



AcuityAds Inc.

*Prior to becoming a wholly-owned subsidiary of
AcuityAds Holdings Inc. (formerly Wildlaw Capital CPC 2 Inc.)
(note 1)*

Condensed Consolidated Interim Financial Statements

Q2 2014

Three and Six Months ended June 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 the Company for the three and six months ended June 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 INC.

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

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash	\$ 139,912	\$ 120,467
Accounts receivable	3,209,223	3,057,764
Other current assets (note 13)	552,061	178,105
Investment tax credits receivable (note 12)	450,000	1,091,764
	4,351,196	4,448,100
Non-current assets:		
Property and equipment	652,717	436,232
Total assets	\$ 5,003,913	\$ 4,884,332

Liabilities and Shareholders' Deficiency

Current liabilities:		
Accounts payable and accrued liabilities (note 13)	\$ 3,720,350	\$ 2,359,827
Promissory notes payable (note 6)	–	2,913,133
Due to related parties (notes 6 and 9)	616,657	–
Current portion of obligations under capital lease (note 10)	91,542	–
	4,428,549	5,272,960
Non-current liabilities:		
Promissory notes payable (note 6)	3,925,255	–
Due to related parties (notes 6 and 9)	–	608,249
Obligations under capital lease (note 10)	155,407	–
Repayable government grant (note 11)	150,000	–
	4,230,662	608,249
Total liabilities	8,659,211	5,881,209
Shareholders' deficiency	(3,655,298)	(996,877)
Events after the balance sheet date (notes 9 and 13) Going concern (note 2(a))		
Total liabilities and shareholders' deficiency	5,003,913	\$ 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 INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Revenue				
Managed services	\$ 2,889,041	\$ 2,695,218	\$ 5,508,149	\$ 4,909,083
Self-service technology	300,996	92,526	458,705	92,526
	<u>3,190,037</u>	<u>2,787,744</u>	<u>5,966,854</u>	<u>5,001,609</u>
Operating expenses:				
Media costs	1,655,606	1,228,371	2,970,700	2,090,244
Employee compensation and benefits (note 12)	2,460,455	778,881	3,738,591	1,428,484
General and administrative (note 13)	1,266,056	534,012	1,856,107	971,083
Depreciation of property and equipment	52,569	21,823	88,862	35,293
	<u>5,434,686</u>	<u>2,563,087</u>	<u>8,654,260</u>	<u>4,525,104</u>
Income (loss) from operations	(2,244,649)	224,657	(2,687,406)	476,505
Finance costs (note 4)	180,316	83,898	394,449	163,355
Foreign exchange (gain) loss	(35,725)	(8,662)	33,035	7,862
	<u>144,591</u>	<u>75,236</u>	<u>427,484</u>	<u>171,217</u>
Income (loss) before income taxes	(2,389,240)	149,421	(3,114,890)	305,288
Income taxes	2,885	–	11,271	–
Net income (loss) and comprehensive income (loss) for the period	<u>\$ (2,392,125)</u>	<u>\$ 149,421</u>	<u>\$ (3,126,161)</u>	<u>\$ 305,288</u>
Net loss per share (note 5):				
Basic and diluted	\$ (0.02)	\$ 0.00	\$ (0.03)	\$ 0.00

See accompanying notes to condensed consolidated interim financial statements.

ACUITYADS INC.

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

Six months ended June 30, 2014 and 2013
(Unaudited)

Six months ended June 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)
Shares issued - warrants exercised (note 7(b))	2,071,407	407,935	–	(157,935)	–	250,000
Shares issued - options exercised	3,724,310	199,550	(35,850)	–	–	163,700
Share-based compensation (note 7(a))	–	–	54,040	–	–	54,040
Loss for the period	–	–	–	–	(3,126,161)	(3,126,161)
Balance, June 30, 2014	110,520,397	\$ 872,940	\$ 344,273	\$ –	\$ (4,872,511)	\$ (3,655,298)

Six months ended June 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 - cash (note 7(b))	2,071,407	92,065	–	157,935	–	250,000
Shares issued – options exercised	400,000	18,482	(2,482)	–	–	16,000
Share-based compensation (note 7(a))	–	–	59,652	–	–	59,652
Income for the period	–	–	–	–	305,288	305,288
Balance, June 30, 2013	102,471,407	\$ 111,547	\$ 254,452	\$ 157,935	\$ (1,342,478)	\$ (818,544)

See accompanying notes to condensed consolidated interim financial statements.

ACUITYADS INC.

