Consolidated Financial Statements
(In Canadian dollars)

EQ INC.

Years ended December 31, 2015 and 2014

Collins Barrow

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of EQ Inc.

We have audited the accompanying consolidated financial statements of EQ Inc. and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of EQ Inc. and its subsidiaries, as at December 31, 2015 and December 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates that EQ Inc. incurred a net loss of $2,296,000 during the year ended December 31, 2015 and, as of that date, the Company's current liabilities exceeded its current assets by $2,680,000. These conditions, along with others as set forth in Note 2, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
April 26, 2016
Toronto, Ontario

EQ INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

December 31, 2015 and 2014

	2015	2014
## Assets		
Current assets:		
Cash	$ 115	$ 311
Accounts receivable (note 17 (a))	677	722
Other current assets (note 9 (a))	202	196
	994	1,229
Non-current assets:		
Investment (note 3)	251	50
Property and equipment (note 10)	16	124
Domain properties and other intangible assets (note 11)	242	324
	509	498
	$ 1,503	$ 1,727

Liabilities and Shareholders' Deficiency

	2015	2014
Current liabilities:		
Accounts payable and accrued liabilities (note 9 (b))	$ 2,050	$ 1,480
Deferred lease inducement	20	22
Loans and borrowings (note 12 (a) and (b))	1,323	–
Derivative liability - warrants (note 12 (c))	259	–
Current portion of finance lease	–	64
Deferred revenue	22	90
	3,674	1,656
Non-current liabilities:		
Deferred lease inducement	63	73
	$ 3,737	$ 1,729
Shareholders' deficiency (note 13)	(2,234)	(2)
	$ 1,503	$ 1,727

Going concern (note 2(b))

Commitments and contingencies (note 18)

On behalf of the Board:

"Vernon Lobo" Director "Geoffrey Rotstein" Director

See accompanying notes to consolidated financial statements.

See accompanying notes to consolidated financial statements.

EQ INC.

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2015 and 2014

	2015	2014
Revenue (note 4)	$ 3,684	$ 4,877
Expenses:		
Publishing cost	1,977	2,322
Employee compensation and benefits	1,978	2,990
Other operating expenses	1,733	2,217
Depreciation of property and equipment	119	186
Amortization of domain properties and other intangible assets	112	1,093
Impairment of domain properties and other intangible assets	-	265
	5,919	9,073
Loss from operations	(2,235)	(4,196)
Finance income (note 6)	92	13
Loss on derivative liability – warrants (note 12 (c))	(24)	-
Finance costs (note 6)	(147)	(125)
Loss before income taxes	(2,314)	(4,308)
Income tax recovery (note 7)	18	22
Net loss	(2,296)	(4,286)
Other comprehensive income (net of tax):		
Items that maybe reclassified to net income (loss)		
Net change in fair value of available-for-sale financial assets	201	-
Foreign currency translation adjustments to equity	(196)	156
Other comprehensive income, net of tax	5	156
Comprehensive loss	$ (2,291)	$ (4,130)
Loss per share (note 8)		
Basic	$ (0.14)	$ (0.27)
Diluted	$ (0.14)	$ (0.27)

See accompanying notes to consolidated financial statements.

EQ INC.

Consolidated Statements of Changes in Shareholders' Deficiency
(In thousands of Canadian dollars)

Years ended December 31, 2015 and 2014

	Common shares										
	Number of shares		Amount		Contributed surplus		Accumulated other comprehensive income (loss)		Deficit		Total deficiency
Balances, January 1, 2015	15,857,225	$	66,278	$	2,450	$	(1,866)	$	(66,864)	$	(2)
Net loss	-		-		-		-		(2,296)		(2,296)
Share-based payments (note 14)	-		-		59		-		-		59
Net change in fair value of available-for-sale financial assets	-		-		-		201		-		201
Foreign currency translation adjustments	-		-		-		(196)		-		(196)
Balance, December 31, 2015	15,857,225	$	66,278	$	2,509	$	(1,861)	$	(69,160)	$	(2,234)

	Common shares										
	Number of shares		Amount		Contributed surplus		Accumulated other comprehensive income (loss)		Deficit		Total deficiency
Balances, January 1, 2014	15,857,225	$	66,278	$	2,359	$	(2,022)	$	(6,2,578)	$	4,073
Net loss	-		-		-		-		(4,286)		(4,286)
Share-based payments (note 14)	-		-		55		-		-		55
Foreign currency translation adjustments	-		-		-		156		-		156
Balance, December 31, 2014	15,857,225	$	66,278	$	2,450	$	(1,866)	$	(66,864)	$	(2)

See accompanying notes to consolidated financial statements.

EQ INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars, except per share amounts)

Years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Net loss	$ (2,296)	$ 4,286)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation of property and equipment	119	186
Amortization of domain properties and other intangible assets	112	1,093
Amortization of deferred lease inducement	(12)	(28)
Loss on derivative liability – warrants	24	-
Share-based payments (note 14)	59	55
Unrealized foreign exchange loss	44	123
Finance income, net	55	2
Current income tax recovery	(18)	(22)
Impairment of domain properties and other intangible assets	-	265
Loss (gain) on sale of domain properties and other intangible assets	1	(79)
Change in non-cash operating working capital (note 20)	389	346
Cash used in operating activities	(1,523)	(2,345)
Income taxes received	18	22
Net cash used in operating activities	(1,505)	(2,323)
Cash flows from financing activities:		
Repayment of finance lease	(64)	(123)
Term loan	175	-
Repayment of term loan	(73)	-
Promissory notes	1,335	-
Interest paid	(25)	(15)
Net cash from (used) in financing activities	1,348	(138)
Cash flows from investing activities:		
Interest income received	5	13
Net proceeds from disposal of domain properties	-	96
Additions to property and equipment	-	(11)
Net cash from investing activities	5	98
Decrease in cash	(152)	(2,363)
Foreign exchange loss on cash held in foreign currency	(44)	(123)
Cash, beginning of year	311	2,797
Cash, end of year	$ 115	$ 311

See accompanying notes to consolidated financial statements.

