



AcuityAds Holdings Inc.

Consolidated Interim Financial Statements
(in Canadian dollars)

Three and nine months ended September 30, 2018 and 2017

(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 six months ended September 30, 2018 and 2017 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, 2018	December 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 4,157,709	\$ 4,842,880
Accounts receivable	26,225,174	15,825,374
Prepaid expenses	2,046,871	805,629
Investment tax credits receivable (note 4)	513,998	200,000
	<u>\$ 32,943,752</u>	<u>\$ 21,673,883</u>
Non-current assets		
Restricted cash (note 17(b))	493,026	100,000
Property and equipment (note 3 and 5)	2,890,682	2,431,788
Intangible assets (note 3 and 6)	15,659,139	11,403,101
Goodwill (note 3 and 7)	14,241,863	5,820,380
	<u>\$ 66,228,462</u>	<u>\$ 41,429,152</u>

Liabilities and Shareholders' Equity

Current liabilities		
Accounts payable and accrued liabilities	\$ 21,153,552	\$ 12,072,228
Term loans (note 19)	1,815,750	796,653
Revolving line of credit (note 18)	6,518,974	11,297,000
Current portion of international loans (note 20)	1,905,520	–
Current portion of finance lease obligations (note 8)	1,325,527	1,054,418
	<u>\$ 32,719,323</u>	<u>\$ 25,220,299</u>
Non-current liabilities		
Term loans (note 19)	3,321,515	–
Earn out – acquisition (note 3 and 14)	12,363,009	752,700
International loans (note 20)	1,979,532	–
Finance lease obligations (note 8)	1,205,331	1,013,564
	<u>\$ 18,869,387</u>	<u>\$ 1,766,264</u>
Total liabilities	\$ 51,588,710	\$ 26,986,563
Shareholders' equity	\$ 14,639,752	\$ 14,442,589
Going concern (note 1)		
Total liabilities and shareholders' equity	<u>\$ 66,228,462</u>	<u>\$ 41,429,152</u>

The accompanying notes form an integral part of these 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 Loss
(in Canadian dollars)

Nine months ended September 30, 2018 and September 30, 2017
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Revenue				
Managed services	\$ 12,887,288	\$ 10,050,099	\$ 26,680,891	\$ 26,605,351
Self-service	4,410,882	4,473,550	10,618,772	16,710,868
	17,298,170	14,523,649	37,299,663	43,316,219
Media costs	7,985,576	7,407,216	17,464,804	21,956,181
Gross profit	\$ 9,312,594	\$ 7,116,433	\$ 19,834,859	\$ 21,360,038
Operating expenses				
Sales and marketing	5,235,354	4,702,051	12,160,569	12,312,329
Technology (note 4)	1,495,077	2,438,053	4,070,141	6,045,853
General and administrative	1,384,488	1,363,741	4,249,542	3,958,449
Share-based compensation (note 10(c))	221,949	541,697	897,739	1,134,572
Fair value gain (note 14)	–	(3,316,080)	–	(3,316,080)
Impairment loss (note 6)	–	1,894,849	–	1,894,849
Acquisition costs (note 3)	748,252	–	1,261,706	547,106
Depreciation and amortization	1,470,995	1,230,892	3,238,215	2,314,738
	\$ 10,556,115	\$ 8,855,203	\$ 25,877,912	\$ 24,891,816
Loss from operations	\$ (1,243,521)	\$ (1,738,770)	\$ (6,043,053)	\$ (3,531,778)
Finance costs (note 11)	586,735	463,854	1,430,987	1,232,399
Foreign exchange loss (gain)	421,161	121,774	163,749	326,260
	\$ 1,007,896	\$ 585,628	\$ 1,594,736	\$ 1,558,659
Loss before income taxes	\$ (2,251,417)	\$ (2,324,398)	\$ (7,637,789)	\$ (5,090,437)
Income taxes	–	21,665	18,701	137,780
Loss for the period	\$ (2,251,417)	\$ (2,346,063)	\$ (7,656,490)	\$ (5,228,217)
Exchange differences on translating foreign operations	(390,948)	(743,624)	(745,583)	(1,282,016)
Comprehensive loss for the period	\$ (1,860,469)	\$ (1,602,439)	\$ (6,910,907)	\$ (3,946,201)
Net loss per share (note 12)				
Basic and diluted	\$ (0.06)	\$ (0.07)	\$ (0.20)	\$ (0.17)

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

ACUITYADS HOLDINGS INC.

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

Nine months ended September 30, 2018 and September 30, 2017
(Unaudited)

Nine months ended September 30, 2018	Common shares		Contributed surplus	Warrants	Other reserves	Deficit	Total
	Number	Amount					
Balance, December 31, 2017	35,280,120	\$ 28,373,296	\$ 3,530,236	\$ 1,195,176	\$ 831,441	\$ (19,487,560)	\$ 14,442,589
Shares issued – options exercised	254,570	205,826	–	–	–	–	205,826
Shares issued – acquisition (note 3)	658,989	713,523	–	–	–	–	713,523
Equity financing (note 10(b))	4,600,000	4,076,689	–	123,462	–	–	4,200,151
Share-based compensation (note 10(c))	–	–	897,739	–	–	–	897,739
Term loan warrants	–	–	–	1,922,272	–	–	1,922,272
Shares issued – Warrants exercised	–	–	–	–	–	–	–
Shares issued – DSUs exercised (note 10(d))	112,400	110,000	(110,000)	–	–	–	–
Warrants expired	–	–	627,493	(627,493)	–	–	–
Other comprehensive loss	–	–	–	–	(85,858)	–	(85,858)
Net loss for the period	–	–	–	–	–	(7,656,490)	(7,656,490)
Balance, September 30, 2018	40,906,079	\$ 33,479,334	\$ 4,945,468	\$ 2,613,417	\$ 745,583	\$ (27,144,050)	\$ 14,639,752

