



ACUITYADS HOLDINGS INC.

**ANNUAL INFORMATION FORM
FOR THE YEAR ENDED DECEMBER 31, 2017**

August 21, 2018

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MEANING OF CERTAIN REFERENCES

Unless otherwise defined herein, capitalized terms used in this AIF are defined in the “Glossary” section of this AIF. Except where otherwise indicated, all references to dollar amounts and “\$” are to Canadian dollars and the “Corporation” or “AcuityAds” refers to AcuityAds Holdings Inc. and its subsidiary entities on a consolidated basis and, in the case of references to matters undertaken by a predecessor in interest to the Corporation or its subsidiary entities, includes each such predecessor in interest, unless the context otherwise requires. Any statements in this AIF made by or on behalf of management of the Corporation are made in such persons’ capacities as officers of the Corporation and not in their personal capacities. All information in this AIF is stated as at December 31, 2017, unless otherwise indicated.

FORWARD-LOOKING INFORMATION

This AIF contains “forward-looking information” under applicable Canadian securities legislation. Forward-looking information is characterized by words such as “plan”, “expect”, “budget”, “target”, “project”, “intend”, “believe”, “anticipate”, “estimate”, “should”, “predict”, “potential”, “continue” and other similar words, or statements that certain events or conditions “may” or “will” occur. Except for statements of historical fact relating to the Corporation, information contained herein constitutes forward-looking information, including, but not limited to, statements regarding the Corporation’s strategy, plans or future financial or operating performance; the continuing competitiveness of the Self-Serve Programmatic Marketing Platform and its service offerings, including Managed Services; the continuation and success of the Corporation’s partnerships with other organizations; the Corporation’s intentions to improve its Self-Serve Programmatic Marketing Platform and service offerings, including Managed Services, strengthen relationships with existing customers, and expand its customer base and its presence in the U.S. and globally; continuing investment in research, development and marketing; the Corporation’s ability to expand into additional advertising channels, including programmatic TV, gain market penetration and grow sales and revenue; the Corporation’s intention to acquire complementary businesses and technologies; the Corporation’s ability to manage its brand, increase market awareness and generate new advertiser leads; the Corporations’ ability to meet the needs of digital marketers; and the Corporation’s expectation that reliance on key customers will decrease over time, that the online advertising channels will continue to be a primary channel used by its customers; regarding the future of legislation and regulation related to online advertising and online data collection and usage; regarding the continued operation of third party tools used by the Acuity platform; the benefits of the acquisition of ADman Media and the Corporation’s strategy with respect to ADman Media; and the future of ad blocking and online media fraud.

Forward-looking information is based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made, and are inherently subject to a variety of risks and uncertainties and other known and unknown factors that could cause actual events or results to differ materially from those projected in the forward-looking information. These factors include deviation from the Corporation’s stated expectations regarding the forward-looking statements identified above, as well as those risk factors discussed or referred to herein and in the Corporation’s annual MD&A filed with the Canadian securities regulatory authorities and available under the Corporation’s SEDAR profile at www.sedar.com. Although the Corporation has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended.

Statements containing forward-looking information are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management’s perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the Canadian and global economy will remain stable over the next 12 months; the Corporation will be able to obtain additional financing on reasonable terms or at all; the Corporation will be able to effectively protect its current and future intellectual property rights; the Corporation will be able to recruit and retain the services of its key technical, sales, marketing, operations and management personnel; the Corporation will be able to develop commercially viable solutions as a result of its research and development activities; and that the risks referenced above and herein, collectively or individually, will not have a material impact on the Corporation. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. The Corporation undertakes no obligation to update forward-looking information if circumstances or management's estimates, assumptions or opinions should change, except as required by applicable law. The reader is cautioned not to place undue reliance on forward-looking information. The forward-looking information contained herein is presented for the purpose of assisting investors in understanding the Corporation's expected financial and operational performance and results as at and for the periods ended on the dates presented in the Corporation's plans and objectives and may not be appropriate for other purposes.

MARKET AND INDUSTRY DATA

The market and industry data contained in this AIF are based upon information from independent industry and other publications and the Corporation's management's knowledge of, and experience in, the industry in which the Corporation operates. Market and industry data are subject to variations and cannot be verified with complete certainty due to limits on the availability and reliability of raw data at any particular point in time, the voluntary nature of the data gathering process or other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data are not guaranteed. AcuityAds has not independently verified any of the data from third party sources referred to in this AIF or ascertained the underlying assumptions relied upon by such sources.

TRADEMARKS AND TRADE NAMES

This AIF includes trademarks such as True Reach® and Share of Attention™ which are protected under applicable intellectual property laws and are the property of the Corporation. Solely for convenience, the trademarks and trade names referred to in this AIF may appear without the ® or ™ symbol, but such references are not intended to indicate, in any way, that the Corporation will not assert, to the fullest extent under applicable law, its rights to these trademarks and trade names.

CORPORATE STRUCTURE

Incorporation

AcuityAds OpCo was incorporated on October 9, 2009 as "AcuityAds Inc." under the OBCA. AcuityAds ParentCo was incorporated pursuant to the provisions of the CBCA on June 28, 2011 as "Wildlaw Capital CPC 2 Inc."

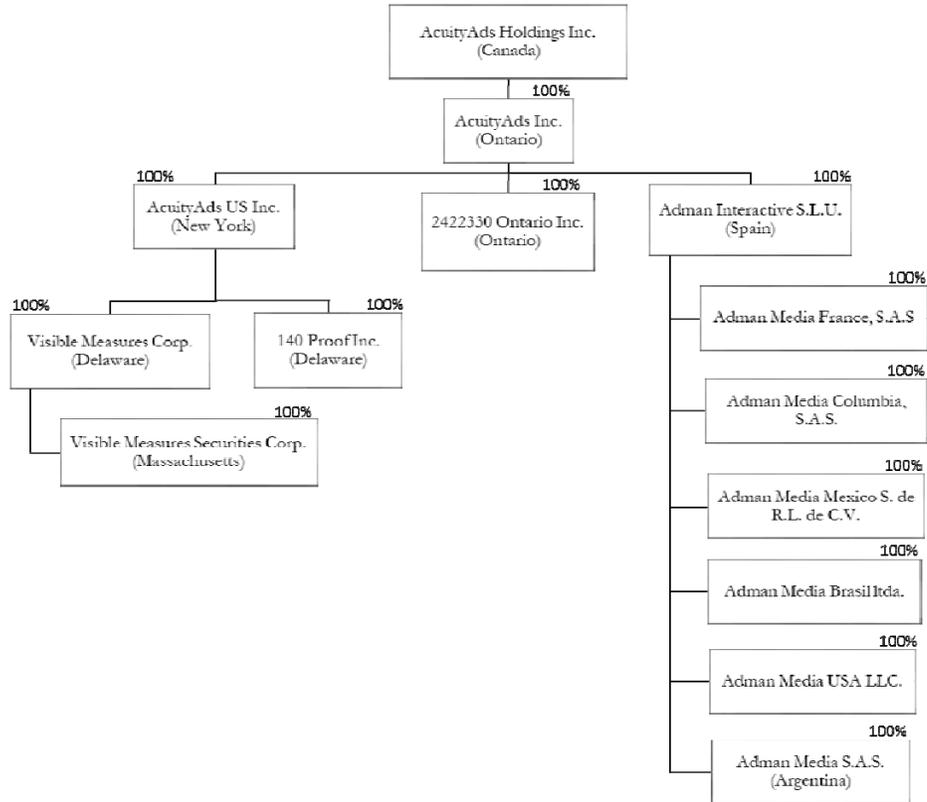
On July 16, 2014, AcuityAds OpCo completed a reverse-takeover of AcuityAds ParentCo (the "RTO"). Pursuant to the RTO, AcuityAds ParentCo, AcquisitionCo and AcuityAds OpCo completed a three-cornered amalgamation under the OBCA pursuant to which (i) the securities of AcuityAds OpCo were exchanged for shares of the Corporation on a one for one basis; (ii) all of the outstanding shares of AcuityAds OpCo were acquired by AcuityAds ParentCo; (iii) AcquisitionCo and AcuityAds OpCo were amalgamated to form AmalCo; and (iv) AmalCo continued as a wholly-owned subsidiary of AcuityAds ParentCo. In connection with the RTO, AcuityAds ParentCo's articles of incorporation were amended to change its name to "AcuityAds Holdings Inc." and the Consolidations were completed.