1. Corporate information:

EQ Inc. (“EQ Works”) (the "Company") uses real-time technology and advanced analytics to improve performance for all web, mobile, social and video advertising initiatives. The Company balances the many components that comprise the complex advertising ecosystem and establishes equilibrium for reaching the right audience at the right time through any web or mobile device. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 1255 Bay Street, Suite 400, Toronto, ON, M5R 2A9. The Company is a publicly listed on the TSX Venture Exchange ("TSX-V").

2. Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretation Committee (“IFRIC”), as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2015. The Board of Directors authorized the consolidated financial statements for issue on April 26, 2016.

(b) Basis of presentation and going concern:

The consolidated financial statements have been prepared under the historical cost basis. Other measurement bases used are described in the applicable notes.

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company has incurred significant operating losses $2,296 (2014 - $4,286) and negative cash flows from operations $1,505 (2014 - $2,323) in recent years, and has a working capital deficiency $2,680 (2014 – deficiency of $427). Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties cast significant doubt upon the Company’s ability to continue as a going concern.

The Company will need to raise capital in order to fund its operations. This need may be adversely impacted by: a lack of normally available financing and an accelerating loss of customers. To address its financing requirements, the Company will seek financing through debt and equity financings, asset sales, and rights offerings to existing shareholders. The outcome of these matters cannot be predicted at this time.

2. Significant accounting policies: (continued)

(c) Functional and presentation currencies:

These consolidated financial statements are presented in Canadian dollars. The Company's functional currency is the U.S. dollar. The Company has elected its presentation currency to be the Canadian dollar as it is listed on the TSX-V and its shareholders are primarily Canadian.

(d) Use of estimates and judgments:

The preparation of consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment.

The following are critical accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results of operations and consolidated financial position.

(e) Key sources of estimation uncertainty:

(i) Useful lives of intangible assets - Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

(ii) Revenue recognition - In their determination of the amount and timing of revenue to be recognized, management relies on assumptions and estimates supporting its revenue recognition policy. Revenue from fixed fee arrangements is recognized using the percentage-of-completion method. Estimates of the percentage-of-completion for customer projects are based upon current actual and forecasted information and contractual terms.

(iii) Trade receivables - The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. Credit risks for outstanding trade receivables are regularly assessed and allowances are recorded for estimated losses.

(iv) Share-based payments - The estimated fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

(In thousands of Canadian dollars, except per share amounts)

2. Significant accounting policies: (continued)

(f) Critical judgments in applying accounting policies:

(i) Impairment tests for non-financial assets - Judgment is applied in determining whether events or changes in circumstances during the years are indicators that a review for impairment should be conducted.

(ii) Functional currency - Judgment is applied in situations where primary and secondary indicators are mixed. Primary indicators such as the currency that mainly influences sales prices are given priority before considering secondary indicators.

(g) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company has the following wholly owned subsidiaries:

		Ownership interest	
Subsidiary	Jurisdiction of incorporation	December 31, 2015	December 31, 2014
CX Digital Media U.S.A Inc.	Delaware	100%	100%
CX Digital Media Inc.	Ontario	100%	100%
EQ Advertising Group Ltd.	Ontario	100%	100%
Cyberplex Services Inc.	Ontario	100%	100%
Cyberplex Ontario Holdings Inc.	Ontario	100%	100%
1887811 Ontario Inc.	Ontario	100%	100%
CX U.S.A Southwest Inc.	Texas	100%	100%
CX U.S.A. Pacific, Inc.	California	100%	100%
Bootcamp Media Inc.	Ontario	100%	100%

(ii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from such transactions, are eliminated upon consolidation.

2. Significant accounting policies: (continued)

(h) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the month-end exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in finance income or cost. Non-monetary assets and liabilities and related depreciation and amortization are translated at historical exchange rates. Revenue and expenses, other than depreciation and amortization, are translated at the monthly average rates of exchange for the year.

The Company has elected to use the Canadian dollar as its presentation currency as it is listed on the TSX-V and its shareholders are primarily Canadian. Monetary assets and liabilities at the reporting date are translated at the month-end exchange rate and revenue and expenses are translated at the monthly average rates of the exchange for the year. Capital assets and domain properties and other intangible assets are also translated at month-end exchange rate but maintained at the USD historical cost. Shareholders' capital and retained earnings are maintained at historical cost. Foreign exchange gains and losses resulting from the translation of functional to presentation currency are recorded to other comprehensive income (loss) ("OCI") in the year in which they occur.

(i) Financial instruments:

(i) Non-derivative financial assets:

The Company initially recognizes loans and receivables and deposits on the date they originate. All other financial assets (including assets designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments are, for measurement purposes, grouped into categories. The classification depends on the purpose and is determined upon initial recognition. The Company has the following categories of non-derivative financial assets: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

2. Significant accounting policies: (continued)

(i) Financial instruments: (continued)

(i) Non-derivative financial assets: (continued)

(a) Financial assets at fair value through profit or loss:

A financial asset is classified at fair value through profit or loss if it is classified as held-for-trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Upon initial recognition, attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(b) Loans and receivables:

Loans and receivables, which include cash and accounts receivable and other current assets, are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Accounts receivable comprise trade receivables, net of allowance for doubtful accounts.

