



## **AcuityAds Inc.**

Condensed Consolidated Interim Financial Statements

Three months ended March 31, 2014 and 2013  
(Unaudited)

# ACUITYADS INC.

Condensed Consolidated Interim Statements of Financial Position  
(Expressed in Canadian dollars)  
(Unaudited)

|   | March 31,<br>2014   | December 31,<br>2013 |
|---|---------------------|----------------------|
| <b>Assets</b>   |                     |                      |
| Current assets:   |                     |                      |
| Cash  | \$ 446,034          | \$ 120,467           |
| Accounts receivable   | 3,221,932           | 3,057,764            |
| Other current assets  | 270,050             | 178,105              |
| Investment tax credits receivable   | 1,191,764           | 1,091,764            |
|   | <u>5,129,780</u>    | <u>4,448,100</u>     |
| Non-current assets:   |                     |                      |
| Property and equipment  | 491,840             | 436,232              |
|   | <u>\$ 5,621,620</u> | <u>\$ 4,884,332</u>  |
| <b>Liabilities and Shareholders' Deficiency</b>                                   |                     |                      |
| Current liabilities:  |                     |                      |
| Accounts payable and accrued liabilities  | \$ 2,444,518        | \$ 2,359,827         |
| Promissory notes payable (note 6)   | 3,912,797           | 2,913,133            |
| Current portion of obligations<br>under capital lease (note 10)                   | 27,507              | —                    |
|   | <u>6,384,822</u>    | <u>5,272,960</u>     |
| Non-current liabilities:  |                     |                      |
| Due to related parties (notes 6 and 9)  | 626,500             | 608,249              |
| Obligations under capital lease (note 10)   | 51,681              | —                    |
|   | <u>7,063,003</u>    | <u>5,881,209</u>     |
| Total liabilities   | 7,063,003           | 5,881,209            |
| Shareholders' deficiency  | (1,441,383)         | (996,877)            |
| Events after the balance sheet date (notes 6 and 11)<br>Going concern (note 2(a)) |                     |                      |
|   | <u>\$ 5,621,620</u> | <u>\$ 4,884,332</u>  |

See accompanying notes to condensed consolidated interim financial statements.

# ACUITYADS INC.

Condensed Consolidated Interim Statements of Comprehensive Income (loss)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

|   | 2014                | 2013              |
|---|---------------------|-------------------|
| Revenue   | \$ 2,776,817        | \$ 2,213,865      |
| Operating expenses:   |                     |                   |
| Media costs   | 1,315,095           | 861,873           |
| Employee compensation and benefits                                  | 1,258,532           | 639,562           |
| General and administrative  | 618,426             | 437,071           |
| Depreciation of property and equipment                              | 36,293              | 13,470            |
|   | <u>3,228,346</u>    | <u>1,951,976</u>  |
| Income (loss) from operations                                       | (451,529)           | 261,889           |
| Finance costs (note 4)  | 214,133             | 79,456            |
| Foreign exchange loss   | 58,196              | 16,524            |
|   | <u>272,329</u>      | <u>95,980</u>     |
| Income (loss) before income taxes                                   | (723,858)           | 165,909           |
| Income taxes  | 8,386               | —                 |
| Net income (loss) and comprehensive<br>income (loss) for the period | <u>\$ (732,244)</u> | <u>\$ 165,909</u> |
| Net income (loss) per share (note 5):                               |                     |                   |
| Basic   | \$ (0.01)           | \$ 0.00           |
| Diluted   | (0.01)              | 0.00              |

See accompanying notes to condensed consolidated interim financial statements.

