



AcuityAds Holdings Inc.

Condensed Consolidated Interim Financial Statements

Q3 2014

Three and Nine Months ended September 30, 2014 and 2013

(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 and nine months ended September 30, 2014 and 2013 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
(Expressed in Canadian dollars)
(Unaudited)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,117,550	\$ 120,467
Accounts receivable	3,220,291	3,057,764
Other current assets	281,347	178,105
Investment tax credits receivable (note 13)	450,000	1,091,764
	7,069,188	4,448,100
Non-current assets:		
Property and equipment	729,766	436,232
Total assets	7,798,954	\$ 4,884,332

Liabilities and Shareholders' Deficiency

Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,666,202	\$ 2,359,827
Promissory notes payable (note 7)	–	2,913,133
Current portion of obligations under capital lease (note 11)		
	132,700	–
	3,798,902	5,272,960
Non-current liabilities:		
Promissory notes payable (note 7)	3,937,711	–
Due to related parties (note 10)	–	608,249
Obligations under capital lease (note 11)	218,601	–
Repayable government grant (note 12)	150,000	–
	4,306,312	608,249
Total liabilities	8,105,214	5,881,209
Shareholders' deficiency	(306,260)	(996,877)
Going concern (note 2(a))		
Total liabilities and shareholders' deficiency	7,798,954	\$ 4,884,332

Approved on behalf of the Board

(Signed) "Sheldon Pollack"
Director

(Signed) "Tal Hayek"
Director

See accompanying notes to condensed consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Revenue				
Managed services	\$ 2,806,179	\$ 2,125,359	\$ 8,314,328	\$ 7,034,442
Self-service technology	483,651	17,651	942,356	110,178
	<u>3,289,830</u>	<u>2,143,010</u>	<u>9,256,684</u>	<u>7,144,620</u>
Operating expenses:				
Media costs	1,578,715	881,090	4,549,415	2,971,333
Employee compensation and benefits (note 13)	2,364,557	795,466	6,111,905	2,225,150
General and administrative	869,079	401,978	2,509,047	1,371,861
Listing expense (note 3)	352,253	-	577,253	-
Depreciation of property and equipment	65,969	26,672	154,831	61,966
	<u>5,230,573</u>	<u>2,105,206</u>	<u>13,902,451</u>	<u>6,630,310</u>
Income (loss) from operations	(1,940,743)	37,804	(4,645,767)	514,310
Finance income	(12,579)	-	(12,579)	-
Finance costs (note 5)	191,386	182,626	585,836	345,981
Foreign exchange (gain) loss	63,181	(16,816)	94,593	(8,849)
	<u>241,988</u>	<u>165,810</u>	<u>667,850</u>	<u>337,132</u>
Income (loss) before income taxes	(2,182,731)	(128,006)	(5,313,617)	177,178
Income taxes	-	-	11,271	-
Net income (loss) and comprehensive income (loss) for the period	<u>\$ (2,182,731)</u>	<u>\$ (128,006)</u>	<u>\$ (5,324,888)</u>	<u>\$ 177,178</u>
Net income (loss) per share (note 6):				
Basic and diluted	\$ (0.11)	\$ (0.01)	\$ (0.30)	\$ 0.01

See accompanying notes to condensed consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

Nine months ended September 30, 2014 and 2013
(Unaudited)

Nine months ended September 30, 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)
Warrants exercised (note 8(d))	2,071,407	407,935	–	(157,935)	–	250,000
Options exercised (note 8(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 8(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 8(c))	–	–	5,174	–	–	5,174
Options exercised	10,989	5,265	(265)	–	–	5,000
Share-based compensation (note 8(c))	–	–	267,073	–	–	267,073
Loss for the period	–	–	–	–	(5,324,888)	(5,324,888)
Balance, September 30, 2014	20,756,265	\$ 6,031,992	\$ 732,986	\$ –	\$ (7,071,238)	\$ (306,260)
Nine months ended September 30, 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 (note 8(d))	2,071,407	92,065	–	157,935	–	250,000
Shares issued for services (note 8(c))	219,433	43,888	–	–	–	43,888
Options exercised	2,301,840	107,420	(13,870)	–	–	93,550
Share-based compensation (note 8(c))	–	–	89,478	–	–	89,478
Dividends paid	–	–	–	–	(800)	(800)
Income for the period	–	–	–	–	177,178	177,178
Balance, September 30, 2013	104,592,680	\$ 244,373	\$ 272,890	\$ 157,935	\$ (1,471,388)	\$ (796,190)

