AcuityAds Holdings Inc.

Consolidated Interim Financial Statements
(in Canadian dollars)

Three and nine months ended September 30, 2016 and 2015

(Unaudited)

Notice of disclosure of non-auditor review of unaudited 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 consolidated interim financial statements of AcuityAds Holdings Inc. for the three and nine months ended September 30, 2016 and 2015 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 consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 2,353,067	$ 4,252,754
Restricted cash (note 19 (b))	25,000	125,000
Accounts receivable	10,133,477	5,104,869
Other current assets	493,615	434,969
Investment tax credits receivable (note 4)	–	450,000
	$ 13,005,159	$ 10,367,592
Non-current assets:		
Restricted cash (note 19 (b))	100,000	125,000
Property and equipment (note 5)	1,516,029	1,404,875
Intangible Assets (note 3 and 6)	3,574,110	–
Goodwill (note 3 and 7)	3,473,510	–
Total assets	$ 21,668,808	$ 11,897,467
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 8,299,959	$ 6,868,277
Term loans (note 21)	750,000	525,000
Revolving line of credit (note 20)	5,943,527	3,374,820
Repayable government grant (note 11)	–	225,000
Current portion of finance lease obligations (note 9)	504,704	643,605
	$ 15,498,190	$ 11,636,702
Non-current liabilities:		
Term loans (note 21)	2,251,552	1,618,075
Earn out – acquisition	5,784,591	–
Finance lease obligations (note 9)	731,594	479,543
	$ 8,767,737	$ 2,097,618
Total liabilities	$ 24,265,927	$ 13,734,320
Shareholders' deficiency	$ (2,597,119)	$ (1,836,853)
Going concern (note 1)		
Total liabilities and shareholders' deficiency	$ 21,668,808	$ 11,897,467

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

Approved on behalf of the Board

(Signed) "Sheldon Pollack" — Director

(Signed) "Tal Hayek" — Director

ACUITYADS HOLDINGS INC.

Consolidated Interim Statements of Comprehensive Income (Loss)
(in Canadian dollars)

Three and nine months ended September 30, 2016 and 2015
(Unaudited)

	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Revenue				
Managed services	$ 5,334,858	$ 3,596,098	$ 11,688,357	$ 9,559,991
Self-service	3,536,431	1,880,884	9,392,117	3,541,716
	8,871,289	5,476,982	21,080,474	13,101,707
Media Cost:	4,473,112	2,880,361	10,370,479	6,497,002
Gross Profit	$ 4,398,177	$ 2,596,621	$ 10,709,995	$ 6,604,705
Operating expenses:				
Sales and marketing expenses	2,075,551	1,565,752	5,600,185	4,686,654
Research and development (note 4 and 11)	670,188	635,667	1,949,926	2,024,555
General and administrative	1,131,789	467,549	2,613,894	1,597,672
Share based compensation (note 12)	98,457	153,715	431,377	346,692
Acquisition costs (note 3)	374,004	-	374,004	-
Depreciation	278,533	152,069	737,899	355,026
	$ 4,628,522	$ 2,974,752	$ 11,707,285	$ 9,010,599
Income (loss) from operations	$ (230,345)	$ (378,131)	$ (997,290)	$ (2,405,894)
Finance costs (note 13)	256,865	206,305	607,161	607,017
Foreign exchange (gain) loss	(9,193)	(1,652)	(177,187)	111,445
	$ 247,672	$ 204,653	$ 429,974	$ 718,462
Income (loss) before income taxes	$ (478,017)	$ (582,784)	$ (1,427,264)	$ (3,124,356)
Income taxes	1,155	3,553	7,750	3,553
Net income (loss) for the period	$ (479,172)	$ (586,337)	$ (1,435,014)	$ (3,127,909)
Exchange differences on translating foreign operations	26,607	-	(7,453)	-
Comprehensive income (loss) for the period	$ (505,779)	$ (586,337)	$ (1,427,561)	$ (3,127,909)
Net income (loss) per share (note 11):				
Basic and diluted	$ (0.02)	$ (0.02)	$ (0.06)	$ (0.12)

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

ACUITYADS HOLDINGS INC.

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

Nine months ended September 30, 2016 and September 30, 2015
(Unaudited)

Nine months ended September 30, 2016	Common Shares Number	Common Shares Amount	Contributed Surplus	Warrants	Other Reserves	Deficit	Total
Balance, December 31, 2015	25,090,519	$ 8,466,458	$ 1,525,686	$ 409,559	$ (98,762)	$ (12,139,794)	$ (1,836,853)
Shares issued – options exercised	99,999	49,150	–	–	–	–	49,150
Share-based compensation (note 12(c))	–	–	431,377	–	–	–	431,377
Shares issued – Warrants exercised	125,723	88,006	–	–	–	–	88,006
Shares issued – DSU’s exercised	92,299	102,117	(102,117)	–	–	–	–
Other comprehensive loss	–	–	–	–	106,215	–	106,215
Loss for the period	–	–	–	–	–	(1,435,014)	(1,435,014)
Balance, September 30, 2016	25,408,540	$ 8,705,731	$ 1,854,946	$ 409,559	$ 7,453	$ (13,574,808)	$ (2,597,119)