# ACUITYADS INC.

Condensed Consolidated Interim Statements of Changes in Shareholders' Deficiency  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

| Three months ended March 31, 2014                 | Common shares      |                   | Contributed surplus | Warrants    | Deficit               | Total                 |
|---|--------------------|-------------------|---------------------|-------------|-----------------------|-----------------------|
|   | Number             | Amount            |                     |             |                       |                       |
| Balance, December 31, 2013                        | 104,724,680        | \$ 265,455        | \$ 326,083          | \$ 157,935  | \$ (1,746,350)        | \$ (996,877)          |
| Shares issued - warrants exercised<br>(note 7(b)) | 2,071,407          | 407,935           | –                   | (157,935)   | –                     | 250,000               |
| Shares issued - options exercised                 | 99,000             | 21,937            | (7,087)             | –           | –                     | 14,850                |
| Share-based compensation (note 7(a))              | –                  | –                 | 22,888              | –           | –                     | 22,888                |
| Loss for the period                               | –                  | –                 | –                   | –           | (732,244)             | (732,244)             |
| <b>Balance, March 31, 2014</b>                    | <b>106,895,087</b> | <b>\$ 695,327</b> | <b>\$ 341,884</b>   | <b>\$ –</b> | <b>\$ (2,478,594)</b> | <b>\$ (1,441,383)</b> |

| Three months ended March 31, 2013                | Common shares      |                  | Contributed surplus | Warrants          | Deficit               | Total                 |
|--|--------------------|------------------|---------------------|-------------------|-----------------------|-----------------------|
|  | Number             | Amount           |                     |                   |                       |                       |
| Balance, December 31, 2012                       | 100,000,000        | \$ 1,000         | \$ 197,282          | \$ –              | \$ (1,647,766)        | \$ (1,449,484)        |
| Shares and warrants issued - cash<br>(note 7(b)) | 2,071,407          | 92,065           | –                   | 157,935           | –                     | 250,000               |
| Share-based compensation (note 7(a))             | –                  | –                | 19,785              | –                 | –                     | 19,785                |
| Income for the period                            | –                  | –                | –                   | –                 | 165,909               | 165,909               |
| <b>Balance, March 31, 2013</b>                   | <b>102,071,407</b> | <b>\$ 93,065</b> | <b>\$ 217,067</b>   | <b>\$ 157,935</b> | <b>\$ (1,481,857)</b> | <b>\$ (1,013,790)</b> |

See accompanying notes to condensed consolidated interim financial statements.

# ACUITYADS INC.

Condensed Consolidated Interim Statements of Cash Flows  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

|   | 2014         | 2013       |
|---|--------------|------------|
| Cash flows from (used in) operating activities:   |              |            |
| Net income (loss) for the period  | \$ (732,244) | \$ 165,909 |
| Adjustments to reconcile net income (loss) to net cash flows from (used in) operating activities: |              |            |
| Depreciation of property and equipment  | 36,293       | 13,470     |
| Finance costs   | 214,133      | 79,456     |
| Share-based compensation (note 7(a))  | 22,888       | 19,785     |
| Change in non-cash operating working capital:   |              |            |
| Accounts receivable   | (164,166)    | (489,025)  |
| Other current assets  | (91,945)     | (8,215)    |
| Investment tax credits receivable   | (100,000)    | (90,219)   |
| Accounts payable and accrued liabilities  | 83,898       | 554,430    |
| Interest paid   | (179,434)    | (56,427)   |
|   | (910,577)    | 189,164    |
| Cash used in investing activities:  |              |            |
| Additions to property and equipment   | (12,713)     | (221,661)  |
| Cash flows from (used in) financing activities:   |              |            |
| Net proceeds from promissory notes, net of issuance costs (note 6)                                | 984,007      | –          |
| Repayments of amounts due to related parties, net   | –            | (163,445)  |
| Proceeds from the issuance of common shares and warrants  | –            | 250,000    |
| Proceeds from the exercise of stock options   | 14,850       | –          |
| Proceeds from the exercise of warrants  | 250,000      | –          |
|   | 1,248,857    | 86,555     |
| Increase in cash  | 325,567      | 54,058     |
| Cash, beginning of period   | 120,467      | 60,498     |
| Cash, end of period   | \$ 446,034   | \$ 114,556 |
| Supplemental disclosure of non-cash transactions:   |              |            |
| Additions to property and equipment under capital lease   | \$ 79,188    | \$ –       |

See accompanying notes to condensed consolidated interim financial statements.