Cash comprise cash balances and cash deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash for the purpose of the consolidated statements of cash flows.

(c) Available-for-sale financial assets:

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in any of the previous categories, and include investments. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognized in OCI and presented within equity in the accumulated other comprehensive income (“OCI”). When an investment is derecognized, the cumulative gain or loss in OCI is transferred to profit or loss.

2. Significant accounting policies: (continued)

(i) Financial instruments: (continued)

(ii) Non-derivative financial liabilities:

The Company initially recognizes debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Company's non-derivative financial liabilities consist of accounts payable and accrued liabilities and loans and borrowings. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition and measurement, these financial liabilities are measured at amortized cost using the effective interest method.

(iii) Derivative financial assets and liabilities:

The Company's derivative financial assets and liabilities consist of warrant liabilities. Derivatives are recognized initially at fair value and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are re-measured each period with the movement being recorded as a gain or loss in the statement of profit or loss.

(iv) Fair value measurement:

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 - inputs are quoted prices in active markets for identical assets and liabilities;
- Level 2 - inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 - inputs are not based on observable market data.

2. Significant accounting policies: (continued)

(j) Property and equipment:

(i) Recognition and measurement:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within loss from operations.

The costs of the day-to-day servicing of property and equipment are recognized in operating income as incurred.

(ii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation is recognized on a straight-line basis over the estimated useful lives of the property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative years are as follows:

Furniture and fixtures	4 years
Computer equipment	3 years
Leasehold improvements	Lesser of useful life and term of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate.

(k) Intangible assets:

(i) Domain properties and other intangible assets:

Domain properties and other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

2. Significant accounting policies: (continued)

(k) Intangible assets: (continued)

(ii) Amortization:

Amortization is calculated over the cost of the asset less its estimated residual value, which typically is expected to be nil. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Useful lives, residual values and amortization methods for intangible assets with finite lives are reviewed at least annually.

The estimated useful lives for the current and comparative years are as follows:

Computer Software	2 years
Technology	4 years
Domain properties and content	7 years
Customer relationships	1- 5 years

(iii) Research and development:

Research and development activities can be either contracted or self-initiated:

Costs for contracted research and development activities, carried out within the scope of externally financed research and development contracts, are expensed when the related revenues are recorded.

Costs for self-initiated research and development activities are assessed to determine if they qualify for recognition as internally generated intangible assets. Apart from complying with the general requirements for initial measurement of an intangible asset, qualification criteria are met only when technical as well as commercial feasibility can be demonstrated and cost can be reliably measured. It must also be probable that the intangible asset will generate future economic benefits, be clearly identifiable and allocable to a specific product. Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalized. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project-related costs are treated as if they were incurred in the research phase only. Capitalized development costs are amortized over the estimated useful life of the internally generated intangible asset. Internally generated intangible assets are reviewed for impairment annually when the asset is not yet in use or when events or changes in circumstances indicate that the carrying amount may not be recoverable and the asset is in use

For the year ended December 31, 2015 $115 (2014 - $133) of research and development costs have been expensed primarily as part of employee compensation and benefits in profit or loss.

2. Significant accounting policies: (continued)

(l) Impairment:

(i) Financial assets, including accounts receivable:

A financial asset is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset that can be estimated reliably. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively based on the nature of the asset.

An impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of the future cash flows expected to be derived from the asset. The carrying value is reduced through the use of an allowance for doubtful accounts, with the loss recognized in net income (loss).

An impairment loss on available-for-sale financial assets is recognized by reclassifying the losses accumulated in the accumulated other comprehensive income in equity to the consolidated statements of comprehensive income (loss). The cumulative loss that is reclassified from equity to net income (loss) is the difference between the acquisition cost less any impairment loss previously recognized and the current fair value. An impairment loss in respect of an equity-accounted investment is measured by comparing the recoverable amount of the investment with its carrying amount.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, the recoverable amount is estimated each year during the fourth quarter in alignment with the Company's annual planning cycle.

(m) Share-based payments:

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

The grant date fair value of share-based payment awards granted to employees is recognized as a compensation cost, with a corresponding increase in contributed surplus, over the vesting period of the award. The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest. Upon exercising the awards, such as options, the fair value of the stock options exercised that has been expensed to contributed surplus along with the cash received is reclassified to common shares and reflected in the statements of changes in shareholders' equity.

2. Significant accounting policies: (continued)

(n) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(o) Revenue:

Advertising revenue is generated from the targeted delivery of digital advertisements to internet users through various channels, including online display, mobile, social and video using its “Programmatic Marketing Platform”. The Company offers its services on a fully-managed and a self-service technology basis. Revenue is recognized when all four of the following criteria are met: (i) evidence of an arrangement exists, (ii) delivery has occurred or a service has been provided, (iii) customer fees are fixed or determinable, and, (iv) collection is reasonably assured.

Revenue arrangements are evidenced by a fully executed insertion order (“IO”). Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price, and performance objectives for an ad campaign.

Performance objectives are generally a measure of targeting as defined by the parties in advance, such as number of ads displayed, consumer clicks on ads, or consumer actions (which may include qualified leads, registrations, downloads, inquiries or purchase). These payment models are commonly referred to as "CPM" (cost per impression), "CPC" (cost per click) and "CPA" (cost per action).

