Consolidated Financial Statements
(In Canadian dollars)

EQ INC.

Years ended December 31, 2017 and 2016

RSM Canada LLP

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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, 2017 and December 31, 2016 and the consolidated statements of loss and 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.

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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, 2017 and December 31, 2016 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 $1,208,000 during the year ended December 31, 2017 and, as of that date, the Company's current liabilities exceeded its current assets by $2,389,000. 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.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 26, 2018
Toronto, Ontario

EQ INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)
December 31, 2017 and 2016

		2017		2016
Assets				
Current assets:				
Cash	**$**	**891**	$	151
Accounts receivable (note 16(a))		**1,292**		890
Other current assets (note 7(a))		**64**		138
		2,247		1,179
Non-current assets:				
Property and equipment (note 8)		**137**		8
Domain properties and other intangible assets (note 9)		**-**		121
	$	**2,384**	$	1,308
Liabilities and Shareholders' Deficiency				
Current liabilities:				
Accounts payable and accrued liabilities (note 7(b) and note 10 (a))		**1,494**		1,892
Deferred lease inducement		**-**		63
Loans and borrowings (note 10)		**3,132**		268
Deferred revenue		**10**		7
		4,636		2,230
Non-current liabilities:				
Loans and borrowings (note 10)		**-**		2,421
		4,636		4,651
Shareholders' deficiency		**(2,252)**		(3,343)
	$	**2,384**	$	1,308

Going concern (note 2(b))

Commitments and contingencies (note 17)

On behalf of the Board:

"Vernon Lobo" Director "Geoffrey Rotstein" Director

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)
December 31, 2017 and 2016

		2017		2016
Revenue	$	**5,514**	$	3,414
Expenses:				
Publishing costs		**2,915**		1,702
Employee compensation and benefits		**1,931**		1,667
Other operating costs		**1,174**		1,348
Depreciation of property and equipment		**29**		13
Amortization of domain properties and other intangible assets		**121**		121
		6,170		4,851
Loss from operations		**(656)**		(1,437)
Finance income (note 5)		**56**		12
Realized gain on sale of investment (note 3)		**-**		201
Gain from extension of loans and borrowings (note 10(b))		**80**		179
Finance costs (note 5)		**(688)**		(450)
Net loss		**(1,208)**		(1,495)
Other Comprehensive income that were reclassified to profit or loss in subsequent periods (net of tax):				
Net gain on sale of investment (note 3)		**-**		(201)
Other Comprehensive loss, net of tax		**-**		(201)
Total Comprehensive loss	$	**(1,208)**	$	(1,696)
Loss per share:				
Basic and diluted	$	**(0.05)**	$	(0.09)
Weighted average number of shares outstanding basic and diluted		**23,498,559**		15,857,225

See accompanying notes to consolidated financial statements

EQ INC.

Consolidated Statements of Changes in Shareholders' Deficiency
(In thousands of Canadian dollars, except per share amounts)
Years ended December 31, 2017 and 2016

	Common shares						
	Number of shares (note 11)	**Amount**	**Contributed surplus**	**Warrants**	**Accumulated other comprehensive loss**	**Deficit**	**Total deficiency**
Balance, January 1, 2017	15,857,225	$ 66,278	$ 2,511	$ 621	$ (2,062)	$ (70,691)	$ (3,343)
Net loss	-	-	-	-	-	(1,208)	(1,208)
Share-based payments (note 13)	-	-	42	-	-	-	42
Exercise of stock options (note 13)	100,000	8	(3)	-	-	-	5
Warrants issued (note 12 & 10 (b))	-	-	-	162	-	-	162
Loss on extinguishment of debt - warrants	-	-	-	-	-	(11)	(11)
Exercise of warrants (note 11 & 12)	12,349,121	1,387	-	(343)	-	-	1,044
Proceeds from private placement net of issuance costs (note 11)	3,817,857	1,057	-	-	-	-	1,057
Balance, December 31, 2017	**32,124,203**	**$ 68,730**	**$ 2,550**	**$ 440**	**$ (2,062)**	**$ (71,910)**	**$ (2,252)**