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

Six months ended June 30, 2014 and 2013
(Unaudited)

	Six months ended June 30,	
	2014	2013
Cash flows from (used in) operating activities:		
Net income (loss) for the period	\$ (3,126,161)	\$ 305,288
Adjustments to reconcile net income (loss) to net cash flows:		
Depreciation of property and equipment	88,862	35,293
Finance costs	394,449	163,355
Share-based compensation (note 7(a))	54,040	59,652
Change in non-cash operating working capital:		
Accounts receivable	(151,459)	(1,073,794)
Other current assets	(373,956)	(21,011)
Investment tax credits receivable	641,764	(235,803)
Accounts payable and accrued liabilities	1,358,094	1,196,477
Interest paid	(355,097)	(6,123)
	(1,469,464)	423,334
Cash used in investing activities:		
Additions to property and equipment	(41,523)	(370,177)
Cash flows from (used in) financing activities:		
Net proceeds from promissory notes, net of issuance costs (note 6)	984,009	—
Repayments of amounts due to related parties, net	(400)	(302,237)
Repayments of capital leases	(16,877)	—
Proceeds from the issuance of common shares and warrants	—	250,000
Proceeds from the exercise of stock options	163,700	16,000
Proceeds from the exercise of warrants	250,000	—
Proceeds related to repayable government grant	150,000	—
	1,530,432	(36,237)
Increase in cash	19,445	16,920
Cash, beginning of period	120,467	60,498
Cash, end of period	\$ 139,912	\$ 77,418
Supplemental disclosure of non-cash transactions:		
Additions to property and equipment under capital lease	\$ 263,826	\$ —

See accompanying notes to condensed consolidated interim financial statements.

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

1. Corporate information:

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

On July 16, 2014 the Company became a wholly-owned subsidiary of AcuityAds Holdings Inc. ("Acuity Holdings"), formerly Wildlaw Capital CPC 2 Inc. ("Wildlaw") pursuant to the Transaction described in Note 13.

2. Significant accounting policies:

(a) Continuity of operations:

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.

Subsequent to June 30, 2014 the Company received the net proceeds from a private placement as described more fully in note 13, pursuant to the satisfaction of all escrow release conditions. However, management has determined that 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.

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,

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

2. Significant accounting policies (continued):

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 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.

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

2. Significant accounting policies (continued):

The interim financial statements were authorized for issue by the Board of Directors on August 20, 2014.

(c) Basis of presentation:

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

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

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

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 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.

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

3. Segment information:

The Company has one operating segment.

The Company's assets and operations are substantially located in Canada; however, the Company has customers in the United States and generates revenues in both regions. Revenue by region for the three and six months ended June 30 is as follows:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Canada	\$ 2,818,058	\$ 2,572,345	\$ 5,109,368	\$ 4,645,855
United States	371,979	215,399	857,486	355,754
	<u>\$ 3,190,037</u>	<u>\$ 2,787,744</u>	<u>\$ 5,966,854</u>	<u>\$ 5,001,609</u>

In the three and six months ended June 30, 2014, the Company had one customer that represented 18.1% and 15.6% of total revenue respectively. Both customers are advertising agencies representing multiple brands that we work with. In the three and six months ended 2013 one customer represented 22.6% and 27.8% of total revenue respectively. Both customers comprise four entities which are part of a consolidated group under common control. In Q2 2013 each entity individually represented 10.0%, 5.2%, 4.8% and 2.6% of total revenue. In the six months ended June 30, 2013 each entity individually represented 16.0%, 5.5%, 4.8% and 1.5% of revenue.

4. Finance costs:

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Interest on capital leases and other interest	\$ 7,769	\$ 140	\$ 8,559	\$ 1,616
Interest and fees on promissory notes	181,992	-	375,896	-
Interest and fees on accounts receivable factoring	-	65,976	-	119,343
Interest on amounts due to related parties (note 9)	(9,444)	17,782	9,994	42,396
Total finance costs	<u>\$ 180,317</u>	<u>\$ 83,898</u>	<u>\$ 394,449</u>	<u>\$ 163,355</u>

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

5. Net income (loss) per share:

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

	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Net income (loss) for the period	\$ (2,392,125)	\$ 149,421	\$ (3,126,161)	\$ 305,288
Weighted average number of shares outstanding, basic and diluted	109,425,939	102,279,626	107,970,231	102,130,116
Net income (loss) per share, basic and diluted	\$ (0.02)	\$ 0.00	\$ (0.03)	\$ 0.00

Stock options to purchase 2,765,000 common shares were outstanding at June 30, 2014. The weighted average number of options and warrants were excluded from the calculation of diluted loss per share for the three and six months ended June 30, 2014 and 2013 because their inclusion would have been anti-dilutive.