Marketing services revenue is based on either time and material arrangements or fixed fee arrangements. Revenue related to time and materials arrangements is recognized as services are performed. Revenue from fixed fee arrangements is recognized using the percentage-of-completion method, based on the ratio of total labour hours incurred to date to total estimated labour hours. Changes in job performance, job conditions, estimated profitability and final settlement may result in revisions to costs and income and are recognized in the year in which the revisions are determined. Costs include direct material and labour costs which are expensed as incurred. Provisions for estimated losses on incomplete arrangements are made in the year in which such losses are determined.

Revenue from hosting services is recognized on a straight-line basis over the term of the hosting arrangement.

2. Significant accounting policies: (continued)

(o) Revenue: (continued)

The Company determines collectability by performing ongoing credit evaluations and monitoring its customers' accounts receivable balances. For new customers and their agents, which may be advertising agencies or other third parties, the Company may perform a credit check with an independent credit agency and may check credit references to determine creditworthiness. The Company only recognizes revenue when collection is reasonably assured. If collection is not considered reasonably assured, revenue is recognized only once fees are collected. Revenue is recorded net of trade discounts and volume rebates. If it is probable that discounts will be granted and amounts can be measured reliably, then the discount is recognized as a reduction of revenue as the related sales are recognized.

In instances where the Company contracts with third party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. Generally the Company is the primary obligor and is responsible for (i) fulfilling the advertisement delivery, (ii) establishing the selling prices for delivery of the advertisements, and (iii) performing all billing and collection activities including retaining credit risk, resulting in a determination that the Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis.

In situations where amounts billed in excess of revenue recognized to date on an arrangement by arrangement basis are classified as deferred revenue, whereas revenue recognized in excess of amounts billed is classified as accrued receivables and included as part of accounts receivable.

(p) Lease payments:

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for in the period in which they are incurred.

2. Significant accounting policies: (continued)

(q) Finance income and finance cost:

Finance income comprises interest income on funds invested (including available-for-sale financial instruments), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on loans and borrowings, changes in the fair value of financial instruments at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gain and losses arriving from the translation and settlement of assets and liabilities as well as revenue and expenses are reported on a net basis within finance cost (income).

(r) Income taxes:

Income tax expense for the year comprises current and deferred income taxes. Current taxes and deferred taxes are recognized in the consolidated statements of comprehensive income (loss), except to the extent that they relate to items recognized in OCI or directly in equity. In these cases, the taxes are also recognized in OCI or directly in equity, respectively.

The Company uses the asset and liability method of accounting for deferred income taxes. Under this method, the Company recognizes deferred income tax assets and liabilities for future income tax consequences attributable to temporary differences between the consolidated statement of financial position carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carryforwards. The Company measures deferred income taxes using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The Company recognizes deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, as well as unused tax losses and tax credit carryforwards can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company recognizes the effect of a change in income tax rates in the year of enactment or substantive enactment.

Deferred income taxes are not recognized if they arise from the initial recognition of goodwill, nor are they recognized on temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred income taxes are also not recognized on temporary differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

2. Significant accounting policies: (continued)

(r) Income taxes: (continued)

The Company records current income tax expense or recovery based on taxable income earned or loss incurred for the year in each tax jurisdiction where it operates, and for any adjustment to taxes payable in respect of previous years, using tax laws that are enacted or substantively enacted at the consolidated statements of financial position dates.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining the Company's income tax provisions. Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax rules are subject to interpretation. The Company establishes provisions related to tax uncertainties where appropriate, based on its best estimate of the amount that will ultimately be paid to or received from tax authorities.

Basic loss per share amounts are calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

(s) Recently issued accounting pronouncements:

Effective for annual periods beginning on or after January 1, 2016

(i) IAS 1 Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures. Earlier application is permitted.

(ii) IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets were amended by the IASB in May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2018

2. Significant accounting policies: (continued)

(s) Recently issued accounting pronouncements: (continued)

(iii) IFRS 15 Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

(iv) IFRS 9 Financial Instruments was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Earlier application is permitted.

The Company is assessing the impact of these new standards on its consolidated financial statements.

3. Investment:

In July 2012, the Company acquired 116,267 shares of an available-for-sale equity investment in a private company for $50. As at December 31, 2015, the fair value of the shares increased to $251. The gain from the appreciation of $201 was booked through the other comprehensive income. The fair value was assessed based on the subsequent agreed upon sale price for the investment (note 21).

(In thousands of Canadian dollars, except per share amounts)

4. Revenue:

The Company sub-classifies revenue into the following components: advertising and marketing services revenue.

Advertising revenue is derived from the on-line network connecting advertisers and publishers to execute advertising. Marketing services revenue is derived from consulting services and developing advertising strategies for the Company's customers.

		2015		2014
Advertising	$	2,796	$	3,794
Marketing services		888		1,083
	$	3,684	$	4,877

5. Segment information:

The Company has one operating segment and report as such. EQ Works' business focuses on targeted advertising and incorporates the most sophisticated advertising technologies, data analytics and programmatic media buying capabilities into a single system. The chief operating decision maker evaluates the Company's performance, makes operating decision, and allocates resources based on financial data consistent with the presentation in these financial statements.

The Company's assets and operations are substantially all located in Canada; however, the Company services many customers in the United States and internationally.

The Company generates revenue across three geographical regions; customer revenue by region is as follows:

		2015		2014
Canada	$	3,394	$	3,533
Outside North America		12		80
United States		278		1,264
	$	3,684	$	4,877

In 2015, there were two customers that comprised 13% and 11% of the Company's total revenue from operations, respectively. No other customers exceeded 10% of revenue. In 2014, there was one customer that comprised 12% of the Company's total revenue from operations.