Nine months ended September 30, 2017	Common shares		Contributed surplus	Warrants	Other reserves	Deficit	Total
	Number	Amount					
Balance, December 31, 2016	28,119,009	\$ 13,202,580	\$ 1,982,221	\$ 768,564	\$ (180,783)	\$ (12,927,289)	\$ 2,845,293
Shares issued – options exercised	393,294	344,105	–	–	–	–	344,105
Equity financing (note 10(b))	3,444,000	10,467,880	–	426,612	–	–	10,894,492
Share-based compensation (note 10(c))	–	–	1,134,572	–	–	–	1,134,572
Term loan warrants	–	–	–	–	–	–	–
Shares issued – Warrants exercised	267,769	371,058	–	–	–	–	371,058
Shares issued – DSUs exercised (note 10(d))	70,600	56,597	(56,597)	–	–	–	–
Other comprehensive income	–	–	–	–	1,462,799	–	1,462,799
Net loss for the period	–	–	–	–	–	(5,228,217)	(5,228,217)
Balance, September 30, 2017	32,294,672	\$ 24,442,220	\$ 3,060,196	\$ 1,195,176	\$ 1,282,016	\$ (18,155,506)	\$ 11,824,102

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

ACUITYADS HOLDINGS INC.

Consolidated Interim Statements of Cash Flows
(in Canadian dollars)

Nine months ended September 30, 2018 and 2017
(Unaudited)

	September 30, 2018	September 30, 2017
Cash flows used in operating activities:		
Net loss for the period	\$ (7,656,490)	\$ (5,228,217)
Adjustments to reconcile net loss to net cash flows		
Depreciation and amortization	3,238,215	2,314,738
Finance costs (note 11)	1,430,987	1,232,399
Share-based compensation (note 10(c))	897,739	1,134,572
Fair value gain (note 15)	–	(3,316,080)
Impairment loss (note 6)	–	1,894,849
Change in non-cash operating working capital		
Accounts receivable	5,802,699	6,723,429
Other current assets	207,652	(172,023)
Investment tax credits receivable	25,000	45,000
Accounts payable and accrued liabilities	(5,256,885)	(8,018,698)
Interest paid, net	(1,111,019)	(939,922)
	\$ (2,422,102)	\$ (4,329,953)
Cash used in investing activities		
Additions to property and equipment (note 5)	(1,786,138)	(1,829,580)
Additions to intangible assets (note 6)	(1,248,174)	–
Acquisition of ADman – net of cash acquired (note 3)	(2,244,126)	–
Acquisition of Visible Measures Corp. – net of cash acquired (note 3)	–	(13,069,145)
	(5,278,438)	(14,898,725)
Cash flows from financing activities		
Net proceeds from revolving line of credit – net of transaction costs (note 18)	1,568,125	14,393,495
Repayment of line of credit (note 18)	(6,592,696)	(11,161,955)
Net proceeds from term loan – net of transaction costs (note 19)	7,006,597	–
Repayment of term loans principal (note 19)	(999,431)	(750,000)
Additions to international loans	1,281,365	–
Repayment of international loans	(170,667)	–
Additions to finance leases	1,446,128	1,441,242
Earn out – acquisition (note 3 and 14)	–	(1,369,053)
Repayment of finance leases	(930,029)	(610,402)
Net proceeds from equity financing, (note 10(b))	4,200,151	10,894,492
Proceeds from the exercise of warrants	–	344,105
Proceeds from the exercise of stock options	205,826	371,059
	\$ 7,015,369	\$ 13,552,983
Decrease in cash and cash equivalents	(685,171)	(5,675,695)
Cash and cash equivalents, beginning of period	4,842,880	7,271,408
Cash and cash equivalents, end of period	\$ 4,157,709	\$ 1,595,713

Supplemental disclosure of non-cash transactions

Additions to property and equipment under finance leases \$ 1,479,095 \$ 1,528,212

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

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

1. Corporate information and going concern:

AcuityAds Holdings Inc. (“AcuityAds Holdings” or the “Company”), and its wholly owned subsidiaries AcuityAds Inc., AcuityAds US Inc., 140 Proof, Inc. (“140 Proof”), Visible Measures Corp. (“Visible Measures”) (including its wholly owned subsidiaries), AcuityAds MM Inc., ADman Interactive S.L. (“ADman”) and 2422330 Ontario Inc., a company that holds certain technology assets, is a leading provider of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile campaigns. AcuityAds Holdings is a publicly traded company, 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”) in Canada, under the trading symbol “AT”.

These 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 small positive working capital position. Management may continue 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 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 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.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

2. Basis of presentation and significant accounting policies:

(a) Statement of compliance:

These consolidated interim financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated interim financial statements are based on IFRS issued and outstanding as of September 30, 2018. The date the Board of Directors approved the consolidated interim financial statements for issue is November 14, 2018.