See accompanying notes to condensed consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

Nine months ended September 30, 2014 and 2013
(Unaudited)

	Nine months ended September 30,	
	2014	2013
Cash flows from (used in) operating activities:		
Net income (loss) for the period	\$ (-5,324,888)	\$ 177,178
Adjustments to reconcile net income (loss) to net cash flows:		
Depreciation of property and equipment	154,831	61,966
Finance costs (note 5)	585,836	345,981
Finance income	(12,579)	-
Share-based compensation (note 8(c))	267,073	133,366
Reverse takeover consideration included in listing expense (note 3)	205,174	-
Change in non-cash operating working capital:		
Accounts receivable	(162,527)	(707,970)
Other current assets	(103,242)	(127,967)
Investment tax credits receivable	641,764	(518,785)
Accounts payable and accrued liabilities	1,306,375	(1,571,276)
Interest paid, net	(523,878)	(153,085)
	(2,966,061)	(2,360,592)
Cash used in investing activities:		
Additions to property and equipment	(56,840)	(412,868)
Cash flows from (used in) financing activities:		
Proceeds from promissory notes, net of issuance costs (note 7)	984,007	2,886,416
Repayments of amounts due to related parties, net (note 10)	(617,057)	(321,275)
Repayments of capital leases	(40,224)	-
Proceeds from private placement, net of issue costs (note 8(b))	5,124,558	-
Proceeds from the issuance of common shares and warrants (note 8(d))	-	250,000
Proceeds from the exercise of stock options	168,700	93,550
Proceeds from the exercise of warrants (note 8(d))	250,000	-
Proceeds received from repayable government grant (note 12)	150,000	-
Dividends paid	-	(800)
	6,019,984	2,907,891
Increase in cash and cash equivalents	2,997,083	134,431
Cash and cash equivalents, beginning of period	120,467	60,498
Cash and cash equivalents, end of period	\$ 3,117,550	\$ 194,929
Supplemental disclosure of non-cash transactions:		
Additions to property and equipment under capital lease	\$ 391,525	\$ -
Issuance of common shares in connection with reverse takeover (note 3)	\$ 200,000	\$ -

See accompanying notes to condensed consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

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.

On July 16, 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 Accounting Standard 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.

On July 22, 2014 the Company received the net proceeds from a private placement (note 8(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.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

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 condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with IAS 34, using the same accounting policies and method of computation as applied by the Company in its annual audited consolidated financial statements as at and 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.

(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

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

2. Significant accounting policies (continued):

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 November 26, 2014.

(c) Basis of presentation:

The 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.

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.

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.

Our revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of our control, including seasonality and cyclicity. Generally the third quarter ending September 30 is affected by reduced advertising activity during the summer months while the fourth quarter ending December 31 reflects increased advertising activity during the period leading up to the holiday season. Seasonality may be affected somewhat by our customer mix, such that retail advertisers may concentrate their advertising spending with us in the fourth quarter while entertainment advertisers may concentrate their spending at other times of year, to coincide with the launch and display of content such as

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

2. Significant accounting policies (continued):

television shows or movies. In addition, our rapid growth has led to uneven overall operating results due to investments in Acuity's sales and marketing and research and development from quarter to quarter and increases in employee headcount. As a result of these factors, one quarter's operating results are not necessarily indicative of a subsequent quarter's operating results.