(In thousands of Canadian dollars, except per share amounts)

6. Finance income and finance cost:

		2015		2014
Finance income:				
Interest income on cash	$	5	$	13
Foreign exchange gain, net		87		–
Total finance income	$	92	$	13

		2015		2014
Finance costs:				
Other interest expense	$	(147)	$	(15)
Foreign exchange loss, net		–		(110)
Total finance costs	$	(147)	$	(125)

7. Income Taxes:

(a) Income tax expense:

The following table reconciles income taxes calculated at combined Canadian federal/ provincial tax rates with the income tax expense in these financial statements:

		December 31, 2015		December 31, 2014
Loss before income taxes	$	(2,314)	$	(4,308)
Statutory rate		26.5%		26.5%
Expected income tax recovery	$	(613)	$	(1,142)
Amounts not deductible for tax		(10)		96
Other		(3,360)	$	1,454
Change in valuation allowance		3,965		(430)
Income tax recovery	$	(18)	$	(22)

(In thousands of Canadian dollars, except per share amounts)

7. Income Taxes: (continued)

(b) Deferred income taxes:

The temporary differences that give rise to deferred income tax assets and deferred income tax liabilities are presented below:

	December 31, 2015	December 31, 2014
Amounts related to tax loss and credit carry forwards	$ 18,523	$ 14,481
Other	19	135
Capital and intangible assets	235	196
Net deferred tax assets	18,777	14,812
Deferred tax assets not recognized	(18,777)	(14,812)
	$ -	$ -

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

The Company has ITCs of approximately $388 related to scientific research and experimental development costs. The Company also has non-capital losses of approximately $36,652 available to apply against future taxable income and capital losses of $59,430. If not utilized, the non-capital losses will expire as follows:

2029	$ 1,127
2030	8,821
2031	3,857
2032	2,905
2033	3,076
2034	14,304
2035	2,562
	$ 36,652

(In thousands of Canadian dollars, except per share amounts)

8. Loss per share:

The computations for basic and diluted loss per share for the years ended December 31, 2015 and 2014 are as follows:

		2015		2014
Net loss	$	(2,296)	$	(4,286)
Weighted average number of shares outstanding:				
Basic		15,857,225		15,857,225
Diluted		15,857,225		15,857,225
Loss per share:				
Basic	$	(0.14)	$	(0.27)
Diluted	$	(0.14)	$	(0.27)

Warrants to purchase 9,945,845 common shares were outstanding during 2015 but were not included in the computation of diluted loss per share because the warrants' exercise price was greater than the average market price of the common shares. The total number of warrants that were excluded from the calculation of diluted loss per share, because their inclusion would have been anti-dilutive for the year ended December 31, 2015, was 9,945,845 (2014 - nil).

The total number of options that were excluded from the calculation of diluted loss per share, because their inclusion would have been anti-dilutive for the year ended December 31, 2015, was nil (2014 - 1,037,498).

9. Other current assets and accounts payable and accrued liabilities:

(a) Other current assets:

The major components of other current assets are as follows:

		2015		2014
Prepaid expenses	$	94	$	141
SR&ED credits receivable		69		-
Accrued income		39		55
	$	202	$	196

(In thousands of Canadian dollars, except per share amounts)

9. Other current assets and accounts payable and accrued liabilities:

(b) Accounts payable and accrued liabilities:

The major components of accounts payable and accrued liabilities are as follows:

	2015	2014
Trade accounts payable	$ 1,460	$ 926
Accrued liabilities	590	554
	$ 2,050	$ 1,480

10. Property and equipment:

	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost				
Balance, January 1, 2014	$ 662	$ 3,001	$ 303	$ 3,966
Additions	1	10	–	11
Effect of movements in exchange rates	159	482	58	699
Balance, December 31, 2014	$ 822	$ 3,493	$ 361	$ 4,676
Cost				
Balance, January 1, 2015	$ 822	$ 3,493	$ 361	$ 4,676
Effect of movements in exchange rates	370	1,118	135	1,623
Balance, December 31, 2015	$ 1,192	$ 4,611	$ 496	$ 6,299
Depreciation				
Balance, January 1, 2014	$ 655	$ 2,727	$ 303	$ 3,685
Depreciation	2	184	–	186
Effect of movements in exchange rates	158	465	58	681
Balance, December 31, 2014	$ 815	$ 3,376	$ 361	$ 4,552
Depreciation				
Balance, January 1, 2015	$ 815	$ 3,376	$ 361	$ 4,552
Depreciation	2	117	–	119
Effect of movements in exchange rates	370	1,107	135	1,612
Balance, December 31, 2015	$ 1,187	$ 4,600	$ 496	$ 6,283
Carrying amounts				
December 31, 2014	$ 7	$ 117	$ –	$ 124
December 31, 2015	5	11	–	16

(In thousands of Canadian dollars, except per share amounts)

11. Domain properties and other intangible assets:

(a) Intangible assets by category are as follows:

	Customer relationships	Technology	Domain properties and content	Computer software	Total
Cost					
Balance, January 1, 2014	$ 18,032	$ 9,998	$ 7,800	$ 1,119	$ 36,949
Disposals	-	-	(32)	-	(32)
Effect of movements in exchange rates	53	328	113	87	581
Balance, December 31, 2014	$ 18,085	$ 10,326	$ 7,881	$ 1,206	$ 37,498
Cost					
Balance, January 1, 2015	$ 18,085	$ 10,326	$ 7,881	$ 1,206	$ 37,498
Disposals	-	-	(241)	-	(241)
Effect of movements in exchange rates	122	772	236	202	1,332
Balance, December 31, 2015	$ 18,207	$ 11,098	$ 7,876	$ 1,408	$ 38,589

