

Consolidated Condensed Interim Financial Statements
(Unaudited)

AirIQ Inc.

For the Three and Six Months Ended September 30, 2023

Notice to Reader:

The following consolidated condensed interim financial statements have been prepared by Management of AirIQ Inc. and have not been reviewed by the Company's external auditors.

AirIQ Inc.

**CONSOLIDATED INTERIM STATEMENTS
OF FINANCIAL POSITION
(UNAUDITED)
(in thousands of Canadian dollars)**

	September 30, 2023	March 31, 2023
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents (note 3d)	3,003	2,176
Prepaid expenses and deposits	97	133
Trade and other receivables (note 15b)	383	567
Inventory (note 5)	716	639
Total current assets	4,199	3,515
Non-current assets		
Software (note 6)	784	750
Rental units (note 6)	931	931
Property and equipment (note 6)	5	7
Customer contracts (note 7)	256	286
Deferred tax asset	2,948	2,948
Total non-current assets	4,924	4,922
Total assets	9,123	8,437
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (note 15c)	645	767
Deferred revenues (note 8)	738	586
Total current liabilities	1,383	1,353
Non-current liabilities		
Deferred revenues (note 8)	189	124
Total non-current liabilities	189	124
Total liabilities	1,571	1,477
Shareholders' equity		
Share capital (note 10(a))	91,374	91,374
Other paid-in capital (note 10(b))	4,448	4,448
Contributed surplus (note 10(c))	2,932	2,872
Deficit	(91,203)	(91,734)
Total shareholders' equity	7,551	6,960
Total liabilities and shareholders' equity	9,123	8,437
Authorized for issue on behalf of the Board:	"Vernon Lobo"	"Geoffrey Rotstein"
	Director	Director

See accompanying notes

AirIQ Inc.

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

(in thousands of Canadian dollars except per share amounts)

	Three Months Ended		Six Months Ended	
	September 30th		September 30th	
	2023	2022	2023	2022
	\$	\$	\$	\$
Revenues				
Recurring revenue	1,080	959	2,180	1,910
Hardware and other revenue	267	210	922	491
Total revenues	1,347	1,169	3,102	2,401
Direct cost of sales (notes 5 and 6)	543	461	1,326	950
Gross profit	804	708	1,776	1,451
Expenses				
Sales and marketing	224	177	431	378
Research and development	26	29	52	59
General and administration	276	276	539	488
Total expenses (note 12)	526	482	1,022	925
Income before other expenses	278	226	754	526
Other expenses				
Interest expense	—	1	—	2
Interest income	(25)	(6)	(44)	(8)
Depreciation and amortization (notes 6 and 7)	93	81	184	160
Foreign exchange loss (gain)	(9)	(141)	15	(180)
Stock-based compensation (note 11(a))	29	9	60	10
Loss on disposal of rental units (note 6)	8	—	8	—
Total other expenses (income)	96	(56)	223	(16)
Net income and comprehensive income for the year	182	282	531	542
Net income per share (note 18)				
Basic	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02
Diluted	\$ 0.01	\$ 0.01	\$ 0.02	\$ 0.02

See accompanying notes

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

(in thousands of Canadian dollars)

