auditor's report is Jessica Glendinning.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 12, 2023

AirIQ Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	March 31, 2023 $	March 31, 2022 $
ASSETS		
Current assets		
Cash and cash equivalents (note 3d)	**2,176**	1,900
Prepaid expenses and deposits	**133**	82
Trade and other receivables (note 15b)	**567**	433
Inventory (note 5)	**639**	515
Total current assets	**3,515**	**2,930**
Non-current assets		
Software (note 6)	**750**	719
Rental units (note 6)	**931**	841
Property and equipment (note 6)	**7**	21
Right-of-use asset (note 13)	-	46
Customer contracts (note 20)	**286**	—
Deferred tax asset (note 14)	**2,948**	—
Total non-current assets	**4,922**	**1,627**
Total assets	**8,437**	**4,557**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 15)	**767**	736
Deferred revenues (note 7)	**586**	522
Lease obligations (note 13)	-	26
Total current liabilities	**1,353**	**1,284**
Non-current liabilities		
Deferred revenues (note 7)	**124**	78
Lease obligations (note 13)	-	28
Total non-current liabilities	**124**	106
Total liabilities	**1,477**	**1,390**
Shareholders' equity		
Share capital (note 9(a))	**91,374**	91,355
Other paid-in capital (note 9(b))	**4,448**	4,448
Contributed surplus (note 9(c))	**2,872**	2,791
Deficit	**(91,734)**	(95,427)
Total shareholders' equity	**6,960**	**3,167**
Total liabilities and shareholders' equity	**8,437**	**4,557**

Commitments and contingencies (note 13)

Subsequent Events (note 21)

Authorized for issue on behalf of the Board:

"Vernon Lobo"
Director

"Geoffrey Rotstein"
Director

See accompanying notes

AirIQ Inc.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(in thousands of Canadian dollars except per share amounts)

		Year Ended March 31, 2023		Year Ended March 31, 2022
		$		$
Revenues				
Recurring revenue		**3,951**		**3,504**
Hardware and other revenue		**1,098**		**866**
Total revenues		**5,049**		**4,370**
Direct cost of sales (notes 5 and 6)		**2,013**		**1,691**
Gross profit		**3,036**		**2,679**
Expenses				
Sales and marketing		**776**		**824**
Research and development		**114**		**118**
General and administration		**995**		**828**
Total expenses (note 11 and 19)		**1,885**		**1,770**
Income before other expenses		**1,151**		**909**
Other expenses				
Interest expense (note 13a)		**3**		**4**
Interest income		**(36)**		**(2)**
Depreciation and amortization (notes 6 and 13(a))		**347**		**306**
Foreign exchange loss (gain)		**(141)**		**32**
Stock-based compensation (note 10(a))		**81**		**4**
Forgiveness of debt (note 8)		**—**		**(10)**
Loss on disposal of fixed assets and impairment of inventory and rental units (note 5 and 6)		**34**		**8**
Total other expenses		**288**		**342**
Net income before tax		**863**		**567**
Deferred income tax recovery (note 14)		**(2,830)**		**—**
Net income and comprehensive income for the year		**3,693**		**567**
Net income per share (note 18)				
Basic	**$**	**0.13**	**$**	**0.02**
Diluted	**$**	**0.12**	**$**	**0.01**

See accompanying notes

AirIQ Inc.

CONSOLIDATED
STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

	Year Ended March 31, 2023 $	Year Ended March 31, 2022 $
Cash flows from operating activities		
Net income for the year	**3,693**	**567**
Adjustments to reconcile profit to net cash used in operating activities		
Stock-based compensation (note 10 (a))	**81**	**4**
Depreciation of property, plant and equipment (note 6)	**554**	**454**
Depreciation of right-of-use asset (note 13)	**21**	**24**
Depreciation of customer contracts (note 20)	**26**	—
Gain on disposal of leases (note 13)	**(5)**	—
Loss on disposal of fixed assets (note 6)	**12**	**3**
Interest expense	**3**	**4**
Forgiveness of debt (note 8)	—	**(10)**
Deferred tax recovery (note 14)	**(2,830)**	—
Changes in non-cash balances related to operations		
Trade and other receivables	**(134)**	**66**
Acquisition of customer lists through settlement of trade receivables (note 20)	**(312)**	
Inventory	**(124)**	**(160)**
Prepaid expenses and deposits	**(53)**	**(6)**
Accounts payable and accrued liabilities	**31**	**126**
Deferred revenue (note 7)	**109**	**139**
Total cash inflows from operating activities	**1,072**	**1,211**
Cash flows from investing activities		
Software (note 6)	**(321)**	**(308)**
Rental units (note 6)	**(350)**	**(651)**
Property, plant and equipment (note 6)	**(2)**	**(1)**
Total cash outflows from investing activities	**(673)**	**(960)**
Cash flows from financing activities		
Lease payments (note 13)	**(24)**	**(26)**
Repayment of government loan (note 8)	—	**(30)**
Proceeds from exercise of stock options	—	**23**
Repurchase of common shares under NCIB (note 9)	**(99)**	**(147)**
Total cash outflows from financing activities	**(123)**	**(180)**
Net change in cash and cash equivalents	**276**	**71**
Cash and cash equivalents at beginning of year	**1,900**	**1,829**
Cash and cash equivalents at end of year	**2,176**	**1,900**
Supplementary disclosure		
Cash	**676**	**1,900**
Cash equivalents (note 3(d))	**1,500**	—

