AcuityAds Holdings Inc.

Condensed Consolidated Interim Financial Statements
(in Canadian dollars)

Periods ended March 31, 2015 and 2014

(Unaudited)

Notice of disclosure of non-auditor review of unaudited condensed consolidated interim financial statements pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators.

The accompanying unaudited condensed consolidated interim financial statements of AcuityAds Holdings Inc. for the three months ended March 31, 2015 and 2014 have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting as issued by the International Accounting Standards Board and are the responsibility of the Company's management. The Company's independent auditors have not performed an audit or a review of these unaudited condensed consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 981,158	$ 1,428,642
Accounts receivable	2,865,707	4,173,788
Other current assets	215,896	247,745
Investment tax credits receivable (note 4)	450,000	450,000
	4,512,761	6,300,175
Non-current assets:		
Property and equipment (note 5)	752,499	703,758
Total assets	$ 5,265,260	$ 7,003,933
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,559,656	$ 4,032,656
Promissory notes payable (note 6)	3,962,627	–
Current portion of finance lease obligations (note 7)	208,676	162,279
	7,730,959	4,194,935
Non-current liabilities:		
Promissory notes payable (note 6)	–	3,950,169
Due to related parties (note 8)	–	–
Finance lease obligations (note 7)	239,968	199,540
Repayable government grant (note 9)	150,000	150,000
	389,968	4,299,709
Total liabilities	8,120,927	8,494,644
Shareholders’ deficiency	(2,855,667)	(1,490,711)
Going concern (note 2(a))		
Total liabilities and shareholders’ deficiency	$ 5,265,260	$ 7,003,933

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

Approved on behalf of the Board

(Signed) "Sheldon Pollack" Director

(Signed) "Tal Hayek" Director

ACUITYADS HOLDINGS INC.

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

Periods ended March 31, 2015 and 2014
(Unaudited)

	March 31, 2015	March 31, 2014
Revenue		
Managed services	$ 2,460,429	$ 2,547,968
Self-service technology	588,303	228,849
	3,048,732	2,776,817
Operating expenses:		
Media costs	1,397,104	1,315,095
Employee compensation and benefits (note 4 & 10)	1,825,294	1,258,532
General and administrative	848,672	618,426
Depreciation	90,942	36,293
	4,162,012	3,228,346
Income (loss) from operations	(1,113,280)	(451,529)
Finance costs (note 11)	203,314	214,133
Foreign exchange (gain) loss	121,405	58,196
	324,719	272,329
Income (loss) before income taxes	(1,437,999)	(723,858)
Income taxes	-	8,386
Net income (loss) and comprehensive income (loss) for the period	$ (1,437,999)	$ (732,244)
Net income (loss) per share (note 12):		
Basic and diluted	$ (0.07)	$ (0.04)

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

Periods ended March 31, 2015 and December 31, 2014
(Unaudited)

Period ended March 31, 2015	Common shares Number	Common shares Amount	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2014	20,756,265	$ 6,031,992	$ 803,211	$ –	$ (8,325,914)	$ (1,490,711)
Shares and warrants issued note 10(d))	–	–	–	–	–	–
Options exercised	46,154	11,400	–	–	–	11,400
Share-based compensation (note 10(c))	–	–	61,643	–	–	61,643
Dividends paid	–	–	–	–	–	–
Loss for the period	–	–	–	–	(1,437,999)	(1,437,999)
Balance, March 31, 2015	20,802,419	$ 6,043,392	$ 864,854	$ –	$ (9,763,913)	$ (2,855,667)

Year ended December 31, 2014	Common shares Number	Common shares Amount	Contributed surplus	Warrants	Deficit	Total
Balance, December 31, 2013	104,724,680	$ 265,455	$ 326,083	$ 157,935	$ (1,746,350)	$ (996,877)
Warrants exercised (note 10(d))	2,071,407	407,935	–	(157,935)	–	250,000
Options exercised (note 10(c))	3,724,310	199,550	(35,850)	–	–	163,700
Impact of share consolidation on the basis of 6.5:1 (note 3)	(93,517,259)					
Private placement (note 10(b))	3,616,352	5,750,000	–	–	–	5,750,000
Share issuance costs	–	(796,213)	170,771	–	–	(625,442)
Issuance of common shares to former Wildlaw shareholders (note 3)	125,786	200,000	–	–	–	200,000
Issuance of options to former Wildlaw option holders (note 10(c))	–	–	5,174	–	–	5,174
Options exercised	10,989	5,265	(265)	–	–	5,000
Share-based compensation (note 10(c))	–	–	337,298	–	–	337,298
Loss for the year	–	–	–	–	(6,579,564)	(6,579,564)
Balance, December 31, 2014	20,756,265	$ 6,031,992	$ 803,211	$ –	$ (8,325,914)	$ (1,490,711)