(b) Basis of presentation:

These consolidated interim financial statements are prepared in Canadian dollars, which is the Company's functional and reporting currency and have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes.

(c) Significant accounting policies:

The disclosures contained in these unaudited interim consolidated financial statements do not include all the requirements of IFRS for annual financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2017.

The unaudited interim consolidated financial statements are based on accounting policies, as described in note 1 to the 2017 audited annual consolidated financial statements, except as described below.

(d) Change in Accounting Policies:

The Company has adopted the following new standards, along with any consequential amendments, effective January 1, 2018. These changes were made in accordance with applicable transitional provisions.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

2. Significant accounting policies (continued):

(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 entity's future cash flows. This new standard is in effect for the Company's consolidated interim financial statements for the period ended September 30, 2018.

(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 in effective for the Company's consolidated interim financial statements for the period ended September 30, 2018.

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

On January 13, 2016, the IASB published IFRS 16, Leases, which replaces the current guidance in IAS 17, Leases. 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. The Company is assessing the impact of this new standard on the consolidated interim financial statements.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

3. Acquisition:

Effective September 1, 2018 AcuityAds acquired certain sales related assets of Magnetic Media Online Holdings Inc., a US based artificial intelligence adtech company for \$0 upfront and an earnout which is expected to be US\$2,435,388 (CDN\$3,179,398). The acquisition has been accounted for as a business combination with AcuityAds as the acquirer.

A preliminary allocation of the purchase price in USD is as follows:

Net Assets acquired and goodwill	
Accounts receivable	\$8,855,764
Prepaid expenses	351,231
Accounts Payable and accrued liabilities	6,771,607
	\$ 2,435,388

Total transaction costs of \$562,888 were incurred relating to the acquisition and included in the consolidated interim statement of comprehensive income (loss) for both the three and nine months ended September 30, 2018.

On June 15, 2018, the Company completed the purchase of 100% of the shares of Adman, a European company. Pursuant to the purchase and effective upon closing, ADman became a wholly owned subsidiary of AcuityAds and all issued and outstanding preferred and common shares of ADman were transferred to AcuityAds. The total consideration was €7,898,579, which included €1,933,258 (\$2,964,458 CDN) cash and, €465,321 (\$713,523 CDN) in the value of shares of AcuityAds. In addition to the cash and share consideration there is a performance based earn out of an estimated amount of €5,500,000 (\$8,433,700 CDN) dependant on ADman's future earnings over 36 months to a maximum amount of €15,000,000.

A preliminary allocation of the purchase price in EURO's is as follows:

Net Assets acquired and goodwill	
Cash and cash equivalents	€ 453,304
Accounts receivable	3,001,262
Other current and non-current assets	1,176,680
Intangible assets	3,170,000
Goodwill	5,492,032
Current and non-current liabilities	(5,394,699)
	€ 7,898,579

The acquisition has been accounted for as a business combination with AcuityAds Holdings as the acquirer. Transaction costs associated with the acquisition and incurred by ADman and the Company were expensed in the period.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

3. Acquisition (continued):

Total transaction costs of \$185,364 and \$698,818 were incurred relating to the acquisition and included in the consolidated interim statement of comprehensive income (loss) for the three and nine months ended September 30, 2018.

On March 31, 2017, the Company completed the purchase of 100% of the shares of Visible Measures Corp, a Boston based company. Pursuant to the purchase and effective upon closing, Visible Measures became a wholly owned subsidiary of AcuityAds Holdings and all issued and outstanding preferred and common shares of Visible Measures were transferred to AcuityAds Holdings. In exchange for 100% of the shares of Visible Measures, the Company paid a total cash consideration of \$9,840,903 USD (\$13,087,417 CDN). The cash consideration paid at closing of the acquisition was adjusted to meet certain working capital requirements and standard hold-backs for representations and warranties provided on behalf of the sellers.

Allocation of the purchase price in USD is as follows:

Net Assets acquired and goodwill	
Cash and cash equivalents	\$ 13,739
Accounts receivable	3,958,015
Other current and non-current assets	554,736
Intangible assets	8,499,100
Goodwill	1,764,696
Current liabilities	(4,949,383)
	\$ 9,840,903

The acquisition has been accounted for as a business combination with AcuityAds Holdings as the acquirer. Transaction costs associated with the acquisition and incurred by Visible Measures are recognized in the consolidated statement of comprehensive income (loss) for the year ended December 31, 2017 as well as transaction costs incurred by the Company relating to the acquisition. As at the date of these consolidated interim financial statements, allocation of the purchase price had been finalized and management has determined the fair values of identifiable assets and liabilities assumed and determined the value of goodwill.

Total transaction costs relating to the acquisition and included in the consolidated interim statement of comprehensive income (loss) for the three and nine months ended September 30, 2017 are \$89,805 and \$547,106.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

4. Investment tax credits receivable:

As at September 30, 2018, \$175,000 of investment tax credits and \$338,998 international tax credits have been recorded relating to 2018 research and development expenditures. In addition, approximately \$200,000 has been received relating to 2017 research and development expenditures.