See accompanying notes

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

(in thousands of Canadian dollars)

	Share capital $	Other paid-in capital $	Contributed surplus $	Deficit $	Total $
Balance as at March 31, 2021	**91,461**	**4,448**	**2,805**	**(95,994)**	**2,720**
Income for the year	—	—	—	567	**567**
Proceeds from exercise of stock options	41	—	(18)	—	**23**
Stock based compensation	—	—	4	—	**4**
Common shares repurchased under NCIB	(147)	—	—	—	**(147)**
Balance as at March 31, 2022	**91,355**	**4,448**	**2,791**	**(95,427)**	**3,167**
Income for the year	**—**	**—**	**—**	**3,693**	**3,693**
Proceeds from exercise of stock options	**—**	—	**—**	—	**—**
Stock based compensation	**—**	**—**	**81**	**—**	**81**
Common shares repurchased under NCIB	**(99)**	**—**	**—**	**—**	**(99)**
Deferred income tax recognized in equity	**118**	**—**	**—**	**—**	**118**
Balance as at March 31, 2023	**91,374**	**4,448**	**2,872**	**(91,734)**	**6,960**

See accompanying notes

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 1099 Kingston Road, Suite 207 in Pickering, Ontario.

These consolidated financial statements have been authorized for issue by the Board of Directors on July 12, 2023.

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 19.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company for the years ended March 31, 2023 and March 31, 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and its interpretations.

The preparation of consolidated 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 financial statements are disclosed in note 4.

These consolidated financial statements have been prepared on a historical cost basis. In addition, the consolidated financial statements are prepared using the accrual basis of accounting except for cash flow information.

These consolidated 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 per share amounts, unless otherwise indicated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of consolidation

Subsidiaries are those entities where the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power, either directly or indirectly, to direct the financial and operating policies of the entity. These consolidated financial statements include the accounts of AirIQ and its wholly-owned subsidiaries, AirIQ U.S. Holdings, Inc. ("AirIQ Holdings"), AirIQ U.S., Inc. ("AirIQ USA"), and AirIQ, LLC ("AirIQ LLC"). All inter-company balances and transactions have been eliminated on consolidation.

b) Inventory

Inventory is valued initially at cost and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition using a weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Obsolete, redundant and slow moving inventory is identified and written down to estimated net realizable values.

c) Software, rental units and property, plant and equipment

Software, rental units and property, plant and equipment are initially recorded at cost and subsequently measured at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based on the following estimated useful lives:

Software	5 years
Rental units	5 years
Office equipment	5 years
Leasehold improvements	term of the lease

d) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and highly liquid investments, such as GICs, subject to minimal risk of changes in value and which have original maturities of 3 months or less at the date of purchase or can be converted to cash at any time. Changes in the fair value of the Company's cash and cash equivalents are included in interest income each period. Cash equivalents are designated as at fair value through profit and loss, which are measured at fair value.

e) Intangible assets

Intangible assets are recorded at cost less accumulated amortization, and accumulated impairment losses (if any). The intangible assets consist of customer contracts and they are amortized over their estimated useful lives of 5 years on a straight-line basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

f) Impairment of non-financial assets
Non-financial assets, including software, rental units, property, plant and equipment, intangible assets and costs of deferred revenues are subject to review for indicators of impairment at least annually or whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If any impairment indicators exist, an impairment test is performed. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down to its recoverable amount.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

An impairment loss is charged to the consolidated statement of income.

g) Revenue recognition
The Company earns revenue through the supply of GPS solutions for asset management services in the commercial and consumer markets. Revenue is measured at the fair value of the consideration received or receivable for services, net of discounts and sales taxes. Consideration received from customers in advance is recorded as deferred revenue.

Provided the amount of revenue can be measured reliably and it is probable that the Company will receive any consideration, revenue for services is recognized in the period in which they are rendered.

