Consolidated Financial Statements

AirIQ Inc.

Year ended March 31, 2019 and
Year ended March 31, 2018

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 auditors' 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, UHY 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 10, 2019

UHY McGovern Hurley LLP
Chartered Professional Accountants

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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, 2019 and 2018, and the consolidated statements of income and comprehensive income, consolidated statements of cash flows and consolidated statements of changes in equity 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, 2019 and 2018, 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.

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.

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

UHY McGovern Hurley LLP

UHY McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
July 10, 2019

AirIQ Inc.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	March 31, 2019 $	March 31, 2018 $
ASSETS		
Current assets		
Cash (note 15)	**717**	527
Prepaid expenses and deposits	**47**	67
Trade and other receivables (notes 12 and 15)	**759**	401
Inventory (note 5)	**169**	126
Costs of deferred revenues (notes 3 and 7)	—	343
Total current assets	**1,692**	**1,464**
Non-current assets		
Software (note 6)	**623**	574
Rental units (note 6)	**276**	349
Property and equipment (note 6)	**20**	27
Costs of deferred revenues (notes 3 and 7)	—	65
Total non-current assets	**919**	**1,015**
Total assets	**2,611**	**2,479**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 12, 13 and 15)	**570**	384
Deferred revenues (notes 3 and 7)	**375**	723
Total current liabilities	**945**	**1,107**
Non-current liabilities		
Deferred revenues (notes 3 and 7)	**100**	105
Total non-current liabilities	**100**	**105**
Total liabilities	**1,045**	**1,212**
Shareholders' equity		
Share capital (note 9(a))	**91,460**	91,390
Other paid-in capital (note 9(b))	**4,448**	4,483
Contributed surplus (note 9(c))	**2,814**	2,781
Deficit	**(97,156)**	(97,387)
Total shareholders' equity	**1,566**	**1,267**
Total liabilities and shareholders' equity	**2,611**	**2,479**

Commitments and contingencies (note 13)

**The Company adopted IFRS 15 as described in note 3. Under this adoption, the comparative information is not restated.*

Authorized for issue on behalf of the Board:

"Vernon Lobo"	"Geoffrey Rotstein"
Director	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, 2019 $	Year ended March 31, 2018 * $
Revenues		
Recurring revenue	**2,722**	2,229
Hardware and other revenue	**960**	1,050
Total Revenues	**3,682**	3,279
Direct cost of sales (notes 5 and 6)	**1,575**	1,295
Gross profit	**2,107**	**1,984**
Expenses		
Sales and marketing	**758**	616
Research and development	**129**	111
General and administration	**770**	778
Foreign exchange (gain) loss	**(20)**	16
Total expenses (note 11)	**1,637**	**1,521**
Operating profit before other expenses	**470**	**463**
Other expenses		
Interest expense (note 8)	**2**	2
Depreciation and amortization (note 6)	**227**	199
Impairment of long-lived assets (note 13(a))	**10**	102
Total other expenses	**239**	**303**
Net income and comprehensive income for the period	**231**	**160**
Net income per share (note 18)		
Basic	**0.01**	0.01
Diluted	**0.01**	0.01

**The Company adopted IFRS 15 as described in note 3. Under this adoption, the comparative information is not restated.*

See accompanying notes

AirIQ Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands of Canadian dollars)

	March 31, 2019 $	March 31, 2018 * $
Cash flows from operating activities		
Net income for the period	**231**	160
Adjustments to reconcile profit before tax to net cash used in operating activities		
Stock-based compensation (note 10 (a))	**33**	40
Depreciation of property, plant and equipment (note 6)	**353**	334
Loss on disposal of fixed assets	**1**	27
Amortization of costs of deferred revenues	**—**	488
Interest expense	**2**	2
Changes in non-cash balances related to operations		
Trade and other receivables	**(358)**	78
Inventory	**(43)**	17
Prepaid expenses and deposits	**20**	(19)
Accounts payable and accrued liabilities	**186**	71
Deferred revenue (note 3)	**(353)**	67
Costs of deferred revenues (note 3)	**408**	(506)
Total cash inflows from operating activities	**480**	**759**
Cash flows from investing activities		
Software (note 6)	**(267)**	(239)
Rental units (note 6)	**(54)**	(126)
Property, plant and equipment (note 6)	**(2)**	(12)
Total cash (outflows) from investing activities	**(323)**	**(377)**
Cash flows from financing actiities		
Interest paid	**(2)**	(2)
Proceeds from exercise of warrants and options	**35**	15
Total cash (outflows) from financing activities	**33**	**13**
Net change in cash and cash equivalents	**190**	395
Cash and cash equivalents at beginning of period	**527**	132
Cash and cash equivalents at end of period	**717**	**527**
Supplementary disclosure		