Prior to the completion of the RTO, AcuityAds ParentCo was classified as a CPC under the policies of the TSXV and accordingly had no commercial operations and no significant assets other than cash. Completion of the RTO constituted the Qualifying Transaction of AcuityAds ParentCo.

The registered and head office of AcuityAds is located at 181 Bay Street, Suite 320, Brookfield Place, Toronto, Ontario M5J 2T3. AcuityAds maintains a website at www.acuityads.com. Information contained on AcuityAds' website is not part of this AIF, nor is it incorporated by reference herein.

Inter-corporate Relationships

A corporate organizational chart reflecting the corporate structure of the Corporation and the jurisdiction under which each of its subsidiaries was incorporated is set forth below:



DESCRIPTION AND GENERAL DEVELOPMENT OF THE BUSINESS

Business of the Corporation

AcuityAds is a technology company that enables marketers to connect intelligently with audiences across video, mobile, social and online display advertising campaigns. A Programmatic Marketing Platform, powered by proprietary machine learning technology, is at the core of its business, accompanied by patented solutions for analytics-led video and mobile targeting that leverages data. AcuityAds empowers marketers by offering near real-time reporting and analytics, bringing accountability to programmatic advertising to deliver business results and help solve the key challenges that digital advertisers face. AcuityAds is headquartered in Toronto and has offices in the U.S., Canada, Spain, France, Brazil, Chile, Mexico, Colombia, and Argentina. Its key customers include both agencies and brands, including large Fortune 500 enterprises and small to mid-sized businesses.

AcuityAds' technology enables programmatic advertising, which is the automated buying and selling of advertising inventory electronically. The platform is based on proprietary machine learning technology, the branch of artificial intelligence involving systems that learn from data inputs and outputs and can perform actions without the need for explicit programming. The platform has the capability to process billions of bid requests on a daily basis.

The AcuityAds Programmatic Marketing Platform allows advertisers to manage their purchasing of online display advertising in real-time using programmatic ad buying, a method of buying online display advertising in which ad spots (called impressions) are released in an auction that occurs in milliseconds. AcuityAds purchases impressions for advertisers through agreements with publishers, ad networks and ad exchanges. Its technology platform benefits advertisers by enabling them to target specific audiences based on demographic and psychographic parameters as well as manage their bid amounts to purchase the advertising inventory that is most relevant for their campaigns. Real-time reporting enables advertisers to monitor specific performance metrics and react and pivot quickly to optimize campaigns to help ensure they achieve consumer targeting goals and key performance indicators.

Three Year History

Acquisitions

140 Proof

On September 1, 2016, the Corporation, through a wholly-owned subsidiary, completed its acquisition of 140 Proof, Inc. (“**140 Proof**”), a San Francisco based industry-leading social and mobile targeting company, for an initial cash payment of US\$3,000,000 (the “**Initial Cash Payment**”) and further payments for performance based earn-outs (subject to the achievement of certain gross profit and contribution margin milestones) over a three-year period to a maximum amount of US\$20,000,000 (the “**140 Proof Acquisition**”). The 140 Proof Acquisition was completed pursuant to the terms and conditions of an agreement and plan of merger dated August 10, 2016 among the Corporation (as guarantor), AcuityAds US Inc., AcuityAds Acquisition Corp., 140 Proof, stockholders of 140 Proof constituting not less than 50% of the voting power of the outstanding shares of capital stock of 140 Proof and Jon Elvekrog in his capacity as stockholder representative (the “**140 Proof Agreement**”). The Initial Cash Payment was financed by the Corporation through a combination of a draw-down on the Line of Credit (as defined herein) together with a \$1,000,000 advance from certain Term Loan Lenders (as defined herein) under the Term Loan (as defined herein). On April 1, 2017, the Corporation completed an earn out payment of approximately US\$1,110,600 in connection with the 140 Proof Acquisition.

140 Proof’s technology uses social data from many sources to target relevant ads based on consumers’ interests as indicated by their social activity. 140 Proof leverages its patented Blended Interest Graph technology to interpret individuals’ social data from over 600 million public social accounts to drive more targeted media strategies.

With the 140 Proof Acquisition, AcuityAds is now able to provide marketers with a better view of their prospective audience through intelligence gained from social signals. Social signals may be determined based on what an individual shares on social networks, such as the influencers they follow. Utilizing this technology, marketers are able to develop a better picture in order to build targeted audiences that are nuanced, comprehensive and more accurate. Not all internet users allow visibility into their online social actions and not all social networks allow listening in on social signals.

Visible Measures

On March 31, 2017, in order to bolster its video advertising segment, the Corporation, through a wholly-owned subsidiary, completed its acquisition of Visible Measures Corp. (“**Visible Measures**”), a leading Boston-based programmatic platform provider for analytics-led video advertising for aggregate cash consideration of approximately US\$10,000,000 (the “**Visible Measures Acquisition**”). The Visible Measures Acquisition was completed pursuant to the terms and conditions of an agreement and plan of merger dated March 9, 2017, as amended, among AcuityAds US Inc., AcuityAds Acquisition Corp., Visible Measures, stockholders of Visible Measures constituting not less than 50% of the voting power of the outstanding shares of capital stock of Visible Measures and Jeff Wakely in his capacity as stockholder representative (the “**Visible Measures Agreement**”). The purchase price for the Visible Measures Acquisition was financed through a combination of the net proceeds of the 2017 Private Placement (as defined herein) and a partial draw-down on the Corporation’s Line of Credit which was increased to US\$10,000,000 concurrently with the closing of the Visible Measures Acquisition.

Visible Measures' True Reach® technology combines views of an original video upload, with its related user-uploaded content in additional properties, such as YouTube, Facebook, Vimeo, DailyMotion and others. By aggregating views across the web and surfacing user-uploaded derivatives, Visible Measures' True Reach® metric tells a more comprehensive story of a video's performance and its true reach and impact. These insights combined with spend data and the ability to track and analyze changes in video advertising spend, media noise, and shifts in consumer attention, help enable brands to determine the overall effectiveness of their campaigns relative to their competitors. The benefits to marketers include being able to control spend dynamically and with more precision while maximizing campaign efficiency.

By leveraging the Visible Measures Acquisition in conjunction with the AcuityAds Programmatic Marketing Platform, the Corporation expects to be able to meet the needs of digital marketers by offering them: (a) access to a rich data set of insights and data analytics regarding their video campaigns to help improve consumer attention and market share; (b) a comprehensive multi-channel programmatic activation platform to help them achieve optimum ROI from their digital advertising spend; and (c) deep domain experience in video, advertising technology/programmatic media and big data analytics for their digital marketing initiatives.

ADman Media

On June 15, 2018, the Corporation completed the acquisition (the "**ADman Acquisition**") of ADman Interactive S.L. ("**ADman Media**"), the largest video Supply Side Platform ("**SSP**") for Spanish-speaking markets in Europe and Latin America.

Under the terms of the definitive agreement with respect to the ADman Acquisition (the "**ADman Agreement**"), the Corporation acquired 100% of ADman Media for approximately €1.8 million in cash, approximately €0.5 million worth of Common Shares paid at closing (which is subject to post-closing working capital adjustments) and an earn-out with a maximum payout of €5.0 million based on certain financial targets for the calendar years 2018, 2019 and 2020.

The Corporation believes the acquisition of ADman Media: (i) expands the Corporation's total addressable market by entering the publisher-direct video supply market; (ii) provides complementary and incremental revenue opportunities for the Corporation to leverage ADman Media's unique inventory and video ad streaming platform in the U.S., which is the second largest Spanish-speaking country in the world, according to the Instituto Cervantes; and (iii) extends the Corporation's global footprint across 9 additional markets in Europe, Latin America and the U.S. The Corporation intends to leverage its expanded global footprint to position itself as the premiere advertising platform for brands seeking to reach Spanish-speaking audiences in Europe, Latin America and the United States. In addition to this existing market opportunity, the Corporation intends to extend this unique and differentiated technology offering beyond Spanish-speaking markets.

Financings

On May 19, 2015, AcuityAds completed a short form prospectus offering of 4,288,100 Common Shares at a price of \$0.70 per Common Share for aggregate gross proceeds to the Corporation of approximately \$3,000,000 (the "**2015 Prospectus Offering**").