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

Periods ended March 31, 2015 and 2014
(Unaudited)

	March 31, 2015	March 31, 2014
Cash flows from (used in) operating activities:		
Net loss for the period	$ (1,437,999)	$ (732,244)
Adjustments to reconcile net loss to net cash flows:		
Depreciation	90,942	36,293
Finance costs (note 11)	206,606	214,133
Finance income	(3,292)	–
Issuance of equity to Wildlaw	–	–
Share-based compensation (note 10(c))	61,643	22,888
Change in non-cash operating working capital:		
Accounts receivable	1,308,081	(164,166)
Other current assets	31,849	(91,945)
Investment tax credits receivable	–	(100,000)
Accounts payable and accrued liabilities	(473,000)	83,898
Interest paid, net	(190,856)	(179,434)
	(406,026)	(910,577)
Cash used in investing activities:		
Additions to property and equipment	(53,554)	(12,713)
Cash flows from (used in) financing activities:		
Proceeds from promissory notes, net of issuance costs (note 6)	–	984,007
Repayments of capital leases	696	–
Proceeds from the exercise of stock options	11,400	14,850
Proceeds from the exercise of warrants (note 10(d))	–	250,000
	12,096	1,248,857
Increase in cash and cash equivalents	(447,484)	325,567
Cash and cash equivalents, beginning of period	1,428,642	120,467
Cash and cash equivalents, end of period	$ 981,158	$ 446,034
Supplemental disclosure of non-cash transactions:		
Additions to property and equipment under capital lease	$ 146,295	$ 79,188

The accompanying notes form an integral part of the unaudited condensed consolidated interim financial statements.

1. Corporate information:

AcuityAds Holdings Inc. ("Acuity Holdings"), formerly Wildlaw Capital CPC 2 Inc. ("Wildlaw"), is the parent company of AcuityAds Inc. ("Acuity"), a provider of targeted digital advertising solutions enabling advertisers to connect intelligently with their audiences across online display, mobile, social and video campaigns. Acuity Holdings is a publicly traded corporation, incorporated in Canada, and its head office is located at 5775 Yonge Street, Suite 1802, Toronto, Ontario M2M 4J1. The Company's common shares are listed on the TSX Venture Exchange ("TSXV"), under the trading symbol "AT".

The Company was incorporated as Wildlaw Capital CPC 2 Inc. under the Canada Business Corporations Act on June 28, 2011 and was classified as a Capital Pool Company as defined by the TSXV. The principal business of the Company at that time was to identify and evaluate assets or businesses with a view to completing a qualifying transaction (a "Qualifying Transaction") under relevant policies of the TSXV.

In 2014, the Company closed its Qualifying Transaction pursuant to an Agreement between Wildlaw and Acuity, and Wildlaw changed its name to AcuityAds Holdings Inc. (together, "the Company") (note 3) .

2. Significant accounting policies:

(a) Going concern**:**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 2014 the Company received the net proceeds from a private placement (note 10(b)). Additional financing will be required to support operating and investing activities, as the Company continues to expand its operations in the foreseeable future. There is no certainty that additional financing will be available or that it will be available on attractive terms.

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 interim statement of financial position classifications used.

(b) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of March 31, 2015. The date the Board of Directors authorized the condensed consolidated interim financial statements for issue is May 26, 2015.

(c) Basis of presentation:

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

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

The Company's financial year corresponds to the calendar year. The condensed consolidated interim financial statements are prepared on a going concern basis.

2. Significant accounting policies (continued):

(d) Use of estimates and judgements:

The preparation of condensed consolidated interim financial statements and application of IFRS often involve management's judgement 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 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 judgements and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the condensed consolidated interim financial statements.

(i) Key sources of estimation uncertainty

(a) Accounts 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 customer receivables are regularly assessed and allowances are recorded for estimated losses.

(b) Income tax credits receivable – The Company has claimed certain refundable Canadian investment tax credits for qualifying research and development activities performed in Canada, which are recognized in the statements of financial position when the Company estimates they are reliably estimable and realization is reasonably assured. The estimated amount recoverable is subject to review by taxation authorities.

2. Significant accounting policies (continued):

(c) 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. There was no public market for the Company's common shares until July 22, 2014, at which time the Company's shares were listed on the TSXV. Prior to listing, the Board of Directors determined the fair value of the common shares at the time of the grant of options and sales of warrants by considering a number of objective and subjective factors.