The principal sources of revenue to the Company and recognition of these revenues are as follows:

(i) Revenue from equipment sold with service contracts is recognized at the time of sale.
(ii) Revenue from equipment leased is recorded on a straight-line basis over the term of the lease.
(iii) Revenue from equipment sold with a month-to-month service plan is recognized at the time of the sale.
(iv) Revenue from providing wireless-based services is recognized when the services are provided.
(v) Revenue from the sale of component parts and lost units is recognized in the period in which they are sold.
(vi) Payments received from customers in advance of revenue recognition are recorded as deferred revenue and recognized as the services are provided.

h) Research and development costs
Research costs are expensed as incurred. Development costs are expensed as incurred unless a project meets the criteria of an intangible asset. As at March 31, 2023 and 2022 the Company has capitalized certain development costs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

i) Share-based payments

The Company has an employee share-based payment plan that is described in note 10.

As part of its remuneration, the Company grants stock options and warrants to buy common shares of the Company to its employees. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. The fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is measured at the grant date, using the Black-Scholes option pricing model, and is recognized over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

All share-based remuneration is ultimately recognized as an expense in the consolidated statements of income with a corresponding credit to contributed surplus. Upon exercise of stock options and warrants, the proceeds received net of any directly attributable transactions costs and the amount originally credited to contributed surplus are allocated to share capital. When options and warrants expire unexercised, the related value remains in contributed surplus.

j) Foreign currency translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, foreign currency monetary assets and liabilities are translated using the reporting date foreign exchange rate. Foreign currency non-monetary assets and liabilities are translated using the historical rate on the date of the transaction. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are included in the consolidated statement of income.

k) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in the consolidated statement of income, except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or recoverable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

k) Income taxes continued

Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit nor loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

l) Income per share

Basic income per share is determined by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted income per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period after giving effect to potentially dilutive financial instruments.

m) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

All of the Company’s financial assets and financial liabilities are measured initially at fair value plus directly attributable transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

All financial assets and financial liabilities except cash equivalents are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment. Cash equivalents are classified as fair value through profit or loss. They are carried at fair value with gains or losses recognized in the consolidated statement of income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

n) Financial instruments continued

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model. IFRS 9 applies to financial assets measured at amortized cost and contract assets and requires that the Company considers factors that include historical, current and forward-looking information when measuring the ECL. The Company uses the simplified approach for measuring losses based on the ECL for trade receivables. Amounts considered uncollectible are written off and recognized in sales and marketing general expenses in the consolidated statement of income.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of March 31, 2023 and 2022, the Company's cash equivalents are carried at fair value and are classified as Level 2 in the fair value hierarchy.

Transaction costs incurred in the course of raising debt financing are netted against the carrying value of the liability and then amortized over the expected life of the instrument using the effective interest rate method to expense interest over the period to maturity of the related debt. Other transaction costs incurred are included in the consolidated statement of income.

o) Warranty

The Company has provided a warranty on its hardware devices against defects in material and workmanship, with the exception of defects caused by abuse, misuse, accident, alteration, modification, neglect or incorrect installation, operation or removal of the equipment, for a period of one (1) year from the date of installation or purchase. The Company's obligation during the warranty period is to either replace or repair a defective unit, at its sole option. Estimated costs associated with the repair or replacement are included in the Company's direct cost of sales.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

p) Leases

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

q) New accounting policies

During the year ended March 31, 2023, the Company adopted the following new IFRS standards, interpretations, amendments and improvements of existing standards. These new standards and changes did not have any material impact on the Company's consolidated financial statements, and are described as follows:

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.

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.

r) Future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after April 1, 2023. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company:

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

IAS 1 – Presentation of Financial Statements ("IAS 1") was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company's right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on or after January 1, 2023.

IAS 8 – In February 2021, the IASB issued 'Definition of Accounting Estimates' to help entities distinguish between accounting policies and accounting estimates. The amendments are effective for year ends beginning on or after January 1, 2023.

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 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 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. The most significant estimates and assumptions made by management in the preparation of the Company's consolidated financial statements are outlined below.

a) Income, value added, withholding and other taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

b) Share-based payment transactions
The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, forfeiture rate and dividend yield and making assumptions about them.

c) Warranty
The Company uses historical warranty claim information, as well as recent trends that might suggest that post-cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Company’s productivity and quality initiatives, as well as parts and labour costs. Actual claims costs may differ from management’s estimates depending upon whether the actual claims costs were significantly different than the estimates.

d) Recognition and valuation of deferred taxes
The Company assesses the recoverability of deferred income tax assets, including expected periods of reversal of temporary differences and expectations of future taxable income at the end of each reporting period.

e) Impairment
An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, management makes assumptions about future operating results. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

f) Useful lives of depreciable assets
Management reviews the useful lives of depreciable assets including software, rental units, property, plant and equipment, and intangibles at each reporting date based on the expected utility of the assets to the Company. Actual results may vary due to technical obsolescence. Details of the software, rental units, property, plant and equipment are provided in note 6 and intangibles in note 20.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

g) Inventory
Inventory is measured at the lower of cost and net realizable value. In estimating net realizable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's business is subject to technology changes which may cause selling prices to change rapidly. Moreover, future realization of the carrying amounts of inventory assets is affected by price changes in different market segments. Details of the inventory balances are provided in note 5.

h) Revenue recognition
The Company offers certain arrangements whereby a customer can purchase products and services together. It was determined that the products and the related services are distinct and should be recognized separately. Where such multiple-element arrangements exist, the amount of revenue allocated to each element is based upon the fair values of the various elements. The fair values of each element are determined based on the current market price of each of the elements when sold separately. When the fair value cannot be determined based on when it was sold separately, the Company uses the residual method to determine a value that most reasonably reflects the selling price that might be achieved in a stand-alone transaction.