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 1. Corporate information:

AcuityAds Inc. ("Acuity" or the "Company") is a technology company that has developed a proprietary programmatic marketing platform based on machine learning technology, to target and connect digital advertisers with consumers across online display, mobile, social and video advertising channels. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 5775 Yonge Street, Suite 1802, Toronto, Ontario M2M 4J1.

## 2. Significant accounting policies:

### (a) Continuity of operations:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting ("IAS 34"), as issued by the International Accounting Standards Board ("IASB"), and the basis of presentation outlined in note 2(c) on the assumption that the Company is a going concern and will continue in operation for the foreseeable future. Hence, it is assumed that the Company has neither the intention nor the need to liquidate and is able to realize its assets and discharge its liabilities and commitments in the normal course of business. The Company has experienced losses since inception and has a shareholders' deficiency. In addition, management has determined that additional financing will be required to support operating and investing activities for the foreseeable future as the Company continues to expand its operations.

Subsequent to March 31, 2014, the Company completed a private placement of subscription receipts for gross proceeds of approximately \$5.75 million, subject to the satisfaction of certain escrow release conditions which are described in note 11. However, there is no certainty that the Company will meet these escrow release conditions and, as a result, the Company may have to seek alternative forms of financing which are not yet committed.

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 2. Significant accounting policies (continued):

The above events and conditions indicate the existence of a material uncertainty that may cast significant doubt as to the Company's ability to continue as a going concern. The condensed consolidated interim financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these condensed consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses, and the condensed consolidated statement of financial position classifications used.

### (b) Statement of compliance:

These unaudited condensed consolidated interim financial statements (the "interim financial statements") have been prepared in accordance with IAS 34 and on a basis consistent with the accounting policies disclosed in the Company's annual audited consolidated financial statements for the year ended December 31, 2013 (the "2013 Annual Financial Statements"), with the exception of the following new accounting standards and amendments which the Company adopted and are effective for the Company's interim and annual consolidated financial statements commencing January 1, 2014:

#### (i) Amendments to IAS 32, Offsetting Financial Assets and Liabilities ("Amendments to IAS 32"):

In December 2011, the IASB amended IAS 32 to clarify the application of offsetting requirements of financial assets and liabilities. Specifically, the amendment clarifies that an entity has a legally enforceable right to offset if that right is not contingent on a future event and is enforceable in the normal course of business or in the event of default, insolvency or bankruptcy of the entity and all counter parties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The adoption of the amendments to this standard did not have an impact on the Company's interim financial statements.

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 2. Significant accounting policies (continued):

### (ii) International Financial Reporting Interpretations Committee 21, Levies ("IFRIC 21"):

In May 2013, the IASB issued IFRIC 21, which provides guidance on when to recognize a liability for a levy imposed by the government, both for levies that are accounted for in accordance with the IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. The adoption of this standard did not have an impact on the Company's interim financial statements.

The interim financial statements were authorized for issue by the Board of Directors on June 30, 2014.

### (c) Basis of presentation:

The interim financial statements include the accounts of AcuityAds Inc. and its wholly-owned subsidiary AcuityAds US Inc.

The interim financial statements are prepared in Canadian dollars, which is the Company's functional and reporting currency.

The notes presented in these interim financial statements include, in general, only significant changes and transactions occurring since the Company's most recent year end, and are not fully inclusive of all disclosures required by International Financial Reporting Standards for annual financial statements. These interim financial statements should be read in conjunction with the 2013 Annual Financial Statements, including the notes thereto.



# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 2. Significant accounting policies (continued):

The Company's operating results are subject to seasonal fluctuations that may materially impact quarter-to-quarter operating results and, therefore, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results.

## 3. Segment information:

The Company has one operating segment.

The Company's assets and operations are substantially located in Canada; however, the Company has customers in the USA and internationally.