(ii) Critical judgments in applying accounting policies:

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

(b) Revenue and cost recognition - For revenue from sales of third-party products or services, management's judgment is applied regarding the determination of whether the Company is a principal or agent to the transactions.

(e) Basis of consolidation:

(i) Subsidiaries:

These condensed consolidated interim financial statements include the accounts of AcuityAds Holdings Inc. and its wholly-owned subsidiary AcuityAds Inc. and its wholly-owned subsidiaries AcuityAds US Inc., and 2422330 Ontario Inc., a company that holds certain technology assets. All intercompany transactions, balances, revenues and expenses have been eliminated.

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

2. Significant accounting policies (continued):

(ii) Transactions eliminated on consolidation.

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

(f) Foreign currency transactions:

The Company's functional and reporting currency is the Canadian dollar. Transactions in foreign currencies are translated to the Company's functional currency at exchange rates at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities and related depreciation are translated at historical exchange rates. Revenue and expenses, other than depreciation are translated at the average rates of exchange for the period.

(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 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 condensed consolidated interim 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.

2. Significant accounting policies (continued):

Financial instruments are, for measurement purposes, grouped into categories. The classification depends on the purpose and is determined upon initial recognition. The Company's non-derivative financial assets comprise loans and receivables.

Loans and receivables, which include cash, accounts receivable and investment tax credits receivable, 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 and cash equivalents comprise cash balances and cash deposits with original maturities of three months or less and highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Investment tax credits receivable comprise refundable Canadian investment tax credits ("ITCs") for qualifying research and development activities in Canada.

The Company's non-derivative financial liabilities consist of accounts payable and accrued liabilities, promissory notes payable, and amounts due to related parties. 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.

(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

2. Significant accounting policies (continued):

equipment and are recognized in comprehensive income (loss). The costs of the day-to-day servicing of property and equipment are recognized in comprehensive income (loss) as incurred.

(ii) Depreciation:

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its 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 periods are as follows:

Furniture and fixtures	5 years
Data centre equipment	4 years
Office computer equipment	3 years
Equipment under finance lease	3 years

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

(iii) Research and development:

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in comprehensive income (loss) as incurred.

Expenditures on development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. To date, no material development expenditures have been capitalized primarily on the basis that the recognition of internally developed intangible assets from

2. Significant accounting policies (continued):

development activities are not met until shortly prior to the related products are in a position to derive or generate economic benefits.

(i) 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. 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 receivables is measured as the difference between the assets 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 comprehensive income (loss).

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial 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.

The recoverable amount of an asset or group of assets (the “cash-generating unit”) (“CGU”) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in comprehensive income (loss). Impairment losses recognized in respect of CGUs are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

2. Significant accounting policies (continued):

Impairment losses recognized in prior periods, other than those recognized for impairment of goodwill, are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(j) 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 options, the fair value of the options exercised that has been expensed to contributed surplus is reclassified to common shares and reflected in the statements of changes in shareholders' deficiency.

(k) 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.

2. Significant accounting policies (continued):

(l) Revenue:

The Company generates revenue from the 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 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).

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 all amounts 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

2. Significant accounting policies (continued):

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.

(m) Lease payments:

Leases are classified as either finance or operating. Leases that transfer substantially all the risks and benefits of ownership to the Company and meet the criteria of finance leases are accounted for as an acquisition of an asset and an assumption of an obligation at the inception of the lease, measured at the present value of minimum lease payments. Related assets are amortized on a straight-line basis over the term of the lease but not in excess of their useful lives. All other leases are accounted for as operating leases wherein rental payments are recorded in rent expenses on a straight-line basis over the term of the related lease. Tenant inducements received are amortized into rent expense over the term of the related lease agreement. The unamortized portion of tenant inducements and the difference between the straight-line rent expense and the payments, as stipulated under a lease agreement, are included in other liabilities.

(n) Finance cost:

Finance cost comprises interest expense on promissory notes payable and amounts due to related parties. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in comprehensive income (loss) using the effective interest method.

(o) Income taxes:

Income tax expense for the period comprises current and deferred income taxes. Current taxes and deferred taxes are recognized in the condensed consolidated interim statements of comprehensive income (loss), except to the extent that they relate to items recognized in other comprehensive income (“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

2. Significant accounting policies (continued):

future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carry-forwards. 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 income will be available against which the deductible temporary differences as well as unused tax losses and tax credit carry-forwards 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 period 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 income (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 period 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 condensed consolidated interim statements of financial position dates.

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

2. Significant accounting policies (continued):

(p) Investment tax credits:

The Company is entitled to certain refundable Canadian investment tax credits ("ITC") for qualifying research and development activities performed in Canada. The ITCs are accounted for as a reduction of the related expenditures for items expensed in the statements of comprehensive income (loss), being primarily as part of employee compensation and benefits, or as a reduction of the related asset's cost for items capitalized in the statements of financial position when the amount is reliably estimable and realization is reasonably assured.