Revenues related to the sale of hardware are recognized at the time of sale, and revenues for monitoring and supporting services are recognized over the term of the contracted service period with amounts prepaid by customers accounted for as deferred revenues.

i) Legal claims and contingencies
In accordance with IFRS, the Company recognizes a provision where there is a present obligation from a past event, a transfer of economic benefits is probable, and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the consolidated financial statements. Obligations arising in respect of contingent liabilities that have been disclosed, or those which are not currently recognized or disclosed in the consolidated financial statements could have a material effect on the Company's financial position. Application of these accounting principles to legal cases requires the Company's management to make determinations about various factual and legal matters beyond its control. The Company reviews outstanding legal cases, following developments in the legal proceedings, and at each reporting date in order to assess the need for provisions and disclosures in its consolidated financial statements. Among the factors considered in making decisions on provisions are the nature of the litigation, claim or assessment, the legal process and potential level of damages in the jurisdiction in which the litigation, claim or assessment has been brought, the progress of the case (including the progress after the date of the consolidated financial statements but before those statements are issued), the opinions or views of legal advisers, experience on similar cases and any decision of the Company's management as to how it will respond to the litigation, claim or assessment.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

j) Discount rate on leases

The determination of the Company's lease liabilities and right-of-use assets depends on certain assumptions, which include the selection of the discount rate. The discount rate is set by reference to the Company's incremental borrowing rate. Significant assumptions are required to be made when determining which borrowing rates to apply in this determination. Changes in the assumptions used may have a significant effect on the Company's consolidated financial statements.

k) Expected credit losses

Determining an allowance for expected credit losses ("ECLs") requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

l) Intangibles

The Company has acquired customer lists from a former reseller. In estimating the value of this newly acquired intangible asset, the settlement of trade receivables due from the reseller was recognized as the value of the asset. Details of this are provided in note 20.

The Company tests annually whether there have been any impairment to the value of the intangible assets. An impairment loss is recognized for the amount by which an asset's or cash-generating unit's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each asset or cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.

5. INVENTORY

Inventory consists of finished goods. For the year ended March 31, 2023, the amount of inventory recognized as an expense in direct cost of sales was $808 (March 31, 2022 – $877). Inventory is valued at cost, as it is the lower of cost or net realizable value. There was a $27 write-down of inventory included as impairment charge and during the year ended March 31, 2023 (2022 - $5) recorded in other expenses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2023 and 2022

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, 2021	**1,320**	**617**	**56**	**24**	**2,017**
Additions for the year	**308**	**651**	**1**	**—**	**960**
Disposals during the year	**—**	**(162)**	**—**	**—**	**(162)**
Balance at March 31, 2022	**1,628**	**1,106**	**57**	**24**	**2,815**
Additions for the year	**321**	**350**	**2**	**—**	**673**
Disposals during the year	**—**	**(121)**	**(18)**	**(24)**	**(163)**
Balance at March 31, 2023	**1,949**	**1,335**	**41**	**—**	**3,325**
Depreciation and impairment losses					
Balance at March 31, 2021	**637**	**254**	**39**	**9**	**939**
Depreciation for the year	**272**	**170**	**7**	**5**	**454**
Disposals during the year	**—**	**(159)**	**—**	**—**	**(159)**
Balance at March 31, 2022	**909**	**265**	**46**	**14**	**1,234**
Depreciation for the year	**290**	**254**	**5**	**5**	**554**
Disposals during the year	**—**	**(115)**	**(17)**	**(19)**	**(151)**
Balance at March 31, 2023	**1,199**	**404**	**34**	**—**	**1,637**
Carrying amounts					
At March 31, 2022	719	841	11	10	1,581
As at March 31, 2023	**750**	**931**	**7**	**—**	**1,688**

Depreciation expense for software, rental units and property and equipment for the year ended March 31, 2023 is $554 (March 31, 2022 - $454) of which $254 (March 31, 2022 - $170) is included in direct cost of sales relating to rental units.

During the year ended March 31, 2023, the Company disposed of $163 of fixed assets (March 31, 2022 - $162) and disposed of $151 of depreciation (March 31, 2022 - $159).

The Company continues to assess the carrying value of its software, rental units and property, plant and equipment and determines whether they are impaired. The impairment charge for the year ended March 31, 2023, is $nil (March 31, 2022 – $3).