On November 12, 2015, AcuityAds completed a debt financing of approximately \$7,000,000, comprised of a US\$3,500,000 million revolving line of credit (the "**Line of Credit**") from Silicon Valley Bank ("**SVB**") and a \$2,500,000 subordinated term loan (the "**Original Term Loan**") from a group of private lenders (the "**Original Lenders**"), including each of the executive officers of the Corporation and Roger Dent, a director of the Corporation, as well as certain employees of the Corporation and associates of the foregoing individuals (collectively, the "**Non-Arm's Length Lenders**"), and together with the other Original Lenders, the "**Original Term Loan Lenders**") who funded an aggregate of \$1,600,000 of the Original Term Loan.

The Line of Credit has been amended and restated, and subsequently amended various times, to be currently available in a maximum principle amount of US\$8,000,000 pursuant to the terms of a fourth loan modification agreement dated June 29, 2018 to the amended and restated loan and security agreement dated as of

March 31, 2017, each among AcuityAds OpCo, SVB and certain of the Corporation's subsidiaries (the "**SVB Credit Agreement**"). The maximum principal amount available under the Line of Credit is based on a percentage of eligible receivables. Subject to certain exceptions, the principal amount outstanding under the Line of Credit accrues interest at a floating per annum rate equal to 3.25% above the Prime Rate (as defined in the SVB Credit Agreement), which rate was extended pursuant to the terms of the third loan modification agreement to the SVB Credit Agreement dated May 10, 2018. In addition, the SVB Credit Agreement (as amended) contains a financial covenant requiring, among other things, that AcuityAds OpCo to maintain at all times a minimum Liquidity Ratio (as defined in the SVB Credit Agreement) of at least 1:1.75 (note the Liquidity Ratio covenant was not operative for the period between January 1, 2018 and July 31, 2018, inclusive). The Line of Credit is secured by a pledge by the Corporation of its interests in its subsidiaries and against the assets of certain of the Corporation's subsidiaries.

The Original Term Loan (which has now been paid in full and fully satisfied) was governed by a credit agreement dated as of November 10, 2015 among AcuityAds OpCo, Cancor Debt Agency (as collateral agent) and the Original Term Loan Lenders, as amended by way of addendum on September 1, 2016 whereby a second tranche of the Original Term Loan was created and the principal amount of the Original Term Loan was increased to \$3,500,000 through an additional \$1,000,000 loan from certain of the Original Term Loan Lenders, of which an aggregate of \$700,000 was advanced by the Non-Arm's Length Lenders, and by way of a waiver and amendment agreement dated March 31, 2017 (collectively, the "**Original Term Loan Credit Agreement**"). The Original Term Loan was extended with an interest rate of 15.25% per annum and was secured by a pledge by the Corporation of its interests in its subsidiaries and against the assets of certain of the Corporation's subsidiaries. In connection with the additional \$1,000,000 term loan described above, an aggregate of 333,333 bonus warrants were issued to certain of the Original Term Loan Lenders, and each such bonus warrant entitles the holder to acquire one Common Share at an exercise price of \$1.84 until September 1, 2018. On November 10, 2017, the Corporation and the Original Term Loan Lenders agreed to extend the maturity date of the Term Loan by an additional year to November 12, 2018, as well as reduce the interest rate from 15.25% to 9%, with all other material terms remaining unchanged. In connection with the extension and amendment of the Original Term Loan described above, an aggregate of 321,426 bonus warrants were issued to certain of the Original Term Loan Lenders, and each such bonus warrant entitled the holder to acquire one Common Share at an exercise price of \$1.80 until November 12, 2018.

On April 4, 2016, the Corporation announced that, as a result of its financial achievements, it accepted a voluntary request from the Term Loan Lenders to defer the first principal repayment of \$178,571 pursuant to the Term Loan. Further, on July 5, 2016, the Corporation announced that it accepted a subsequent voluntary request from the Term Loan Lenders to defer the second principal repayment of \$178,571 pursuant to the Term Loan as a result of the Corporation's financial achievements.

On November 21, 2016, certain founding shareholders of the Corporation participated in a secondary offering of 250,000 Common Shares at a price of \$2.00 per Common Share for aggregate gross proceeds to such shareholders of \$500,000.

On December 21, 2016, the Corporation closed a bought deal private placement offering of 2,173,500 Common Shares at a price of \$2.12 per Common Share for aggregate gross proceeds to the Corporation of \$4,607,820 (the "**2016 Private Placement**"). In connection with the 2016 Private Placement, the underwriters were issued an aggregate of 152,145 broker warrants exercisable into Common Shares at an exercise price of \$2.12 for a period of 24 months from the closing date of the 2016 Private Placement. In addition, the Corporation issued 40,000 Common Shares to Gravitas Securities Inc., the lead underwriter in the 2016 Private Placement.

On March 31, 2017, the Corporation closed a bought deal private placement offering of 3,440,000 Common Shares at a price of \$3.40 per Common Share for aggregate gross proceeds to the Corporation of approximately \$11,710,000 (the "**2017 Private Placement**"). In connection with the 2017 Private Placement, the underwriters were issued an aggregate of 206,640 broker warrants exercisable into Common Shares at an exercise price of \$3.40 for a period of 24 months from the closing date of the 2017 Private Placement.

On March 31, 2017, a secondary offering of 1,000,000 Common Shares owned by certain founding shareholders of the Corporation closed concurrently with the 2017 Private Placement for aggregate gross proceeds to such shareholders of \$3,400,000 (the "**2017 Secondary Offering**").

On December 18, 2017, the Corporation closed a non-brokered private placement of 1,409,021 Common Shares at a price of \$1.50 per Common Share for gross proceeds of \$2,100,000 (the “**2017 Non-Brokered Private Placement**”), and converted approximately \$1,100,000 of the Term Loan into equity (the “**2017 Debt Conversion**”). As part of the 2017 Debt Conversion, the Corporation issued 754,765 Common Shares at a price of \$1.50 per Common Share. On December 21, 2017, it completed the second and final tranche of the 2017 Non-Brokered Private Placement, for total gross proceeds of approximately \$2,260,000.

On April 17, 2018, the Corporation closed a bought deal private placement offering of 4,600,000 Common Shares at a price of \$1.00 per Common Share for aggregate gross proceeds to the Corporation of approximately \$4,600,000 (the “**2018 Private Placement**”). In connection with the 2018 Private Placement, the underwriters were issued an aggregate of 189,526 broker warrants exercisable into Common Shares at an exercise price of \$1.00 for a period of 24 months from the closing date of the 2018 Private Placement.

On June 15, 2018, the Corporation entered into a \$7,263,000 subordinated term loan (the “**2018 Term Loan**”) from a group of private lenders (the “**2018 Term Loan Lenders**”). The 2018 Term Loan was made pursuant to a credit agreement dated as of June 15, 2018, between a subsidiary of the Corporation, Cancor Debt Agency (as collateral agent) and the 2018 Term Loan Lenders (including certain executives and directors of the Corporation, as well as other arm’s length and non-arm’s length parties, see “Interest of Management and Others in Material Transactions”). The Corporation used the funds from the 2018 Term Loan to complete the ADman Acquisition (approximately \$2,700,000), repay approximately \$800,000 of existing higher-cost term loans (including the Original Term Loan), and for general corporate purposes including funding continued growth. The 2018 Term Loan is for a term of two years and is subordinate to the Line of Credit with SVB. The 2018 Term Loan accrues interest at a rate of 12.0% per annum and the 2018 Term Loan Lenders were issued an aggregate of 2,420,990 warrants (the “**June 2018 Warrants**”) as bonus warrants in connection with the 2018 Term Loan. Each June 2018 Warrant entitles the Lender to acquire one Common Share for a period of two years at an exercise price of \$1.01, which represents the closing price of the Common Shares on June 14, 2018. The Corporation also agreed to pay a nominal fee to two eligible finders assisting in the 2018 Term Loan.

Strategic Partnerships

On January 12, 2015, AcuityAds announced that it had retained Virtus to develop and implement a strategic investor relations program.

On March 3, 2015, AcuityAds announced that it had been selected by SlimCut Media as a preferred partner for its Innovative In-Article Native Video Ad Unit “SplitBox™”. The partnership provides AcuityAds with the ability to deliver in-stream video ad units across the SlimCut Media platform ‘Premium Private Marketplace’, consisting solely of premium publishers across North America.