3. Reverse Acquisition

On July 16, 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 8(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 is considered a reverse acquisition of Wildlaw by Acuity. For accounting purposes, Acuity is considered the acquirer and Wildlaw the acquiree. Accordingly, the consolidated 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, 2014.

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

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

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 (see Note 8(c))	5,174
Total consideration	<u>205,174</u>
Identifiable assets acquired and liabilities assumed:	
HST receivable	\$ 13,861
Accounts payable and accrued liabilities	<u>(37,558)</u>
Net assets (liabilities) acquired/assumed	<u>(23,697)</u>
Listing expense	<u>\$ 228,871</u>

The Amalgamation with Wildlaw allowed the former Acuity, a private company, to obtain a listing on the TSXV without having to go through the 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 \$123,382 and \$348,382 during the three and nine months ended September 30, 2014, have been included in listing expense in the consolidated statement of comprehensive income (loss). In Acuity's financial statements for Q2 2014, listing expenses of \$225,000 were included in general and administrative expenses for the quarter.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

4. 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 United States and generates revenues in both regions. Revenue by region for the three and nine months ended September 30 is as follows:

	Three months ended		Nine months ended	
	September 30		September 30	
	2014	2013	2014	2013
Canada	\$ 2,397,784	\$ 1,876,162	\$ 7,507,153	\$ 6,519,448
United States	892,046	264,280	1,749,531	622,604
Other	--	2,568	--	2,568
	<u>\$ 3,289,830</u>	<u>\$ 2,143,010</u>	<u>\$ 9,256,684</u>	<u>\$ 7,144,620</u>

In the three and nine months ended September 30, 2014, the Company had one customer that represented 19.8% and 17.1% of total revenue, respectively. The customer in each period is an advertising agency representing multiple brands that we work with. In the third quarter of 2013 we had two customers that represented 23.8% and 10.9% of total revenue, respectively. The largest customer comprises four entities which are part of a consolidated group under common control (each entity individually representing 11.5%, 6.1%, 4.3% and 1.9% of revenue, respectively) and the second largest customer is an advertising agency representing multiple brands that are our customers. In the nine months ended September 30, 2013 we had one customer representing 26.6% of total revenue. It comprises four entities which form part of a consolidated group under common control, where each entity individually represented 14.6%, 5.7%, 4.0% and 2.3% of revenue, respectively.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

5. Finance costs:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Interest on capital leases and other interest	\$ 7,532	\$ 32,786	\$ 16,093	\$ 34,400
Interest and charges on promissory notes (note 7)	183,854	123,920	559,749	123,920
Interest and fees on accounts receivable factoring	-	8,853	-	128,198
Interest on amounts due to related parties (note 10)	-	17,067	9,994	59,463
Total finance costs	191,386	\$182,626	\$ 585,836	\$ 345,981

6. Net income (loss) per share:

The computations for basic and diluted net income (loss) per share for the three and nine months ended September 30, 2014 and 2013 are as follows:

	Three months ended September 30		Nine months ended September 30	
	2014	2013	2014	2013
Net income (loss) for the period	\$ (2,182,731)	\$ (128,006)	\$ (5,324,888)	\$ 177,178
Weighted average number of shares outstanding, basic and diluted	20,096,619	15,814,967	17,748,220	15,723,602
Net income (loss) per share, basic and diluted	\$ (0.11)	\$ (0.01)	\$ (0.30)	\$ 0.01

Options to purchase 1,140,888 common shares were outstanding at September 30, 2014. The weighted average number of options and warrants were excluded from the calculation of diluted loss per share for the three and nine months ended September 30, 2014 and 2013 because their inclusion would have been anti-dilutive.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

7. 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 in 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 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.