The Company generates revenue in Canada and the United States. Revenue by region for the three months ended March 31 is as follows:

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|               | Three months ended<br>March 31, |              |
|---------------|---------------------------------|--------------|
|               | 2014                            | 2013         |
| Canada        | \$ 2,291,310                    | \$ 2,073,509 |
| United States | 485,507                         | 140,356      |
|               | <hr/>                           | <hr/>        |
|               | \$ 2,776,817                    | \$ 2,213,865 |

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In the three months ended March 31, 2014, the Company had one customer that represented 10.1% of revenue (2013 - 29.5%). Both customers comprise two entities which are part of a consolidated group under common control. In Q1 2014, one entity represented 8.1% and the other 2.0%. In Q1 2013, one entity represented 25.4% and the other 4.1%. Accordingly, revenue from these related entities has been aggregated for this purpose.

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

## 4. Finance costs:

|  | Three months ended<br>March 31, |                  |
|--|---------------------------------|------------------|
|  | 2014                            | 2013             |
| Interest on capital leases and other interest          | \$ 792                          | \$ 1,476         |
| Interest and fees on promissory notes                  | 193,903                         | –                |
| Interest and fees on accounts<br>receivable factoring  | –                               | 53,366           |
| Interest on amounts due to<br>related parties (note 9) | 19,438                          | 24,614           |
| <b>Total finance costs</b>                             | <b>\$ 214,133</b>               | <b>\$ 79,456</b> |

## 5. Net income (loss) per share:

The computations for basic and diluted net income (loss) per share for the three months ended March 31, 2014 and 2013 are as follows:

|   | 2014         | 2013        |
|---|--------------|-------------|
| Net income (loss) for the period                  | \$ (732,244) | \$ 165,909  |
| Weighted average number of shares<br>outstanding: |              |             |
| Basic   | 106,426,413  | 101,980,606 |
| Diluted   | 106,426,413  | 101,980,606 |
| Net income (loss) per share, basic and diluted    | \$ (0.01)    | \$ 0.00     |

Stock options to purchase 6,390,310 common shares were outstanding at March 31, 2014. The weighted average number of options and warrants were excluded from the calculation of diluted loss per share for the three months ended March 31, 2014 because their inclusion would have been anti-dilutive.

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 6. Promissory notes payable:

On July 9, 2013, the Company entered into a credit agreement (the "Credit Agreement") with a Canadian lender in the amount of \$3,000,000, due January 2016. In January 2014, the Company borrowed the remaining \$1,000,000 that was available under the Credit Agreement, and all amounts are due January 2016. Upon the mutual agreement of the parties, the interest rate for all amounts outstanding under the Credit Agreement increased from 16.5% to 17% commencing February 2014.

Transaction costs incurred on the initial draw of \$3,000,000 of promissory notes were \$108,584. Additional transaction costs of \$15,993 were incurred when the Company borrowed the remaining \$1,000,000 in February 2014. All transaction costs have been capitalized as deferred transaction costs and will be amortized over the term of the arrangement under the effective interest method and included in finance costs. The amounts due to related parties are subordinate to the promissory notes payable and cannot be settled while the promissory notes are outstanding without the lender's prior written consent. In addition, the related parties have agreed to postpone their rights to demand repayment prior to April 1, 2015.

The following table outlines the activity of the promissory notes during the three months ended March 31, 2014:

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|   |                    |
|---|--------------------|
| Amortized cost, December 31, 2013         | \$ 2,913,133       |
| Additional principal amount drawn on note | 1,000,000          |
| Accrued interest on promissory notes      | 178,246            |
| Repayment of interest on promissory notes | (178,246)          |
| Deferred finance charges incurred         | (15,993)           |
| Amortization of deferred finance charges  | 15,657             |
| <hr/>                                     |                    |
| Amortized cost, March 31, 2014            | <hr/> \$ 3,912,797 |

The Company was in breach of one of its financial covenants at December 31, 2013 and received an acknowledgement from the lender subsequent to March 31, 2014 that the default has been waived and the promissory notes were not due until January 16, 2016, consistent with the stated term of the debt. However, as a result of not having received the waiver prior to March 31, 2014, the amounts owing have been classified as current liabilities.