(q) Government assistance:

Government assistance is recognized at fair value when there is reasonable assurance that it will be received and the Company will comply with the conditions associated with the grant. To the extent that government assistance is earned under the conditions of the grant prior to receipt of funds, the Company records a government assistance receivable. Government assistance related to operating expenses is reflected as a reduction of such expenses in the period when they are incurred. Government assistance recognized as a reduction of employee compensation and benefits expense for the period ended March 31, 2015 was $95,923 (2014 - $78,645).

(r) Loss per share:

Basic income (loss) per share is calculated by dividing the comprehensive income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated by dividing the income (loss) for the period by the sum of the weighted average number of common shares outstanding and the dilutive common share equivalents outstanding during the period. Common share equivalents consist of the shares issuable upon exercise of stock options and shares issuable upon exercise of common share unit options calculated using the treasury stock method. Common share equivalents are not included in the calculation of the weighted average number of shares outstanding for diluted income (loss) per share when the effect would be anti-dilutive.

2. Significant accounting policies (continued):

(s) Recently issued accounting pronouncements:

At the date of authorization of these condensed consolidated interim financial statements, the IASB has issued the following new and revised standards and amendments which are not yet effective for the relevant periods.

(i) IFRS 9, Financial Instruments ("IFRS 9"):

In October 2010, the IASB issued IFRS 9, which replaces IAS 39, Financial Instruments - Recognition and Measurement, and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entitiy's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2018. The Company is assessing the impact of this new standard on its consolidated financial statements.

(ii) IFRS 15, Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 was issued in May 2014 and will provide a more structured approach to measuring and recognizing revenue. The new guidance includes a five-step recognition and measurement approach and enhanced quantitative and qualitative disclosure requirements. Under IFRS 15 revenue is recognized an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods and services to a customer. The standard is effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. The company is assessing the impact of this standard on the consolidated financial statements.

3. Reverse Acquisition

In 2014, Wildlaw completed its Qualifying Transaction, which was effected pursuant to an agreement between Wildlaw and Acuity. Pursuant to the agreement, Wildlaw acquired all of the issued and outstanding shares of Acuity.

As part of the Qualifying Transaction, Wildlaw consolidated its common shares on the basis of 31.8 to 1. Acuity consolidated its common shares on the basis of 6.5 to 1, and subsequently amalgamated with a wholly-owned subsidiary of Acuity Holdings (the "Amalgamation"), pursuant to which all shares of Acuity, including those issued to former holders of the Acuity shares issued on the private placement (note 10(b)), were exchanged for shares of Acuity Holdings. Following completion of the Qualifying Transaction, Acuity Holdings had an aggregate of 20,745,276 common shares outstanding, comprising 17,003,138 common shares issued to former holders of Acuity common shares, 3,616,352 common shares to investors in the private placement and 125,786 common shares to former holders of Wildlaw common shares.

Upon closing of the Qualifying Transaction, the shareholders of Acuity (including investors under the private placement) owned 99% of the common shares of the Company and as a result, the transaction was considered a reverse acquisition of Wildlaw by Acuity. For accounting purposes, Acuity is considered the acquirer and Wildlaw the acquiree. Accordingly, the condensed consolidated interim financial statements are in the name of AcuityAds Holdings Inc. (formerly Wildlaw Capital CPC 2 Inc.) however they are a continuation of the financial statements of Acuity which has a financial year end of December 31.

The results of operations of Wildlaw are included in the condensed consolidated interim financial statements of Acuity from the date of the reverse acquisition, July 16, 2014.

(in Canadian dollars)

3. Reverse Acquisition (continued):

The following summarizes the reverse takeover of Wildlaw by Acuity and the net assets acquired and liabilities assumed at July 16, 2014:

Fair value of consideration paid to former Wildlaw holders of:	
Common shares (125,786 common shares at $1.59 per common share)	$ 200,000
Options	5,174
Total consideration	205,174
Identifiable assets acquired and liabilities assumed:	
HST receivable	$ 13,861
Accounts payable and accrued liabilities	(37,558)
Net assets (liabilities) acquired/assumed	(23,697)
Listing expense	$ 228,871

The Amalgamation with Wildlaw allowed the former Acuity, a private company, to obtain a listing on the TSXV without having to go through an initial public offering process. As the acquisition was not considered a business combination, a total of $228,871, being the excess of fair value of the consideration paid to obtain the listing over the net assets (liabilities) received (assumed), together with other fees related to the Qualifying Transaction of $348,382 during the year ended December 31, 2014, have been included in listing expense in the condensed consolidated interim statement of comprehensive income (loss).