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

7. DEFERRED REVENUE

	Deferred revenues **$**
Balance, March 31, 2021	**461**
At March 31, 2021:	
Current	431
Non-current	30
Changes during the year:	
Deferred during the year	1,280
Released to the consolidated statement of income	(1,141)
Balance, March 31, 2022	**600**
At March 31, 2022	
Current	522
Non-current	78
Changes during the year:	
Deferred during the year	**1,237**
Released to the consolidated statement of income	**(1,127)**
Balance, March 31, 2023	**710**
At March 31, 2023	
Current	**586**
Non-current	**124**

8. FINANCING AND GOVERNMENT LOANS

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 of March 31, 2023, $nil (March 31, 2022 - $nil) has been drawn from this demand credit facility. The Company paid RBC a total of approximately $nil, related to interest on the credit facility during the year ended March 31, 2023 (March 31, 2022 - $nil).

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 was granted in the form of an interest-free revolving credit line of which up to $40 could be drawn. The balance on the revolving credit line automatically converted to a non-revolving term loan on January 20, 2022, as extended by RBC pursuant to the revised Government of Canada CEBA program. Effective January 1, 2024, any outstanding balance on the term loan would bear interest at a rate of 5% per annum.

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

8. FINANCING AND GOVERNMENT LOANS continued

b) Government Loans

Canada Emergency Business Account continued

The term loan was to mature on December 31, 2025. If 75% of the outstanding balance of the non-revolving term loan was repaid on or before December 31, 2023, the remaining 25% of the balance would be forgiven. The Company drew the full $40 available under the CEBA program and, on January 21, 2022, the Company repaid $30 of the $40 outstanding principal amount on the loan. Pursuant to the terms of the loan, the remaining 25%, or $10, was forgiven.

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 during the fiscal years ended March 31, 2023 and 2022:

	Number of Shares	Price Per Share	Amount
	#	$	$
Balance at March 31, 2021	**30,085,074**		**91,461**
Shares issued pursuant to exercise of stock options	150,000	0.15	23
Reallocation of value upon exercise	—	—	18
Repurchased for cancellation - NCIB	(507,000)	0.28	(144)
Broker fee for repurchased shares	—	—	(3)
Balance at March 31, 2022	**29,728,074**		**91,355**
Repurchased for cancellation - NCIB	**(360,500)**	**0.27**	**(98)**
Broker fee for repurchased shares	**—**	**—**	**(1)**
Reallocation related to recognition of deferred tax asset	**—**	**—**	**118**
Balance at March 31, 2023	**29,367,574**		**91,374**

(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 June 6, 2022 and ending on June 5, 2023. Pursuant to the Bid, the Company proposed to purchase through the facilities of the TSXV up to 1,468,379 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 year ended March 31, 2023, the Company purchased 360,500 common shares for cancellation under the Bid for a total of $98 or $0.27 per common share (March 31, 2022 – 507,000 common shares were purchased for cancellation for a total of $144 or $0.28 per common share), plus an additional $1 in broker fees were paid for the repurchase of the shares (March 31, 2022 - $3).

During the year ended March 31, 2022, Normal Course Issuer Bid repurchases were made pursuant a bid filed with the TSXV for the period commencing April 13, 2021 and ending on April 12, 2022. The Company's broker for this bid was also Hampton Securities Limited.

Subsequent to March 31, 2023, there were no additional shares repurchased for cancellation under a Renewal Bid. *Refer to note 21, Subsequent Events*

b) Other paid in capital

As at March 31, 2023 and 2022, the Company had no warrants outstanding.

No warrants were granted during the years ended March 31, 2023 and 2022.

c) Contributed Surplus

The following is a summary of changes in contributed surplus during the years ended March 31, 2023 and 2022:

	$
Balance at March 31, 2021	**2,805**
Stock-based compensation charge	**4**
Reallocation of value upon exercise	**(18)**
Balance at March 31, 2022	**2,791**
Stock-based compensation charge	**81**
Balance at March 31, 2023	**2,872**

9. SHARE CAPITAL AND RESERVES continued

d) Nature and Purpose of Equity and Reserves

The reserves recorded in equity on the Company's consolidated statements of financial position include 'Other paid-in capital', 'Contributed surplus' and 'Deficit'.

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

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

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

10. SHARE-BASED PAYMENTS

a) Option Plan Details

The Company has an incentive stock option plan (the "Plan") under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company. Under the Plan, the Company is authorized to issue options for common shares in aggregate up to 10% of the number of common shares of the Company outstanding from time to time. Any increase in the issued and outstanding common shares will result in an increase in the available number of common shares issuable under the Plan, and any exercise of options will make new grants available under the Plan, effectively resulting in a re-loading of the number of options available to grant under the Plan. The terms of the Plan provide that the directors have the right to grant options to acquire common shares of the Company at not less than the average closing price of the shares on the trading exchange for the 10 trading days immediately preceding the date of grant of the options. Options under the Plan are typically granted by the Board of Directors for a term of 10 years, consistent with the terms of the Plan. No amounts are paid or payable by the recipient on receipt of the option, and the options granted are not dependent on any performance-based criteria.