On June 2, 2015, AcuityAds entered into an agreement with Trapeze Capital Corp. (“**Trapeze**”) pursuant to which Trapeze agreed to trade Common Shares on the TSXV, with the objective of contributing to market liquidity of the Common Shares.

Management and Board Changes

Effective February 2, 2015, David W. Andrews, CPA, CA, was appointed the Chief Financial Officer of the Corporation, replacing the Corporation’s previous Chief Financial Officer, Cathy Steiner.

On July 29, 2015, the Corporation announced the appointment of Renzo Dipasquale as Vice President, Enterprise and Self-Serve of the Corporation to lead the Corporation’s SaaS-based Self-Service business.

Gary Steinhart and Paul Tsaparis did not stand for re-election at the Corporation’s 2016 annual and special meeting of shareholders held on June 14, 2016. Accordingly, their respective terms as directors of the Corporation ended as of such date.

On April 23, 2018, the Corporation announced the retirement of Chief Financial Officer, Dave Andrews and the appointment of Jonathan Pollack as its new Chief Financial Officer, effective May 9, 2018.

Change of Auditor

On August 18, 2015, the Board appointed PricewaterhouseCoopers LLP, Chartered Professional Accountants, as auditors of the Corporation, replacing the former auditors of the Corporation, Harris & Partners LLP.

Tax Refund

On April 15, 2016, the Corporation announced that it received a cash refund of approximately \$900,000 from the CRA for investment tax credits relating to eligible SRED claims for the years 2011, 2012, 2013, and 2014.

In August, 2017, the Corporation received a cash refund of approximately \$320,000 from the CRA for investment tax credits relating to eligible SRED claims for the years 2015 and 2016.

AcuityAds' Programmatic Marketing Platform

AcuityAds' Programmatic Marketing Platform intelligently connects digital advertisers to consumers across major digital advertising channels, including video, mobile, social and online display and is designed to help solve the key challenges that digital advertisers face. The platform is powered by AcuityAds' proprietary machine learning technology that uses Big Data to intelligently connect digital advertisers with the right consumers, in the right places, at the right times and for the right price. Given the extensibility and flexibility of AcuityAds' Programmatic Marketing Platform, it is able to address the needs of advertisers across a wide range of industry verticals and geographies.

The Programmatic Marketing Platform is offered to AcuityAds' customers through three primary service approaches to meet their digital advertising needs as follows:

Self-Serve: In the self-serve model, the advertiser runs their digital advertising campaigns directly within the AcuityAds Self-Serve Programmatic Marketing Platform, or programmatically using another system, after training and onboarding. A dedicated AcuityAds' account manager is assigned to each account and provides proactive support and guidance to help achieve campaign success. Advertisers typically enter into one year agreements with a renewal option, to gain access to the self-serve platform which includes real-time campaign dashboards and reporting features and revenue is generated per impression. Customers under the self-serve model, which include both brands and advertising agencies, are provided with training, documentation and online access to the Self-Serve Programmatic Marketing Platform to run their digital advertising campaigns independently.

Full-Serve (Managed Services): In this model, AcuityAds fully manages the campaign directly on behalf of the advertiser via its team of advertising operations and campaign managers and provides weekly reporting on campaign metrics on key performance indicators as determined by the advertiser. These campaigns are typically governed by 30 to 90 day agreements and are crafted and tailored to the advertisers' requirements and needs. Revenue is generated per campaign based on a pre-set budget from the advertiser. Under the Full-Serve model, AcuityAds' advertising operations staff creates, develops and manages a complete and comprehensive digital advertising campaign, based on the customer's target audience, strategic goals and desired results.

Hybrid: AcuityAds also offers advertisers a Hybrid option, which is a combination of the self-serve and Full-Serve options described above and for advertisers that are not ready to run digital campaigns independently but are planning to become an AcuityAds' self-serve partner. The Hybrid option provides access to a dedicated AcuityAds account manager and campaign manager for three to six months, as the advertiser strengthens its own resources in programmatic advertising. During this time, the advertiser gains exposure to AcuityAds' Programmatic Marketing Platform and works together with AcuityAds' ad operations team to create and launch campaigns and, when fully trained and proficient on the platform, the advertisers may progress to the self-serve model.

For the year ended December 31, 2017, the Corporation's revenue was \$58.5 million in the aggregate, including \$38.8 million for the Full-Serve category and \$19.7 million for the self-serve category.

In each case, customers may be provided with access to dedicated resources, comprehensive reporting and metrics regarding the performance of advertising purchases completed through the Programmatic Marketing Platform. In addition, the Self-Serve Programmatic Marketing Platform has the following key features:

- *Audience targeting.* The Self-Serve Programmatic Marketing Platform makes use of consumer profiling technology which gives advertisers access to over 500 million consumer profiles. Information available for each consumer profile varies. Based on this and other data, the Programmatic Marketing Platform estimates the probability of a consumer performing an advertiser's desired action, and translates these predicted consumer response probabilities into a precise monetary value for each advertising impression. As AcuityAds gathers more data during the course of its advertising campaigns, the Self-Serve Programmatic Marketing Platform continually updates and refines the accuracy of its predictions, without requiring human intervention.
- *Tracking results.* The Programmatic Marketing Platform can track and measure audience reach, frequency and engagement goals through specific consumer actions, such as clicks, advertisement interactions and video completions.
- *Retargeting.* Retargeting uses the Programmatic Marketing Platform to help return previous or similar consumers to advertisers' websites, focusing specifically on the consumers most likely to perform a desired action because of actions they have already performed. This allows an advertiser to focus on consumers who represent high-value opportunities for re-engagement, aiming to reconnect with these users at an optimal time and in an optimal context, to achieve the advertiser's goals.
- *Contextual classification.* AcuityAds' contextual classification technology allows it to look at a page of content and assess the likely topic of a page based on the keywords contained within it to optimize ad placements for a campaign. Certain advertisements may be selected to appear on a particular webpage because it is a match for the content of the page or avoid certain pages that are not contextually appropriate or relevant.
- *Weather targeting.* AcuityAds' weather targeting capabilities allow marketers to target their campaigns based on a range of weather conditions such as current temperature, wind speeds and humidity. These real-time targeting capabilities help to enable advertisers to achieve stronger digital marketing campaign performance, driven by more meaningful consumer interactions. Weather targeting allows advertisers to show consumers customized advertising based on certain weather conditions. For example, AcuityAds' weather targeting technology enables a tire brand to show consumers ads for winter tires on snowy days and an online retailer to show ads for swimwear on hot summer days.
- *Keyword targeting.* In addition, AcuityAds' technology allows it to integrate keyword targeting into advertisers' campaigns. Based on keywords provided by a marketer, AcuityAds can more heavily target or completely avoid pages containing those terms. For example, a women's clothing brand that wants to better target its campaign by integrating its search marketing keywords could provide AcuityAds with a list of terms such as "women's clothing", "women's fashion", "hot summer fashion", "fashion", "clothing for women", etc. AcuityAds' technology can then ensure that ads appear on web pages containing those words. This technology is intended to translate into more relevant ad placements and a higher likelihood of conversion from consumers.
- *Brand safety solution.* AcuityAds' Programmatic Platform incorporates brand safety technology via its contextual and keyword targeting capabilities with its machine learning algorithm to help limit advertisers' ads from appearing on unsafe or inappropriate websites, consequently helping to prevent their brands from being associated with certain opinions, products and services. Advertisers have the option of choosing from pre-determined brand safety guidelines, which are built using AcuityAds' page-scraping technology. These standard guidelines cover inappropriate topics such as pornography, violent content, gambling, illegal drugs and general offensive content. Keyword targeting allows the Self-Serve Programmatic Marketing Platform to be alerted of pages containing words that would classify the page as being undesirable. For example, if

an airline wanted to avoid having its ads displayed on web pages involving plane crashes or delays, it could provide AcuityAds with keywords such as “plane crash”, “flight delays”, “airport delays”, “safety recalls”, etc. The AcuityAds brand shield can be used to pre-screen webpages before displaying the airline’s ads on web pages containing these words. The ability to identify undesirable content enables AcuityAds to deliver its clients’ campaigns in a manner that helps to better protect their brands and provides more precise targeting of their ad placements.