4. Investment tax credits receivable:

During 2014, the Company received notification from the Canada Revenue Agency ("CRA") that the investment tax credits that were claimed in respect of eligible scientific research and experimental development ("SRED") for fiscal years 2011 and 2012 were being disallowed. After consulting with its professional advisors, the Company disagrees with the position taken by the CRA and intends to file an objection following receipt of the Notice of Assessment. There can be no assurance regarding the outcome of the objection, when a resolution may be reached, or the likelihood that similar claims for 2013 and 2014 will not be similarly challenged by CRA. The Company reduced the carrying amount of investment tax credits by $775,097 in 2014. This charge is included in employee compensation and benefits expense for the year ended December 31, 2014. In the event that the Company's objection for 2011 and 2012 is unsuccessful, no further charges against the Company's comprehensive income (loss) will be required in respect of claims for those years.

Acuity became a public company in 2014 pursuant to the Qualifying Transaction and accordingly the Federal portion of any SREDs claimed on eligible expenses following the Transaction will no longer be refundable but will be carried forward for up to 20 years to reduce future income taxes payable.

(in Canadian dollars)

5. Property and equipment:

	March 31, 2015			December 31, 2014		
	Cost	Accumulated Depreciation	Net Book Value	Cost	Accumulated Depreciation	Net Book Value
Furniture and fixtures	$18,605	$7,109	$11,496	$18,605	$6,179	$12,426
Data centre equipment	505,081	258,063	247,018	505,081	226,518	278,563
Office computer equipment	79,100	26,565	52,535	76,425	20,158	56,267
Equipment under finance lease	592,893	151,443	441,450	446,598	90,095	356,503
Total Property & Equipment	$1,195,679	$443,180	$752,499	$1,046,709	$342,950	$703,758

6. Promissory notes payable:

In 2013, the Company entered into a credit agreement (the "Credit Agreement") with a Canadian lender in the amount of $3,000,000. In January 2014, the Company borrowed an additional $1,000,000 that was available under the Credit Agreement. All amounts are due in January 2016. The interest rate for all amounts outstanding under the Credit Agreement is 17% commencing as of 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 January 2014. All transaction costs have been capitalized and deferred. These deferred transaction costs are being amortized over the term of the arrangement under the effective interest method and included in finance costs.

(in Canadian dollars)

6. Promissory notes payable (continued):

The following table outlines the activity of the promissory notes during the period ended March 31, 2015:

Amortized cost, December 31, 2014	$ 3,950,169
Accrued interest on promissory notes	182,131
Repayment of interest on promissory notes	(182,131)
Amortization of deferred finance charges	12,458
Amortized cost, March 31, 2015	$ 3,962,627

The promissory note is secured by a fixed floating charge on all assets of the Company including all intellectual property rights.

The note is secured by a full general security agreement, an assignment of Tax Credits, and a pledge of all shares of any direct or indirect subsidiary of the Company.

(in Canadian dollars)

7. Finance Lease Obligations:

	March 31, 2015	December 31, 2014
Obligations under capital lease	$ 448,644	$ 361,819
Less:		
Current portion	208,676	162,279
	$ 239,968	$ 199,540

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

2015	$ 239,116
2016	231,332
2017	30,795
	501,243
Less interest (10.5%)	52,599
Present value of minimum lease payments	$ 448,644

8. Related party transactions and balances:

The Company entered into a promissory note agreement with certain shareholders and officers of the Company, whereby the Company borrowed from these lending parties. The amounts borrowed beared interest at 12% and were due on demand. Amounts were repaid in 2014.

Balance, January 1, 2014	$ 608,249
Accrued interest	(4,465)
Interest payments	(1,186)
Principal repaid	(602,598)
Balance, December 31, 2014	$ –

(in Canadian dollars)

8. Related party transactions and balances (continued):

Directors and Executive Officers are eligible to participate in the Company's Stock Option Plan. For the period, 600,000 stock options have been granted an Officer of the Company (note 10(c)).

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 during the periods ended March 31, 2015 and 2014 were as follows:

	March, 2015	March, 2014
Key management compensation and benefits	$ 253,674	$ 160,000

9. Repayable government grant:

In 2014, the Company was awarded a repayable, non-interest bearing government grant to fund a research and development project pursuant to a Cooperation and Project Funding Agreement. The maximum financial assistance receivable is $300,000 or 50% of the actual expenditures on the project, of which $150,000 was received during the year ended December 31, 2014.