The vesting period for options granted to employees of the Company is typically four years with 25% vesting after the first year from the date of grant, and 6.25% vesting in each quarter thereafter. Board and Committee member options typically vest over a one-year period; 25% each quarter from the date of grant. Under the Plan, in the absence of any determination by the Board of Directors, the earliest exercise date for options granted under the Plan is one year from the date of grant, at which time 25% of the options granted shall vest, following which 2.08% 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 March 31, 2023, the Company has reserved 2,936,757 (March 31, 2022 – 2,972,807) 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

On September 15, 2022, the Company granted options to key staff in the aggregate up to 850,000 common shares in the capital of the Company at an exercise price of $0.27 per share. These options have a term of ten years, vest over four years from the date of grant; 25% the first year and 6.25% each quarter thereafter and will expire on September 15, 2032. The Company also granted options to two Board members in the aggregate up to 150,000 common shares at an exercise price of $0.27 per share. These options have a term of ten years and vest over a one-year period with 25% being vested each quarter from the date of grant.

No options were granted during the year ended March 31, 2022.

The Company recorded share-based compensation expense of approximately $81 for the year ended March 31, 2023 (March 31, 2022 - $4), of which $81 related to options granted during the year ended March 31, 2022 (March 31, 2022 - $nil).

Share option activity within the Plan is as follows:

	Year Ended March 31, 2023		Year Ended March 31, 2022	
	Weighted average		Weighted average	
	Number of options	Exercise price	Number of options	Exercise price
	#	$	#	$
Outstanding options, beginning of year	**1,540,000**	**0.10**	1,690,000	0.11
Options granted during the year	**1,000,000**	**0.27**	—	—
Options exercised during the year	—	—	(150,000)	0.15
Outstanding options, end of year	**2,540,000**	**0.17**	1,540,000	0.10
Exercisable, end of year	**1,615,000**	**0.17**	1,507,500	0.10

No shares of AirIQ were issued from treasury pursuant to the exercise of stock options under the Company's Plan during the year ended March 31, 2023 (year ended March 31, 2022 – 150,000 options were exercised for an aggregate consideration of $23).

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

10. SHARE-BASED PAYMENTS continued

Outstanding and exercisable options under the Plan as at March 31, 2023 are summarized as follows:

		Outstanding		Exercisable	
Exercise price range $	Number outstanding #	Weighted average exercise price $	Weighted remaining contractual life (years)	Number outstanding and exercisable #	Weighted average exercise price $
0.05 — 0.08	750,000	0.06	1.66	750,000	0.06
0.11 — 0.19	790,000	0.14	3.78	790,000	0.14
0.27	1,000,000	0.27	9.47	75,000	0.27
	2,540,000	0.17	5.39	1,615,000	0.11

b) Fair Value of Options Issued During the Year
There were 1,000,000 options granted during the year ended March 31, 2023 (March 31, 2022 – nil). The weighted average fair value at grant date of options granted during the year ended March 31, 2023 was $0.22 (year ended March 31, 2022 – $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.

The assumptions used in the Black-Scholes option pricing model are as follows: exercise price used was $0.27, with a 10 year term, share price of $0.26 at grant date, expected price volatility of 84%, and risk free rate of 3.16%.

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

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

11. NATURE OF EXPENSES

	Year ended March 31, 2023	Year ended March 31, 2022
	$	$
Salaries and benefits	**1,184**	1,072
Consulting	**144**	193
Computer operating	**94**	95
Commercial, officer and director insurance	**66**	56
Rent and maintenance	**54**	40
Legal fees, audit and tax	**75**	67
Public reporting costs	**50**	41
Bad debt expense	**73**	30
Other	**145**	176
	1,885	1,770

The Company recognized CEWS and CERS government grants in the year ended March 31, 2022 but none in the year ended March 31, 2023. Details are provided in *note 19* to these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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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 years ended March 31, 2023 and 2022:

a) Key Management Compensation

Key management personnel compensation is comprised of:

Note 12: Related Party Transactions

	Year Ended March 31, 2023	Year Ended March 31, 2022
	$	$
Salary, consulting fees and benefits	**330**	333
Share-based payments	**38**	—
Directors fees	**35**	35
	403	368

b) Related Party Transactions

During the year ended March 31, 2023, $35 was expensed for director fees (March 31, 2022 - $35).

AirIQ owed a company controlled by a former director $36 at March 31, 2023 (March 31, 2022 - $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 March 31, 2023 (March 31, 2022 - $36) which is included in trade and other receivables. These amounts are unsecured, non-interest bearing and due on demand.

See also note 13.