5. Property and equipment:

	Furniture and fixtures	Data centre equipment	Office computer equipment	Equipment under finance leases	Total
Net book value, December 31, 2017	\$ 181,735	\$ 22,099	\$ 185,092	\$ 2,042,862	\$ 2,431,788
Additions	100,203	25,284	213,422	1,479,095	1,818,004
Depreciation	(48,435)	(9,781)	(267,324)	(1,033,570)	(1,359,110)
Net book value, September 30, 2018	\$ 233,503	\$ 37,602	\$ 131,190	\$ 2,488,387	\$ 2,890,682

	Furniture and fixtures	Data centre equipment	Office computer equipment	Equipment under finance leases	Total
Net book value, December 31, 2016	\$ 113,528	\$ 39,443	\$ 142,033	\$ 1,602,026	\$ 1,897,030
Additions	105,010	22,167	241,481	1,594,652	1,963,310
Depreciation	(36,803)	(39,511)	(198,422)	(1,153,816)	(1,428,552)
Net book value, December 31, 2017	\$ 181,735	\$ 22,099	\$ 185,092	\$ 2,042,862	\$ 2,431,788

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

6. Intangible assets:

	Customer relationships	Tradenname	Technology	Total
Net book value, December 31, 2017	\$ 4,329,789	\$ 5,205,632	\$ 1,867,680	\$ 11,403,101
Additions	2,407,438	782,034	2,945,671	6,135,143
Amortization	(606,607)	(662,308)	(610,190)	(1,879,105)
Net book value, September 30, 2018	\$ 6,130,620	\$ 5,325,358	\$ 4,203,161	\$ 15,659,139

	Customer relationships	Tradenname	Technology	Total
Net book value, December 31, 2016	\$ 868,216	\$ 418,300	\$ 2,063,534	\$ 3,350,050
Additions	4,780,060	5,635,850	1,237,043	11,652,953
Amortization	(581,139)	(631,219)	(492,695)	(1,705,053)
Impairment	(737,348)	(217,299)	(940,202)	(1,894,849)
Net book value, December 31, 2017	\$ 4,329,789	\$ 5,205,632	\$ 1,867,680	\$ 11,403,101

Following the loss of a major contract in the 140 Proof operations, management has recalculated the recoverable amount of the customer relationships, tradenname and technology pertaining to the 140 Proof as at September 30, 2017. An impairment loss of \$1,894,849 was recognized, and the customer relationships, tradenname and technology pertaining to the 140 Proof were written down to their recoverable amounts of \$nil, \$97,249 and \$866,662, respectively. The recoverable amounts were determined by reference to the assets' value in use. The main valuation inputs used were discount rate of 22.5% and estimated cash flows projections (see note 7).

During the period ended September 30, 2018 the Company capitalized \$1,248,174 of development costs relating to revenue generating technology.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
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7. Goodwill:

Following the loss of a major customer contract in the 140 Proof operations, management has calculated the recoverable amount of the 140 Proof CGU as at December 31, 2017.

The recoverable amount of the CGU was determined based on value-in-use calculations using discounted cash flow (DCF) methodology. This approach requires assumptions about revenue growth rates, operating margins, tax rates and discount rates. The maintainable discretionary after-tax cash flows from operations are based on historical results and the Company's projected results. In arriving at its forecasts, the Company considered past experience, economic trends and inflation as well as industry and market trends. The assumptions used by the Company in its goodwill impairment testing are as follows: discount rate 22.5%, budgeted gross margin 60%, and terminal growth rate 2%.

The recoverable amount for the 140 Proof CGU was in excess of its carrying value. Management has considered and assessed reasonably possible changes for other key assumptions and have not identified any other instances that could cause the carrying amount of the 140 Proof CGU to exceed its recoverable amount.

As there were no indicators for impairment of any of the other CGUs, management has not adjusted any of the other impairment calculations.

8. Finance lease obligations:

	September 30, 2018	December 31, 2017
Obligations under finance leases	\$ 2,530,858	\$ 2,067,982
Less: Current portion	1,325,527	1,054,418
	<u>\$ 1,205,331</u>	<u>\$ 1,013,564</u>

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

2018	\$ 402,774
2019	1,388,742
2020	694,785
2021	164,279
	<u>\$ 2,650,580</u>
Less interest	119,722
Present value of minimum lease payments	<u>\$ 2,530,858</u>

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
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9. 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, 2018, nil and 500,000 stock options were granted to an officer of the Company (note 10 (c)). For the three and nine months ended September 30, 2017, nil and 50,000 stock options were granted to directors and officers of the Company (note 10 (c)).

During the three and nine months ended September 30, 2018, the Company issued approximately 121,942 and 316,742 DSUs to directors and officers of the Company. Of those, 67,250 and 151,450 were granted to officers and 54,692 and 165,292 were granted to directors in lieu of cash bonuses and director fees, all vesting immediately. During the three and nine months ended September 30, 2017, the Company issued approximately 20,850 and 295,075 DSUs to directors and officers of the Company. Of those, 8,600 and 251,025 were granted to officers and 12,250 and 44,050 were granted to directors in lieu of cash bonuses and director fees, all vesting immediately.

\$2,263,000 of the outstanding term loans (note 19) relates to amounts loaned by related parties.