	Three Months Ended		Six Months Ended	
	September 30th		September 30th	
	2023	2022	2023	2022
	\$	\$	\$	\$
Cash flows from operating activities				
Net income for the period	182	282	531	542
Adjustments to reconcile profit to net cash used in operating activities				
Stock-based compensation (note 11(a))	29	9	60	10
Depreciation of property, plant and equipment (note 6)	151	137	296	268
Depreciation of right-of-use asset	—	6	—	11
Depreciation of customer contracts (note 7)	14	—	30	—
Loss on disposal of fixed assets (note 6)	8	—	8	—
Interest expense	—	1	—	2
Changes in non-cash balances related to operations				
Trade and other receivables	457	69	184	(251)
Inventory	(164)	102	(77)	73
Prepaid expenses and deposits	20	(6)	36	(37)
Accounts payable and accrued liabilities	(245)	(224)	(122)	(168)
Deferred revenue (note 8)	(87)	70	217	202
Total cash inflows from operating activities	365	446	1,163	652
Cash flows from investing activities				
Software (note 6)	(118)	(118)	(185)	(189)
Rental units (note 6)	(62)	(89)	(151)	(180)
Total cash outflows from investing activities	(180)	(207)	(336)	(369)
Cash flows from financing activities				
Lease payments	—	(7)	—	(13)
Repurchase of common shares under NCIB (note 10)	—	(15)	—	(59)
Total cash outflows from financing activities	—	(22)	—	(72)
Net change in cash and cash equivalents	185	217	827	211
Cash and cash equivalents at beginning of period	2,818	1,894	2,176	1,900
Cash and cash equivalents at end of period	3,003	2,111	3,003	2,111
Supplementary disclosure				
Cash	553	2,111	553	2,111
Cash equivalents (note 3(d))	2,450	—	2,450	—

See accompanying notes

**CONSOLIDATED STATEMENTS OF
CHANGES IN EQUITY (DEFICIENCY)
(UNAUDITED)**
(in thousands of Canadian dollars)

	Share capital \$	Other paid-in capital \$	Contributed surplus \$	Deficit \$	Total \$
Balance as at March 31, 2022	91,355	4,448	2,791	(95,427)	3,167
Income for the year	—	—	—	3,693	3,693
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
Income for the period	—	—	—	531	531
Stock based compensation	—	—	60	—	60
Balance as at September 30, 2023	91,374	4,448	2,932	(91,203)	7,551

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 and six months ended September 30, 2023

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 condensed interim financial statements have been authorized for issue by the Board of Directors on November 15, 2023.

2. BASIS OF PREPARATION

These consolidated condensed interim financial statements of the Company for the three and six months ended September 30, 2023, including comparatives, have been prepared in accordance with IAS 34 - Interim Financial Reporting using the accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and its interpretations, 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, 2023 and 2022, 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, 2023 and 2022 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 and six months ended September 30, 2023

2. BASIS OF PREPARATION 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, 2023.

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 per share amounts, unless otherwise indicated.

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

New accounting policies

During the period ended September 30, 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 condensed interim 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.

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

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

For the three and six months ended September 30, 2023

3. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES continued

Future accounting policies

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 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 condensed interim financial statements (“IFRS 10”) and IAS 28 – Investments in Associates and Joint Ventures (“IAS 28”) were amended in September 2014 to address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date of these amendments is yet to be determined; however, early adoption is permitted.

IAS 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.

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

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

For the three and six months ended September 30, 2023

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 finished goods. For the three and six months ended September 30, 2023, the amount of inventory recognized as an expense in direct cost of sales was \$203 and \$663 (three and six months ended September 30, 2022 – \$166 and \$371). Inventory is valued at cost, as it is the lower of cost or net realizable value. There was a \$nil and \$nil write-down of inventory included in other expenses during the three and six months ended September 30, 2023, respectively (three and six months ended September 30, 2022 - \$nil and \$nil).

6. SOFTWARE, RENTAL UNITS AND PROPERTY AND EQUIPMENT

Software, rental units and property and equipment consist of the following:

	Software \$	Rental units \$	Office equipment \$	Total \$
Cost				
Balance at March 31, 2023	1,949	1,335	41	3,325
Additions for the period	185	151	—	336
Disposals during the period	—	(44)	—	(44)
Balance at September 30, 2023	2,134	1,442	41	3,617
Depreciation and impairment losses				
Balance at March 31, 2023	1,199	404	34	1,637
Depreciation for the period	151	143	2	296
Disposals during the period	—	(36)	—	(36)
Balance at September 30, 2023	1,350	511	36	1,897
Carrying amounts				
As at March 31, 2023	750	931	7	1,688
As at September 30, 2023	784	931	5	1,720

AirIQ Inc.