Nine months ended September 30, 2015	Common Shares Number	Common Shares Amount	Contributed Surplus	Warrants	Other Reserves	Deficit	Total
Balance, December 31, 2014	20,756,265	$ 6,031,992	$ 803,211	$ –	$ –	$ (8,325,914)	$ (1,490,711)
Shares issued – options exercised	46,154	11,400	–	–	–	–	11,400
Equity financing (note 12(b))	4,288,100	2,530,053		–	–		2,530,053
Share-based compensation (note 12(c))	–	–	346,692	–	–	–	346,692
Other comprehensive loss	–	–	–	–	–	–	–
Loss for the period	–	–	–	–	–	(3,127,909)	(3,127,909)
Balance, September 30, 2015	25,090,519	$ 8,573,445	$ 1,149,903	$ –	$ –	$ (11,453,823)	$ (1,730,475)

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

ACUITYADS HOLDINGS INC.

Consolidated Interim Statements of Cash Flows
(in Canadian dollars)

Nine months ended September 30, 2016 and 2015
(Unaudited)

	September 30, 2016	September 30, 2015
Cash flows from (used in) operating activities:		
Net income (loss) for the period	$ (1,435,014)	$ (3,127,909)
Adjustments to reconcile net loss to net cash flows:		
Depreciation	737,899	355,026
Finance costs (note 13)	607,161	607,017
Share-based compensation (note 12 (c))	431,377	346,692
Change in non-cash operating working capital:		
Accounts receivable	(1,790,418)	(932,907)
Other current assets	13,469	(75,317)
Investment tax credits receivable	450,000	–
Repayable government grant	(300,000)	–
Accounts payable and accrued liabilities	(52,132)	655,201
Interest paid, net	(498,026)	(569,644)
	$ (1,835,684)	$ (2,741,841)
Cash used in investing activities:		
Additions to property and equipment	(835,106)	(239,289)
Acquisition of 140 Proof, Inc. net of cash acquired (note 3)	(3,103,468)	–
Proceeds from letter of credit (note 19 (b))	125,000	–
	(3,813,574)	(239,289)
Cash flows from (used in) financing activities:		
Proceeds from revolving line of credit, net of transaction costs (note 20)	2,602,836	–
Proceeds from term loans (note 21)	1,000,000	–
Repayment of term loans principal (note 21)	(178,571)	–
Additions to finance leases	252,051	–
Repayments of finance leases	(138,901)	(60,339)
Proceeds from equity financing, net (note 12 (b))	–	2,530,053
Proceeds related to repayable government grant	75,000	75,000
Proceeds from the exercise of warrants	88,006	–
Proceeds from the exercise of stock options	49,150	11,400
	$ 3,749,571	$ 2,556,114
Increase in cash and cash equivalents	(1,899,687)	(425,016)
Cash and cash equivalents, beginning of period	4,252,754	1,428,642
Cash and cash equivalents, end of period	$ 2,353,067	$ 1,003,626
Supplemental disclosure of non-cash transactions:		
Additions to property and equipment under finance leases	$ 711,778	$ 433,342

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

1. Corporate information and going concern:

AcuityAds Holdings Inc. (“Acuity Holdings”), is the parent company of AcuityAds Inc. ("Acuity" or “the Company”), a leading provider of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile campaigns. Acuity Holdings is a publicly traded corporation, incorporated in Canada, and its head office is located at 181 Bay Street, Suite 320, Brookfield Place, Toronto, Ontario M5J 2T3. The Company’s common shares are listed on the TSX Venture Exchange (“TSXV”), under the trading symbol “AT”.

These unaudited 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 currently has a working capital deficiency. Management continues to seek additional financing that 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.

These events and conditions indicate the existence of material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern. The unaudited 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 unaudited consolidated interim financial statements, then adjustments would be necessary to the carrying values of assets and liabilities, the reported expenses, and the consolidated interim statement of financial position classifications used and such adjustments could be material.

2. Significant accounting policies:

(a) Statement of compliance:

These unaudited consolidated interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”) following the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2015 (2015 financial statements).

2. Significant accounting policies (continued):

The date the Board of Directors authorized the consolidated interim financial statements for issue is November 8, 2016.

(b) Basis of presentation:

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

These unaudited 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 unaudited consolidated interim financial statements are prepared on a going concern basis.

(c) Use of estimates and judgements:

The preparation of the unaudited 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 unaudited consolidated interim financial statements.

(i) Key sources of estimation uncertainty

(a) Accounts receivable - 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.

2. Significant accounting policies (continued):

(b) Investment 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 unaudited consolidated interim 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 and approval by taxation authorities.

(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.

(d) Earn out – Acquisition – The fair value of contingent consideration liabilities is based on the estimated future financial performance of the acquired business. Financial targets used in the estimation of process include certain defined financial targets and realized internal rates of return.

(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. In making this judgment management places significant weight on the fact that the Company has the primary responsibility for providing access to the Company's Programmatic Marketing Platform, which is critical to the fulfilment of the customer deliverables, and bears the credit risk in respect of the amounts receivable from the customer.

2. Significant accounting policies (continued):

(c) The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures and meet its liabilities for the ensuing year involves significant judgement based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances.