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 7. Share capital and share-based payments:

### (a) Stock option plan:

The Company has a stock option plan (the "Plan"), pursuant to which the Board of Directors may grant options to employees, officers, directors and consultants of the Company. As at March 31, 2014, the Company was entitled to issue 10,689,509 stock options under the Plan. The maximum number of common shares which may be issued under the Plan is a rolling fixed maximum percentage of 10% of the common shares issued and outstanding at a point in time. The expiry date of options granted under the Plan typically does not exceed five years from the grant date and the vesting schedule is at the discretion of the Board and is generally annually over a three- to four-year period. The exercise price of options is based on a determination of the fair market value per share on the day preceding the grant date.

The following table summarizes the continuity of options issued under the Plan for the three months ended March 31, 2014:

|                                    | Number<br>of options | Weighted<br>average<br>exercise<br>price |
|------------------------------------|----------------------|--|
| Outstanding, beginning of period   | 6,469,310            | \$ 0.08                                  |
| Granted                            | 20,000               | 0.35                                     |
| Exercised                          | (99,000)             | 0.15                                     |
| Outstanding, end of period         | 6,390,310            | \$ 0.08                                  |
| Options exercisable, end of period | 4,713,543            | \$ 0.05                                  |

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

## 7. Share capital and share-based payments (continued):

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

March 31, 2014:

| Range of exercise prices | Number of options | Weighted average remaining contractual life (years) | Number of options exercisable |
|--------------------------|-------------------|---|-------------------------------|
| \$0.04                   | 3,876,310         | 1.75  | 3,876,310                     |
| \$0.07                   | 735,000           | 2.18  | 435,000                       |
| \$0.12                   | 235,000           | 2.75  | 17,733                        |
| \$0.15                   | 834,000           | 3.15  | 184,500                       |
| \$0.25                   | 570,000           | 3.47  | 200,000                       |
| \$0.33                   | 120,000           | 3.75  | –                             |
| \$0.35                   | 20,000            | 5.00  | –                             |
|                          | 6,390,310         |   | 4,713,543                     |

During the three months ended March 31, 2014, the Company recorded share-based compensation expense related to stock options granted to employees of \$22,888 (three months ended March 31, 2013 - \$19,785). Share-based compensation expense is included as part of employee compensation and benefits.

During the three months ended March 31, 2014, the Company granted 20,000 stock options (three months ended March 31, 2013 - 800,000) to employees of the Company and 99,000 options were exercised at an exercise price of \$0.15 per option, for gross proceeds of \$14,850 (three months ended March 31, 2013 - nil).

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 7. Share capital and share-based payments (continued):

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the weighted average assumptions for options granted in the three months ended March 31 as follows:

|   | 2014    | 2013 |
|---|---------|------|
| Weighted average grant date fair value of options granted | \$0.17  | n/a  |
| Weighted average assumptions used:                        |         |      |
| Expected option life                                      | 5 years | n/a  |
| Risk-free interest rate                                   | 1.67%   | n/a  |
| Dividend yield  | –       | n/a  |
| Expected volatility                                       | 98%     | n/a  |

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### (b) Warrants:

During the year ended December 31, 2013, the Company issued 2,071,407 units, each unit comprising one common share and one warrant to purchase common shares, to a company controlled by the Chairman of the Company for proceeds of \$250,000. Each warrant allows the holder to purchase one common share of the Company at an exercise price of \$0.12 per share, has no vesting requirements, and expires five years from the issue date. These warrants were fully exercised during the three months ended March 31, 2014 for proceeds of \$250,000. The estimated fair value of the warrants on issuance of \$157,935 was also allocated to share capital upon exercise.