6. Promissory notes payable:

On July 9, 2013, the Company entered into a credit agreement (the "Credit Agreement") with a Canadian lender in the amount of \$3,000,000, due January 2016. In January 2014, the Company borrowed the remaining \$1,000,000 that was available under the Credit Agreement, and all amounts are due 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 will be amortized over the term of the arrangement under the effective interest method and included in finance costs.

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

6. Promissory notes payable (continued):

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

Amortized cost, December 31, 2013	\$ 2,913,133
Additional principal amount drawn on note	1,000,000
Accrued interest on promissory notes	347,781
Repayment of interest on promissory notes	(347,781)
Deferred finance charges incurred	(15,993)
Amortization of deferred finance charges	28,115
<hr/>	<hr/>
Amortized cost, June 30, 2014	\$ 3,925,255

The promissory notes were classified as part of current liabilities at December 31, 2013 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, 2014 that the default has been waived. With the waiver in place prior to June 30, 2014, the notes have been classified as non-current liabilities.

7. Share capital and share-based payments:

(a) Stock option plan:

The Company has a stock option plan (the "Plan"), pursuant to which the Board of Directors may grant options to employees, officers, directors and consultants of the Company. As at June 30, 2014, the Company was entitled to issue 11,052,039 stock options under the Plan. The maximum number of common shares which may be issued under the Plan is a rolling fixed maximum percentage of 10% of the common shares issued and outstanding at a point in time. The expiry date of options granted under the Plan typically does not exceed five years from the grant date and the vesting schedule is at the discretion of the Board and is generally annually over a three- to four-year period. The exercise price of options is based on a determination of the fair market value per share on the day preceding the grant date.

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

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

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

	Number of options	Weighted average exercise price
Outstanding, beginning of period	6,469,310	\$ 0.08
Granted	20,000	0.35
Exercised	(3,724,310)	0.04
Outstanding, end of period	2,765,000	\$ 0.14
Options exercisable, end of period	1,211,667	\$ 0.12

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

June 30, 2014:

Range of exercise prices	Number of options	Weighted Average remaining contractual life (years)	Number of options exercisable
\$0.04	350,000	1.50	350,000
\$0.07	735,000	1.89	435,000
\$0.12	284,500	2.50	17,833
\$0.15	685,500	2.71	85,500
\$0.25	570,000	3.24	323,334
\$0.33	120,000	3.50	—
\$0.35	20,000	4.67	—
	2,765,000		1,211,667

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

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

During the three and six months ended June 30, 2014, the Company recorded share-based compensation expense related to stock options granted to employees of \$27,020 and \$54,040 respectively (2013 - \$29,826 and \$59,652, respectively). Share-based compensation expense is included as part of employee compensation and benefits.

During the three and six months ended June 30, 2014, the Company granted nil and 20,000 stock options with an exercise price of \$0.35 (2013 - 370,000 and 1,170,000 respectively) to employees of the Company. During the three and six months ended June 30, 2014, 3,625,310 and 3,724,310 options were exercised at a weighted average exercise price of \$0.04 and \$0.15 respectively per option, for gross proceeds of \$148,850 and \$163,700 respectively ((2013 - 400,000 and 400,000 options, respectively, at \$0.04 for gross proceeds of \$16,000).

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 six months ended June 30 as follows:

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

(b) Warrants:

During the year ended December 31, 2013, the Company issued 2,071,407 units, each unit comprising one common share and one warrant to purchase common shares, to a company controlled by the Chairman of the Company for proceeds of \$250,000. Each warrant allows the holder to purchase one common share of the Company at an exercise price of \$0.12 per share, has no vesting requirements, and expires five years from the issue date. These warrants were fully exercised during the six months ended June 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.

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

8. 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:

June 30, 2014	Loans and receivables/ other financial liabilities
Measurement basis	Amortized cost
Financial assets:	
Cash	\$ 139,912
Accounts receivable	3,209,224
Government assistance receivables	17,298
ITC receivable	450,000
	\$ 3,816,434
Financial liabilities:	
Accounts payable and accrued liabilities	\$ 3,720,350
Due to related parties	616,657
Promissory notes payable	3,925,255
Obligations under capital lease	246,949
Repayable government grant	150,000
	\$ 8,659,211
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