**The Company adopted IFRS 15 as described in note 3. Under this adoption, the comparative information is not restated.*

See accompanying notes

AirIQ Inc.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

	Share capital $	Other paid-in capital $	Contributed surplus $	Deficit $	Total $	
Balance March 31, 2017	**91,375**	**4,483**	**2,741**	**(97,547)**	**1,052**	
Income for the year	—	—	—	160	160	
Proceeds from exercise of stock options	15	—	—	—	15	
Stock based compensation	—	—	40	—	40	
Balance March 31, 2018	**91,390**	**4,483**	**2,781**	**(97,387)**	**1,267**	*
Income for the year	**—**	**—**	**—**	**231**	**231**	
Proceeds from exercise of warrants	**70**	**(35)**	**—**	**—**	**35**	
Stock based compensation	**—**	**—**	**33**	**—**	**33**	
Balance March 31, 2019	**91,460**	**4,448**	**2,814**	**(97,156)**	**1,566**	*

**The Company adopted IFRS 15 as described in note 3. Under this adoption, the comparative information is not restated.*

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Years ended March 31, 2019 and 2018

1. CORPORATE INFORMATION

AirIQ Inc. ("AirIQ" or the "Company") is a public company that trades on the TSX Venture Exchange ("TSXV"), under the symbol "IQ". The Company was formed under the *Canada Business Corporations Act*. The Company's principal business is to develop and operate a telematics asset management system using specialized software, digitized mapping, wireless communications, the internet and the Global Positioning System ("GPS"). The Company's head office is located at 1815 Ironstone Manor, Unit 9 in Pickering, Ontario.

These consolidated financial statements have been authorized for issue by the Board of Directors on July 10, 2019.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company for the year ended March 31, 2019 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 (CDN $'000), 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 subject to minimal risk of changes in value and which have original maturities of three months or less at the date of purchase. 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. As at March 31, 2019 and 2018, the Company had no cash equivalents.

e) **Intangible assets**

Intangible assets are recorded at cost less accumulated amortization, and accumulated impairment losses (if any).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

f) Costs of deferred revenues

Prior to the adoption of IFRS 15, the costs of deferred revenues related to hardware equipment installed in customer vehicles that is used to communicate information for the provision of telematics services. These costs were an integral component of the service offering and were amortized over the life of the service contract. Costs of deferred revenues were reviewed for recoverability each period and losses on unprofitable contracts are recognized in the period they are identified. Costs of deferred revenues were stated at cost less accumulated amortization. Amortization was calculated over the life of the initial service contract term.

With the adoption of IFRS 15 on April 1, 2018, contracts with combined hardware and service are split, and the hardware revenue and costs are recognized at the point of sale.

g) 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.

h) 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

h) **Revenue recognition continued**
The principal sources of revenue to the Company and recognition of these revenues are as follows:

(i) With the adoption of IFRS 15 effective April 1, 2018, revenue from equipment sold with service contracts are recognized at the time of sale. Prior to April 1, 2018, revenue from equipment was deferred and recognized over the initial term of the service contract.
(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.

i) **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, 2019 and 2018 the Company has no development costs that met such criteria.

j) **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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

j) Share-based payments continued
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.

k) 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 statement of financial position 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.

l) 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. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

m) 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.

n) Financial instruments

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

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 net income, which are measured initially at fair value.

On April 1, 2018 the Company adopted IFRS 9 which replaces the classification and measurement models in IAS 39 – Financial Instruments: Recognition and Measurement. The Company adopted IFRS 9 retrospectively without restating comparative periods. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of the Company's financial instruments. The following table shows the previous classifications under IAS 39 and the new classifications under IFRS 9 for the Company's financial instruments:

Asset/liability	IAS 39 Classification	IFRS 9 Classification
Cash	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial assets and financial liabilities are initially recognized at the fair value and subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. 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 income statement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

n) Financial instruments continued

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, 2019 and 2018, the Company had no financial instruments recorded at fair value.

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.

p) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the lease term.

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's commencement at the fair value of the leased property.