	Common shares						
	Number of shares	Amount	Contributed surplus	Warrants	Accumulated other comprehensive loss	Deficit	Total deficiency
Balance, January 1, 2016	15,857,225	$ 66,278	$ 2,509	$ -	$ (1,861)	$ (69,160)	$ (2,234)
Net loss	-	-	-	-	-	(1,495)	(1,495)
Share-based payments (note 12)	-	-	2	-	-	-	2
Warrants issued (note 10 (b))	-	-	-	621	-	(36)	585
Other comprehensive income	-	-	-	-	(201)	-	(201)
Balance, December 31, 2016	15,877,225	$ 66,278	$ 2,511	$ 621	$ (2,062)	$ (70,691)	$ (3,343)

See accompanying notes to consolidated financial statements

EQ INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
December 31, 2017 and 2016

		2017		2016
Cash flows from operating activities:				
Net loss	**$**	**(1,208)**	$	(1,495)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Depreciation of property and equipment		**29**		13
Amortization of domain properties and other intangible assets		**121**		121
Amortization of deferred lease inducement		**(63)**		(20)
Gain on extension of loans and borrowings		**(80)**		(179)
Share-based payments (note 13)		**42**		2
Unrealized foreign exchange loss (gain)		**5**		(33)
Finance cost, net		**680**		450
Gain on sale of investment (note 3)		**-**		(201)
Change in non-cash operating working capital (note 19)		**(721)**		(259)
Net cash used in operating activities		**(1,195)**		(1,601)
Cash flows from financing activities:				
Repayment of term-loan (note 10(a))		**-**		(102)
Repayment of loans and borrowing (note 10 (b))		**(765)**		-
Issuance of promissory notes (note 10(b))		**765**		1, 500
Proceeds from exercise of warrants (note 11)		**1,044**		-
Proceeds from private placement, net of issuance cost (note 11)		**1,057**		-
Proceeds from exercise of stock options (note 13)		**5**		-
Interest paid		**(14)**		(10)
Net cash from financing activities		**2,092**		1,388
Cash flows from investing activities:				
Interest income received		**1**		-
Proceeds from disposal of investment (note 3)		**-**		251
Purchases of property and equipment		**(153)**		(5)
Net cash from (used) in investing activities		**(152)**		246
Increase in cash		**745**		33
Foreign exchange gain (loss) on cash held in foreign currency		**(5)**		3
Cash, beginning of year		**151**		115
Cash, end of year	**$**	**891**	$	151

See accompanying notes to consolidated financial statements

1. Corporate information:

EQ Inc. ("EQ Works") or (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 1235 Bay Street, Suite 401, Toronto, ON, M5R 3K4. 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, 2017. The Board of Directors authorized the consolidated financial statements for issue on April 26, 2018.

(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 $1,208 and negative cash flows from operations $1,195 and has a working capital deficiency $2,389. Whether and when the Company can attain profitability and positive cash flows is uncertain. These uncertainties may 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. To address its financing requirements, the Company will seek financing through debt and equity financings 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. Effective January 1, 2016, the functional currency changed from the U.S. dollar to the Canadian dollar as a result of significant economic changes, including its predominant transaction currency for pricing of revenues, being the Canadian dollar.

(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.

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.

(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.

2. Significant accounting policies (continued):

(d) Use of estimates and judgments: (continued)

(v) Debt modification - From time to time, the Company pursues amendments to its credit agreements based on prevailing market conditions. Such amendments, when completed, are considered by the Company to be debt modifications or extinguishments. The accounting treatment of a debt modification depends on whether the modified terms are substantially different than the previous terms. Terms of an amended debt agreement are considered to be substantially different based on qualitative factors, or when the discounted present value of the cash flows under the new terms discounted using the original effective interest rate, is at least ten percent different from the discounted present value of the remaining cash flows of the original debt. If the modification is not substantially different, it will be considered as a modification with any costs or fees incurred adjusting the carrying amount of the liability and amortized over the remaining term of the liability. If the modification is substantially different then the transaction is accounted for as an extinguishment of the old debt instrument with an adjustment to the carrying amount of the liability being recorded in the consolidated statements of operations immediately.

(e) 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:

Subsidiary	Jurisdiction of incorporation	Ownership interest December 31, 2017	Ownership interest December 31, 2016
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):

(f) 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 retranslated to the functional currency using 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 using the 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.

(g) 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.

(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.

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

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

(b) Loans and borrowings, and receivables:

Loans and borrowings, 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 (“AOCI”). When an investment is derecognized, the cumulative gain or loss in AOCI is transferred to profit or loss.

(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.

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

(iii) Derivative financial assets and 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.