Technology Acquired from Recent Acquisitions

- *Video.* Visible Measures’ technology facilitates the execution of digital video advertising campaigning led by analytics. Its trademarked analytics platform, TrueReach®, is a metric that identifies and organizes all publicly available view data for video campaigns. The metric includes views from a campaign’s original uploads and from related user generated copies and derivatives. The Visible Measures solution incorporates data from TrueReach® with its calculation of Engaged Viewing Time based on viewership data from video campaigns and engagement on platforms such as Facebook and YouTube. The combination of True Reach® view data and Engaged Viewing Time data portrays an accurate picture of a brand’s overall Share of Attention within its competitive set. This is used to consult on important strategic campaigning elements such as flighting, creative and social strategies in addition to future spending.
- *Interest-Based Targeting in Mobile Applications:* 140 Proof’s technology attempts to solve one of the biggest problems in mobile application advertising: the lack of quality targeting for brands. 140 Proof’s proprietary Blended Interest Graph technology interprets data from over 600 million social accounts to build audiences that are nuanced, comprehensive and accurate, giving brand advertisers the ability to go beyond demographics and lookalike models in order to deliver quality targeting in mobile applications.
- *Supply Side Platform:* ADman Media has developed a video Supply Side Platform (SSP) for native formats. ADman Media’s video SSP solution enables the seamless distribution of advertisers’ video content through high quality publishers to achieve optimum engagement with audiences and maximize publisher revenues.

Competitive Conditions

The digital advertising industry is highly competitive and fragmented. AcuityAds competes with large, well-established multi-national companies, digital advertising networks, divisions of certain advertising agencies, including agency trading desks that place digital advertising buys on behalf of the agencies’ clients, and other companies, some of which also use proprietary technology to optimize advertising campaigns. As AcuityAds’ Programmatic Marketing Platform and the 140 Proof and Visible Measures solutions are expanded and developed, or as other companies introduce new products and services or enter the marketplace, AcuityAds may become subject to additional competition.

AcuityAds’ current principal competitors include The Trade Desk Inc., DataXu Inc., Turn Inc., MediaMath, Inc. and Google Inc. as well as certain agency trading desks which may include Publicis Groupe (Publicis Media Exchange), WPP Plc (Xaxis platform), IPG Mediabrands Ltd. (Ad tech unit is Cadreon) and Omnicom Media Group (digital trading platform is Accuen). Competition is based on a variety of factors including price, service, technology features and functionality and product performance. Limited information is publicly disseminated regarding these factors, and accordingly, a precise comparison of relative competitive position is difficult.

Management of AcuityAds believes that the following competitive strengths differentiate AcuityAds from its competitors:

- *Proprietary Algorithm.* AcuityAds’ Programmatic Marketing Platform is powered by a machine learning algorithm which enables the purchase of impressions based on continually updated campaign performance.

- *Scalable Solution.* AcuityAds' Programmatic Marketing Platform provides offerings that are potentially extendable across industry verticals and geographies, and, by leveraging the large amounts of inventory available through real-time advertising exchanges, AcuityAds can provide such offerings on a large scale.
- *Reach.* AcuityAds sees billions of impressions per day across numerous premium inventory exchanges.
- *A Range of Channels.* AcuityAds' Programmatic Marketing Platform reaches across display, video, mobile and social platforms to reach consumers wherever they are in real-time.

Growth Strategy

AcuityAds plans to continue the development of its business by continually improving its Programmatic Marketing Platform, strengthening relationships with existing customers and partners, and expanding its customer base. Key growth strategies include:

- *Continuing domestic and international expansion.* AcuityAds currently operates in Canada, the U.S., Europe and Latin America. AcuityAds intends to continue expanding its presence in the key markets it serves by expanding its sales resources and partners for its Programmatic Marketing Platform.
- *Increasing display, mobile, social and video market penetration.* AcuityAds intends to continue investing in R&D and marketing to expand the capabilities of its Programmatic Marketing Platform in video, mobile, social and online display advertising in order to increase its customer base, gain market penetration and grow revenue from these channels. AcuityAds will continue to offer its services on a full-serve and a self-serve basis.
- *Expansion into additional advertising channels.* AcuityAds expects to continue developing its Programmatic Marketing Platform to expand into additional advertising channels as opportunities arise and market conditions permit which may include programmatic TV.

Marketing Strategy

The Programmatic Marketing Platform is currently marketed to customers through AcuityAds' direct sales team, which primarily focuses on advertising agencies and brands. AcuityAds' direct sales team is currently organized by geography throughout Canada, the U.S., Europe and Latin America. with regional offices in Toronto (head office) and sales offices in New York, Los Angeles, San Diego, San Francisco, Chicago, Miami, Barcelona, Madrid, Paris, Mexico City, Sao Paulo, Santiago, Bogota and Buenos Aires. Customers are assigned to a sales representative who manages the customer relationship alongside a dedicated account manager and/or a campaign manager.

Sales and marketing costs arise from establishing and maintaining customer relationships to generate revenue. The costs are comprised of compensation and benefits for AcuityAds' sales staff as well as marketing expenses, including advertising and promotion, meals and entertainment and travel.

AcuityAds' sales are priced in the context of the market and its specific customers. Since most of AcuityAds' inventory is purchased through programmatic buying, the cost of its sales varies because the cost is based on a number of factors and market dynamics which are largely outside of its control. Inventory may be sold at a premium, at cost, or at a discount to its purchase price, depending upon market conditions, contractual commitments to customers and other factors.

Specialized Skill and Knowledge

AcuityAds' Programmatic Marketing Platform was developed in-house by Dr. Nathan Mekuz, the Chief Technology Officer and Vice President of Ad Operations of the Corporation, Rachel Kapcan, the Chief Information Officer of the Corporation, and a team of software developers, with certain aspects of the Programmatic Marketing Platform having been licensed from third parties. AcuityAds believes that the extensive experience of its management team and staff provide it with a distinct competitive advantage.

Intangible Properties

The protection of AcuityAds' technology and intellectual property is a critical component of its future success.

Other than as disclosed herein, AcuityAds does not have patent protection on its technology or registered any trademarks but instead may, as necessary, rely on a combination of trade secrets, copyright law, nondisclosure agreements, passing-off laws and other common law intellectual property protections in the U.S. and Canada. In addition, AcuityAds uses contracts, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements, other contractual rights and technical measures to protect its intellectual property.

The rights to AcuityAds' Programmatic Marketing Platform, other than certain aspects of the platform which have been licensed from third parties, are owned by AcuityAds through its wholly-owned subsidiary, 2422330 Ontario Inc. Pursuant to the 140 Proof Acquisition, the Visible Measures Acquisition and the Adman Acquisition, the Corporation acquired a number of patents, patent pending applications, trademarks and other intellectual property.

See also "Description and General Development of the Business – Business of the Corporation – Three Year History – Acquisitions – Visible Measures" and "Description and General Development of the Business – Business of the Corporation – AcuityAds' Self-Serve Programmatic Marketing Platform – Video" for more information regarding the TrueReach® and Share of Attention™ technology acquired by the Corporation.

See also "Description and General Development of the Business – Business of the Corporation – Three Year History – Acquisitions – 140 Proof" and "Description and General Development of the Business – Business of the Corporation – AcuityAds' Self-Serve Programmatic Marketing Platform - Interest-Based Targeting in Mobile Applications" for more information regarding the patented Blended Interest Graph technology acquired by the Corporation.

Cycles

AcuityAds has rapidly grown since it commenced sales in 2011, which has resulted in a substantial increase in revenue and a corresponding increase in operating expenses to support this growth. The Corporation's overall revenues have varied from quarter to quarter as a result of a variety of factors, some of which are outside of its control.

This rapid growth has led to uneven overall operating results due to changes in AcuityAds' investment in sales and marketing and research and development from quarter to quarter and increases in employee headcount. Historical results should not be considered a reliable indicator of AcuityAds' future results of operations. In the long-term, the seasonality and cyclical nature of AcuityAds' revenues will depend upon the seasonality and cyclical nature of the businesses of its customers. For example, some advertisers in the retail sector spend the largest portion of their advertising budgets during the fourth quarter, in preparation for the holiday shopping season, whereas advertisers in the entertainment industry may concentrate their spending to coincide with the launch and display of specific content, such as movies or television shows.

Economic Dependence

See "Risk Factors – Business Risks – Reliance on Key Customers" and "Risk Factors – Business Risks – Reliance on Third Parties."

Employees

As of June 30, 2018, AcuityAds had: (i) 73 full-time employees in Canada, 29 full-time employees in the U.S., and 44 full-time employees in other countries; and (ii) three full-time contractors in Canada and eleven full-time contractors.