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

13. COMMITMENTS AND CONTINGENCIES

a) 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. This office contract was terminated early with the last day being February 28, 2023, upon which the remainder of the balance was disposed of.

	Right-of-use Asset	Lease Obligations
	$	$
Balance at March 31, 2021	**70**	**77**
Additions	—	—
Amortization	**(24)**	—
Payments	—	**(26)**
Interest	—	**4**
Balance at March 31, 2022	**46**	**55**
Additions	—	—
Amortization	**(21)**	—
Payments	—	**(24)**
Interest	—	—
Disposal	**(25)**	**(30)**
Balance as at March 31, 2023	—	—
Current	—	—
Non-current	—	—

b) The Company is party to certain management contracts. The Company has minimum contractual commitments with these contracts of $150, all due within one year. Included is a contractual commitment to pay a consultant $150 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 $150 if both events shall occur simultaneously. The Company has also entered into various contracts with minimum payments of $100 on termination due within one year. As a triggering event has not occurred, no provision has been made with respect to this commitment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Years ended March 31, 2023 and 2022

13. COMMITMENTS AND CONTINGENCIES continued

c) 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 subject to meeting certain criteria related to recurring revenue growth and net income profit margin calculated annually commencing April 1, 2022. 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.

d) 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.

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Years ended March 31, 2023 and 2022

14. INCOME TAXES

a) Provision for Income Taxes

The reconciliation of income taxes attributable to operations computed at the statutory income tax rates of 26.5% (March 31, 2022 – 26.5%) to income tax expense is as follows:

	Year ended March 31, 2023 $	Year ended March 31, 2022 $
Net income from operations	**863**	567
Tax at combined federal and provincial tax rates	**229**	150
Adjustment to expected income tax recovery:	**—**	—
Tax effect of expenses not deductible for income tax purposes	**27**	49
Change in benefit of tax assets not recognized	**(3,086)**	(199)
Deferred income tax recovery	**(2,830)**	—
Deferred income tax recognized in equity	**(118)**	—
Total taxation	**(2,948)**	—

b) Deferred Income Tax

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities.

	Year ended March 31, 2023 $	Year ended March 31, 2022 $
Deferred tax assets (liabilities) recognized:		
Non-capital loss carry-forwards - Canada	**726**	—
Property and equipment, software, rental units	**2,222**	—
Deferred income tax asset	**2,948**	—

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Years ended March 31, 2023 and 2022

14. INCOME TAXES continued

Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	Year ended March 31, 2023 $	Year ended March 31, 2022 $
Non-capital loss carry-forwards	**9,265**	15,917
Deferred revenue	**709**	600
Customer lists	**26**	—
Property and equipment, software, rental units	**3,774**	12,012
Investment in subsidiaries	**15,857**	15,857
Total	**29,631**	44,386

Deferred tax assets were not recognized in respect of these items at March 31, 2022 because it was not probable that future taxable profit will be available against which the Company can use the benefits. As at March 31, 2023, deferred tax assets of $2,948 were recognized.

No deferred tax asset is recognized on the temporary differences associated with investment in subsidiaries because the Company controls the timing of reversal and it is not probable that they will reverse in the foreseeable future.

As at March 31, 2023 the Company has unused Canadian tax losses of $3,797 and US federal tax losses of US$7,578 (CAD$8,207) available to reduce taxes payable in future years. The unused tax losses are due to expire from 2027 to 2039.

15. 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 years ended March 31, 2023 and 2022.

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:

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Years ended March 31, 2023 and 2022

15. FINANCIAL INSTRUMENTS continued

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:

	March 31, 2023	**March 31, 2022**
In USD	**$**	**$**
Cash	**256**	1,454
Trade and other receivables	**216**	165
Accounts payable and accrued liabilities	**(149)**	(208)
	323	1,411

a) Currency risk continued

For the year ended March 31, 2023, all else being equal, a strengthening of 1.0% of the US dollar against the Canadian dollar would have a positive impact of approximately $3 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. Two customers accounted for 21% and 22% of trade and other receivables as at March 31, 2023 (March 31, 2022 – two customers accounted for 34% and 15% of trade and other receivables).

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

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

15. FINANCIAL INSTRUMENTS continued

b) Credit risk continued

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

	$
Closing balance, March 31, 2021	**38**
Provisions made during the year	**97**
Provisions used during the year	**(41)**
Closing balance, March 31, 2022	**94**
Provisions made during the year	**74**
Provisions used during the year	**(92)**
Closing balance, March 31, 2023	**76**

The following table sets forth details of the accounts receivable as at March 31, 2023 and 2022:

	March 31, 2023 $	**March 31, 2022** $
Trade accounts receivable, before allowances	**602**	489
Less allowance for doubtful accounts	**(76)**	(94)
Other receivables	**41**	38
Trade and other receivables	**567**	**433**

Pursuant to their respective terms, accounts receivable are aged as follows as at March 31, 2023 and 2022:

	March 31, 2023 $	**March 31, 2022** $
Current	**352**	255
31-60 days	**75**	108
61-90 days	**50**	34
Over 91 days	**90**	36
Total accounts receivables	**567**	**433**

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 March 31, 2023, the Company's accounts payable and accrued liabilities were $767 (March 31, 2022 - $736).