Assets acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

q) **New accounting policies**
The Company has adopted the following new standards, along with any consequential amendments, effective April 1, 2018. These changes were made in accordance with the applicable transitional provisions. The impact, if any, is disclosed below.

IFRS 9 – Financial Instruments ("IFRS 9") replaces International Accounting Standard *Financial Instruments: Recognition and Measurement* ("IAS 39"), with a single model under which financial assets are classified and measured at amortized cost, fair value through other comprehensive income (FVOCI), or fair value through profit or loss (FVTPL). This classification is based on the business model in which a financial asset is managed and its contractual cash flow characteristics and eliminates the IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale. The adoption of IFRS 9 did not, however, change the measurement bases of the Company's financial assets; cash, trade and other receivables, and accounts payable and accrued liabilities will all continue to be measured at amortized cost under IFRS 9.

The impairment of financial assets under IFRS 9 is based on an expected credit loss (ECL) model, as opposed to the incurred loss model in IAS 39. 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 income statement.

The Company adopted IFRS 9 retrospectively without restating comparative periods. The adoption of IFRS 9 did not have a significant impact on the carrying amounts of the Company's financial instruments.

IFRS 15 - Revenue From Contracts With Customers ("IFRS 15") replaces IAS 18 - Revenue, IAS 11 - Construction contracts, and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which affect the amount and/or timing of revenue recognized. The standard permits either a full retrospective or a modified retrospective approach for the adoption.

The standard is mandatory for financial years commencing on or after January 1, 2018. The Company has adopted the standard effective April 1, 2018 using the modified retrospective approach, which requires the Company to recognize the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of equity as at April 1, 2018. Therefore, the comparative information has not been restated and continues to be reported under IAS 18 – Revenue.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

q) **New accounting policies continued**

IFRS 15 - Revenue From Contracts With Customers continued

In its adoption of IFRS 15, the Company has elected to apply the requirements of the new standard only to contracts that are incomplete at the date of initial application. The Company has also elected to apply the contract modification practical expedient and reflect the aggregate effect of all contact modifications prior to the transition date.

The Company earns revenue through the supply of GPS solutions for asset management services in the commercial and consumer markets.

The Company offers certain arrangements whereby a customer can purchase products and services together. Prior to adoption of IFRS 15, the products and related services were not accounted for as separately identifiable components. As a result, revenues received from the sale of a product and service bundle were deferred and recognized over the term of the contract. However, upon adoption of IFRS 15, 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. Any discounts identified as part of a multi-element arrangement are proportionately allocated to all separately identifiable components, unless there is observable evidence that the discount relates to only one of the performance obligations in a contract. Upon adoption of IFRS 15, 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 revenue.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

q) **New accounting policies continued**

IFRS 15 - Revenue From Contracts With Customers continued

The cumulative effect of the changes made to the Company's Consolidated Statements of Financial Position as at April 1, 2018 for the adoption of IFRS 15 Revenue From Contracts with Customers was as follows:

	Balance at March 31, 2018	Adjustments due to IFRS 15	Balance as at April 1, 2018
Balance Sheet			
Assets			
Deferred costs - current	343	(343)	—
Deferred costs – long term	65	(65)	—
Total Assets	**408**	**(408)**	**—**
Liabilities			
Deferred revenues - current	(723)	343	(380)
Deferred revenues – long term	(105)	65	(40)
Total Liabilities	**(828)**	**408**	**(420)**
Shareholders Equity			
Total shareholders' equity	**1,267**	**$nil**	**1,267**

In accordance with the new revenue standard requirements, the disclosure of the impact of adoption on the Consolidated Statements of Income and Comprehensive Income as follows:

	For the year ended March 31, 2019		
	As reported after adoption of IFRS 15	**Balances prior to adoption of IFRS 15**	**Effect of change Higher/(Lower)**
Income Statement			
Revenues			
Recurring revenues	$2,722	$2,626	$96
Hardware and other revenues	$960	$852	$108
Total revenues	**$3,682**	**$3,478**	**$204**
Direct cost of sales	$1,575	$1,501	$74
Gross profit	$2,107	$1,977	$130
Expenses	$1,637	$1,637	—
Other expenses	$239	$239	—
Net income and comprehensive income	**$231**	**$101**	**$130**

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

q) **New accounting policies continued**

IFRS 15 - Revenue From Contracts With Customers continued

Practical Expedients Used
AirIQ has elected to make use of the following practical expedients:

- Completed contracts under IAS 11 and IAS 18 before the date of transition have not been reassessed.