(d) Basis of consolidation:

(i) Subsidiaries:

These unaudited consolidated interim financial statements include the accounts of AcuityAds Holdings Inc. and its wholly-owned subsidiaries AcuityAds Inc., AcuityAds US Inc., 140 Proof, Inc., and 2422330 Ontario Inc., a company that holds certain technology assets.

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

(ii) Transactions eliminated on consolidation.

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

(e) 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.

2. Significant accounting policies (continued):

(f) 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 consolidated statements of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Financial instruments are, for measurement purposes, grouped into categories. The classification depends on the purpose and is determined upon initial recognition. 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.

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, revolving line of credit, term loans, and amounts due to related parties.

2. Significant accounting policies (continued):

Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition and measurement, these financial liabilities are measured at amortized cost using the effective interest method.

(g) Property and equipment:

(i) Recognition and measurement:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in income (loss). The costs of the day-to-day servicing of property and equipment are recognized in 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 leases	3 years

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

2. Significant accounting policies (continued):

(iii) Research and development:

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in 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 development activities are not met until shortly prior to the related products are in a position to derive or generate economic benefits.

(h) 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, discounted using the original effective interest rate. The carrying value is reduced through the use of an allowance for doubtful accounts, with the loss recognized in 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.

2. Significant accounting policies (continued):

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 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.

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.

(i) 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.

2. Significant accounting policies (continued):

Deferred stock unit plan:

As part of the Company's long-term incentives for employees, Officers, and Directors, a Deferred Stock Unit Plan ("DSU") was established on August 18, 2015 as a common share settled plan. DSU awards are settled with the issuance of common shares. The compensation expense for DSUs is based on the fair values at the time the award is granted. The expense is recognized as a component of general and administration expense with a corresponding increase to contributed surplus within shareholders' equity. Upon redemption, the fair value of the award is reclassified from contributed surplus to share capital.

(j) 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.

(k) Revenue:

The Company generates revenue from the delivery of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile campaigns 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

2. Significant accounting policies (continued):

(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 performs a credit check with an independent credit agency and checks 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 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.

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.

(l) 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 accounts payable and accrued liabilities.

2. Significant accounting policies (continued):

(m) Finance costs:

Finance costs comprise interest expense on the revolving line of credit, term loans, 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 income (loss) using the effective interest method.

(n) Income taxes:

Income tax expense for the period comprises current and deferred income taxes. Current taxes and deferred taxes are recognized in the unaudited 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 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 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 consolidated statements of financial position dates.

2. Significant accounting policies (continued):

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

(o) 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 unaudited consolidated interim 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 unaudited consolidated interim statements of financial position when the amount is reliably estimable and realization is reasonably assured.

(p) Government grants:

Government grants 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 grants is earned under the conditions of the grant prior to receipt of funds, the Company records a government grants receivable. Government grants related to operating expenses is reflected as a reduction of such expenses in the period when they are incurred. Government grants recognized as a reduction of research and development expense for the three and nine months ended September 30, 2016 was $230 and $36,422 (2015 - $14,820 and $130,821).

(q) Income (loss) per share:

Basic income (loss) per share is calculated by dividing the 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

2. Significant accounting policies (continued):

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.

(r) Recently issued accounting pronouncements:

At the date of authorization of these unaudited 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 July 2014, 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 entities future cash flows. This new standard is effective for the Company's unaudited consolidated interim and annual financial statements commencing January 1, 2018. The Company is assessing the impact of this new standard on its unaudited consolidated interim 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. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard is effective for annual periods beginning on or after January 1, 2018. Entities will have a choice of full retrospective application, or prospective application with additional disclosures (simplified transition method). The company is assessing the impact of this standard on the consolidated interim financial statements.

2. Significant accounting policies (continued):

(iii) IFRS 16, Leases ("IFRS 16"):

On January 13, 2016, the International Accounting Standards Board (IASB) published IFRS 16, "Leases", which replaces the current guidance in IAS 17. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard applies to annual periods beginning on or after January 1, 2019, with earlier application permitted if IFRS 15, "Revenue from Contracts with Customers", is applied.

(s) Media Costs:

Media costs are considered the Company's cost of goods sold. The costs include the publishing and real time bidding costs to secure advertising space.

(t) Business Combinations:

Business combinations are accounted for using the acquisition method whereby identifiable assets acquired and liabilities assumed, including contingent liabilities, are recorded at their fair values at acquisition date. The acquisition date is the date at which the Company obtains control over the acquiree, which is generally the date that consideration is transferred and the Company acquires the assets and assumes the liabilities of the acquiree. The Company considers all relevant facts and circumstances in determining the acquisition date.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the fair values of the assets at the acquisition date transferred by the Company, the liabilities, including contingent consideration, incurred and payable by the Company to former owners of the acquiree and the equity interests issued by the Company. The measurement date for equity interests issued by the Company is the acquisition date. Acquisition-related costs are expensed as incurred.

The IASB amended IFRS 3 Business Combinations, to provide clarification related to contingent consideration in a business combination effective for business combinations where the acquisition date is on or after July 1, 2014. The amendment clarified that where contingent consideration is within the scope of IAS 39, Financial Instrument Recognition and Measurement, it shall be measured at fair value and changes in fair value shall be recognized in income (loss). The adoption of the amendments to IFRS 3 was adopted by the Company for the acquisition of 140 Proof, Inc. (note 3).