10. Share capital and share-based payments:

(a) Share capital:

At September 30, 2018, the Company had an unlimited number of common shares authorized for issuance and 40,906,079 common shares outstanding.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

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

(b) Equity financing:

On March 30, 2017, the Company completed an equity financing, issuing 3,444,000 common shares at a price of \$3.40 per share for gross proceeds of \$11,709,600. The financing was underwritten by a syndicate of underwriters. As part of the share issuance costs, the underwriters received cash commissions of \$702,576 and broker warrants for 6% of the aggregate number of offered common shares. The warrants are exercisable for a period of 24 months following closing of the financing at a purchase price per share equal to the common share issuance price. The Company issued 206,640 broker warrants at a fair value of \$2.05 per warrant that was determined using the Black-Scholes model using the following assumptions: risk-free interest rate of 1.35%, expected volatility of 95%, expected life of 1.50 years and expected dividends of \$nil. The warrants' value of \$426,612 was recognized in contributed surplus with a corresponding reduction of share capital. The Company incurred additional share issuance costs of \$73,966 in connection with the financing.

On December 18, 2017 the Company completed an equity financing, issuing 1,409,021 common shares at a price of \$1.50 per share for gross proceeds of \$2,113,532. The financing was a private placement and no warrants were issued.

On December 18, 2017 the Company completed a conversion of a portion of its debt to equity relating to the subordinated term loan. The Company issued 754,765 common shares in exchange for converting debt at a rate of \$1.50 per share. The gross amount of debt that was converted into equity is \$1,132,144.

On December 21, 2017 the Company completed a second tranche of the offering that occurred on December 18, 2017. The Company issued 100,000 common shares at \$1.50 per share for gross proceeds of \$150,000.

ACUITYADS HOLDINGS INC.

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

On April 17, 2018, the Company completed an equity financing, issuing 4,600,000 common shares at a price of \$1.00 per share for gross proceeds of \$4,600,000. Included in the gross issuance are 1,025,000 common shares that were acquired by some of the Company's officers and directors "The Presidents List". The financing was underwritten by a syndicate of underwriters. In consideration for their services, the underwriters received cash compensation equal to 7% of the gross proceeds of the offering, and broker warrants equal to 7% of the number of shares sold under the offering (except for shares on the President's List, which were subject to a 2% cash commission and 2% broker warrants). The warrants are exercisable for a period of 24 months following closing of the financing at a purchase price per share equal to the common share issuance price. The Company issued 270,750 broker warrants at a fair value of \$0.46 per warrant that was determined using the Black-Scholes model using the following assumptions: risk-free interest rate of 2.18%, expected volatility of 98%, expected life of 1.75 years and expected dividends of nil. The warrants' value of \$123,462 was recognized in contributed surplus with a corresponding reduction of share capital. The Company incurred additional share issuance costs of \$129,099 in connection with the financing. The warrants were issued at an exercise price of \$1.00 per share.

(c) Stock Option Plan:

Under the Company's Stock Option Plan, the Board of Directors may grant stock options to employees, officers, directors and consultants of the Company. As at September 30, 2018, the Company was entitled to issue 4,090,608 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.

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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10. Share capital and share-based payments (continued):

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

	September 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	2,595,596	\$ 2.03	2,333,135	\$ 1.01
Granted	945,000	\$ 0.84	1,007,500	\$ 4.26
Forfeited or cancelled	(205,667)	\$ 3.74	(330,078)	\$ 3.11
Exercised	(254,570)	\$ 0.81	(414,961)	\$ 0.87
Outstanding, end of period	3,080,359	\$ 1.65	2,595,596	\$ 2.03
Options exercisable, end of period	1,677,025	\$ 1.45	1,532,481	\$ 1.02

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

September 30, 2018:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average number of options exercisable
\$0.64	507,500	4.50	—
\$0.78	90,000	1.67	90,000
\$0.83	133,500	2.17	116,834
\$0.94	90,000	1.92	90,000
\$0.98	853,384	1.54	853,384
\$1.00	75,000	2.50	75,000
\$1.06	427,500	5.00	—
\$1.08	75,000	2.50	75,000
\$1.34	10,001	2.42	5,001
\$1.40	10,000	4.25	—
\$1.59	92,769	0.92	92,769
\$1.94	108,333	2.83	75,000
\$2.15	1,538	0.25	1,538
\$4.12	255,000	3.50	85,000
\$4.47	80,834	3.92	27,499
\$4.60	270,000	3.25	90,000
	3,080,359		1,677,025

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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10. Share capital and share-based payments (continued):

September 30, 2017:

Range of exercise prices	Number of options	Weighted average remaining contractual life (years)	Weighted average number of options exercisable
\$0.60	50,000	0.50	50,000
\$0.75	36,750	2.42	30,083
\$0.78	90,000	2.92	90,000
\$0.83	280,166	3.42	133,500
\$0.94	90,000	3.17	90,000
\$0.95	33,333	3.75	–
\$0.98	926,078	2.54	807,130
\$1.00	75,000	3.75	75,000
\$1.08	75,000	3.75	75,000
\$1.34	10,001	3.42	1
\$1.59	93,434	1.92	93,436
\$1.94	125,000	3.83	37,500
\$2.15	9,232	0.50	9,232
\$4.12	392,500	4.75	–
\$4.60	435,000	4.50	–
\$4.47	127,500	4.92	–
	2,847,327		1,490,880

During the three and nine months ended September 30, 2018, the Company recorded share-based compensation expense under the Black Scholes options pricing model related to stock options granted to employees, officers, directors and consultants of the Company of \$221,949 and \$897,739 (2017 – \$541,697 and \$1,134,572).