	For the Years Ending March 31st		
	2020	2021	Total
Revenues expected to be recognized on deferred revenues at March 31, 2019	$375	$100	$475

IFRIC 22 – Foreign Currency Transactions and Advance Consideration ("IFRIC 22") was issued in December 2016 and addresses foreign currency transactions or parts of transactions where there is consideration that is denominated in a foreign currency; a prepaid asset or deferred income liability is recognized in respect of that consideration, in advance of the recognition of the related asset, expense or income; and the prepaid asset or deferred income liability is non-monetary. The interpretation committee concluded that the date of the transaction, for purposes of determining the exchange rate, is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. IFRIC 22 is effective for annual periods beginning on or after January 1, 2018. The Company has adopted the new standard effective April 1, 2018; however, there is no material impact on the Company's financial statements.

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, 2018. 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 16 – Leases ("IFRS 16") was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

r) Future accounting policies continued
IFRIC 23 – Uncertainty Over Income Tax Treatments ("IFRIC 23") was issued in June 2017 and clarifies the accounting for uncertainties in income taxes. The interpretation committee concluded that an entity shall consider whether it is probable that a taxation authority will accept an uncertain tax treatment. If an entity concludes it is probable that the taxation authority will accept an uncertain tax treatment, then the entity shall determine taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. If an entity concludes it is not probable that the taxation authority will accept an uncertain tax treatment, the entity shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses and credits or tax rates. IFRIC 23 is effective for annual periods beginning on or after January 1, 2019.

IAS 1 – Presentation of Financial Statements ("IAS 1") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated 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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

a) Income, value added, withholding and other taxes continued

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.

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) Judgement in determining asset acquisition vs. business combination

The determination of whether a transaction meets the definition of a business combination or constitutes an asset acquisition under IFRS 3 is disclosed in note 13(a).

e) 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.

f) 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

g) Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets including software, rental units, property, plant and equipment and customer contracts 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 and property, plant and equipment are provided in note 6.

h) 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.

i) Revenue recognition

The Company offers certain arrangements whereby a customer can purchase products and services together. Prior to adoption of IFRS 15, the products and related services were not accounted for as separately identifiable components. As a result, revenues received from the sale of a product and service bundle were deferred and recognized over the term of the contract. However, upon adoption of IFRS 15, 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. Any discounts identified as part of a multi-element arrangement are proportionately allocated to all separately identifiable components, unless there is observable evidence that the discount relates to only one of the performance obligations in a contract. Upon adoption of IFRS 15, 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS continued

j) 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.

5. INVENTORY

Inventory consists of components used to assemble hardware equipment and finished goods. For the year ended March 31, 2019, the amount of inventory recognized as an expense in direct cost of sales was $971 (March 31, 2018 – $838). Inventory is valued at cost, as it is the lower of cost or net realizable value. There was a $nil write-down of inventory included in general and administration expenses during the year ended March 31, 2019 (2018 -$nil).

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

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, 2017	961	580	27	5	1,573
Additions for the year	239	114	11	—	364
Disposals during the year	(170)	(95)	(1)	—	(266)
Balance at March 31, 2018	1,030	599	37	5	1,671
Additions for the year	**267**	**54**	**2**	**—**	**323**
Disposals during the year	**(148)**	**(1)**	**—**	**—**	**(149)**
Balance at March 31, 2019	**1,149**	**652**	**39**	**5**	**1,845**
Depreciation and impairment losses					
Balance at March 31, 2017	434	196	7	2	639
Depreciation for the year	191	127	7	1	326
Disposals during the year	(170)	(73)	(1)	—	(244)
Balance at March 31, 2018	455	250	13	3	721
Depreciation for the year	**219**	**126**	**8**	**—**	**353**
Disposals during the year	**(148)**	**—**	**—**	**—**	**(148)**
Balance at March 31, 2019	**526**	**376**	**21**	**3**	**926**
Carrying amounts					
At March 31, 2018	575	349	24	2	950
At March 31, 2019	**623**	**276**	**18**	**2**	**919**

Depreciation expense for software, rental units and property and equipment for the year ended March 31, 2019 is $353 (March 31, 2018 - $326) of which $126 (March 31, 2018 - $127) is included in direct cost of sales relating to rental units. During the year ended March 31, 2019, the Company disposed of $149 of fixed assets (March 31, 2018 - $266), and disposed of $148 of depreciation (March 31, 2018 - $244).