The grant is repayable upon successful commercialization or sale of any resulting technology or product, at a rate of 2.5% of annual gross sales of the relevant product until 90% to 100% of the grant is repaid, depending on the year of repayment following the first commercial transaction. The Agreement has a term of 18 months. The Company has recorded the funding received as a non-current liability.

10. Share capital and share-based payments:

(a) Share capital:

At March 31, 2015, the Company had an unlimited number of common shares authorized for issuance, and 20,802,419 common shares outstanding.

(b) Private placement:

Acuity completed a private placement (the "Offering") of 3,616,352 subscription receipts (the "Subscription Receipts"), pursuant to an Agency Agreement dated April 24, 2014 with a syndicate led by Paradigm Capital Inc., including Clarus Securities Inc. and Euro Pacific Canada Inc. Each Subscription Receipt entitled the holder to one common share of Acuity Holdings in connection with the completion of the Qualifying Transaction, at $1.59 per Subscription Receipt, for aggregate gross proceeds of $5,750,000. Share issuance costs of $796,213 comprise $170,771 in respect of compensation options issued to the private placement agents, together with cash expenses of $625,442, resulting in net proceeds of $5,124,558. All of the escrow release conditions were satisfied and immediately prior to the closing of the Qualifying Transaction, the Subscription Receipts were exchanged for common shares of Acuity on a 1 to 1 basis and the net proceeds of the Offering were released to Acuity.

(c) Stock Option Plan:

Pursuant to the Qualifying Transaction, the Company’s Stock Option Plan was replaced by the Wildlaw Capital CPC 2 Inc. Stock Option Plan (the "Plan") , and all outstanding options to purchase common shares of Acuity were replaced with options to purchase common shares of the Company. Under the Plan, the Board of Directors may grant options to employees, officers, directors and consultants of the Company with substantially the same terms as the former plan. As at March 31, 2015, the Company was entitled to issue 2,080,242 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-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.

(in Canadian dollars)

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

The following table summarizes the continuity of options issued under the Plan:

	March 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	1,097,339	$ 1.43	6,469,310	$ 0.08
Prior to Qualifying Transaction (2014 Only):				
Granted	-	-	20,000	
Forfeited or cancelled	-	-	-	
Exercised	-	-	(3,724,310)	
Impact of 6.5:1 share consolidation	-	-	(2,339,616)	
Granted to Agents at closing of the Offering	-	-	253,145	$ 1.59
Re-issued to former holders of Wildlaw options	-	-	12,579	$ 3.18
Granted	1,205,154	$ 0.93	510,768	-
Forfeited or cancelled	(422,826)	$ 1.49	(93,548)	-
Exercised	(46,154)	$ 0.25	(10,989)	-
Outstanding, end of period	1,833,513	$ 1.05	1,097,339	
Options exercisable, end of period	629,562	$ 1.37	643,292	$ 1.43

(in Canadian dollars)

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

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

2015:

Range of exercise prices	Number of options	Weighted Average remaining contractual life (years)	Weighted Average Number of options exercisable
$0.25	7,692	0.75	7,692
$0.46	82,307	1.38	82,307
$0.60	150,000	2.75	37,500
$0.75	35,000	4.67	–
$0.78	36,077	1.75	17,769
$0.98	1,172,705	4.67	27,923
$1.59	261,769	2.90	388,145
$1.63	56,923	2.28	49,554
$2.15	18,460	2.75	6,093
$3.18	12,580	6.33	12,579
	1,833,513		629,562

2014:

Range of exercise prices	Number of options	Weighted Average remaining contractual life (years)	Number of options exercisable
$0.25	53,846	1.00	53,846
$0.46	82,307	1.63	82,307
$0.75	50,000	4.83	–
$0.78	36,077	2.00	17,769
$0.98	105,462	2.37	33,000
$1.59	647,837	3.46	388,145
$1.63	87,692	2.53	49,554
$2.15	18,460	3.00	6092
$2.28	3,078	4.17	–
$3.18	12,580	7.58	12,579
	1,097,339		643,292

(in Canadian dollars)

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

During the period ended March 31, 2015, the Company recorded share-based compensation expense related to stock options granted to employees, Officers and Directors of the Company of $61,643 (2014 - $337,298). Share-based compensation expense is included in employee compensation and benefits.

During the period ended March 31, 2015, the Company granted 1,205,154 options respectively with a weighted average exercise price of $0.93 (2014 – 779,569) to employees and Directors of the Company. Of those options, 600,000 were granted to an Officer of the Company and vest over 18 months. An additional 150,000 options were granted to a consultant as compensation for services rendered and vest over a 12 month period and are exercisable at $0.60 expiring on January 12, 2020.