(in Canadian dollars)

2. Significant accounting policies (continued):

(s) Intangible Assets:

The useful life of an intangible asset is either finite or indefinite. Intangible assets are initially measured at fair value. Following the initial recognition, intangible assets are carried at the initial fair value less accumulated amortization and impairment losses, if any. Acquired intangible (see note 6) are recognized as intangible assets with finite lives. Amortization of customer relationships and technology is based on the estimated useful lives of these assets and is recognized on a straight-line basis over 8 and 5 years respectively. Amortization for the tradename is recognized on a straight-line basis at a rate of 25% per annum over the life of the asset. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

3. Acquisition

On September 1, 2016, the Company completed the purchase of 100% ownership of 140 Proof, Inc. a San Francisco based company. Pursuant to the purchase and effective upon closing, 140 Proof, Inc. became a wholly-owned subsidiary of AcuityAds Holdings Inc. and all issued and outstanding preferred and common shares of 140 Proof, Inc. were transferred to AcuityAds Holdings Inc. in consideration of $3,669,600 USD less $2,706,900 USD of working capital received on closing and an earn out of an estimated amount of $4,410,600 USD dependant on 140 Proof, Inc's. future earnings over the next 36 months.

The acquisition has been accounted for as a business combination with AcuityAds Holdings Inc. as the acquirer. Transaction costs associated with the acquisition and incurred by 140 Proof, Inc. are recognized in Q3 2016 as well as transaction costs incurred by the Company relating to the acquisition. As at the date of these interim financial statements, allocation of the purchase price has not been finalized as management is still in the process of determining the fair values of identifiable assets and liabilities assumed, and determining the value of goodwill. A preliminary allocation of the purchase price is as follows:

Net Assets acquired	
Cash and cash equivalents	$ 1,709,526
Trade receivables	3,238,190
Other current and non-current assets	72,115
Fixed Assets	13,947
Intangible Assets	3,574,110
Goodwill	3,473,510
Current liabilities	(1,483,812)
	$ 10,597,585

3. Acquisition (continued):

The revenues and net earnings of 140 Proof, Inc. since September 1, 2016, the acquisition date, included in these unaudited consolidated interim financial statements are $1,577,161 and $388,127, respectively. Total transaction costs incurred relating to the acquisition and included in the Statement of Comprehensive Income (loss) for the three and nine months ended September 30, 2016 are $374,004 and $374,004, respectively.

Had the acquisition occurred on January 1, 2016, the total pro-forma consolidated revenues and net earnings of 140 Proof, Inc. for the nine months ended September 30, 2016 would have been $8,664,184 and $726,421, respectively.

4. Investment tax credits receivable:

During the nine months ended September 30, 2016 the Canada Revenue Agency (“CRA”) issued a refund of $1,095,534 for Investment Tax Credits (“ITC”) relating to eligible Scientific Research and Experimental Development (“SRED”) claims for the years 2011, 2012, 2013, 2014, and 2015. The company had previously accrued an ITC receivable of $450,000 which was offset by the refund. The remaining funds were applied against Research and Development Expenses on the unaudited consolidated interim statement of comprehensive income (loss). The company has also accrued 13.4% of the refund as professional fees owed to an accounting firm for assisting in receiving the refund.

Acuity became a public company in 2014 and accordingly the Federal portion of any investment tax credits claimed on eligible SRED expenses following the Company becoming public, will no longer be refundable but will be carried forward as a credit for up to 20 years to reduce future income taxes payable.

(in Canadian dollars)

5. Property and equipment:

	Furniture and fixtures	Data centre equipment	Office computer equipment	Equipment under finance leases	Total
Net book value, December 31, 2015	$ 69,876	$ 153,715	$ 100,041	$ 1,081,243	$ 1,404,875
Additions	71,371	4,552	61,352	711,778	849,053
Depreciation	(21,504)	(89,611)	(42,150)	(584,634)	(737,899)
Net book value, September 30, 2016	$ 119,743	$ 68,656	$ 119,243	$ 1,208,387	$ 1,516,029

	Furniture and fixtures	Data centre equipment	Office computer equipment	Equipment under finance leases	Total
Net book value, December 31, 2014	$ 12,426	$ 278,563	$ 56,267	356,503	$703,758
Additions	62,445	–	76,648	985,811	1,124,904
Depreciation	(4,995)	(124,848)	(32,874)	(261,071)	(423,788)
Net book value, December 31, 2015	$ 69,876	$ 153,715	$ 100,041	$ 1,081,243	1,404,875

(in Canadian dollars)

6. Intangible Assets:

	Customer Relationships	Tradename	Technology	Total
Net book value, December 31, 2015	–	–	–	–
Additions	905,004	465,618	2,203,488	3,574,110
Depreciation	–	–	–	–
Net book value, September 30, 2016	$ 905,004	$ 465,618	$ 2,203,488	$ 3,574,110

7. Goodwill:

As at September 30, 2016 the Company recognized goodwill of $3,473,510 arising from the acquisition of 140 Proof, Inc. on September 1, 2016.