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

For the three and six months ended September 30, 2023

6. SOFTWARE, RENTAL UNITS AND PROPERTY AND EQUIPMENT continued

Depreciation expense for software, rental units and property and equipment for the three and six months ended September 30, 2023 is \$151 and \$296, (three and six months ended September 30, 2022 - \$137 and \$268) of which \$73 and \$143 (three and six months ended September 30, 2022 - \$62 and \$120) is included in direct cost of sales relating to rental units.

During the three and six months ended September 30, 2023, the Company disposed of \$44 and \$44 of fixed assets (three and six months ended September 30, 2022 - \$nil and \$nil), and disposed of \$36 and \$36 of depreciation (three and six months ended September 30, 2022 - \$nil and \$nil).

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 three and six months ended September 30, 2023 is \$nil and \$nil (three and six months ended September 30, 2022 - \$nil and \$nil).

7. INTANGIBLES

Intangibles consist of the following:

	Customer Contracts
	\$
Cost	
Balance at March 31, 2023	312
Additions for the period	—
Disposals during the period	—
Balance at September 30, 2023	312
Amortization	
Balance at March 31, 2023	26
Depreciation for the period	30
Disposals during the period	—
Balance at September 30, 2023	56
Carrying amounts	
At March 31, 2023	286
As at September 30, 2023	256

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

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

For the three and six months ended September 30, 2023

8. DEFERRED REVENUE

	Deferred revenues
	\$
Balance as at March 31, 2023	710
At March 31, 2023	
Current	586
Non-current	124
Changes during the period:	
Deferred during the period	810
Released to the consolidated statement of income	(593)
Balance as at September 30, 2023	927
As at September 30, 2023	
Current	738
Non-current	189

9. FINANCING AND GOVERNMENT LOANS**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, 2023, \$nil (September 30, 2022 - \$nil) has been drawn from this demand credit facility. The Company paid RBC a total of approximately \$nil and \$nil related to interest on the credit facility during the three and six months ended September 30, 2023 (three and six months ended September 30, 2022 - \$nil and \$nil), which is included in interest expense in the accompanying consolidated condensed interim statement of income.

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

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

For the three and six months ended September 30, 2023

10. 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, 2022 to September 30, 2023:

	Number of Shares #	Price Per Share \$	Amount \$
Balance at September 30, 2022	29,513,574		91,296
Repurchased for cancellation - NCIB	(146,000)	0.27	(39)
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
Repurchased for cancellation - NCIB	—	—	—
Broker fee for repurchased shares	—	—	—
Balance at September 30, 2023	29,367,574		91,374

Normal Course Issuer Bid

On June 23, 2023, the Company filed a Notice of Intention to Make a Normal Course Issuer Bid (the "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 Company's broker for the bid is Hampton Securities Limited.

During the three and six months ended September 30, 2023, the Company repurchased for cancellation nil and nil common shares, pursuant to the Bid (three and six months ended September 30, 2022 – 56,500 and 214,500) for a total purchase price of approximately \$nil, or \$nil per share (three and six months ended September 30, 2022 - \$15 and \$59 or \$0.27 and \$0.27), and paid broker fees of approximately \$nil and \$nil (three and six months ended September 30, 2022 - \$nil and \$nil), for such repurchase.

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

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

For the three and six months ended September 30, 2023

10. SHARE CAPITAL AND RESERVES continued

b) Other paid in capital

As at September 30, 2023, the Company had no warrants outstanding. No warrants were granted during the three and six months ended September 30, 2023 and September 30, 2022.

c) Contributed Surplus

The following is a summary of changes in contributed surplus from March 31, 2023 to September 30, 2023:

	\$
Balance at March 31, 2023	2,872
Stock-based compensation charge	60
Balance at September 30, 2023	2,932

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

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

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

For the three and six months ended September 30, 2023

11. 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 September 30, 2023, the Company has reserved 2,936,757 (September 30, 2022 – 2,951,357) common shares for issuance under the Plan, representing 10% of the issued and outstanding common shares of the Company as of such date.