(h) 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.

2. Significant accounting policies (continued):

(h) Property and equipment: (continued)

(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.

(i) 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.

(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:

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

2. Significant accounting policies (continued):

(i) Intangible assets (continued):

(iii) Research and development:

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, 2017 $101 (2016 - $104) of research and development costs have been reimbursed from the Scientfic Research and Experimental Development Tax Incentive Programm recorded a as part of employee compensation and benefits in profit or loss.

(j) 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 the statement of profit or loss.

When available-for-sale financial assets are impaired, the cumulative gain (loss) previously recognized directly in equity is recognized in profit or loss.

(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. An impairment test is conducted annually, for intangible assets that are not yet available for use.

2. Significant accounting policies (continued):

(k) 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.

(l) 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.

(m) 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.

2. Significant accounting policies (continued)

(m) Revenue (continued):

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

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.

(n) 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):

(o) 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).

(p) 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.

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.

2. Significant accounting policies (continued):

(p) Income taxes (continued):

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.

(q) Earnings/loss per share

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.

(r) Recently issued accounting pronouncements:

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the current fiscal year, and have not been applied in preparing these financial statements. Future changes to our existing accounting policies and other note disclosures may result. The Company is currently assessing the impact that new pronouncements may have on its results of operations, financial position and disclosure.

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

(i) IFRS 15, Revenue from Contracts with Customers, was issued by the IASB in May 2016 and supersedes existing standards and interpretations including IAS 18, Revenue, and IFRIC 13, Customer Loyalty Programmes. IFRS 15 introduces a single model for recognizing revenue from contracts with customers with the exception of certain contracts under other IFRSs such as IAS 17, Leases. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services. This is achieved by applying the following five steps:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also provides guidance relating to the treatment of contract acquisition and contract fulfillment costs. The standard is effective for annual periods beginning on or after January 1, 2018.

2. Significant accounting policies (continued):

(r) Recently issued accounting pronouncements (continued):

(ii) On June 20, 2016, the IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments apply for annual periods beginning on or after January 1, 2018. As a practical simplification, the amendments can be applied prospectively. Retrospective, or early, application is permitted if information is available without the use of hindsight.

(iii) In November 2009, the IASB issued IFRS 9, which covers classification and measurement as the first part of its project to replace IAS 39. In October 2010, the IASB also incorporated new accounting requirements for liabilities. The standard introduces new requirements for measurement and eliminates the current classification of loans and receivables, available-for-sale and held-to maturity, currently in IAS 39. There are new requirements for the accounting of financial liabilities as well as a carryover of requirements from IAS 39. In 2013, the IASB also incorporated new accounting requirements for hedging and introduced a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognized and to recognize full lifetime expected losses on a timelier basis. The effective date of this pronouncement has been set to be effective for annual periods beginning on or after January 1, 2018.

(iv) In January 2016, the IASB issued IFRS 16 - Leases (“IFRS 16”), which replaces IAS 17 – Leases (“IAS 17”) and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12-months or less or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019.

3. Investment:

In July 2012, the Company acquired 116,267 shares of an available-for-sale equity investment (“Investment”) in a private company for $50. On February, 2016, the Company sold its Investment for $251. The gross realized gain on the sale of such Investment was $201.

4. Segment information:

The Company has one operating segment and does not sub-classified revenue into various streams of revenue. 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 all located in Canada; however, the Company services customers in the United States and internationally.

4. Segment information (continued):

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

		2017		2016
Canada	$	**4,622**	$	3,262
United States		**888**		112
Outside North America		**4**		40
	$	**5,514**	$	3,414

In 2017, there were two customers that comprised 14% and 14%, respectively, of the Company's total revenue from operations. In 2016, there was one customer that comprised 26% of the Company's total revenue from operations.