Goodwill will be tested annually during the fourth quarter of each year, beginning in the fourth quarter of 2016.

(in Canadian dollars)

8. 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 under the Credit Agreement were due in January 2016. The interest rate for all amounts outstanding under the Credit Agreement was 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 were capitalized and deferred. These deferred transaction costs were amortized over the term of the Credit Agreement under the effective interest method and included in finance costs.

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

Amortized cost, January 1, 2015	$ 3,950,169
Accrued interest on promissory notes	588,712
Payment of interest on promissory notes	(588,712)
Amortization of deferred finance charges	49,831
Principal amount repaid	(4,000,000)
Amortized cost, December 31, 2015	$ –

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

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

On November 13, 2015, the promissory note was paid in full.

(in Canadian dollars)

9. Finance lease obligations:

	September 30, 2016	December 31, 2015
Obligations under finance leases	$ 1,236,298	$ 1,123,148
Less:		
Current portion	504,704	643,605
	$ 731,594	$ 479,543

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

2016	$ 339,798
2017	580,506
2018	381,896
2019	95,323
	1,397,523
Less interest (11.5%)	161,225
Present value of minimum lease payments	$ 1,236,298

10. Related party transactions and balances:

Directors and Officers are eligible to participate in the Company's Stock Option Plan. For the three and nine months ended September 30, 2016, nil and nil stock options were granted to Directors or Officers of the Company (note 12 (c)). For the three and nine months ended September 30, 2015 135,000 and 870,000 stock options were granted to Directors and Officers of the company (note 12 (c)).

During the three and nine months ended September 30, 2016, the Company issued approximately 221,000 and 773,320 DSU's to executives and Directors of the company. Of those 189,800 and 517,900 were granted to executives and 31,200 and 255,420 were granted to the Directors in lieu of cash bonuses and director fees, all vesting immediately.

$2,100,000 of the Term Loans (note 21) relates to amounts loaned by related parties.

(in Canadian dollars)

10. Related party transactions and balances (continued):

Transactions with executive personnel:

The key management personnel of the Company are the Executives and Board of Directors. The remuneration of executive personnel during the three and nine months ended September 30, 2016 and 2015 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Executive compensation and benefits	$ 289,648	$ 364,459	$ 890,092	$ 886,510
Share based compensation	8,762	5,900	26,287	17,701
Total	$ 298,410	$ 370,359	$ 916,379	$ 904,211

11. 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 and $75,000 was received during the year ended December 31, 2015.

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.

During the nine months ended September 30, 2016 the remaining $75,000 was received.

For the period ending September 30, 2016 the commercialization of the resulting technology was deemed unsuccessful. The credit of $300,000 is included in Research and Development expenses.

12. Share capital and share-based payments:

(a) Share capital:

At September 30, 2016, the Company had an unlimited number of common shares authorized for issuance, and 25,408,540 common shares outstanding.

(b) Equity Financing:

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. As part of the shares issuance costs, the Agents received cash commission of $199,616 and broker warrants for 7% of the aggregate number of offered common shares under the offering. The warrants are exercisable for a period of 24 months following closing of the Public Offering at a purchase price per share equal to the Common Share issue price. The Company issued 300,167 warrants at the fair value of $0.36 per warrant that was determined using the Black-Scholes model using the following assumptions: risk-free interest rate of 0.69%, expected volatility of 81%, expected life of 1.5 years, expected dividends of nil. The warrants value of $106,987 was recognised in contributed surplus with a corresponding reduction of the share capital. The Company incurred additional share issuance costs of $272,001 in connection with the Public Offering.

(c) Stock Option Plan:

Under the Company's Stock Option Plan, the Board of Directors may grant options to employees, Officers, Directors and Consultants of the Company. As at September 30, 2016, the Company was entitled to issue 2,540,854 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. 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)

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

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

	September 30, 2016		December 31, 2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	2,316,852	$ 0.95	1,097,339	$ 1.43
Granted	220,000	$ 1.05	2,041,904	$0.92
Forfeited or cancelled	(50,385)	$ 1.22	(776,237)	$0.92
Exercised	(99,999)	$ 0.49	(46,154)	$0.25
Outstanding, end of period	2,386,468	$ 0.98	2,316,852	$0.95
Options exercisable, end of period	1,606,793	$ 0.98	937,285	$ 0.95

(in Canadian dollars)

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

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

September 30, 2016:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average number of options exercisable
$0.60	150,000	1.33	150,000
$0.75	46,750	3.17	33,417
$0.78	171,077	0.25	171,077
$0.83	20,000	4.17	-
$0.89	320,000	4.17	75,000
$0.94	135,000	3.92	135,000
$0.98	1,188,230	3.35	811,974
$1.00	75,000	4.50	37,500
$1.08	75,000	4.50	18,750
$1.34	20,000	4.67	-
$1.59	173,102	3.00	164,845
$1.63	3,077	0.75	3,077
$2.15	9,232	1.25	6,153
	2,386,468		1,606,793

December 31, 2015:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average number of options exercisable
$0.25	7,692	0.17	7,692
$0.46	82,308	0.94	82,308
$0.60	150,000	2.08	112,500
$0.75	46,750	3.92	20,042
$0.78	171,077	1.00	171,077
$0.83	20,000	4.92	-
$0.89	320,000	4.92	-
$0.94	135,000	4.67	135,000
$0.98	1,181,230	4.09	241,155
$1.59	182,795	2.25	151,617
$1.63	8,204	1.50	7,179
$2.15	11,796	2.00	8,715
	2,316,852		937,285

(in Canadian dollars)

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

During the three and nine months ended September 30, 2016, the Company recorded share-based compensation expense related to stock options granted to employees, Officers, Directors, and Consultants of the Company of $98,457 and $431,377 (2015 - $153,715 and $346,692).