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

## 8. Fair value of financial instruments:

### (a) Classification of financial instruments:

The following table provides the financial instrument classifications:

| March 31, 2014                           | Loans and<br>receivables/<br>other financial<br>liabilities |
|--|---|
| Measurement basis                        | Amortized cost  |
| Financial assets:                        |   |
| Cash                                     | \$ 446,034  |
| Accounts receivable                      | 3,221,932   |
| Government assistance receivable         | 100,264   |
| ITC receivable                           | 1,191,764   |
|  | \$ 4,959,994  |
| Financial liabilities:                   |   |
| Accounts payable and accrued liabilities | \$ 2,444,518  |
| Due to related parties                   | 626,500   |
| Promissory notes payable                 | 3,912,797   |
| Obligations under capital lease          | 79,188  |
|  | \$ 7,063,003  |
|  |   |
| December 31, 2013                        | Loans and<br>receivables/<br>other financial<br>liabilities |
| Measurement basis                        | Amortized cost  |
| Financial assets:                        |   |
| Cash                                     | \$ 120,467  |
| Accounts receivable                      | 3,057,764   |
| ITC receivable                           | 1,091,764   |
| Government assistance receivable         | 92,861  |
|  | \$ 4,362,856  |
| Financial liabilities:                   |   |
| Accounts payable and accrued liabilities | \$ 2,359,827  |
| Due to related parties                   | 608,249   |
| Promissory notes payable                 | 2,913,133   |
|  | \$ 5,881,209  |

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

## 8. Fair value of financial instruments (continued):

(b) Carrying value and fair value of financial instruments:

The following table provides the carrying value and fair value of financial instruments:

|  | March 31, 2014      |                     | December 31, 2013   |                     |
|--|---------------------|---------------------|---------------------|---------------------|
|  | Carrying value      | Fair value          | Carrying value      | Fair value          |
| <b>Financial assets:</b>                 |                     |                     |                     |                     |
| Cash                                     | \$ 446,034          | \$ 446,034          | \$ 120,467          | \$ 120,467          |
| Accounts receivable                      | 3,221,932           | 3,221,932           | 3,057,764           | 3,057,764           |
| Government assistance receivable         | 100,264             | 100,264             | 92,861              | 92,861              |
| ITC receivable                           | 1,191,764           | 1,191,764           | 1,091,764           | 1,091,764           |
|  | <b>\$ 4,959,994</b> | <b>\$ 4,959,994</b> | <b>\$ 4,362,856</b> | <b>\$ 4,362,856</b> |
| <b>Financial liabilities:</b>            |                     |                     |                     |                     |
| Accounts payable and accrued liabilities | \$ 2,444,518        | \$ 2,444,518        | \$ 2,359,827        | \$ 2,359,827        |
| Promissory notes payable                 | 3,912,797           | 3,912,797           | 2,913,133           | 2,913,133           |
| Due to related parties                   | 626,500             | 626,500             | 608,249             | 608,249             |
| Obligations under capital lease          | 79,188              | 79,188              | —                   | —                   |
|  | <b>\$ 7,063,003</b> | <b>\$ 7,063,003</b> | <b>\$ 5,881,209</b> | <b>\$ 5,881,209</b> |

(c) Fair value measurements:

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.

There were no transfers of financial assets during the years between any of the levels.



# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

## 9. Related party transactions and balances:

The Company has entered into promissory note agreements with certain shareholders and officers of the Company, whereby the Company borrowed from these lending parties. The amounts borrowed bear interest at 12% and are due on demand. Amounts have been borrowed and repaid on the notes during the periods presented. As described in note 6, the amounts due to related parties are subordinated to the promissory notes payable and, according to the terms of the Company's Credit Agreement, amounts due to these related parties cannot be settled by the Company in whole or in part while the promissory notes are outstanding, without the prior written consent of the lender. The related parties have agreed to postpone their rights to demand repayment prior to April 1, 2015.

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|                               |                  |
|-------------------------------|------------------|
| Balance, December 31, 2013    | \$ 608,249       |
| Accrued interest              | 19,438           |
| Interest payments             | (1,187)          |
| <hr/> Balance, March 31, 2014 | <hr/> \$ 626,500 |

Other assets at March 31, 2014 include an amount owing from shareholders for \$6,010 (December 31, 2013 - \$6,010). This represents amounts advanced to shareholders for Company expenses.

Executive officers and directors are eligible to participate in the stock option plan, but as of March 31, 2014 no options have been granted to any officers or directors of the Company.