5. Finance income and finance cost:

		2017		2016
Finance income:				
Interest income on cash	$	**1**		-
Foreign exchange gain, net		**55**		12
Total finance income	$	**56**		12

		2017		2016
Finance costs:				
Other interest expense	$	**(7)**	$	(13)
Accretion on promissory notes (note 10)		**(446)**		(278)
Interest on loans and borrowings (note 10)		**(235)**		(159)
Total finance costs	$	**(688)**		(450)

6. 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:

		2017		2016
Loss before income taxes	$	(1,208)	$	(1,495)
Statutory rate		26.5%		26.5%
Expected income tax recovery		(320)		(396)
Effect on income taxes of unrecognized deferred income tax assets relating to deductible temporary differences on:				
Impact of ITCs		(210)		(100)
Non-deductible expenses and other items		689		370
Change deferred taxes not recognized		(159)		126
Income tax recovery	$	-	$	-

(b) Unrecognized deferred income taxes:

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

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

		2017		2016
Amounts related to tax loss and SRED costs	$	97,235	$	98,080
Property and equipment and domain properties and other Intangible assets		425		746
Leasehold inducement		-		63
Share issue cost		9		-
	$	97,669	$	98,889

The Company also has non-capital losses of approximately $39,694 expiring as follows:

2029	$	1,040
2030		7,143
2031		2,404
2032		2,535
2033		3,077
2034		14,547
2035		1,965
2036		1,730
2037		4,193
	$	38,694

6. Income taxes (continued):

In addition, the Company has undeducted scientific research and experimental development (“SRED”) costs of approximately $422 available to apply against future taxable income, as well as federal investment tax credits SRED costs of approximately $994 and provincial investment tax credits relating to SRED of approximately $214 available to reduce future taxes payable. The Company also has capital losses of $58,119 available. The potential tax benefit relating to the non-capital losses, capital losses and tax credit carryforwards has not been reflected in these consolidated financial statements.

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

(a) Other current assets:

The major components of other current assets are as follows:

	2017	2016
Prepaid expenses	**$ 42**	$ 106
Accrued income	**22**	32
	$ 64	$ 138

(b) Accounts payable and accrued liabilities:

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

	2017	2016
Trade accounts payable	**$ 1,276**	$ 1,516
Accrued liabilities	**218**	376
	$ 1,494	$ 1,892

8. Property and equipment:

	Furniture and fixtures	Computer equipment	Leasehold improvements	Total
Cost				
Balance, January 1, 2016	$ 1,192	$ 4,611	$ 496	$ 6,299
Additions	–	5	–	5
Balance, December 31, 2016	$ 1,192	$ 4,616	$ 496	$ 6,304
Cost				
Balance, January 1, 2017	$ 1,192	$ 4,616	$ 496	$ 6,304
Additions	26	32	100	158
Disposal	(1,184)	(4,600)	(496)	(6,280)
Balance, December 31, 2017	$ 34	$ 48	$ 100	$ 182
Depreciation				
Balance, January 1, 2016	$ 1,187	$ 4,600	$ 496	$ 6,283
Depreciation	3	10	–	13
Balance, December 31, 2016	$ 1,190	$ 4,610	$ 496	$ 6,296
Depreciation				
Balance, January 1, 2017	$ 1,190	$ 4,610	$ 496	$ 6,296
Depreciation	7	7	15	29
Disposal	(1,184)	(4,600)	(496)	(6,280)
Balance, December 31, 2017	$ 13	$ 17	$ 15	$ 45
Carrying amounts				
December 31, 2016	$ 2	$ 6	$ –	$ 8
December 31, 2017	$ 21	$ 31	$ 85	$ 137

9. Domain properties and other intangible assets:

Cost	Customer relationships	Technology	Domain properties and content	Computer software	Total
Balance, January 1, 2016 and December 31, 2016	$ 18,207	$ 11,098	$ 7,876	$ 1,408	$ 38,589
Balance January 1, 2017	18,207	11,098	7,876	1,408	38,589
Disposals	(18,207)	(11,029)	(6,776)	(1,408)	(37,420)
Balance, December 31, 2017	**$ –**	**$ 69**	**$ 1,100**	**$ –**	**$ 1,169**

Amortization and impairment loss	Customer relationships	Technology	Domain properties and content	Computer software	Total
Balance, January 1, 2016	$ 18,207	$ 11,072	$ 7,660	$ 1,408	$ 38,347
Amortization	–	17	104	–	121
Balance, December 31, 2016	$ 18,207	$ 11,089	$ 7,764	$ 1,408	$ 38,468
Balance, January 1, 2017	$ 18,207	$ 11,089	$ 7,764	$ 1,408	$ 38,468
Disposal	(18,207)	(11,029)	(6,776)	(1,408)	(37,420)
Amortization	–	9	112	–	121
Balance, December 31, 2017	**$ –**	**$ 69**	**$ 1,100**	**$ –**	**$ 1,169**

Carrying amounts					
Balance, December 31, 2016	$ –	$ 9	$ 112	$ –	$ 121
Balance, December 31, 2017	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**

10. Loans and borrowings:

(a) Bank credit facility:

The Company has a credit card facility with a Canadian chartered bank. As at December 31, 2017, $56 (2016 - $53) was outstanding under the credit card facility included in accounts payable. The aggregate of available borrowings under all facilities described below cannot exceed $60 at any time. Borrowings outstanding under this facility is secured by accounts receivable with an aging less than 90 days, as defined in the credit agreement. Amounts outstanding are repayable upon demand.