During the three and nine months ended September 30, 2016, the Company granted nil and 220,000 stock options respectively with a weighted average exercise price of nil and $1.05 (2015 – 335,000 and 1,701,904 stock options) to employees, Officers, Directors, and Consultants of the Company. Of those options, nil and 20,000 options were granted to Officers or employees of the Company (2015 – 335,000 and 1,525,154 stock options were granted). Nil and 200,000 options were granted to consultants as compensation for services rendered at a weighted average price of nil and $1.03 all expiring during 2021.

During the three and nine months ended September 30, 2016, 92,307 and 99,999 options were exercised at a weighted average exercise price of $0.51 and $0.49 respectively per option, for gross proceeds of $47,250 and $49,150 respectively (2015 – nil and 46,154 options (post consolidation basis) were exercised at a weighted average exercise price of nil and $0.25 respectively per option, for gross proceeds of nil and $11,400 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 September 30 as follows:

	2016	2015
Weighted average grant date fair value of options granted	$0.90	$0.99
Weighted average assumptions used:		
Expected option life	5 years	5 Years
Risk-free interest rate	1.39%	0.81%
Dividend yield	-	-
Expected volatility	81%	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 22, 2014.

(in Canadian dollars)

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

(d) Deferred Share Units ("DSU's")

During the three and nine months ended September 30, 2016, the Company issued 336,600 and 888,920 DSU's to employees, executives, Directors, and Consultants of the company. Of those 189,800 and 517,900 were granted to executives and 31,200 and 255,420 were granted to Directors in lieu of cash bonuses and director fees, all vesting immediately. As of September 30, 2016, 92,299 DSU's have been exercised.

13. Finance costs:

	Three months ended September 30, 2016		Nine months ended September 30,	
	2016	2015	2016	2015
Finance costs:				
Interest on finance leases and other interest	$ 34,880	$ 22,450	$ 72,373	$ 61,041
Interest and fees on promissory notes payable	-	183,855	-	545,976
Interest and fees on revolving line of credit (note 20)	99,235	-	199,006	-
Interest and fees on term loans (note 21)	122,750	-	335,782	-
Total finance costs	$ 256,865	$ 206,305	$ 607,161	$ 607,017

14. Net income (loss) per share:

The computations for basic and diluted net income (loss) per share for the periods ended September 30, 2016 and 2015 are as follows:

	Nine months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Net income (loss) for the period	$ (479,172)	$ (586,337)	$ (1,435,014)	$ (3,127,909)
Weighted average number of shares outstanding, basic and diluted	25,381,559	25,090,519	25,246,708	23,476,712
Net income (loss) per share, basic and diluted	$ (0.02)	$ (0.02)	$ (0.06)	$ (0.13)

(in Canadian dollars)

14. Net income (loss) per share (continued):

Exercisable options to purchase 1,606,793 common shares (2015 – 921,723) and 1,133,501 warrants (2015 – nil) were outstanding at September 30, 2016. The weighted average number of options and warrants were excluded from the calculation of diluted income (loss) per share for the periods ended September 30, 2016 and 2015 because their inclusion would have been anti-dilutive.

As at September 30, 2016, 833,334 warrants are outstanding pursuant to the term loan tranche 1 and 333,333 warrants are outstanding pursuant to the term loan tranche 2.

15. Segment information:

The Company has one operating segment.

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 as well as internationally. Revenue by region for the periods ended September 30 is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
Canada	$ 3,000,404	$ 2,900,606	$ 8,480,547	$ 8,052,920
United States	3,857,976	1,669,428	7,536,969	4,098,701
EMEA	2,012,909	906,948	5,062,958	950,086
	$ 8,871,289	$ 5,476,982	$ 21,080,474	$ 13,101,707

During the three and nine months ended September 30, 2016, the Company had one customer that represented 14% and 12% of total revenue. The customer is a advertising agency representing multiple brands. In 2015, the Company had a different customer that represented 12% and 13% of total revenue. The 2015 customer was also an advertising agency representing multiple brands.