Foreign Operations

AcuityAds currently has regional offices in Toronto (head office) and sales offices in New York, Los Angeles, San Diego, San Francisco, Chicago, Montreal, Spain, France, Brazil, Chile, Mexico, Colombia, and Argentina. In addition, AcuityAds maintains servers at co-location facilities in the U.S. and in Europe that are used to store data and deliver advertising campaigns for its customers. The servers are housed in space that is leased by AcuityAds.

For the year ended December 31, 2017, U.S. sales accounted for 60% of AcuityAds' total revenues. AcuityAds expects to expand its business into other local, U.S. and international jurisdictions in the future, and with continued growth, its sales may become dependent on its revenues from international jurisdictions. AcuityAds' existing and future international operations expose it to currency exchange risk, foreign regulatory policies and global business and industry conditions. See "Risk Factors – Financial and Accounting Risks – Foreign Sales".

Privacy

AcuityAds recognizes that privacy is important to consumers and advertisers, and has undertaken to maintain its privacy and data protection policies. AcuityAds' privacy practices are described in its privacy policy, which explains the type of data it collects and uses to provide services to advertisers. AcuityAds' privacy policy can be found on its website at www.acuityads.com/privacy.

AcuityAds relies on anonymous data about internet users. AcuityAds does not attempt to identify specific individuals, and it takes steps to avoid unlawfully targeting users based on personally identifiable information from any source. The definition of personally identifiable information, or personal data, however, varies by country and is still evolving, and, as a result, AcuityAds' policy must be assessed in each country in which it does business. Therefore, AcuityAds will have to continually assess its technology platform against an evolving legal landscape.

AcuityAds' Programmatic Marketing Platform can deliver interest-based or online behavioural advertising. AcuityAds participates in the Self-Regulatory Program for Online Behavioural Advertising coordinated by the DAA and IAB's AdChoices program. The self-regulatory principles for Online Behavioural Advertising require AcuityAds to provide consumers with notice and choice, including the ability to opt out of interest-based advertising. AcuityAds' privacy policy offers consumers an opt-out mechanism.

RISK FACTORS

An investment in securities of AcuityAds involves significant risks. Investors should carefully consider the risks described below, the other information described elsewhere in this AIF and those risks set out in AcuityAds' MD&A for the year ended December 31, 2017 before making a decision to buy securities of AcuityAds. If any of the following or other risks materialize, AcuityAds' business, prospects, financial condition, financial performance and cash flows could be materially adversely impacted. In that case, the trading price of securities of AcuityAds could decline and investors could lose all or part of their investment in such securities. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

Business Risks

Fluctuation of Financial Results

AcuityAds' quarterly and annual operating results have fluctuated in the past. Because AcuityAds is a relatively new company that is rapidly expanding, the Corporation's revenues may be materially affected by the decisions of its management and/or customers, and due to a variety of other factors, many of which may be beyond the Corporation's control. In addition, expenses may exceed estimates or be incurred in the expectation of sales that do not occur or that occur later than expected. General economic conditions or conditions in the industries in which AcuityAds' customers compete, technological innovations and the adoption of technical standards can also be expected to affect operating results. Management of AcuityAds expects its operating expenses to continue to increase substantially in the foreseeable future as it continues to expand its business, including by adding employees

and contractors in existing and new territories, to support continued investments in AcuityAds' technology and to support its growth and expansion. Fluctuating results could cause unanticipated quarterly losses and cause the Corporation's performance to fall below the expectations of investors, which could adversely affect the price of the Common Shares. In addition, because AcuityAds' business is changing and evolving rapidly, historical operating results may not be useful in predicting future operating results.

Reliance on Key Customers

Historically, a majority of AcuityAds' sales have been to relatively few customers. For the 2017 financial year, approximately 26% of its revenues were derived from its top four customers, and approximately 33% of its revenues were derived from its top 10 customers. While it is expected that this reliance will decrease over time, the Corporation may continue to depend upon a relatively small number of customers for a significant portion of its revenue for the foreseeable future. The loss of a significant customer or failure to attract new customers could harm AcuityAds' business and severely impact the future financial success of AcuityAds.

Retaining and Attracting Customers

To sustain or increase AcuityAds' existing revenue, the Corporation must add new advertisers and encourage existing advertisers, which may be represented by advertising agencies, to purchase additional offerings. As the digital advertising industry matures and as competitors introduce lower cost or differentiated products or services that compete with, or are perceived to compete with, AcuityAds' products or services, its ability to complete sales with new and existing advertisers based on the Corporation's current offerings, pricing, technology platform and functionality could be impaired. If the Corporation fails to retain or cultivate the spending of newer, lower-spending advertisers, it will be difficult for it to sustain and grow its revenue. Even with long-time advertisers, the Corporation may reach a point of saturation at which it cannot continue to grow revenue from those advertisers because of internal limits that advertisers may place on the allocation of their advertising budgets to digital media, to particular campaigns, to a particular provider or for other reasons not known to management.

AcuityAds has invested significant resources in its sales and marketing teams to educate potential and prospective advertisers and advertising agencies about the value of its platform. Sales staff is often required to explain how AcuityAds' platform can optimize advertising campaigns in real time. AcuityAds' business depends in part upon advertisers' confidence, and the confidence of the advertising agencies that represent those advertisers, that the use of real-time advertising exchanges to purchase inventory is superior to other methods of purchasing digital advertising. AcuityAds often spends substantial time and resources responding to requests for proposals from potential advertisers and their advertising agencies, including developing material specific to the needs of such potential advertisers. AcuityAds may not be successful in attracting new advertisers despite its investment in business development, sales and marketing.

AcuityAds continues to be substantially dependent on its sales team to obtain new customers and to drive sales from existing customers. Management of AcuityAds believes that there is significant competition for sales personnel with the skills and technical knowledge that it requires. The Corporation's ability to achieve significant revenue growth depends, in large part, on its success in recruiting, training, integrating and retaining sufficient numbers of sales personnel to support its growth. New hires require significant training and it may take significant time before they achieve full productivity. Recent hires and planned hires may not become productive as quickly as expected, and the Corporation may be unable to hire or retain sufficient numbers of qualified individuals in the markets where it does business or plans to do business. In addition, if AcuityAds continues to grow rapidly, a large percentage of its sales team will be new to the Corporation and its offerings. If the Corporation is unable to hire and train sufficient numbers of effective sales personnel, or the sales personnel are not successful in obtaining new customers or increasing sales to its existing customer base, its business will be adversely affected.

No Long-Term Customer Commitments

AcuityAds' Managed Services customers do business with AcuityAds by placing insertion orders for particular advertising campaigns. If AcuityAds performs well on a particular campaign, then the advertisers or the advertising agency representing such advertisers may place new insertion orders with the Corporation for additional advertising campaigns. AcuityAds generally has no commitment from an advertiser beyond the campaign governed

by a particular insertion order. Insertion orders may be cancelled by advertisers or their advertising agencies prior to the completion of the campaign without penalty. As a result, AcuityAds' success is dependent upon its ability to outperform competitors and win repeat business from existing advertisers, while continually expanding the number of advertisers for whom it provides services. In addition, it is relatively easy for advertisers and the advertising agencies that represent them to seek an alternative provider for their advertising campaigns because there are no significant switching costs, and agencies often have relationships with many different providers, each of whom may be running portions of the same advertising campaign. Because AcuityAds does not have long-term contracts, management may not accurately predict future revenue streams and there can be no assurance that current advertisers will continue to use AcuityAds' platform, or that AcuityAds will be able to replace departing advertisers with new advertisers that provide the Corporation with comparable revenue.

Failure to Properly Manage Growth

AcuityAds' business has grown rapidly since its inception. Continued rapid growth may strain AcuityAds' management, financial, technical and other resources. AcuityAds relies heavily on information technology, or IT, systems to manage critical functions such as advertising campaign management and operations, data storage and retrieval, revenue recognition, budgeting, forecasting and financial reporting. To manage any future growth effectively, AcuityAds must expand its sales, marketing, technology and operational staff, invest in research and development of its Self-Serve Programmatic Marketing Platform and/or new offerings, enhance its financial and accounting systems and controls, integrate new personnel or contractors, and successfully manage expanded operations. If AcuityAds continues its rapid growth, it will incur additional expenses, and its growth may continue to place a strain on resources, infrastructure and ability to maintain the quality of its offering. Accordingly, AcuityAds may not be able to effectively manage and coordinate growth so as to achieve or maximize future profitability.