During the three and nine months ended September 30, 2018, the Company granted 427,500 and 945,000 stock options respectively with a weighted average exercise price of \$1.06 and \$0.84 (2017 – granted 130,000 and 1,007,500 stock options) to employees, officers, directors and consultants of the Company. Of those options, nil and 500,000 options were granted to an officer of the Company (2017 – 125,000 and 812,500 stock options were granted). Nil and 17,500 options were granted to consultants as compensation for services rendered at a weighted average price of nil and \$1.07 all expiring during 2023. (2017 – nil and 200,000 stock options were granted).

During the three and nine months ended September 30, 2018, 44,487 and 254,570 options were exercised at a weighted average exercise price of \$0.92 and \$0.81 per option, for gross proceeds of \$41,097 and \$205,826 (2017 – 57,999 and 393,295 options were exercised at a weighted average exercise price of \$1.15 and \$0.87 per option, for gross proceeds of \$66,947 and \$343,925).

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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10. Share capital and share-based payments (continued):

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the weighted average assumptions for options granted during the periods ended September 30 as follows:

	2018	2017
Weighted average grant date fair value of options granted	\$1.42	\$1.53
Weighted average assumptions used:		
Expected option life	5 years	5 years
Risk-free interest rate	1.44%	1.31%
Dividend yield	–	–
Expected volatility	105%	98%

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.

(d) Deferred Share Units ("DSUs")

During the three and nine months ended September 30, 2018, the Company issued 358,108 and 701,808 DSUs to employees, officers, independent directors, and consultants of the company all vesting immediately. During the three and nine months ended September 30, 2018, nil and 112,400 DSUs have been redeemed.

11. Finance costs:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Finance costs:				
Interest on finance leases and other interest	\$ 184,349	\$ 115,643	\$ 298,604	\$ 347,533
Interest and fees on revolving line of credit (note 18)	159,348	176,076	564,221	335,047
Interest and fees on term loans (note 19)	243,038	172,135	568,162	549,819
Total finance costs	\$ 586,735	\$ 463,854	\$ 1,430,987	\$ 1,232,399

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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12. Net loss per share:

The computations for basic and diluted net loss per share for the three and nine months ended September 30, 2018 and 2017 are as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net loss for the period	\$ (2,251,417)	\$ (2,346,063)	\$ (7,656,490)	\$ (5,228,217)
Weighted average number of shares outstanding, basic and diluted	35,300,510	32,220,657	39,129,007	31,373,024
Net loss per share, basic and diluted	\$ (0.06)	\$ (0.07)	\$ (0.20)	\$ (0.17)

Exercisable options to purchase 1,677,025 common shares (2017 – 1,490,880) and 2,941,879 warrants (2017 – 1,283,467) were outstanding as at September 30, 2018. The weighted average number of options and warrants were excluded from the calculation of diluted loss per share for the periods ended September 30, 2018 and 2017 because their inclusion would have been anti-dilutive.

13. Segment information:

The Company's assets and operations are substantially located in Canada; however, the Company has employees and customers in the United States, Europe, Middle East and Africa and generates revenue in each region. Revenue by region is as follows:

	Three months ended		Nine months ended September	
	September 30,		30,	
	2018	2017	2018	2017
Canada	\$ 4,257,643	\$ 3,101,443	\$ 9,167,285	\$ 8,058,988
United States	10,978,490	8,756,502	22,947,871	24,161,247
Other	2,062,037	2,665,704	5,184,507	11,095,984
	\$ 17,298,170	\$ 14,523,649	\$ 37,299,663	\$ 43,316,219

During the three and nine months ended September 30, 2018, the Company had one customer that represented 5% and 5% of total revenue. In 2017, the Company had one customer that represented 6% and 12% of total revenue.

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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Three and nine months ended September 30, 2018 and 2017
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14. Fair value of financial instruments:

(a) Classification of financial instruments:

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

September 30, 2018	Loans and receivables/ financial liabilities
Measurement basis	Amortized cost
Financial assets	
Cash and cash equivalents	\$ 4,157,709
Restricted cash	493,026
Accounts receivable	26,225,174
Investment tax credits receivable	513,998
Government grants receivable	29,639
	\$ 31,419,546
Financial liabilities	
Accounts payable and accrued liabilities	\$ 21,153,552
Revolving line of credit	6,518,974
Term loans	5,137,265
Finance lease obligations	2,530,858
International loans	3,885,052
Earn out – acquisition	12,363,009
	\$ 51,588,710
December 31, 2017	
Measurement basis	
Amortized cost	
Financial assets	
Cash and cash equivalents	\$ 4,842,880
Restricted cash	100,000
Accounts receivable	15,825,374
Investment tax credits receivable	200,000
Government grants receivable	111,000
	\$ 21,079,254
Financial liabilities	
Accounts payable and accrued liabilities	\$ 12,072,228
Revolving line of credit	11,297,000
Term loans	796,653
Finance lease obligations	2,067,982
Earn out – acquisition	752,700
	\$ 26,986,563

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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14. Fair value of financial instruments (continued):

(b) 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, revolving line of credit, repayable government grant, accounts payable and accrued liabilities, current portion of finance lease obligations, current portion of earn out and current portion of term loans 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 interim statement of financial position and the market rates of interest is not considered 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 periods ended September 30, 2018 and 2017 between any of the levels.