(b) Promissory notes payable:

On November 25, 2015, the Company entered into promissory notes (the “2015 Notes”) in the amount of $1,421 due on November 25, 2016. The 2015 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 “2015 Bonus Warrants”) for each dollar of principal amount of 2015 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 at an exercise price of $0.10 per common share. All Bonus Warrants are subject to a four months hold period from the date of issuance in accordance with the applicable securities law.

On August 18, 2016, the Company extended the maturity dates of $1,175, including accrued interest of $68, of the outstanding 2015 Notes from November 25, 2016 to February 18, 2018. $246 of the 2015 Notes were not extended and, including accrued interest of $22, classified as current liabilities. The extension of the maturity dates was considered a substantial change in terms of the loan and, accordingly, the Company calculated a gain on extinguishment of the 2016 Notes of $179 and a loss on extinguishment of the Bonus Warrants of $36, as the difference between the fair value of the 2016 Notes immediately after the amendment and the amortized costs of the 2015 Notes immediately prior to the extension.

On August 16, 2016 the Company cancelled the existing non-transferable 2015 Bonus Warrants with new warrants (“2015 Extended Bonus Warrants”) on a one-for-one basis.

10. Loans and borrowings (continued):

(b) Promissory notes payable (continued):

On August 18, 2016, the Company completed the first tranche of a debt financing. Pursuant to this first tranche closing, the Company issued $1,155 non-convertible promissory notes (the "2016 Notes"). On November 18, 2016, the Company completed the second tranche of the 2016 Notes. Pursuant to this second tranche closing, the Company issued $345 non-convertible promissory notes. The 2016 Notes bear interest at a rate of 8% per annum, calculated annually, and have a maturity date of February 18, 2018 (note 20).

In connection with the issuance of the 2016 Notes, the lenders received seven non-transferable warrants (the "2016 Bonus Warrants") for each dollar of principal amount of 2016 Notes, with each 2016 Bonus Warrant being exercisable for a period of fifteen months from the date of issuance for one common share of the Company at an exercise price of $0.08 per common share.

On May 10, 2017, the Company entered into new promissory notes (the "2017 Notes") in the amount of $765 due on December 31, 2018. The 2017 Notes, which are non-convertible, bear interest at an annual rate of 8% with principal and interest payment due on the maturity date. The lenders received seven non-transferable warrants (the "2017 Bonus Warrants") for each dollar of principal amount of 2017 Notes, with each 2017 Bonus Warrant being exercisable for a period of twenty months from the date of issuance for one common share of the Company at an exercise price of $0.13 per common share. All 2017 Bonus Warrants are subject to a four month hold period from the date of issuance in accordance with the applicable securities law.

In connection with the above-mentioned 2017 Notes, in which, $490 were considered an extension of the 2016 Notes. The extension of the maturity dates was considered a substantial change in terms of the loan and, accordingly, the Company calculated a gain on extinguishment of the 2017 Notes of $80 and a loss on extinguishment of the 2017 Bonus Warrants of $11, as the difference between the fair value of the 2016 Notes immediately after the amendment and the amortized costs of the 2016 Notes immediately prior to the extension.

10. Loans and borrowings (continued):

(b) Promissory notes payable (continued):

The 2015 Notes, 2016 Notes, and 2017 Notes were separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issue was calculated as the discounted cash flows for the debentures assuming an 29.4%, 25.0% and 26.47% effective interest rate, respectively which was the estimated rate for the debentures without the warrants. The fair value of the warrants was determined at the time of issue as the difference between the face value of the debentures and the fair value of the liability component. The value of the warrants has been classified as a component of equity.