(in Canadian dollars)

16. 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, 2016		Loans and receivables/ financial liabilities
Measurement basis		Amortized cost
Financial assets:		
Cash and cash equivalents	$	2,353,067
Restricted cash		125,000
Accounts receivable		10,133,477
Government grants receivables		104,000
	$	12,715,544
Financial liabilities:		
Accounts payable and accrued liabilities	$	8,299,959
Revolving line of credit		5,943,527
Term loans		3,001,552
Finance lease obligations		1,236,298
Earn out – acquisition		5,784,591
Repayable government grant		–
	$	24,265,927

December 31, 2015		Loans and receivables/ financial liabilities
Measurement basis		Amortized cost
Financial assets:		
Cash and cash equivalents	$	4,252,754
Restricted cash		250,000
Accounts receivable		5,104,869
Investment tax credits receivable		450,000
Government grants receivables		82,418
	$	10,140,041
Financial liabilities:		
Accounts payable and accrued liabilities	$	6,868,277
Revolving line of credit		3,374,820
Term loans		2,143,075
Finance lease obligations		1,123,148
Repayable government grant		225,000
	$	13,734,320

(in Canadian dollars)

16. 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:

	September 30, 2016		December 31, 2015	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets:				
Cash and cash equivalents	$ 2,353,067	$ 2,353,067	$ 4,252,754	$ 4,252,754
Restricted cash	125,000	125,000	250,000	250,000
Accounts receivable	10,133,477	10,133,477	5,104,869	5,104,869
ITC receivable	–	–	450,000	450,000
Government grants receivables	104,000	104,000	82,418	82,418
	$ 12,715,544	$ 12,715,544	$ 10,140,041	$ 10,140,041
Financial liabilities:				
Accounts payable and accrued liabilities	$ 8,299,959	$ 8,299,959	$ 6,868,277	$ 6,868,277
Revolving line of credit	5,943,527	5,943,527	3,374,820	3,374,820
Repayable government grant	–	–	225,000	225,000
Term loans	3,001,552	3,001,552	2,143,075	2,143,075
Earn out – acquisition	5,784,591	5,784,591	–	–
Finance lease obligations	1,236,298	1,236,298	1,123,148	1,123,148
	$ 24,265,927	$ 24,265,927	$ 13,734,320	$ 13,734,320

(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 carrying value of cash and cash equivalents, restricted cash, accounts receivable, ITC receivable, government assistance receivables, revolving line of credit, repayable government grant and accounts payable and accrued liabilities approximate their fair value given their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given the difference between the discount rates used to recognize the liabilities in the consolidated balance sheets and the market rates of interest is not significant. 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 year between any of the levels.

17. 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 Revolving Line of Credit as described in note 20.

18. 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 Management identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash. At September 30, 2016, 2 customers represented 10% and 5% of the gross accounts receivable balance of $10,220,477 respectively.

The accounts receivable balances due from these significant customers were current at September 30, 2016. No other individual customers represented more than 5% of accounts receivable. As at September 30, 2016 the allowance for doubtful accounts was $87,000. 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 September 30, 2016 were $744,403. Management believes that the allowance is adequate.

18. Financial Risk Management (continued):

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally 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 September 30, 2016 is not subject to external restrictions, except for $125,000 which is currently held as collateral for a letter of credit. 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.

(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 1.

18. Financial Risk Management (continued):

The following are the contractual maturities for the financial liabilities:

September 30, 2016	Carrying amount	Contractual cash flow on demand	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	$ 8,299,959	$ 8,299,959	$ 8,299,959	$ –	$ –
Revolving line of credit	5,943,527	5,943,527	5,943,527	–	–
Term loans	3,001,552	3,321,429	750,000	2,571,429	–
	$ 17,245,038	$ 17,564,915	$ 14,993,486	$ 2,571,429	$ –

December 31, 2015	Carrying amount	Contractual cash flow on demand	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	$ 6,868,277	$ 6,868,277	$ 6,868,277	$ –	$ –
Revolving line of credit	3,374,820	3,460,000	3,460,000	–	–
Term loans	2,143,075	2,500,000	525,000	1,975,000	–
	$ 12,386,172	$ 12,828,277	$ 10,853,277	$ 1,975,000	$ –

(c) Interest rate risk:

Interest rate risk is the risk of financial loss to the Company if interest rates increase on interest-bearing instruments. The Revolving Line of Credit bears interest at a rate of prime plus 2.25%, at September 30, 2016 the prime rate was 3.50%. The Term Loans bear interest at a fixed rate of 15.25%, which the Company believes is consistent with market interest rates.

(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 September 30, 2016, 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 September 30, 2016.

18. Financial Risk Management (continued):

The Company has performed a sensitivity analysis in respect of foreign exchange exposure in 2016. 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 2016. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in an increase in net loss for 2016. 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 $677,789 due to the fluctuation and this would be recorded in the unaudited consolidated interim statements of comprehensive (income) loss.

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

	September 30, 2016	December 31, 2015
Cash	$ 1,748,289	$3,886,039
Accounts receivable	8,353,834	2,880,343
Accounts payable	3,324,231	4,064,915

(in Canadian dollars)

19. Commitments and contingencies:

(a) Non-cancellable operating lease rentals:

Non-cancellable operating lease rentals are payable as follows:

	September 30, 2016	December 31, 2015
Less than 1 year	$ 595,681	$ 662,630
Between 1 and 5 years	1,439,563	2,124,808
	$ 2,035,244	$ 2,787,438

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

During the period ended September 30, 2016, an amount of $454,324 was recognized as an expense in income (loss) in respect of operating leases.