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, 2019 is $nil (March 31, 2018 – $nil).

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

7. DEFERRED REVENUE AND COSTS OF DEFERRED REVENUES

	Deferred revenues	Costs of deferred revenues
	$	$
Balance, March 31, 2017	761	390
At March 31, 2017:		
Current	609	299
Non-current	152	91
Changes during the year:		
Deferred during the year	1,135	506
Released to the consolidated statement of income	(1,068)	(488)
Balance, March 31, 2018	828	408
At March 31, 2018:		
Current	723	343
Non-current	105	65
Changes during the year:		
Deferred during the year	**674**	—
Released to the consolidated statement of income	**(619)**	—
Changes resulting in adoption of IFRS 15 (note 3)	**(408)**	**(408)**
Balance, March 31, 2019	**475**	—
At March 31, 2019:		
Current	**375**	—
Non-current	**100**	—

The Company assesses the carrying value of its costs of deferred revenues at least annually or whenever events or changes in circumstances indicate that their carrying value may be impaired. As a result of the assessment, the Company recorded no impairment charge for the years ended March 31, 2019 and 2018.

8. FINANCING

Credit Facility
The Company has a revolving demand facility with Royal Bank of Canada (“RBC”). The credit facility is a standard operating line with certain covenants, including a first priority general security over the Company’s assets. As at March 31, 2019, $nil (March 31, 2018 - $nil) has been drawn from this demand credit facility. The Company paid RBC a total of approximately $2, related to interest on the credit facility during the year ended March 31, 2019 (March 31, 2018 - $2), which is included in interest expense in the accompanying consolidated statement of income.

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

9. SHARE CAPITAL AND RESERVES

a) Common shares

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

The following is a summary of changes in common share capital during 2019 and 2018:

	Number of Shares	Issue Price	Amount
	#	**$**	**$**
Balance at March 31, 2017	**28,928,947**		**91,375**
Shares issued pursuant to exercise of stock options	100,000	0.07	7
Shares issued pursuant to exercise of stock options	100,000	0.08	8
Balance at March 31, 2018	**29,128,947**		**91,390**
Shares issued pursuant to exercise of warrants	700,000	0.05	70
Balance at March 31, 2019	**29,828,947**		**91,460**

b) Other paid in capital

On December 17, 2018, Mosaic Capital Partners LP exercised 700,000 warrants with an exercise price of $0.05 per warrant for 700,000 newly issued common shares in the capital of the Company for an aggregate cash consideration of $35.

As at March 31, 2019, the Company had no warrants outstanding.

No warrants were granted during the years ended March 31, 2019 and 2018.

c) Contributed Surplus

The following is a summary of changes in contributed surplus during the years ended March 31, 2019 and 2018:

	$
Balance March 31, 2017	2,741
Stock-based compensation charge	40
Balance at March 31, 2018	**2,781**
Stock-based compensation charge	33
Balance at March 31, 2019	**2,814**

9. SHARE CAPITAL AND RESERVES continued

d) **Nature and Purpose of Equity and Reserves**
The reserves recorded in equity on the Company's consolidated statements of financial position include 'Other paid-in capital', 'Contributed surplus' and 'Deficit'.

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

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

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

10. SHARE-BASED PAYMENTS

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

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

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

As at March 31, 2019, the Company has reserved 2,982,894 (March 31, 2018 – 2,912,894) common shares for issuance under the Plan, representing 10% of the issued and outstanding common shares of the Company as of such date.

On July 12, 2018, the Company granted options to a consultant to purchase in the aggregate up to 250,000 common shares in the capital of the Company at an exercise price of $0.18 per share. These options have a term of ten years, vest over four years from the date of grant; 25% the first year and 6.25% each quarter thereafter, and will expire on July 12, 2028.

On April 18, 2017, the Company granted options to the former Chief Financial Officer and a consultant to purchase in the aggregate up to 290,000 common shares in the capital of the Company at an exercise price of $0.17 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 April 18, 2027. On October 1, 2018, 240,000 of these options granted to the former Chief Financial Officer were forfeited or expired following termination of the former officer's contract.