The remaining options were granted to employees and vest annually over three years.

During the period ended March 31, 2015, 46,154 options were exercised at a weighted average exercise price of $0.25 respectively per option, for gross proceeds of $11,400 respectively ((2014 – 10,989 and 583,960 options at $0.45 and $0.29 for gross proceeds of $5,000 and $168,700 respectively).

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 during the period ended March 31 as follows:

	2015	2014
Weighted average grant date fair value of options granted	$1.05	$1.43
Weighted average assumptions used:		
Expected option life	4.6 years	4.9 Years
Risk-free interest rate	1.57%	1.57%
Dividend yield	-	-
Expected volatility	90%	90%

The Company estimates the expected volatility over the life of the option based on the Company's historical volatility and a peer group average, given there was no stock price history for the Company prior to the listing of shares on July 16, 2014.

(in Canadian dollars)

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

(d) Warrants:

Pursuant to the Qualifying Transaction, the Company re-issued 6,289 common share purchase warrants to former holders of Wildlaw warrants. The re-issued warrants bore an exercise price of $3.18 and an expiry date of July 20, 2014. All of these warrants expired on July 20, 2014 unexercised.

11. Finance costs:

	March 31, 2015	March 31, 2014
Finance costs:		
Interest on capital leases and other interest	$ 24,475	$ 42,240
Interest and charges on promissory notes (note 6)	182,131	259,046
Interest and fees on accounts receivable factoring	-	128,197
Interest on amounts due to related parties (note 8)	-	86,793
Total finance costs	$ 206,606	$ 516,276

12. Net income (loss) per share:

The computations for basic and diluted net income (loss) per share for the periods ended March 31, 2015 and 2014 are as follows:

	2015	2014
Net loss for the three months ended March 31	$ (1,437,999)	$(732,244)
Weighted average number of shares outstanding, basic and diluted	20,796,650	16,373,294
Net income (loss) per share, basic and diluted	$ (0.07)	$ (0.04)

Options to purchase 1,833,513 common shares (2014 – 1,097,339) and 0 warrants (2014 – 0) were outstanding at March 31, 2015. The weighted average number of options and warrants were excluded from the calculation of diluted income (loss) per share for the periods ended March 31, 2015 and 2014 because their inclusion would have been anti-dilutive.

(in Canadian dollars)

13. Segment information:

The Company has one operating segment.

The Company's chief operating decision maker is its Chief Executive Officer ("CEO"). The CEO evaluates performance, makes operating decisions and allocates resources based on financial data consistent with the presentation in these condensed consolidated interim financial statements.

The Company's assets and operations are substantially located in Canada; however, the Company has employees and customers in the United States and generates revenues in both regions. Revenue by region for the period ended March 31 is as follows:

	2015	2014
Canada	$ 2,302,197	$ 2,291,310
United States	746,535	485,507
Other	--	--
	$ 3,048,732	$ 2,776,817

During the period ended March 31, 2015, the Company had one customer that represented 16.6% of total revenue. The customer is an advertising agency representing multiple brands. During the same period in 2014 the Company had one customer that represented 13% of total revenue. The customer is an advertising agency representing multiple brands.

(in Canadian dollars)

14. Fair value of financial instruments:

(a) Classification of financial instruments:

The following table provides the allocation of financial instruments and their associated financial instrument classifications:

March 31, 2015		Loans and receivables/ financial liabilities
Measurement basis		Amortized cost
Financial assets:		
Cash and cash equivalents	$	981,158
Accounts receivable		2,865,707
ITC receivable		450,000
Government assistance receivables		61,186
	$	4,358,051
Financial liabilities:		
Accounts payable and accrued liabilities	$	3,559,656
Promissory notes payable		3,962,627
Finance lease obligations		448,644
Repayable government grant		150,000
	$	8,120,927

(in Canadian dollars)

14. Fair value of financial instruments (continued):

December 31, 2014	Loans and receivables/ financial liabilities
Measurement basis	Amortized cost
Financial assets:	
Cash and cash equivalents	$ 1,428,642
Accounts receivable	4,173,788
ITC receivable	450,000
Government assistance receivables	104,301
	$ 6,156,731
Financial liabilities:	
Accounts payable and accrued liabilities	$ 4,032,656
Promissory notes payable	3,950,169
Finance lease obligations	361,818
Repayable government grant	150,000
	$ 8,494,643

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

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

	March 31, 2015		December 31, 2014	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and cash equivalents	$ 981,158	$ 981,158	$ 1,428,642	$ 1,428,642
Accounts receivable	2,865,707	2,865,707	4,173,788	4,173,788
ITC receivable	450,000	450,000	450,000	450,000
Government assistance receivables	61,186	61,186	104,301	104,301
	$ 4,358,051	$ 4,358,051	$ 6,156,731	$ 6,156,731
Financial liabilities:				
Accounts payable and accrued liabilities	$ 3,559,656	$ 3,559,656	$ 4,032,656	$ 4,032,656
Promissory notes payable	3,962,627	3,962,627	3,950,169	3,950,169
Repayable government grant	150,000	150,000	150,000	150,000
Finance lease obligations	448,644	448,644	361,818	361,818
	$ 8,120,927	$ 8,120,927	$ 8,494,643	$ 8,494,643

14. Fair value of financial instruments (continued):

(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.