(In thousands of Canadian dollars, except per share amounts)

11. Domain properties and other intangible assets: (continued)

(a) Intangible assets by category are as follows: (continued)

	Customer relationships	Technology	Domain properties and content	Computer software	Total
Amortization and impairment loss					
Balance, January 1, 2014	$ 18,032	$ 9,068	$ 7,121	$ 1,118	$ 35,339
Amortization	-	926	166	1	1,093
Impairment	-	-	265	-	265
Disposals	-	-	(14)	-	(14)
Effect of movements in exchange rates	53	296	55	87	491
Balance, December 31, 2014	$ 18,085	$ 10,290	$ 7,593	$ 1,206	$ 37,174
Amortization and impairment loss					
Balance, January 1, 2015	$ 18,085	$ 10,290	$ 7,593	$ 1,206	$ 37,174
Amortization	-	16	96	-	112
Disposals	-	-	(220)	-	(220)
Effect of movements in exchange rates	122	766	191	202	1,281
Balance, December 31, 2015	$ 18,207	$ 11,072	$ 7,660	$ 1,408	$ 38,347
Carrying amounts					
December 31, 2014	$ -	$ 36	$ 288	$ -	$ 324
December 31, 2015	$ -	$ 26	$ 216	$ -	$ 242

(b) Impairment:

In 2014, the Company booked an impairment for the domain properties and other intangible assets of $265 using the fair value less cost of sales, the Company determined the recoverable amount of this asset to be lower than its carrying value.

12. Loans and borrowings:

(a) Bank credit facilities:

The Company has a non-revolving term loan and credit card facility with a Canadian chartered bank. As at December 31, 2015, there was $102 (2014 - nil) outstanding under the non-revolving term facility and $58 outstanding under the credit card facility (2014 - $61) included in accounts payable.

The non-revolving demand facility is up to $175 by way of Canadian dollar currency loans and repayable by twelve monthly equal installments. The facility bears interest at the bank's prime rate plus 2.35%. The Company renegotiated the revolving demand facility with the lender during the year ended December 31, 2015 and under the amended credit agreement, the Company is not required to maintain any covenant as security of the banking facility.

(b) Promissory note payable:

During March 2015, the Company entered into promissory notes (“Notes”) in the amount of $700, due on September 10, 2015. The Notes, which are non-convertible, bear interest at an annual rate of 15% with principal and interest payment due on maturity date. $300 of such Notes have been subscribed for by certain insiders of the Company. On November 25, 2015 the Notes, along with accrued interest were refinanced.

During September 2015, the Company entered into Demand Loans (“Loans”) in the amount of $1,388. The Loans included promissory notes of approximately $753 from the March 2015 financing which matured on September 10, 2015 and $635 of new contribution including accrued interest of $53. The Loans were converted into new promissory notes upon closing of the November 2015 financing.

On November 25, 2015, the Company entered into new promissory notes (“New Notes”) in the amount of $1,421 due on November 25, 2016. The New Notes, which are non-convertible, bear interest at an annual rate of 8% with principal and interest payment due on maturity date. The lenders received seven non-transferable warrants (the “Bonus Warrants”) for each dollar of principal amount of New Notes, with each Bonus Warrant being exercisable for a period of twelve months from the date of issuance for one common share of the Company (a “Bonus Share”) at an exercise price of $0.10 per Bonus Share. All Bonus Warrants will be subject to a four months hold period from the date of issuance in accordance with the applicable securities law.

(In thousands of Canadian dollars, except per share amounts)

12. Loans and borrowings (continued):

(b) Promissory note payable: (continued)

As the New Notes are denominated in Canadian dollars, a currency different from the functional currency of the Company, the embedded derivative is recognized as a liability. The embedded derivative is recorded at fair value and re-measured each period with the movement being recorded as a gain or loss in consolidated statement of operations. The New Notes are classified as liability, less the portion relating to the embedded derivate feature. As a result, the recorded liability to repay the New Notes is lower than its face value. Using effective interest rate method of 29.5% rate implicit in the calculation, the difference of $349 characterized as the notes discount, is being charged to interest expenses accreted to the liability over the term of the New Notes. $588 of such New Notes have been subscribed for by insiders of the Company.

The following table outlines the activity for loans and borrowings as at December 31, 2015:

Balance, January 1, 2015	$	–
Notes issued on March 9, 2015		700
Accrued interest on Notes as of November 25, 2015		75
Notes and accrued interest refinanced with New Notes		(775)
New Notes issued on November 25, 2015		1,421
Derivative liability – Warrants		(235)
Accretion of interest – Warrants		24
Accrued interest on New Notes		11
Total promissory notes payable	$	1,221
Term loan		175
Repayment of term loan		(73)
Net term loan	$	102
Total loans and borrowings	$	1,323

(In thousands of Canadian dollars, except per share amounts)

12. Loans and borrowings (continued):

(c) Derivative liability - warrants:

The Company's functional currency is US dollars and the Bonus Warrants have an exercise price denominated in Canadian dollars. The Company has determined that the Bonus Warrants with an exercise price that is different from the entity's functional currency are classified as derivative liability based on the evaluation of the Bonus Warrant's settlement provisions, and carried at their fair value.

Any changes in the fair value from the period are recorded as a gain or loss in the statement of comprehensive income.