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

15. 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 March 31, 2023 and 2022 respectively:

March 31, 2023: Payments due by year

	Total **$**	**2024** **$**	**2025** **$**	**2026** **$**	**2027** **$**	**2028** **$**
Accounts payable and accrued liabilities	**752**	**752**	**—**	**—**	**—**	**—**
Operating leases	**23**	**17**	**6**		**—**	**—**
	775	**769**	**6**	**—**	**—**	**—**

March 31, 2022: Payments due by year

	Total **$**	**2023** **$**	**2024** **$**	**2025** **$**	**2026** **$**	**2027** **$**
Accounts payable and accrued liabilities	736	736	—	—	—	—
Operating leases	58	29	29	—	—	—
	794	**765**	**29**	**—**	**—**	**—**

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.

16. 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 $6,960 as at March 31, 2023 (March 31, 2022 – $3,167). 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.

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

16. 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 years ended March 31, 2023 and 2022.

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.

17. SEGMENTED INFORMATION

The Company has one reportable segment. The Company’s software, rental units, property, plant and equipment, and intangible assets are located in Canada and have a net book value of $1,974 as at March 31, 2023 (March 31, 2022 - $1,581).

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

	March 31, 2023	**March 31, 2022**
	$	**$**
Canada	**2,432**	1,394
United States	**2,617**	2,976
	5,049	**4,370**

For the year ended March 31, 2023, one customer represented more than 10% of total revenue (year ended March 31, 2022: one customer). This customer accounted for 32% of total revenue for the year ended March 31, 2023 (27% of total revenue for the year ended March 31, 2022).

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

Years ended March 31, 2023 and 2022

18. NET INCOME PER SHARE

	Year ended March 31, 2023	Year ended March 31, 2022
Issued common shares outstanding at beginning of the year	**29,367,574**	30,085,074
Weighted average number of common shares (basic)	**29,504,709**	30,200,778
Weighted average number of common shares (diluted)	**30,473,165**	31,280,907

For the year ended March 31, 2023, diluted net income per share did not include the effect of 1,000,000 stock options (March 31, 2022 – nil) and nil warrants (March 31, 2022 – nil) as they are anti-dilutive.

19. OTHER INFORMATION

Government Assistance

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. In addition, in September, 2020 the Government of Canada also enacted the *Canada Emergency Rent Subsidy* ("CERS") to provide commercial rent or property expenses support for eligible businesses affected by COVID-19. The total amount of subsidies received by the Company from the Canadian government from these two programs for the year ended March 31, 2023 was $nil (March 31, 2022 - $79), and such amounts were applied to the consolidated statements of income as a reduction against the following expenses:

	Year ended March 31 2023	Year ended March 31 2022
	$	$
Sales and marketing	—	**39**
Research and development	—	**16**
General and administration	—	**24**
	—	**79**

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

20. INTANGIBLES

During the year ended March 31, 2023, the Company has acquired customer lists from a former reseller of the Company through the settlement of trade receivables in the amount of $312 (March 31, 2022 - $nil), which was recognized as the value of the intangible asset. The acquisition did not require the use of cash by the Company and there are no additional costs associated with the acquisition.

Intangibles consist of the following:

	Customer Contracts **$**
Cost	
Balance at March 31, 2022	—
Additions for the year	**312**
Disposals during the year	—
Balance at March 31, 2023	**312**
Amortization	
Balance at March 31, 2022	—
Depreciation for the year	**26**
Disposals during the year	—
Balance at March 31, 2023	**26**
Carrying amounts	
At March 31, 2022	—
As at March 31, 2023	**286**

Amortization expense for customer contracts for the year ended March 31, 2023 is $26 (March 31, 2022 - $nil).

The Company continues to assess the carrying value of its customer contracts and determines whether they are impaired. There are no impairment charge for the year ended March 31, 2023 (March 31, 2022 - $nil).

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Years ended March 31, 2023 and 2022

21. SUBSEQUENT EVENTS

Normal Course Issuer Bid

Subsequent to March 31, 2023, on June 23, 2023, the Company announced the renewal of its normal course issuer bid to purchase up to 1,468,379 common shares representing 5% of the Company's then current issued and outstanding common shares through the facilities of the TSXV during the period commencing June 23, 2023 and ending on June 22, 2024 (the "Renewal Bid"). As of July 12, 2023, the Company has not repurchased any shares for cancellation pursuant to the Renewal Bid.

As of July 12, 2023, the Company has a total of 29,367,574 common shares issued and outstanding.