The Company recorded share-based compensation expense of approximately $33 for the year ended March 31, 2019 (March 31, 2018 - $40), of which $18 related to options granted during the year ended March 31, 2019 (March 31, 2018 - $24).

Share option activity within the Plan is as follows:

	Year Ended 31-Mar-19		**Year Ended 31-Mar-18**	
	Weighted average		**Weighted average**	
	Number of options	**Exercise price**	**Number of options**	**Exercise price**
	#	$	#	$
Outstanding options, beginning of period	**2,690,627**	**0.11**	2,601,127	0.11
Granted	**250,000**	**0.18**	290,000	0.17
Expired	**744,500**	**0.17**	500	8.00
Exercised	—	—	200,000	0.08
Outstanding options, end of period	**2,196,127**	**0.10**	2,690,627	0.11
Exercisable, end of period	**1,795,502**	**0.09**	1,958,127	0.11

A total of nil common shares of AirIQ were issued from treasury pursuant to the exercise of stock options under the Company's Plan during the fiscal year ended March 31, 2019 (March 31, 2018 – 200,000 common shares for an aggregate exercise price of $15).

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

10. SHARE-BASED PAYMENTS continued

a) Option Plan Details continued

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

		Outstanding		Exercisable	
Exercise price range	Number outstanding	Weighted average exercise price	Weighted remaining contractual life	Number outstanding and exercisable	Weighted average exercise price
$	#	$	(years)	#	$
0.05 — 0.08	**750,000**	**0.06**	**5.66**	**750,000**	**0.06**
0.10 — 0.18	**1,446,127**	**0.13**	**5.63**	**1,045,502**	**0.11**
	2,196,127	**0.10**	**5.64**	**1,795,502**	**0.09**

b) Fair Value of Options Issued During the Year

The Company granted 250,000 options during the year ended March 31, 2019 (March 31, 2018 – 290,000). The weighted average fair value at grant date of options granted during March 31, 2019 was $0.18 per option (March 31, 2018 - $0.16).

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 model inputs for options granted during the year ended March 31, 2019 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Expected Volatility Factor	Expected Dividend Yield
12-Jul-18	12-Jul-28	$0.18	$0.18	3.61%	10 years	140%	—%

The model inputs for options granted during the year ended March 31, 2018 included:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Risk-Free Interest Rate	Expected Life	Expected Volatility Factor	Expected Dividend Yield
17-Apr-18	18-Apr-27	$0.16	$0.17	3.61%	10 years	179%	—%

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, 2019	Year Ended March 31, 2018
	$	**$**
Salaries and benefits	**848**	649
Consulting	**281**	299
Computer operating	**123**	145
Commercial, officer and director insurance	**61**	62
Rent and maintenance	**42**	43
Legal fees, audit and tax	**52**	50
Public reporting costs	**42**	39
Stock-based compensation	**33**	40
Bad debt expense	**66**	78
Foreign exchange (gain)/loss	**(20)**	16
Other	**109**	100
	1,637	**1,521**

12. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors and officers, and enterprises that are controlled by these individuals, as well as certain person performing similar functions.

The following is a summary of the Company's related party transactions during the years ended March 31, 2019 and 2018:

a) **Key Management Compensation**

Key management personnel compensation is comprised of:

	Year ended March 31, 2019	Year ended March 31, 2018
	$	**$**
Salary, consulting fees and benefits	**216**	196
Share-based payments	**13**	36
	229	**232**

12. RELATED PARTY TRANSACTIONS continued

b) **Related Party Transactions**

During the year ended March 31, 2019, $14 was expensed for directors' fees and stock-based compensation (March 31, 2018 - $17).

AirIQ owed a company controlled by a former director $36 at March 31, 2019 (March 31, 2018 - $36) which is included in accounts payable and accrued liabilities. AirIQ is also owed $36 from the related company of the former director and/or its controlling shareholder at March 31, 2019 (March 31, 2018 - $36) which is included in trade and other receivables. These amounts are unsecured, non-interest bearing and due on demand.