The fair value of the derivative for the Bonus Warrants has been estimated using Black-Scholes pricing model as it is considered as a Level 3 financial instrument in the fair value hierarchy with significant unobservable inputs. Assumptions used in the pricing model for December 31, 2015 is provided below.

	November 25, 2015	December 31, 2015
Expected volatility	155%	151%
Average risk free interest rate	0.62%	0.48%
Forfeiture rate	0%	0%
Expected life (year)	1	0.90
Expected dividends	–	–

The fair value of the derivative liability for the bonus warrants is as follows:

Balance, January 1, 2015	$	–
Derivative liability November 25, 2015		235
Loss on revaluation of derivative liability for the period		24
Derivative balance – December 31, 2015	$	259

(In thousands of Canadian dollars, except per share amounts)

13. Shareholders' deficiency:

Common shares:

The authorized share capital of the Company comprises an unlimited number of common shares without par value. The holders of common shares are entitled to receive dividends when declared and are entitled to one vote per share at annual meetings of the Company.

14. Share-based payments:

The following table summarizes the continuity of options issued under the Company's stock option plan for the year ended:

	2015		2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,037,498	$ 0.99	1,106,871	$ 1.75
Granted	–	–	200,000	0.54
Forfeited or cancelled	(1,037,498)	0.99	(269,373)	3.76
Outstanding, end of year	–	–	1,037,498	0.99
Options exercisable, end of year	–	–	302,080	$ 1.63

A summary of the status of the Company's options under the Plan is as follows:

	2015			2014		
Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
$0.54 - 0.55	–	–	–	200,000	4.01	–
$0.80	–	–	–	768,750	2.50	233,332
$4.08 - $4.72	–	–	–	68,748	0.54	68,748
	–		–	1,037,498		302,080

During the year ended December 31, 2015, the Company recorded share-based payments of $59 compared to $55 during the same period in 2014. In the year ended December 31, 2015, the Company's common shares were trading significantly below the issued exercise price of the stock options and the Company forfeited and cancelled the issued and outstanding stock options.

During the year ended December 31, 2015, no stock options were granted and no stock options were exercised. During the year ended December 31, 2014, 200,000 stock options were granted and no stock options were exercised.

(In thousands of Canadian dollars, except per share amounts)

14. Share-based payments (continued):

The weighted average grant date fair value of options granted during 2014 was $0.33. The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option pricing model with the following weighted average assumptions used for grants for the year ended December 31, 2014: dividend yield of nil, expected volatility of 108% calculated based on the contract term-life using historical prices, weighted average risk-free interest rate of 1%, and expected lives of 2.5 years and forfeiture rate of 55% calculated using the historical information for forfeitures.

15. Fair values of financial instruments:

(a) Classification of financial instruments:

The following table provides the allocation of financial instruments, their associated financial instrument classifications, their carrying values, and fair values including their most appropriate level within the fair value hierarch, based on the inputs used to determine the fair value at the measurement date:

December 31, 2015	Loans and receivables / other financial liabilities	Available – for – sale securities	Carrying value total	Fair value total
Measurement basis	Amortized cost	Fair value		
Financial assets:				
Cash	$ 115	$ -	$ 115	$ 115
Accounts receivable	677	-	677	677
SR&ED credits receivable	69	-	69	69
Investment (level 3)(i)	-	251	251	251
	$ 861	$ 251	$ 1,112	$ 1,112
Financial liabilities:				
Accounts payable and accrued liabilities	$ 2,050	$ -	$ 2,050	$ 2,050
Derivative liability-warrants (level 3)(i)	259	-	259	259
Loans and borrowings	1,323	-	1,323	1,323
	$ 3,632	$ -	$ 3,632	$ 3,632

(In thousands of Canadian dollars, except per share amounts)

15. Fair values of financial instruments: (continued)

(a) Classification of financial instruments: (continued)

December 31, 2014	Loans and receivables / other financial liabilities	Available – for – sale securities	Carrying value total	Fair value total
Measurement basis	Amortized cost	Fair value		
Financial assets:				
Cash	$ 311	$ -	$ 311	$ 311
Accounts receivable	722	-	722	722
SR&ED credits receivable	196	-	196	196
Investment (level 3)(i)	-	50	50	50
	$ 1,229	$ 50	$ 1,279	$ 1,279
Financial liabilities:				
Accounts payable and accrued liabilities	$ 1,480	$ -	$ 1,480	$ 1,480
Finance leases	64	-	64	64
	$ 1,544	$ -	$ 1,544	$ 1,544

(i) The Company initially measured the available-for-sale equity investment purchased in 2012 based on the cash exchanged between the parties in 2014. In 2015 the investment appreciated in value due to the valuation and the Company recognize $201 of gain.

There have been no transfers of assets between levels during the years ended December 31, 2015 and 2014.

16. Capital risk management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which comprises issued capital, contributed surplus, accumulated other comprehensive income and retained earnings (deficit). The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares, pay dividends or raising capital and borrowings, as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There has been no changes to the Company's capital management approach in 2015 from 2014.