The following table outlines the activity of the promissory notes during the nine months ended September 30, 2014:

Amortized cost, December 31, 2013	\$ 2,913,133
Additional principal amount drawn on note	1,000,000
Accrued interest on promissory notes	519,178
Repayment of interest on promissory notes	(519,178)
Deferred finance charges incurred	(15,993)
Amortization of deferred finance charges	40,571
Amortized cost, September 30, 2014	\$ 3,937,711

At December 31, 2013, the promissory notes were classified as current liabilities because the Company was in breach of one of the financial covenants under the debt agreement governing the promissory notes at December 31, 2013. The Company received an acknowledgement from the lender subsequent to December 31, 2013 that the default has been waived. The Company is in compliance with all covenants at September 30, 2014 and accordingly the debt has been classified as non-current.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

8. Share capital and share-based payments:

(a) Share capital:

At September 30, 2014, the Company has an unlimited number of common shares authorized for issuance, and 20,756,265 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., and 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 September 30, 2014, the Company was entitled to issue 2,075,626 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.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

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

The following table summarizes the continuity of options issued under the Plan for the nine months ended September 30, 2014:

	Number of options	Weighted average exercise price
Outstanding, beginning of period	6,469,310	\$ 0.08
Granted prior to Qualifying Transaction	20,000	0.35
Exercised prior to Qualifying Transaction	(3,724,310)	0.04
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	460,769	1.59
Exercised	(10,989)	0.45
Outstanding, end of period	1,140,888	\$ 1.37
Options exercisable, end of period	622,904	\$ 1.30

A summary of the status of the Company's stock options under the Plan at September 30, 2014 is as follows:

Range of exercise prices	Number of options	Weighted Average remaining contractual life (years)	Number of options exercisable
\$0.25	53,846	1.25	53,847
\$0.46	102,088	1.58	65,472
\$0.78	43,769	2.25	20,308
\$0.98	105,462	2.62	33,000
\$1.59	713,914	3.79	388,145
\$1.63	87,692	2.73	49,554
\$2.15	18,462	3.25	—
\$2.28	3,077	4.42	—
\$3.18	12,579	7.83	12,578
	1,140,888		622,904

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

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

During the three and nine months ended September 30, 2014, the Company recorded share-based compensation expense related to stock options granted to employees and directors of the Company of \$213,033 and \$267,073 respectively (2013 - \$65,816 and \$133,366, respectively). Share-based compensation expense is included as part of employee compensation and benefits.

During the three and nine months ended September 30, 2014, the Company granted 460,769 and 463,846 options (post consolidation basis), respectively with a weighted average exercise price of \$1.59 for both periods (2013 – 30,769 and 210,769 (post consolidation basis), respectively) to employees and directors of the Company. Of those options, 135,000 were granted to Directors of the Company and vested on the grant date. The remaining options were granted to employees and vest annually over three years. During the three and nine months ended September 30, 2014, 10,989 and 583,960 options (post consolidation basis) were exercised at a weighted average exercise price of \$0.45 and \$0.29 respectively per option, for gross proceeds of \$5,000 and \$168,700 respectively ((2013 – 292,591 and 354,130 options (post consolidation basis), at \$0.26 and \$0.27 for gross proceeds of \$77,550 and \$93,550 respectively).

An additional 253,145 options were granted to the Agents in the private placement, as compensation for services rendered. Each compensation option vested on the grant date, is exercisable at \$1.59 and expires on July 22, 2016. A charge of \$170,771 was included in share issue costs and contributed surplus.

In addition to the above, the Company re-issued 12,579 options to former Wildlaw option-holders with an exercise price of \$3.18. A charge of \$5,174 was included in the calculation of the fair value of the Qualifying Transaction based on the estimated fair value of the options re-issued.

During the three and nine months ended September 30, 2013 the Company issued 33,759 common shares (post consolidation basis) from treasury at \$0.0001 per share to a company controlled by a finance consultant as payment for services rendered. A charge of \$43,888 was included in share-based compensation expense based on the estimated fair value of the shares issued.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

8. 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 nine months ended September 30 as follows:

	2014
Weighted average grant date fair value of options granted	\$1.14
Weighted average assumptions used:	
Expected option life	4.9 years
Risk-free interest rate	1.57%
Dividend yield	—
Expected volatility	85%

(d) Warrants:

During the year ended December 31, 2013, the Company issued 318,678 units (post consolidation basis), 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 \$0.78 per share, has no vesting requirements, and expires five years from the issue date. These warrants were fully exercised during the nine months ended September 30, 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.