		2017		2016
2015 Notes, 8% Maturing February 2018	**$**	**1,243**	$	1,509
2016 Notes, 8% Maturing February 2018		**1,046**		1,500
2017 Notes, 8% Maturing December 2018		**765**		-
Equity component of promissory notes payable		**(480)**		(519)
		2,574		2,490
Accrued interest and interest paid		**242**		75
Accretion in carrying amount of notes		**316**		124
Balance end of year	**$**	**3,132**	$	2,689
Current	**$**	**3,132**	$	268
Non-current	**$**	**-**	$	2,421

The Following table outlines the activity for loans and borrowings

		2017		2016
Promissory notes balance, January 1,	**$**	**2,689**	$	1,221
Promissory notes		**765**		1,500
Repayment of promissory notes		**(765)**		-
Warrants		**(162)**		(290)
Accretion of interest		**446**		278
Gain on extension of loans and borrowings		**(80)**		(179)
Loss on extinguishment of warrants		**11**		-
Accrued interest		**235**		159
Interest Paid		**(7)**		-
Total promissory notes payable		**3,132**		2,689

11. 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.

On June 7, 2017, the Company closed a private placement, resulting in the issuance of 3,817,857 common shares of the Company at a price of $0.28 per common share, resulting in proceeds of $1,057 net of issuance costs of $12.

During 2017, the Company received proceeds of approximately $1,044 as a result of the exercise of 12,349,121 warrant, each warrants was converted in to one common share. The bonus warrants were issued in connection with the Company's 2016 Notes and 2017 Notes, which were set to expire on February 18, 2018 and December 31, 2018 respectively. 11,219,220 of 2016 bonus warrants at $0.08 and 1,129,901 of 2017 bonus warrants at $0.13 were exercised.

During 2017, 100,000 stock options were exercised into 100,000 common share with and exercise price of $0.05 for a total proceeds of $5.

12. Warrant Capital:

The Company had the following warrants outstanding at December 31, 2017

Number of Warrants	Maturity	Exercise Price
7,502,854	February 18, 2018	$0.08
4,224,343	December 31, 2018	$0.13
11,727,197		

On February 18, 2018, 7,502,854 warrants expired.

13. Share-based payments:

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

	2017		**2016**	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	1,305,000	$ 0.05	-	$ -
Granted	385,000	0.12	1,305,000	0.05
Exercised	(100,000)	0.05	-	-
Forfeited or cancelled	(185,000)	0.10	-	-
Outstanding, end of year	1,405,000	$ 0.06	1,305,000	0.05
Options exercisable, end of year	501,667	$ 0.05	-	$ -

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

	2017			**2016**		
Range of exercise price	**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
$0.05	**1,370,000**	**3.9**	**501,667**	1,305,000	5	300,000
$0.47	**35,000**	**4.8**	**-**	-	-	-

During 2017, the Company recorded share-based payments of $42 compared to $2 during the same period in 2016.

13. Share-based payments (continued):

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 input and assumptions:

	Year Ended	
	December 31, 2017	December 31, 2016
Dividend yield	**0%**	0%
Expected volatility (historical data basis)	**154%**	155%
Risk-free interest rate	**0.72%**	1%
Share price	**$ -**	$ -
Forfeiture rate	**50%**	36%
Expected life (years)	**5 years**	2.5 years
Weighted average grant date fair value	**$ 0.13**	$ 0.05

14. 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 hierarchy, based on the inputs used to determine the fair value at the measurement date:

December 31, 2017	Loans and receivables/ other financial liabilities	Carrying value total	Fair value total
Measurement basis	**Amortized cost**		
Financial assets:			
Cash	$ 891	$ 891	$ 891
Accounts receivable	1,292	1,292	1,292
	$ 2,183	$ 2,183	$ 2,183
Financial liabilities:			
Accounts payable and accrued liabilities	$ 1,494	$ 1,494	$ 1,494
Loans and borrowings	3,132	3,132	3,132
	$ 4,626	$ 4,626	$ 4,626

14. Fair values of financial instruments (continued):

(a) Classification of financial instruments: (continued)

December 31, 2016		Loans and receivables/ other financial liabilities		Carrying value total		Fair value total
Measurement basis		Amortized cost				
Financial assets:						
Cash	$	151	$	151	$	151
Accounts receivable		890		890		890
	$	1,041	$	1,041	$	1,041
Financial liabilities:						
Accounts payable and accrued liabilities	$	1,892	$	1,892	$	1,892
Loans and borrowings		2,689		2,689		2,689
	$	4,581	$	4,581	$	4,581

There have been no transfers of assets between levels during the years ended December 31, 2017 and 2016.