On September 21, 2023, the Company granted a options to an Officer of the Company for 100,000 common shares at an exercise price of \$0.44 per share, vesting over four years from the date of the grant; 25% the first year and 6.25% each quarter thereafter. The Company has also granted options to a Board member for 50,000 common shares at an exercise price of \$0.44 per share, vesting over a one-year period with 25% being vested each quarter from the date of the grant. These options both have a term of ten years and will expire on September 21, 2033.

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.

AirIQ Inc.

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

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

For the three and six months ended September 30, 2023

11. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

The Company recorded share-based compensation expense of approximately \$29 and \$60 for the three and six months ended September 30, 2023 (three and six months ended September 30, 2022 - \$9 and \$10), of which \$4 and \$4 are related to options granted during the three and six months ended September 30, 2023 (three and six months ended September 30, 2022 - \$9 and \$9).

Stock option activity within the Plan is as follows:

	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022	
	Number of options #	Exercise price \$	Number of options #	Exercise price \$
Outstanding options, beginning of period	2,540,000	0.17	1,540,000	0.10
Options granted during the period	150,000	0.44	1,000,000	0.27
Outstanding options, end of period	2,690,000	0.19	2,540,000	0.17
Exercisable, end of period	1,907,500	0.19	1,540,000	0.17

No shares of AirIQ were issued from treasury pursuant to the exercise of stock options under the Company's Plan during the three and six months ended September 30, 2023 (three and six months ended September 30, 2022 – nil).

Outstanding and exercisable options under the Plan as at September 30, 2023 are summarized as follows:

Exercise price range \$	Number outstanding #	Outstanding		Exercisable	
		Weighted average exercise price \$	Weighted remaining contractual life (years)	Number outstanding and exercisable #	Weighted average exercise price \$
0.05 — 0.08	750,000	0.06	1.16	750,000	0.06
0.11 — 0.19	790,000	0.14	3.28	790,000	0.14
0.27	1,000,000	0.27	8.97	362,500	0.27
0.44	150,000	0.44	9.98	5,000	0.44
	2,690,000	0.18	5.18	1,907,500	0.13

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

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

For the three and six months ended September 30, 2023

11. SHARE-BASED PAYMENTS continued

b) Fair Value of Options Issued During the Period

There were 150,000 options granted by the Company during the three and six months ended September 30, 2023. The weighted average fair value at grant date of options granted during the three and six months ended September 30, 2023 was \$0.44 and \$0.44 (three and six months ended September 30, 2022 - \$0.27 and \$0.27).

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

12. NATURE OF EXPENSES

	Three months ended		Six months ended	
	September 30th		September 30th	
	2023	2022	2023	2022
	\$	\$	\$	\$
Salaries and benefits	353	248	728	515
Consulting	5	59	10	105
Computer operating	25	25	50	46
Commercial, officer and director insurance	17	16	33	31
Rent and maintenance	6	12	11	25
Legal fees, audit and tax	27	22	46	39
Public reporting costs	30	26	37	35
Bad debt expense	5	37	8	60
Other	58	37	99	69
	526	482	1,022	925

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

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

For the three and six months ended September 30, 2023

13. 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 and six months ended September 30, 2023 and September 30, 2022:

a) Key Management Compensation

Key management personnel compensation is comprised of:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
	\$	\$
Salary, consulting fees and benefits	154	142
Share-based payments	12	—
Directors fees	12	9
	178	151

b) Related Party Transactions

During the three and six months ended September 30, 2023, \$25 and \$46 , respectively, were expensed for director fees and stock-based compensation (three and six months ended September 30, 2022 - \$9 and \$18).