The Financial Assets measured at fair value include cash and cash equivalents. There were no transfers of financial assets during the period between any of the levels.

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 (deficiency), which comprises issued capital, contributed surplus, and deficit. The Company manages its capital structure and makes adjustments to it in working capital requirements. In order to maintain or adjust its capital structure, The Company, upon approval from the Board of Directors, may issue shares, repurchase shares, pay dividends, or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements, except for certain monthly financial covenants associated with the Credit Agreement as described in note 6.

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 and 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.

16. Financial Risk Management (continued):

(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. All of the Company's customers are located in Canada and the United States. At March 31, 2015, two customers represented 15% and 5% of the gross accounts receivable balance of $3,001,546 respectively.

The accounts receivable balances due from these significant customers were current at March 31, 2015. No other individual customers represented more than 5% of accounts receivable. As at March 31, 2015 the allowance for doubtful accounts was $135,839 and it related entirely to one client who went through bankruptcy protection. 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. Overdue accounts at March 31, 2015 were $1,194,307 respectively. Management believes that the allowance is adequate.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally large financially established organizations which limits the credit risk relating to the customers. In addition, credit reviews by The Company take into account the counterparty's financial position, past experience and other factors.

The Company from time to time invests its excess cash in accounts with Schedule A banks, 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 March 31, 2015 is not subject to external restrictions. Investments must be rated at least investment grade by recognized rating agencies. Given these high credit ratings, the Company does not expect any counterparties to these investments to fail to meet their obligations.

(in Canadian dollars)

16. Financial Risk Management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for principal and interest payments on its debt, capital expenditures and working capital needs. The Company uses its operating cash flows, loans and borrowings and cash balances to maintain liquidity. Refer to note 2(a).

The following are the contractual maturities for the financial liabilities:

March 31, 2015	Carrying amount	Contractual cash flow on demand	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	$ 3,559,656	$ 3,559,656	$ 3,559,656	$ –	$ –
Promissory notes payable	3,962,627	4,000,000	4,000,000	–	–
Due to related parties	–	–	–	–	–
	$ 7,522,283	$ 7,559,656	$ 7,559,656	$ –	$ –

(c) Interest rate risk:

Interest rate risk is the risk of financial loss to the Company if interest rates increase on interest-bearing instruments. Promissory notes payable bear interest at a fixed rate, which the Company believes is consistent with fair value, and accordingly the Company has no floating rate exposure.

16. Financial Risk Management (continued):

(d) Foreign exchange or currency risk:

The Company 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 U.S. 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. During the period ended March 31, 2015, The Company maintained a portion of its cash resources in both U.S. and Canadian dollars. The Company does not have any foreign currency derivative instruments outstanding as at March 31, 2015.

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

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 $87,187 due to the fluctuation and this would be recorded in the condensed consolidated interim statements of comprehensive (income) loss.

Balances held in U.S. dollars are as follows:

	March 31, 2015	December 31, 2014
Cash	$ 40,776	$61,050
Accounts receivable	690,906	591,329
Accounts payable	1,603,548	1,588,653

(in Canadian dollars)

17. Commitments and contingencies:

Non-cancellable operating lease rentals are payable as follows:

	March 31, 2015	December 31, 2014
Less than 1 year	$ 41,826	$95,222
Between 1 and 5 years	–	–
	$41,826	$95,222

The Company leases office facilities under operating leases. The lease terms are between 1 and 5 years.

During the period ended March 31, 2015, an amount of $73,026 was recognized as an expense in comprehensive income (loss) in respect of operating leases.

18. Subsequent event:

On May 19, 2015, the Company completed a Public Offering, issuing 4,288,100 common shares at a price of $0.70 per share for gross proceeds of $3,001,670. The Public Offering was co-led by Paradigm Capital and Beacon Securities Limited. The Agents received cash commission of $199,616 and 7% of the aggregate number of offered common shares under the offering. The Agents' Options will be exercisable for a period of 24 months following closing of the Offering at a purchase price per share equal to the Common Share issue price.