See also notes 10 and 13**.**

13. COMMITMENTS AND CONTINGENCIES

a) On December 8, 2017, the Company entered into an asset purchase agreement for the purchase of certain assets of Connected Telematics Corp. ("Connected"). The purchased assets included customer contracts and approximately 2,000 GPS devices. The purchase price for the acquisition included an initial cash payment of $90 plus potential performance based earn-outs on the first, second and third anniversaries of the transaction (the "Earn-Outs") equal to the recurring revenue of the month immediately preceding the anniversary of the acquired business times a factor of 1.33. The Earn-Outs are payable in cash and/or common stock of AirIQ, in its sole discretion, and any share issuances shall be subject to approval of the TSX Venture Exchange. In the event any common shares of the Company are issued in connection with the Earn-Outs, the share price will be calculated using the Company's volume weighted average price of the common shares for the twenty (20) days prior to the calculation date. The Company calculated the First Earn-Out Amount based on the monthly recurring revenues of Connected as of December 8, 2018, less any setoffs as permitted under the asset purchase agreement, and amounts owed by Connected to AirIQ. As a result, a $10 impairment charge was recognized, and no amounts were paid or due to Connected in respect of the First Earn-out. As at March 31, 2019, no Earn-Outs are due or payable (March 31, 2018 - $nil). The Company recognized an impairment charge of $102 for the entire purchase amount in March 2018.

   The transaction did not constitute a business combination as the acquired assets did not meet the definition of a business under IFRS 3, Business Combinations, as substantially all of the fair value of the gross assets acquired was concentrated in the customer contracts. As a result, the transaction is accounted for as an asset acquisition with the Company identified as the acquirer and the equity consideration accounted for in accordance with IFRS 2, Share-based Payment, measured at fair value. Related transaction costs were capitalized as part of the cost of the asset acquisition.

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

13. COMMITMENTS AND CONTINGENCIES continued

b) The Company entered into an asset purchase agreement with Timeout Studios Inc. ("Timeout") on May 31, 2016, for the purchase of certain software assets in the aggregate amount of $60 and included in software additions (Note 6). Pursuant to the terms of the asset purchase agreement, the Company executed a promissory note in favor of Timeout in the principal amount of $45, payable in equal monthly installments of $2.50 from June 2016 to May 2017, and $1.25 each month from June 2017 to May 2018. An additional earn-out was contemplated under the terms of the asset purchase agreement provided that the acquired assets result in certain revenue objectives in the first twelve months following the acquisition. These objectives have not been met. Therefore, no additional consideration is required. As at March 31, 2019, the principal amount outstanding on the promissory note is $nil (March 31, 2018 - $nil).

c) Leases relate to office lease terms of 60 months payable in monthly instalments in advance. As of March 31, 2019 and 2018, there are no annual lease payments under a capital lease.

The Company leases its office space and the future minimum annual operating lease payments for office space are as follows:

	$
2020	26
2021	26
2022	26
2023	29
2024	29
	136

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

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

13. COMMITMENTS AND CONTINGENCIES continued

e) The Company has a profit-sharing plan to incentivize employees and certain officers of the Corporation to meet specific goals and objectives. The profit-sharing pool for fiscal year 2019 has been set by the Board at $60,000, subject to meeting certain criteria related to total operating revenues, total recurring revenues and operating profit based on the March 31, 2019 audited year end results. The full bonus pool has been accrued for over the year. Payments under the profit-sharing plan are at the sole discretion of the Chief Executive Officer.

14. INCOME TAXES

The reconciliation of income taxes attributable to operations computed at the statutory income tax rates of 26.5% (March 31, 2018 – 26.5%) to income tax expense is as follows:

	Year ended 31-Mar-2019 $	**Year ended 31-Mar-2018** $
Net income from operations	**231**	160
Tax at combined federal and provincial tax rates	**61**	42
Foreign tax differential and other	**51**	(47)
Tax effect of expenses not deductible for income tax purposes	**115**	111
Change in deferred tax assets not recognized relating to comprehensive income (loss)	**(227)**	(106)
	—	—

The tax effect of temporary differences that give rise to deferred tax assets and liabilities in Canada at March 31, 2019 and 2018 are as follows:

	31-Mar-2019 $	**31-Mar-2018** $
Deferred tax assets (liabilities) recognized:		
Service contracts	—	(108)
Tax loss carryforwards	—	108
Deferred income tax liability	—	—

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

14. INCOME TAXES continued

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

	31-Mar-2019 $	31-Mar-2018 $
Book amortization in excess of capital cost allowance	**10,666**	10,327
Tax loss carryforwards	**19,051**	19,087
Scientific research and development expenditure carryforwards	**995**	995
Investment in subsidiaries	**15,856**	15,855
Deferred revenue	**476**	421
Deductible temporary differences not recognized	**47,044**	46,685

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

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, 2019 the Company has unused Canadian tax losses of $10,290 and US federal tax losses of US$6,557 (CAD$8,761) available to reduce taxes payable in future years. The unused tax losses are due to expire from 2025 to 2037.