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For the three and six months ended September 30, 2023

14. COMMITMENTS AND CONTINGENCIES

- a) The Company is party to certain management contracts. The Company has minimum contractual commitment with an Officer of the Company of \$150, all due within one year. This contractual commitment to pay the Officer \$150 on termination of an employment agreement by the Company without cause or in the event of a “change of control” as defined in the employment 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.
- b) 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, 2023. 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.
- c) 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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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 three and six months ended September 30, 2023 and the fiscal 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:

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:

<i>In USD</i>	September 30, 2023	September 30, 2022
	\$	\$
Cash	196	1,233
Trade and other receivables	165	391
<u>Accounts payable and accrued liabilities</u>	<u>(172)</u>	<u>(101)</u>
	189	1,523

For the three and six months ended September 30, 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 \$2 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.

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15. FINANCIAL INSTRUMENTS continued

b) Credit risk

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

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

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

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

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

	\$
Closing balance, March 31, 2023	76
Provisions made during the period	8
Provisions used during the period	(50)
Closing balance, September 30, 2023	34

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15. FINANCIAL INSTRUMENTS continued

(b) Credit risk continued

The following table sets forth details of the accounts receivable as at September 30, 2023 and March 31, 2023:

	September 30, 2023	March 31, 2023
	\$	\$
Trade accounts receivable, before allowances	404	602
Less allowance for doubtful accounts	(34)	(76)
Other receivables	13	41
Trade and other receivables	383	567

Pursuant to their respective terms, accounts receivable are aged as follows as at September 30, 2023 and March 31, 2023:

	September 30, 2023	March 31, 2023
	\$	\$
Current	141	352
31-60 days	115	75
61-90 days	(2)	50
Over 91 days	129	90
Total accounts receivables	383	567

(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, 2023, the Company's accounts payable and accrued liabilities were \$645 (September 30, 2022 - \$568).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and lease commitments as at September 30, 2023 and 2022, respectively:

September 30, 2023: Payments due by year

	Total	2023	2024	2025	2026	2027
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	645	645	—	—	—	—
Operating leases	12	6	6	—	—	—
	657	651	6	—	—	—

September 30, 2022: Payments due by year

	Total	2022	2023	2024	2025	2026
	\$	\$	\$	\$	\$	\$
Accounts payable and accrued liabilities	568	568	—	—	—	—
Operating leases	41	12	29	—	—	—
	609	580	29	—	—	—

AirIQ Inc.

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For the three and six months ended September 30, 2023

15. FINANCIAL INSTRUMENTS continued

d) Interest rate risk

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

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 \$7,551 as at September 30, 2023 (September 30, 2022 – \$3,660). The Company's objectives when managing capital is to ensure that the Company will continue as a going concern, so that it can provide products and services to its customers and returns to its shareholders.

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

The Company's capital management objectives, policies and processes have remained unchanged during the three and six months ended September 30, 2023.

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 and property, plant and equipment are located in Canada and have a net book value of \$1,699 as at September 30, 2023 (September 30, 2022 - \$1,612).

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

	September 30, 2023	September 30, 2022
	\$	\$
Canada	1,830	1,044
United States	1,272	1,357
	3,102	2,401

AirIQ Inc.

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17. SEGMENTED INFORMATION continued

For the six months ended September 30, 2023, one customer represented more than 10% of total revenue (six months ended September 30, 2022: one customer). This customer accounted for 39% of total revenue for the six months ended September 30, 2023, (34% of total revenue for the six months ended September 30, 2022).

18. NET INCOME PER SHARE

	Three months ended September 30th		Six months ended September 30th	
	2023	2022	2023	2022
Issued common shares outstanding at beginning of the period	29,367,574	29,570,074	29,367,574	29,728,074
Weighted average number of common shares (basic)	29,367,574	29,935,759	29,367,574	30,030,484
Weighted average number of common shares (diluted)	30,776,239	30,946,022	30,616,541	31,068,004

For the three and six months ended September 30, 2023 and September 30, 2022, diluted net income per share did not include the effect of stock options as they are anti-dilutive.