17. Financial risk management:

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee reviews the Company's risk management policies on an annual basis. The finance department identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash. The majority of the Company's customers are located in the United States and Canada. At December 31, 2015, three customers represented 16%, 13% and 12% of the gross accounts receivable balance of $724, respectively. At December 31, 2014, three customers represented 20%, 12% and 10% of the gross accounts receivable balance of $779, respectively. The accounts receivable balances due from these significant customers were aged less than 30 days and classified as current at December 31, 2015. No other individual customers represented more than 10% of accounts receivable. As at December 31, 2015, the allowance for doubtful accounts was $47 (2014 - $57). In establishing the appropriate allowance for doubtful accounts, management makes assumptions with respect to the future collectability of the receivables. Assumptions are based on an individual assessment of a customer's credit quality, as well as subjective factors and trends. As at December 31, 2015, approximately 31% of accounts receivable balances over 90 days were not provided for. Management believes that the allowance is adequate. The Company, from time to time, invests its excess cash with the objective of maintaining safety of the principal and providing adequate liquidity to meet current payment obligations and future planned capital expenditures and with the secondary objective of maximizing the overall yield of the portfolio. The Company's cash as at December 31, 2015 is not subject to external restrictions and is held with Schedule I banks in Canada.

17. Financial risk management: (continued)

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for principal and interest payments on its debt, capital expenditures and working capital needs. The Company uses its operating cash flows, operating facilities and cash balances to maintain liquidity.

(In thousands of Canadian dollars, except per share amounts)

17. Financial risk management: (continued)

(b) Liquidity risk:

The following are the contractual maturities for the Company's obligations:

2015	Carrying amount	Contractual cash flow	On demand	Less than 1 year	1 - 3 years	>3 years
Trade and other payables[i]	$ 2,050	$ 2,050	$ –	$ 2,050	$ –	$ –
Operating leases	1,171	1,171	-	291	646	234
Loan and borrowings	1,323	1,323	-	1,323	-	-
	$ 4,544	$ 4,544	$ -	$ 3,664	$ 646	$ 234

2014	Carrying amount	Contractual cash flow	On demand	Less than 1 year	1 - 3 years	>3 years
Trade and other payables[i]	$ 1,480	$ 1,480	$ –	$ 1,480	$ –	$ –
Operating leases	1,372	1,372	-	280	571	521
Finance leases	64	64	-	64	-	-
	$ 2,916	$ 2,916	$ -	$ 1,824	$ 571	$ 521

[i] Trade and other payables exclude sales tax payable and other non-contractual liabilities.

17. Financial risk management: (continued)

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the Company's share price, will affect the Company's income or the value of its financial instruments.

(i) Interest rate risk:

The Company's Interest rate risk arises primary from its loans and borrowings obligations, which bear an interest rate of 8%. Management believes that the Company is not significantly exposed to interest rate risk in the next twelve months.

(ii) Currency risk:

The Company operates internationally with the U.S. dollar as its functional currency and is exposed to foreign exchange risk from purchase transactions and payroll, as well as recognized financial assets and liabilities denominated in Canadian dollars. In addition, the Company is exposed to exchange gains or losses on translation from its U.S. dollar functional currency to its Canadian dollar presentation currency. The Company's main objective in managing its foreign exchange risk is to maintain Canadian cash on hand to support Canadian forecasted obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash and cash equivalents held.

The Company has performed a sensitivity analysis model for foreign exchange exposure over fiscal 2015. The analysis used a modeling technique that compares the U.S. dollar equivalent of all revenue recognized and expenses incurred in Canadian dollars, at the actual exchange rate, to a hypothetical 10% adverse movement in the foreign currency exchange rates against the U.S. dollar, with all other variables held constant. Foreign currency exchange rates used were based on the market rates in effect during fiscal 2015. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in an increase in net loss for fiscal 2015 of approximately $64. There can be no assurances that the above projected exchange rate decrease will materialize.

(In thousands of Canadian dollars, except per share amounts)

17. Financial risk management (continued):

(c) Market risk: (continued)

(ii) Currency risk: (continued)

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $140 due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income (loss).

Balances held in Canadian dollars are as follows:

	2015	2014
Cash and cash equivalents	$ 120	$ 306
Accounts receivable	643	707
Other current assets	68	132
Accounts payable and accrued liabilities	811	501
Loan and borrowings	1,523	-
Finance lease	-	64

18. Commitments and contingencies:

Non-cancellable operating lease rentals are payable as follows:

	2015	2014
Less than 1 year	$ 291	$ 280
Between 1 and 5 years	880	1,092
More than 5 years	-	-
	$ 1,171	$ 1,372

The Company has one office facility under operating lease. The lease terms is 5 years, with an option to renew the lease after that date.

During the year ended December 31, 2015, a net amount of $258 was recognized as an expense in profit or loss in respect of operating leases (2014 - $312).

The Company sublet the unused space at the current location. Sublease payments of approximately $60 are expected to be received during 2016.

(In thousands of Canadian dollars, except per share amounts)

19. Related party transactions and balances:

During March 2015, the Company announced the closing of the Offering, which consisted of $700 Promissory notes, $300 of such Promissory notes having been subscribed for by officers and directors of the Corporation.

During November 2015, the Company announced the closing of the aforementioned financing involving the New Notes, which consisted of $1,421 New Notes, $588 of such New Notes having been subscribed for by officers and directors of the Company.

Transactions with key management personnel:

The key management personnel of the Company are the members of the Company's executive management team and Board of Directors.

The remuneration of key management personnel of the Company during the years ended December 31, 2015 and 2014 was as follows:

	2015	2014
Short-term employee benefits	$ 663	$ 650
Share-based payments	54	31
	$ 717	$ 681

20. Consolidated statements of cash flows:

The change in non-cash operating working capital comprises the following:

	2015	2014
Accounts receivable	$ 58	$ 1,535
Other current assets	(9)	26
Accounts payable and accrued liabilities	427	(821)
Deferred revenue	(87)	(503)
Lease inducement	-	109
	$ 389	$ 346

21. Subsequent event

On February 24, 2016, EQ Works was able to negotiate and sell its investment for $251.