Acquisitions by the Corporation

As part of its business strategy, AcuityAds may attempt to acquire businesses or technologies that it believes are a strategic fit with its business. The Corporation currently has no commitments for any acquisition. It may not be possible to find suitable acquisition candidates, and the Corporation may not be able to complete such acquisitions on favourable terms, if at all. Any future acquisition may result in unforeseen operating difficulties and expenditures, and may absorb significant management attention that would otherwise be available for ongoing development of its business. Since the Corporation may not be able to accurately predict these difficulties and expenditures, these costs may outweigh the value it realizes from a future acquisition, and any acquisitions the Corporation completes could be viewed negatively by its advertisers. Future acquisitions could result in issuances of securities that would dilute shareholders' ownership interest, the incurrence of debt, contingent liabilities, amortization of expenses related to other intangible assets and the incurrence of large, immediate write-offs.

In addition, management may be unable to successfully complete the integration of ADman Media which was acquired on June 15, 2018. It is possible that the continuing execution of the integration process could result in disruption of the Corporation's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with customers, suppliers and employees or to achieve the anticipated benefits of the ADman Acquisition. The completion of the integration of ADman Media requires the dedication of substantial effort, time and resources on the part of management, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that management will be able to completely integrate the operations of ADman Media successfully or achieve all of the synergies or other benefits that were anticipated as a result of the ADman Acquisition. The extent to which synergies are realized and the timing of such cannot be assured. Any inability of management to successfully integrate the operations of ADman Media could have a material adverse effect on the business, financial condition and results of operations of the Corporation. In addition, while management believes that it has completed the integration of 140 Proof and Visible Measures, there are no assurances that the Corporation will achieve any of the synergies or other expected benefits of the 140 Proof Acquisition or the Visible Measures Acquisition.

Reliance on Third Parties

AcuityAds anticipates that it will continue to depend on various third party relationships in order to grow its business. AcuityAds continues to pursue additional relationships with third parties, such as technology, data and content providers, real-time advertising exchanges, market research companies, co-location facilities and other strategic partners. Identifying, negotiating and documenting relationships with third parties requires significant time and resources as does integrating third party data and services. AcuityAds' agreements with channel partners and providers of technology, computer hardware, co-location facilities, content and consulting services and real-time advertising exchanges are typically non-exclusive, in that they do not prohibit these third parties from working with AcuityAds' competitors or from offering competing services. These third parties can generally terminate their arrangements with the Corporation at any time. AcuityAds' competitors may be effective in providing incentives to third parties to favour their products or services or to prevent or reduce purchases of AcuityAds' offerings. In addition, these third parties may not perform as expected under AcuityAds' agreements with them, and AcuityAds may have disagreements or disputes with such third parties, which could negatively affect AcuityAds' brand and reputation.

In particular, AcuityAds' continued growth depends on its ability to source computer hardware, including servers built to its specifications, and the ability to locate those servers and related hardware in co-location facilities in the most desirable locations to facilitate the timely delivery of its services. Similarly, disruptions in the services provided at co-location facilities that AcuityAds relies upon can degrade the level of services that it can provide, which may harm AcuityAds' business. AcuityAds also relies on its integration with many third party technology providers to execute its business on a daily basis. AcuityAds must efficiently direct a large amount of network traffic to and from its servers to consider billions of bid requests per day, and each bid typically must take place in approximately 50 milliseconds. AcuityAds relies on a third party domain name service, or DNS, to direct traffic to its closest data center for efficient processing. If AcuityAds' DNS provider experiences disruptions or performance problems, this could result in inefficient balancing of traffic across AcuityAds' servers as well as impairing or preventing web browser connectivity to AcuityAds' platform, which may harm its business.

Personnel

The loss of any member of the Corporation's management team, and in particular, its co-founders, could have a material adverse effect on its business and results of operations. In addition, an inability to hire, or the increased costs of new personnel, including members of executive management, could have a material adverse effect on the Corporation's business and operating results.

At present and for the near future, AcuityAds will depend upon a relatively small number of employees and contractors to develop, market, sell and support its Self-Serve Programmatic Marketing Platform. The expansion of technology, marketing and sales of its platform will require AcuityAds to find, hire, and retain additional capable employees or subcontractors who can understand, explain, market, and sell its technology. There is intense competition for capable personnel in all of these areas, and AcuityAds may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. New employees often require significant training and, in many cases, take significant time before they achieve full productivity. As a result, the Corporation may incur significant costs to attract and retain employees, including significant expenditures related to salaries and benefits and compensation expenses related to equity awards, and may lose new employees to its competitors or other companies before it realizes the benefit of its investment in recruiting and training them.

In addition, as the Corporation moves into new geographies, it will need to attract and recruit skilled employees in those areas. AcuityAds has limited experience with recruiting in geographies outside of Canada and the U.S., and may face additional challenges in attracting, integrating and retaining international employees.

Conflicts of Interest

Certain of the proposed directors and officers of the Corporation are or may become directors or officers of, or have significant shareholdings in, other companies and, to the extent that such other companies may participate in ventures in which the Corporation may participate, the directors and officers of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. Such other companies may also compete with the Corporation. In the event that any such conflict of interest arises, a director who has such

a conflict will disclose the conflict to a meeting of the directors of the Corporation and will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Corporation are required to act honestly, in good faith and in the best interests of the Corporation. In determining whether or not the Corporation will participate in a particular transaction, the directors will primarily consider the potential benefits to the Corporation, the degree of risk to which the Corporation may be exposed and its financial position at that time. See also “Directors and Officers – Conflicts of Interest”.

Limited Operating History

AcuityAds was founded in 2009 and commenced sales in 2011 and, as a result, it has a short operating history upon which its business and future prospects may be evaluated. AcuityAds has incurred losses in the past. Although AcuityAds has experienced substantial revenue growth during its short history, it may not be able to sustain this rate of growth or maintain current revenue levels. In order for AcuityAds to meet future operating and debt service requirements, it will need to continue to be successful in its marketing and sales efforts. AcuityAds may not gain customer acceptance of any of its offerings in new markets due to its lack of an established track record, its financial condition, competition, price or a variety of other factors. If sales are increased, AcuityAds’ current operational infrastructure may require changes to scale AcuityAds’ business efficiently and effectively to keep pace with demand, and achieve long-term profitability. AcuityAds’ future revenues and expenses are subject to conditions that may change to an extent that cannot be determined at this time. If AcuityAds’ offerings are not accepted by new customers, or if new and existing customers do not purchase AcuityAds’ offerings at anticipated levels, AcuityAds’ operating results may be materially and adversely affected.

Dependence on Display Advertising

Historically, AcuityAds’ customers have predominantly used the Self-Serve Programmatic Marketing Platform for display advertising, and the substantial majority of AcuityAds’ revenue is derived from advertisers that use the Self-Serve Programmatic Marketing Platform for display advertising. AcuityAds expects that the online advertising channels it supports will continue to be a primary channel used by its customers. Should customers lose confidence in the value or effectiveness of these channels, the demand for the Self-Serve Programmatic Marketing Platform may decline. While revenues from mobile, social and video advertising have grown rapidly, AcuityAds’ failure to achieve market acceptance of its platform for mobile, social and video advertising would harm its growth prospects, operating results and financial condition.