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.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

9. 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:

September 30, 2014 Measurement basis	Loans and receivables/ other financial liabilities	Amortized cost
Financial assets:		
Cash and cash equivalents	\$	3,117,550
Accounts receivable		3,220,291
Government assistance receivables		33,138
ITC receivable		450,000
	\$	6,820,979
Financial liabilities:		
Accounts payable and accrued liabilities	\$	3,666,202
Promissory notes payable		3,937,711
Obligations under capital lease		351,301
Repayable government grant		150,000
	\$	8,105,214

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

9. Fair value of financial instruments (continued):

December 31, 2013	Loans and receivables/ other financial 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

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

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

	September 30, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and cash equivalents	\$ 3,117,550	\$ 3,117,550	\$ 120,467	\$ 120,467
Accounts receivable	3,220,291	3,220,291	3,057,764	3,057,764
Government assistance receivables	33,138	33,138	92,861	92,861
ITC receivable	450,000	450,000	1,091,764	1,091,764
	\$ 6,820,979	\$ 6,820,979	\$ 4,362,856	\$ 4,362,856
Financial liabilities:				
Accounts payable and accrued liabilities	\$ 3,666,202	\$ 3,666,202	\$ 2,359,827	\$ 2,359,827
Promissory notes payable	3,937,711	3,937,711	2,913,133	2,913,133
Due to related parties	-	-	608,249	608,249
Repayable government grant	150,000	150,000	-	-
Obligations under capital lease	351,301	351,301	-	-
	\$ 8,105,214	\$ 7,187,584	\$ 5,881,209	\$ 5,881,209

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

9. 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.

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

10. Related party transactions and balances:

The Company 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 years presented. The amounts due to related parties were subordinated to the promissory notes payable described in note 7, 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.

During the three months ended September 30, 2014 Company repaid the amounts due to related parties in full. The repayment was made pursuant to the conditions precedent to closing the Qualifying Transaction. The lender provided their written consent to the loan repayment.

Balance, December 31, 2013	\$ 608,249
Accrued interest	9,994
Interest payments	(1,186)
Principal repaid	(617,057)
Balance, September 30, 2014	\$ —

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

10. Related party transactions and balances:

Executive officers and directors are eligible to participate in the stock option plan. As of the date hereof 46,154 options have been granted to officers and 135,000 options to directors of the Company (note 8(c)).

11. Obligations under capital lease:

	September 30, 2014	December 31, 2013
Obligations under capital lease	\$ 351,301	\$ –
Less:		
Current portion	132,700	–
	<hr/>	<hr/>
	\$ 218,601	\$ –

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

2014	\$ 45,831
2015	183,322
2016	163,031
2017	11,717
	<hr/>
	403,901
Less interest (13%)	52,600
Principal	<hr/>
	\$ 351,301

12. Repayable government grant:

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 nine months ended September 30, 2014.

ACUITYADS INC.

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

Three and nine months ended September 30, 2014 and 2013
(Unaudited)

12. Repayable government grant (continued):

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 in the period as a non-current liability.

13. Investment tax credits receivable:

During the quarter, 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 for fiscal years 2011 and 2012 were being disallowed. The Company expects a Notice of Assessment reflecting this disallowance to be forthcoming in due course. After consulting with its professional advisors, the Company disagrees with the position taken by 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 during the second quarter of 2014. This charge is included in employee compensation and benefits for the nine months ended September 30, 2014. In the event that the Company’s objection for 2011 and 2012 is unsuccessful, no further charges against the Company’s profit or loss will be required in respect of claims for those years.

Acuity became a public company 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.