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, 2019 and 2018.

The Company’s financial instruments are exposed to certain financial risks, including credit risk, liquidity risk, currency risk, and interest rate risk.

The Company’s exposure to these risks and its methods of managing the risks remain consistent.

The Company is exposed to the following risks related to financial assets and liabilities:

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

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 Company does not use derivative instruments to reduce its exposure.

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

	March 31, 2019	March 31, 2018
	$	$
Cash	**637**	355
Trade and other receivables	**593**	191
Accounts payable and accrued liabilities	**(242)**	(77)
	988	**469**

For the year ended March 31, 2019, all else being equal, a strengthening of 1.0% of the US dollar against the Canadian dollar would have a positive impact of approximately $10 on net income and comprehensive income. A weakening of 1.0% of the US dollar against the Canadian dollar would have the opposite impact on net income.

(b) Credit risk

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

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

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

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

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

15. FINANCIAL INSTRUMENTS continued

(b) Credit risk continued

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

	$
Closing balance, March 31, 2017	**20**
Provisions made during the year	116
Provisions used during the year	(136)
Closing balance, March 31, 2018	—
Provisions made during the year	**66**
Provisions used during the year	**(66)**
Closing balance, March 31, 2019	**—**

The following table sets forth details of the accounts receivable as at March 31, 2019 and 2018:

	March 31, 2019	**March 31, 2018**
	$	**$**
Trade accounts receivable, before allowances	**690**	363
Less allowance for doubtful accounts	**—**	—
Other receivables	**69**	38
Trade and other receivables	**759**	**401**

Pursuant to their respective terms, accounts receivable are aged as follows as at March 31, 2019 and 2018:

	March 31, 2019	**March 31, 2018**
	$	**$**
Current	**586**	209
31-60 days	**73**	40
61-90 days	**63**	37
Over 91 days	**37**	115
Total accounts receivables	**759**	**401**

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

15. FINANCIAL INSTRUMENTS continued

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company collecting its accounts receivable in a timely manner and by maintaining sufficient cash in excess of anticipated needs. At March 31, 2019, the Company's accounts payable and accrued liabilities were $570 (March 31, 2018 - $384).

The following table details the Company's contractual maturities for its financial liabilities, including interest payments and operating lease commitments as at March 31, 2019 and 2018 respectively:

March 31, 2019: Payments due by period

	Total	2020	2021	2022	2023	2024
	$	$	$	$	$	$
Accounts payable and accrued liabilities	570	570	—	—	—	—
Operating leases	136	26	26	26	29	29
	706	596	26	26	29	29

March 31, 2018: Payments due by period

	Total	2019	2020	2021	2022	2023
	$	$	$	$	$	$
Accounts payable and accrued liabilities	384	384	—	—	—	—
Operating leases	41	18	18	5	—	—
	425	**402**	**18**	**5**	—	—

(d) Interest rate risk

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

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

16. CAPITAL MANAGEMENT

The capital structure of the Company consists of loans and equity consisting of issued share capital, other paid-in capital, contributed surplus and deficit and has capital surplus in the amount of $1,566 as at March 31, 2019 (March 31, 2018 – $1,267). 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 years ended March 31, 2019 and 2018.

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 $919 as at March 31, 2019 (March 31, 2018 - $950).

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

	March 31, 2019	**March 31, 2018**
	$	**$**
Canada	**1,429**	1,410
United States	**2,253**	1,869
	3,682	**3,279**

For the year ended March 31, 2019, one customer represented more than 10% of total revenue (year ended March 31, 2018: one customer). This customer accounted for 17% of total revenue for each of the years ended March 31, 2019 and 2018.

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

18. NET INCOME PER SHARE

Weighted Average Number of Common Shares:

	Year ended March 31, 2019	Year ended March 31, 2018
Issued common shares at beginning of period	**29,128,947**	28,928,947
Weighted average number of common shares (basic)	**29,330,317**	28,946,481
Weighted average number of common shares (diluted)	**30,676,501**	31,819,574

For the year ended March 31, 2019, diluted net income per share did not include the effect of 544,500 stock options (March 31, 2018 – 294,500) and nil warrants (March 31, 2018 – nil) as they are anti-dilutive.