## 10. Obligations under capital lease:

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|                                 | March 31,<br>2014 | December 31,<br>2013 |
|---------------------------------|-------------------|----------------------|
| Obligations under capital lease | \$ 79,188         | \$ -                 |
| Less:                           |                   |                      |
| Current portion                 | 27,507            | -                    |
|                                 | <hr/> \$ 51,681   | <hr/> \$ -           |

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# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 10. Obligations under capital lease (continued):

The Company has minimum lease payment commitments under capital lease for the following amounts:

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|                     |                 |
|---------------------|-----------------|
| 2014                | \$ 29,405       |
| 2015                | 36,006          |
| 2016                | 27,004          |
|                     | <hr/> 92,415    |
| Less interest (12%) | 13,227          |
| Principal           | <hr/> \$ 79,188 |

## 11. Events after the balance sheet date:

On April 24, 2014, the Company entered into a binding agreement (the "Definitive Agreement") for a business combination (the "Transaction") with Wildlaw Capital CPC 2 Inc. ("Wildlaw"). The Transaction is subject to a number of terms and conditions as set forth in the Definitive Agreement, including (among other things) the approval of the TSX Venture Exchange ("TSXV"). If completed, the Transaction will constitute Wildlaw's "Qualifying Transaction" (as such term is defined in TSXV Policy 2.4 - Capital Pool Companies). As a result of the Transaction Acuity will complete a reverse takeover of Wildlaw and the resulting issuer will be publicly traded on the TSXV.

In connection with the Transaction, Acuity completed a private placement (the "Offering") of subscription receipts (the "Subscription Receipts") for gross proceeds of approximately \$5.75 million pursuant to an agency agreement dated April 24, 2014 (the "Agency Agreement") with a syndicate of investment banks led by Paradigm Capital Inc. and including Clarus Securities Inc. and Euro Pacific Canada Inc. (collectively, the "Agents"). Each Subscription Receipt was sold at a price of \$1.59 and entitles the holder thereof to one post-Consolidation (as defined below) common share of Acuity upon the satisfaction of certain escrow release conditions.

# ACUITYADS INC.

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(Expressed in Canadian dollars)

Three months ended March 31, 2014 and 2013  
(Unaudited)

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## 11. Events after the balance sheet date (continued):

As part of the Transaction, Wildlaw and Acuity will complete a "three-cornered" amalgamation under the provisions of the Business Corporation Act (Ontario), pursuant to which Acuity will amalgamate with a wholly-owned subsidiary of Wildlaw (the "Amalgamation"). The amalgamated entity will be a wholly-owned subsidiary of Wildlaw CPC 2 post-Transaction and Wildlaw CPC 2 on a post-Transaction basis will be the "Resulting Issuer" (as such term is defined under the rules of the TSXV).

Immediately prior to the closing of the Amalgamation, (i) Wildlaw will complete a consolidation (the "Wildlaw Consolidation") of the common shares of Wildlaw on the basis of 31.8 pre-consolidation shares for one post-consolidation share and (ii) Acuity will complete a consolidation (the "Acuity Consolidation") of the common shares of Acuity on the basis of 6.5 pre-consolidation shares for one post-consolidation share. The Wildlaw Consolidation reflects a deemed Transaction value of \$0.05 per Wildlaw common share (on a pre-Wildlaw Consolidation basis).

Pursuant to the Amalgamation, the outstanding common shares of Acuity will be exchanged for common shares of Wildlaw on a 1:1 basis, resulting in the existing holders of common shares of Acuity (including investors under the Offering) becoming holders of common shares of Wildlaw 2 post-Transaction. Subject to TSXV approval, the outstanding convertible securities of Acuity will be exchanged pursuant to the Amalgamation for comparable securities of Wildlaw, having substantially the same terms and conditions (and, for greater certainty, being economically equivalent to the exchanged convertible securities of Acuity).

Subsequent to March 31, 2014, an aggregate of 3,625,310 options were exercised for gross proceeds of \$148,850.