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

8. Fair value of financial instruments (continued):

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

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

	June 30, 2014		December 31, 2013	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash	\$ 139,912	\$ 139,912	\$ 120,467	\$ 120,467
Accounts receivable	3,209,224	3,209,224	3,057,764	3,057,764
Government assistance receivables	17,298	17,298	92,861	92,861
ITC receivable	450,000	450,000	1,091,764	1,091,764
	<u>\$ 3,816,434</u>	<u>\$ 3,816,434</u>	<u>\$ 4,362,856</u>	<u>\$ 4,362,856</u>
Financial liabilities:				
Accounts payable and accrued liabilities	\$ 3,720,350	\$ 3,720,350	\$ 2,359,827	\$ 2,359,827
Promissory notes payable	3,925,255	3,925,255	2,913,133	2,913,133
Due to related parties	616,657	616,657	608,249	608,249
Repayable government grant	150,000	150,000	–	–
Obligations under capital lease	246,949	246,949	–	–
	<u>\$ 8,659,211</u>	<u>\$ 8,659,211</u>	<u>\$ 5,881,209</u>	<u>\$ 5,881,209</u>

(c) Fair value measurements:

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

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

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

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

9. Related party transactions and balances:

The Company has entered into promissory note agreements with certain shareholders and officers of the Company, whereby the Company borrowed from these lending parties. The amounts borrowed bear interest at 12% and are due on demand. Amounts have been borrowed and repaid on the notes during the years presented. The amounts due to related parties are subordinated to the promissory notes payable described in note 6, 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.

Subsequent to June 30, 2014 and prior to closing of the Transaction described more fully in note 13, the Company repaid the amounts due to related parties in full. The repayment was made pursuant to the conditions precedent to closing the 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 advanced (repaid)	(400)
Balance, June 30, 2014	\$ 616,657

Other assets at June 30, 2014 include an amount owing from shareholders for advances totaling \$6,010 (December 31, 2013 - \$6,010).

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

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

10. Obligations under capital lease:

	June 30, 2014	December 31, 2013
Obligations under capital lease	\$ 246,949	\$ –
Less:		
Current portion	91,542	–
	<u>\$ 155,407</u>	<u>\$ –</u>

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

2014	\$ 77,758
2015	112,424
2016	94,728
	<u>284,910</u>
Less interest (13%)	37,961
Principal	<u>\$ 246,949</u>

11. 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 three months ended June 30, 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 in the period as a non-current liability.

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

12. Investment tax credits receivable:

Subsequent to June 30, 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 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 has reduced the carrying amount of investment tax credits by \$775,097 during the period, which is included as a charge to employee compensation and benefits for the three and six months ended June 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 Transaction described in Note 13 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.

13. Events after the balance sheet date:

On July 16, 2014 AcuityAds Holdings Inc. ("Acuity Holdings"), formerly Wildlaw Capital CPC 2 Inc. ("Wildlaw"), closed its qualifying transaction (the "Transaction") with the Company. Following the completion of the Transaction, the Company is now a wholly-owned subsidiary of Acuity Holdings.

Prior to the Transaction, Wildlaw was a capital pool company as defined in the policies of the TSXV and had not commenced commercial operations and had no assets other than cash. The Transaction constituted Wildlaw's "Qualifying Transaction", as defined by the policies of the TSXV.

The Company completed a private placement (the "Offering") of 3,616,352 subscription receipts of Acuity (the "Subscription Receipts"), each entitling the holder to one common share of Acuity Holdings in connection with the completion of the Transaction, at \$1.59 per Subscription Receipt for aggregate gross proceeds of \$5.75 million (net proceeds of \$5.0 million), pursuant to an agency agreement dated April 24, 2014 with a syndicate led by Paradigm Capital Inc.,

ACUITYADS INC.

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

Three and six months ended June 30, 2014 and 2013
(Unaudited)

13. Events after the balance sheet date (continued):

and including Clarus Securities Inc. and Euro Pacific Canada Inc. All of the escrow release conditions were satisfied and immediately prior to the closing of the 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.

As part of the Transaction, Wildlaw changed its name to Acuity Holdings and 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"), with all shares of Acuity (including those issued to former holders of the Subscription Receipts) being exchanged for shares of Acuity Holdings. Following the completion of the Transaction, Acuity Holdings had an aggregate of 20,745,275 common shares outstanding, comprising 17,003,137 common shares issued to former holders of Acuity common shares and 3,616,352 common shares to investors in the Offering. Acuity Holdings has reserved an aggregate of 691,109 common shares for issuance pursuant to the exercise of options, including 678,530 for former holders of Acuity options.

Included in accounts payable and accrued liabilities at June 30, 2014 are accrued corporate transaction costs of \$525,000, of which \$225,000 has been expensed during the three months ended June 30, 2014 and classified as general and administrative expenses for the relevant period. The remaining accrual of \$300,000, which relates to the Offering, has been classified as part of other current assets and will be accounted for as transaction costs to be applied as a reduction from the value of common shares issued in the third quarter when the gross proceeds of the Transaction will be recorded.

Common shares of Acuity Holdings began trading on the TSX Venture Exchange on July 22, 2014 under the symbol "AT".