(b) Restricted cash:

On July 21, 2015 the Company entered into a letter of credit. The letter of credit is security that relates to an office lease in Toronto the Company signed. The letter of credit was backed up by $250,000 that is held at a Canadian financial institution and is drawn down by the landlord over the term of the lease. $125,000 was returned back to the Company in August 2016. $25,000 is scheduled to be returned to the Company in August 2017 and classified as current restricted cash in the consolidated interim statements of financial position.

(in Canadian dollars)

20. Revolving line of credit:

On November 13, 2015, the Company secured a US$3.5 million (approximately CDN$4.6 million) Revolving Line of Credit from Silicon Valley Bank ("SVB"). On September 1, 2016, the Company secured an addendum to the Revolving line of credit increasing the total borrowing limit to US $6.5 million (approximately CDN$8.5 million). The SVB facility has a maturity date 364 days from closing and interest accrues at prime plus 2.25% per annum. At September 30, 2016, the prime rate was 3.50%. The Revolving Line of Credit is calculated based on a maximum total amount of 80% of the Company's accounts receivable and 80% of investment tax credits receivables. The proceeds are for working capital purposes.

Subsequent to September 30, 2016, SVB extended the facility to January, 2017.

The following table outlines the activity of the revolving line of credit during the periods ended September 30, 2016 and December 31, 2015:

Amortized cost, January 1, 2016	$	3,374,820
Amount drawn against revolving line of credit, net of transaction costs		2,602,836
Accrued interest on revolving line of credit		199,006
Payment of interest on revolving line of credit		(126,920)
Exchange differences		(106,215)
Principal amount repaid		–
Amortized cost, September 30, 2016	$	5,943,527
Amortized cost, January 1, 2015	$	–
Amount drawn against revolving line of credit, net of transaction costs		3,275,051
Accrued interest on revolving line of credit		40,171
Payment of interest on revolving line of credit		(19,165)
Exchange differences		78,763
Principal amount repaid		–
Amortized cost, December 31, 2015	$	3,374,820

20. Revolving line of credit (continued):

Transaction costs incurred securing the revolving line of credit were $145,163. All transaction costs have been capitalized and deferred. These deferred transaction costs are being amortized over the term of the agreement under the effective interest method and included in finance costs.

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

21. Term Loans:

During the year ended December 31, 2015 a $2,500,000 Term Loan was made pursuant to a Credit Agreement dated November 10, 2015, between the Company, its subsidiaries and various lenders (the “Lenders”), including several individuals that are non-arm’s length to the Corporation (the “NAL Lenders”). The NAL Lenders included several officers and directors of the Company who funded an aggregate of $1,600,000 of the Loan.

The Term Loan is subordinate to a revolving line of credit with Silicon Valley Bank (“SVB”) and has a term of two years and accrues interest at the rate of 15.25% per annum paid monthly and includes a partial bonus warrant. The Company received TSX Venture Exchange (the “Exchange”) approval to issue one bonus warrant (“Warrant”) to each Lender for each $3.00 of principal amount of loan advanced to the Company. The Company issued 833,334 warrants exercisable for a period of 2 years. The exercise price of the warrants is $0.92 per common share and the fair value was $0.36 per warrant. The fair value of the warrants was determined using the Black-Scholes model using the following assumptions: risk-free interest rate of 0.64%, expected volatility of 81%, expected life of 1.5 years, expected dividends of nil.

Transaction costs incurred securing the revolving line of credit were $77,322. All transaction costs have been capitalized and deferred. These deferred transaction costs are being amortized over the term of the agreement under the effective interest method and included in finance costs.

50% of the principal portion of the Term Loan is to be repaid in 7 equal quarterly installments beginning April 1, 2016. The remaining 50% of the Term Loan is paid at maturity.

(in Canadian dollars)

21. Term Loans (continued):

During the period ended September 30, 2016 two separate waivers were signed to defer $178,571 in principal repayments under its $2,500,000 term loan facility. The existing terms of the loan require the Company to repay 50% of the principal in seven equal quarterly installments starting April 1st 2016 with the remainder due at maturity. As a result of the signed waivers by the Lenders, the first and second principal repayment installments of the loan have now been deferred and added to the principal repayment due in November 2017.

On September 30, 2016, approximately $178,571 of the principal portion of the Term Loan (tranche 1) was repaid as per the original agreement.

During the period ending September 30, 2016 a second Term Loan (tranche 2) of $1,000,000 was made pursuant to a Credit Agreement dated September 1, 2016, between the Company, its subsidiaries and various lenders (the "Lenders"), including several individuals that are non-arm's length to the Corporation (the "NAL Lenders"). The NAL Lenders included several officers and one director of the Company who funded an aggregate of $500,000 of the loan.

The following table outlines the activity of the term loans during the periods ended September 30, 2016 and December 31, 2015:

Amortized cost, January 1, 2016	$	2,143,075
Amounts drawn		1,000,000
Accrued interest		335,782
Payment of interest		(298,733)
Principal amount repaid		(178,571)
Balance, September 30, 2016	$	3,001,552
Amortized cost, January 1, 2015	$	–
Amounts drawn, net of transaction costs and warrants		2,120,106
Accrued interest		74,840
Payment of interest		(51,871)
Principal amount repaid		–
Balance, December 31, 2015	$	2,143,075