The following table presents changes in Level 3 items for the period ending September 30, 2018

	Earn out acquisition
Opening balance, January 1, 2018	\$ 752,700
Acquisitions	11,613,098
Re-measurement of the fair value	—
Payments	—
Foreign exchange impact	(2,789)
Closing balance, September 30, 2018	\$ 12,363,009

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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14. Fair value of financial instruments (continued):

The Company has recognized contingent consideration classified as a liability within the consolidated interim statements of financial position. The liability is recorded as the fair value of future deferred consideration associated with the company acquired during the period. Fair value is determined based on management's estimate of the present value of the amounts expected to be paid subject to the contingent performance targets for the respective acquisition.

Re-measurement of the fair value of contingent consideration is performed by the Company at each financial reporting period. Key unobservable inputs comprise management's best estimate of probability that the acquired business will achieve specified gross margin and contribution margin targets in specified time frames following the respective acquisition. The estimated fair value increases as the estimated probability associated with the gross margin and contribution margin targets increase and vice versa for decreases in fair value.

15. Capital risk management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity (deficiency), which comprises issued capital, contributed surplus and deficit. The Company manages its capital structure and makes adjustments to it in working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from the Board of Directors, may issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements, except for certain monthly financial covenants associated with the revolving line of credit as described in note 19.

16. Financial risk management:

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's risk management policies on an annual basis. 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.

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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16. Financial risk management (continued):

(a) Credit Risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash. As at September 30, 2018, no customers represented 10% or more of the gross accounts receivable balance of \$26,728,666. As at December 31, 2017, no customers represented 10% or more of the gross accounts receivable balance of \$16,146,162.

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.

No individual customers represented more than 5% of accounts receivable. As at September 30, 2018, the allowance for doubtful accounts was \$503,494 (December 31, 2017 – \$320,788). In establishing the appropriate allowance for doubtful accounts, management applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivables. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics. Overdue accounts as at September 30, 2018 were \$3,317,534, which is in the normal course of business. Management believes that the allowance for doubtful accounts is adequate.

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, 2018 is not subject to external restrictions, except for \$493,026 that 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.

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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16. Financial risk management (continued):

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue, 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. In the event that future cash flows from operations are lower than expected, the Company may seek additional financing, either by issuing additional equity or by undertaking additional borrowings. There is no certainty that additional financing will be available or that it will be available on attractive terms.

The following are the contractual maturities for the financial liabilities:

September 30, 2018	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	\$ 21,153,552	\$ 21,153,552	\$ 21,153,552	\$ –	\$ –
Revolving line of credit	6,518,974	6,518,974	6,518,974	–	–
International loans	3,885,052	3,885,052	1,905,520	1,979,532	–
Earn out – acquisition	12,363,009	12,363,009	–	12,363,009	–
Term loans	5,137,265	7,263,000	1,815,750	5,447,250	–
	\$ 49,057,852	\$ 51,183,587	\$ 31,393,796	\$ 19,789,791	\$ –

December 31, 2017	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	> 3 years
Accounts payable and accrued liabilities	\$ 12,072,228	\$ 12,072,228	\$ 12,072,228	\$ –	\$ –
Revolving line of credit	11,297,000	11,297,000	11,297,000	–	–
Earn out – acquisition	752,700	752,700	–	752,700	–
Term loans	796,653	988,715	988,715	–	–
	\$ 24,918,581	\$ 25,110,643	\$ 24,357,943	\$ 752,700	\$ –

ACUITYADS HOLDINGS INC.

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16. Financial risk management (continued):

(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 3.00%. The term loan bears interest at a fixed rate of 12.00%, which the Company believes is consistent with market interest rates for this type of debt. The international loans bear interest rates on an average of 2.07%.

(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, 2018, 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, 2018.

The Company has performed a sensitivity analysis in respect of foreign exchange exposure in 2018. 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 2018. The sensitivity analysis indicated that a hypothetical 10% adverse movement in foreign currency exchange rates would result in an increase in net loss for 2018. 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 \$1,159,016 due to the fluctuation and this would be recorded in the consolidated interim statement of comprehensive income (loss).

ACUITYADS HOLDINGS INC.

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16. Financial risk management (continued):

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

	September 30, 2018	December 31, 2017
Cash	\$ 1,815,770	\$ 2,671,659
Accounts receivable	18,930,605	13,549,129
Accounts payable	13,454,550	7,430,937
Earn out – acquisition	776,700	752,700
Line of credit	6,518,974	11,297,000

17. Commitments and contingencies:

(a) Non-cancellable operating lease rentals:

Non-cancellable operating lease rentals are payable as follows:

	September 30, 2018	December 31, 2017
Less than 1 year	\$ 1,006,421	\$ 1,132,334
Between 1 and 5 years	322,818	955,390
	\$ 1,329,239	\$ 2,087,724

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

During nine months ended September 30, 2018, an amount of \$945,412 was recognized as an expense in comprehensive income (loss) in respect of operating leases (2017 – \$802,014).