15. 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 2017 from 2016.

16. 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 Canada. At December 31, 2017, three customers represented 25%, 13% and 11% of the gross accounts receivable balance of $1,273, respectively. At December 31, 2016, two customers represented 34% and 14% of the gross accounts receivable balance of $932, respectively. No other individual customers represented more than 10% of accounts receivable. As at December 31, 2017, the allowance for doubtful accounts was $22 (2016 - $42). 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, 2017, approximately 69%, $51 (2016 – 53%, $46) 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, 2017 is not subject to external restrictions and is held with Schedule I banks in Canada.

(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. Subsequent to year end, a portion of the promissory notes was repaid and the remaining was extended (note 20).

16. Financial risk management (continued):

(b) Liquidity risk: (continued)

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

2017	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	>3 years
Trade and other payables[(i)]	**$ 1,494**	**$ 1,494**	**$ 1,494**	**$ -**	**$ -**
Operating leases	**720**	**720**	**167**	**523**	**30**
Loans and borrowings	**3,132**	**3,403**	**3,403**	**-**	**-**
	$ 5,346	**$ 5,617**	**$ 5,064**	**$ 523**	**$ 30**

[(i)] trade and other payables exclude other non-contractual liabilities

(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 a fixed interest rate of 8%. Management believes that the Company is not significantly exposed to cash flow interest rate risk in the next twelve months.

(ii) Currency risk:

The Company operates internationally with the Canadian dollar as its functional currency and is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. cash on hand to support international 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 held.

16. Financial risk management (continued):

(c) Market risk:

(iii) Currency risk:

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 $75 (2016 - $126) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income (loss).

Balances held in non-Canadian dollars are as follows:

		2017		2016
		US		US
Cash and cash equivalents	**$**	**124**	$	20
Accounts receivable		**49**		11
Other current assets		**-**		67
Accounts payable and accrued liabilities		**774**		1,037

17. Commitments and contingencies:

Non-cancellable operating lease rentals are payable as follows:

		2017		2016
Less than 1 year	**$**	**167**	$	161
Between 1 and 5 years		**553**		690
more than 5 years		**-**		30
	$	**720**	$	881

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

During 2017, a net amount of $90 was recognized as an expense in profit or loss in respect of operating leases (2016 - $251).

From time to time the Company sublets unused space. Sublease payments of $11 were received during 2017 (2016 - $54).

18. Related party transactions and balances:

On May 10, 2017 the Company announced the closing of the 2017 Notes, $242 of such 2017 Notes having been subscribed for by officers and directors of the Company.

During April 2017, 1,125,000 of the warrants were exercised by officer and director of the Company for a total proceeds of $90. The exercise prices of the warrants were $0.08 per share.

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, 2017 and 2016 was as follows:

		2017		2016
Short-term employee benefits	**$**	**534**	$	535
Share-based payments		**15**		1
	$	**549**	$	536

19. Consolidated statements of cash flows:

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

		2017		2016
Accounts receivable	**$**	**(402)**	$	(177)
Other current assets		**74**		53
Accounts payable and accrued liabilities		**(396)**		(123)
Deferred revenue		**3**		(12)
	$	**(721)**	$	(259)

20. Subsequent event

Subsequent to December 31, 2017, certain promissory note holders exercised 7,582,577 bonus warrants to acquire 7,582,577 common shares of the Company, at an exercise price of $0.08 and $0.13 per share for total proceeds of $611.

On February 19, 2018, the Company closed a debt financing of $1,534 non-convertible secured promissory notes (the “2018 Notes) to certain arm’s length and non-arm’s length lenders. The 2018 Notes bear interest at a rate of 10% per annum, calculated annually, and mature August 19, 2019. A total of $889 of the 2015 Notes were repaid. The remaining $1,295 plus interest of $238 was extended to August 19, 2019.

In connection with the 2018 Notes, the lender received up to 2,300,578 non-transferable warrants (the “2018 Bonus Warrants”), with each 2018 Bonus Warrant being exercisable for a period of eighteen months from the date of issuance for one common share of the Company at an exercise price of $0.60 per common share. All 2018 Bonus Warrants will be subject to a hold period for four months from the date of issuance of the Bonus Warrants in accordance with applicable securities law.