ACUITYADS HOLDINGS INC.

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17. Commitments and contingencies (continued):

(b) Restricted cash:

On July 21, 2015, the Company entered into a letter of credit in the amount of \$250,000. The letter of credit is security that relates to an office lease in Toronto and held at a Canadian financial institution and is drawn down by the landlord over the term of the lease. \$125,000 was returned to the Company in August 2016. \$25,000 was returned to the Company during 2017.

On June 15, 2018, the Company acquired ADman who currently has a letter of credit outstanding for \$393,026.

18. Revolving line of credit:

On November 13, 2015, the Company secured a US\$3,500,000 (approximately CDN\$4,600,000) 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\$6,500,000 (approximately CDN\$8,500,000). On March 30, 2017, the Company secured an addendum to the revolving line of credit increasing the total borrowing limit to US\$10,000,000 (approximately CDN\$13,300,000).

On June 29, 2018 the Company secured a further addendum to the SVB facility, which amended certain financial covenants and extended the maturity date to October 31, 2018 at a rate of prime plus 3.00% per annum. At September 30, 2018, the prime rate was 5.25%. 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 receivable.

The following table outlines the activity of the revolving line of credit during the periods ended September 30, 2018 and December 31, 2017:

Balance, January 1, 2018	\$ 11,297,000
Amount drawn from revolving line of credit	1,568,125
Accrued interest on revolving line of credit	564,221
Payment of interest on revolving line of credit	(499,971)
Foreign exchange differences	182,295
Principal amount repaid	(6,592,696)
Balance, September 30, 2018	\$ 6,518,974

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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18. Revolving line of credit (continued):

Balance, January 1, 2017	\$ 6,536,724
Amount drawn from revolving line of credit	16,628,745
Accrued interest on revolving line of credit	529,928
Payment of interest on revolving line of credit	(441,563)
Foreign exchange differences	(794,879)
Principal amount repaid	(11,161,955)
<hr/>	
<u>Balance, December 31, 2017</u>	<u>\$ 11,297,000</u>

During the period ending September 30, 2018, \$110,329 transaction costs were incurred securing the revolving line of credit (2017 – \$59,787). 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 credit receivables and a pledge of all shares of any direct or indirect subsidiary of the Company. Under the terms of the revolving line of credit, the Company is required to comply with certain financial covenants and certain performance metrics.

19. Term loans:

On June 15, 2018, all outstanding principal balances related to previous term loans were repaid and the Company obtained a new \$7,263,000 term loan (the “Loan”) from a group of private lenders (the “Lenders”). The Loan was made pursuant to a credit agreement dated June 15, 2018, between the Company and various Lenders, including several individuals that are non-arms length to the Company (the “NAL Lenders”). The NAL Lenders include several officers and directors of the Company who funded an aggregate of \$2,263,000 of the loan.

The Loan is subordinate to the Company’s existing credit facility with Silicon Valley Bank and has a term of two years. The Loan accrues interest at the rate of 12.0% per annum and the Lenders were issued an aggregate of 2,420,990 warrants (the “Warrants”) as a bonus warrants in connection with the Loan. Each warrant entitles the Lender to acquire one share for a period of two years at an exercise price of \$1.01, which represents the closing price of the shares on June 14, 2018. The 2,420,990 warrants have a fair value of \$0.46 per warrant. The fair value of the warrants was determined using the Black-Scholes model using the following assumptions: risk-free interest rate of 2.18%, expected volatility of 98%, expected life of 1.75 years, expected dividends of nil.

ACUITYADS HOLDINGS INC.

Notes to Consolidated Interim Financial Statements (continued)
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19. Term loans (continued):

Transaction costs incurred in securing the term loan were \$256,403 included in that amount are nominal fees that the Company agreed to pay to two eligible parties assisting in the loan. 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 rate method and included in the finance costs.

50% of the principal portion of the term loan is to be repaid in 6 equal quarterly installments beginning January 1, 2019. The remaining 50% of the term loan is paid at maturity.

The following table outlines the activity of the term loans during the periods ended September 30, 2018 and December 31, 2017:

Balance, January 1, 2018	\$ 796,653
Amounts borrowed, net of transaction costs and warrants issued	5,084,325
Accrued interest	568,162
Payment of interest	(312,444)
Principal amount repaid	(999,431)
Balance, September 30, 2018	\$ 5,137,265
Balance, January 1, 2017	\$ 2,840,312
Amounts borrowed, net of transaction costs	–
Accrued interest	671,746
Payment of interest	(393,405)
Principal amount repaid	(1,189,856)
Term loan converted to equity	(1,132,144)
Balance, December 31, 2017	\$ 796,653

20. International loans:

As a part of the ADman acquisition various amounts of government loans and bank line of credits have been incorporated into these consolidated interim financial statements. The various loans range from €10,000 to €500,000 and bear an interest rate on average between all loans of 2.07%.

ACUITYADS HOLDINGS INC.

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

Three and nine months ended September 30, 2018 and 2017
(Unaudited)

21. Subsequent Event:

On October 18, 2018, the Company and Silicon Valley Bank agreed to increase its line of credit to US\$15,000,000 up from US\$10,000,000 and extend the maturity date to March 2020. In addition, the applicable interest rate has been reduced to prime plus 1.50% from prime plus 3.0%