Financial and Accounting Risks

Additional Financing

There can be no certainty that the Corporation’s financial resources and revenue from sales will be sufficient for its future needs. The Corporation may need to incur significant expenses for growth, operations, research and development, as well as sales and marketing of its Self-Serve Programmatic Marketing Platform. In addition, other unforeseen costs could also require additional capital. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation. It may be difficult or impossible for the Corporation to obtain debt financing or equity financing on commercially acceptable terms. This may be further complicated by the limited market liquidity for shares of smaller companies such as the Corporation, restricting access to some institutional investors. There is a risk that interest rates will increase given the current historical low level of interest rates. An increase in interest rates could result in a significant increase in the amount that the Corporation pays to service future debt incurred by the Corporation and affect the Corporation’s ability to fund ongoing operations. If additional financing is raised by the issuance of Common Shares or other securities convertible into Common Shares, control of the Corporation may change and shareholders of the Corporation may suffer dilution. If adequate funds are not available, or not available on acceptable terms, the Corporation may not be able to take advantage of opportunities, or otherwise respond to competitive pressures and continue operations. Any debt financing that is secured in the future could involve restrictive covenants relating to the Corporation’s future capital raising activities and other financial and operational matters, including the ability to pay dividends. This may make it more difficult for the Corporation to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Existing Debt

AcuityAds has granted a security interest in its ownership interests in AcuityAds OpCo and its subsidiaries have granted security interests in all of their assets, including intellectual property, to SVB as security for the Line of Credit. AcuityAds has also granted a security interest in its ownership interests in AcuityAds OpCo, and AcuityAds OpCo has also granted security interests in all of its assets to the 2018 Term Loan Lenders as security for the 2018 Term Loan. The Line of Credit also requires AcuityAds to comply with certain financial covenants, which are tested on a monthly basis, and the Line of Credit and/or the 2018 Term Loan contain a number restrictive covenants, which would, among other things, prevent the Corporation from: (i) disposing of or selling its assets; (ii) making any changes in its debt or capital structure or amending its bylaws, (iii) consolidating or merging with other entities; (iv) entering into contracts outside of the normal course of business; (v) purchasing or redeeming any shares; (vi) paying dividends; or (vii) incurring lease obligations or capital expenditures above defined thresholds. A failure by AcuityAds to repay the Line of Credit or the 2018 Term Loan in accordance with their terms or any other default under the Line of Credit or the 2018 Term Loan would entitle the lenders thereunder to, among other things, foreclose on AcuityAds' assets, which would likely terminate its ability to continue operations

Foreign Sales

AcuityAds currently has certain foreign sales that are denominated in U.S. dollars or Euros and may, in the future, have sales denominated in the currencies of other jurisdictions in which it establishes sales offices. In addition, AcuityAds incurs a portion of its operating expenses in U.S. dollars and Euros. In the future, AcuityAds' international sales may increase, particularly in light of the ADman Acquisition. Such sales may be subject to unexpected regulatory requirements and other barriers. Any fluctuation in the exchange rates of foreign currencies may negatively impact the Corporation's business, financial condition and results of operations. AcuityAds has not previously engaged in foreign currency hedging. If the Corporation decides to hedge its foreign currency exposure, it may not be able to hedge effectively due to lack of experience, unreasonable costs or illiquid markets. In addition, those activities may be limited in the protection they provide the Corporation from foreign currency fluctuations and can themselves result in losses.

Estimates or Judgments Relating to Critical Accounting Policies

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. AcuityAds bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in AcuityAds' MD&A, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. AcuityAds' operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause AcuityAds' operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the price of the Common Shares. Significant assumptions and estimates used in preparing the financial statements include those related to the credit quality of accounts receivable, income tax credits receivable, share-based payments, impairment tests for non-financial assets, as well as revenue and cost recognition.

Internal Controls over Financial Reporting

As a result of AcuityAds' limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not possible. The Corporation does not have the resources, size and scale to warrant the hiring of additional staff to address this potential weakness at this time. To help mitigate the impact of this, AcuityAds is highly reliant on the performance of compensating procedures and senior management's review and approval.

As a venture issuer, the Corporation is not required to certify the design and evaluation of its disclosure controls and procedure ("DC&P") and internal controls over financial reporting ("ICFR"), and as such AcuityAds has not completed such an evaluation. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR, as defined in National Instrument 52-109 – *Certification of Disclosure In Issuers' Annual and Interim Filings*, may result in

additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Industry Risks

Competition

The existing and anticipated markets for AcuityAds' Self-Serve Programmatic Marketing Platform are highly competitive. Barriers to enter the market are low and additional companies may enter the market with competing offerings as the size and visibility of the market opportunity continues to increase. Existing industry participants may also develop or improve their own offerings to achieve cost efficiencies and deliver additional value. In addition, AcuityAds' customers could develop their own solutions. Many of AcuityAds' competitors have longer operating histories, greater name recognition, substantially greater financial, technical, marketing, management, service, support, and other resources than does AcuityAds. They may be able to respond more quickly than AcuityAds can to new or changing opportunities, technologies, standards, or customer requirements.

In addition to other companies offering programmatic and real time bidding solutions, AcuityAds also competes with services offered through large online portals that have significant brand recognition, such as Yahoo and Google. These large portals have substantial proprietary digital advertising inventory that may provide them with competitive advantages, including far greater access to internet user data, preferential trafficking practices and the ability to significantly influence pricing for digital advertising inventory. AcuityAds also competes for a share of advertisers' total online advertising budgets, including traditional advertising media, such as direct mail, television, radio, cable and print.

Some of the competitors mentioned above also act as suppliers of AcuityAds, putting them in a conflict of interest position. There is a risk that such competitors may, in the future, constrain or entirely cut off AcuityAds from its sources of inventory in order to improve their own competitive position in the markets targeted by AcuityAds.

New products or technologies will likely increase competitive pressures and competition could result in pricing pressures, reduced margins, or the failure of AcuityAds' offerings to achieve or maintain acceptance in existing or anticipated markets. The development of competing offerings or technologies by market participants or the emergence of new industry or government standards may adversely affect AcuityAds' competitive position.

As a result of these and other factors, AcuityAds may be unable to compete effectively with current or future competitors. Such inability would likely have a material adverse effect on AcuityAds' business, financial condition and results of operations.

Use of Third Party Cookies and Other Tracking Technologies

The widespread use of the internet across the globe is attributable in part to the ability of internet users to access valuable content quickly and free of charge. Digital media content providers, or publishers, who support the creation and distribution of this content do so largely by selling advertisements on their properties, similar to the business model of television and radio broadcasters. Internet users' online activity generates a vast amount of data, such as advertising viewed and responded to, and advertisers' websites visited, and is valuable to advertisers seeking to reach an optimal audience. Online, it is possible to serve advertisements to potential consumers based upon inferred interests. These interests may be inferred in part based on web-browsing history. The use of web browsing history to inform advertising purchase decisions is commonly referred to as "interest-based" or "online behavioural" advertising. Advertisers are willing to make a greater investment in, and pay a higher rate for, digital advertising when this interest-based data can be used to inform decisions about purchasing advertising impressions to reach desired consumers.

The use of interest-based online advertising has come under scrutiny globally by consumer advocacy organizations and regulatory agencies that focus on online privacy. More specifically, these groups have voiced concern about the use of "cookies" (small text files) and other online tools to record an internet user's browsing

history, and the use of that information to deliver advertisements online based on inferred interests of the internet user.

AcuityAds relies upon access to large volumes of data, including web browsing history, primarily through cookies and mobile advertising identifiers in connection with its Self-Serve Programmatic Marketing Platform. AcuityAds' cookies are known as "third party cookies" because they are placed on individual browsers when internet users visit a website owned by a publisher, advertiser or other first party that has given AcuityAds permission to place cookies. These cookies are placed through an internet browser on an internet user's computer and correspond with a data set that is kept on AcuityAds' servers. AcuityAds' cookies record certain information, such as when an internet user views an ad, clicks on an ad, or visits one of AcuityAds' advertiser's websites through a browser while the cookie is active. AcuityAds uses these cookies to help it achieve advertisers' campaign goals, to help it ensure that the same internet user does not unintentionally see the same advertisement, to report aggregate information to advertisers regarding the performance of their advertising campaigns and to detect and prevent fraudulent activity. AcuityAds also uses data from cookies to help it decide whether to bid on, and how to price, an opportunity to place an advertisement in a certain location, at a given time, in front of a particular internet user. Without cookie data, AcuityAds may bid on advertising without as much insight into activity that has taken place through an internet user's browser. A lack of cookie data may detract from AcuityAds' ability to make decisions about which inventory to purchase for an advertiser's campaign, and undermine the effectiveness of its Self-Serve Programmatic Marketing Platform.

Cookies may easily be deleted or blocked by internet users. Most commonly used internet browsers allow internet users to modify their browser settings to prevent cookies from being accepted by their browsers. Internet users can also delete cookies from their computers at any time. Certain internet users also download free or paid "ad blocking" software that prevents third party cookies from being stored on a user's computer. If more internet users adopt these settings or delete their cookies more frequently than they currently do, AcuityAds' business could be harmed. In addition, some internet browsers block third party cookies by default, and other internet browsers may implement similar features in the future. Unless such default settings in browsers are altered by internet users to accept third party cookies, fewer of AcuityAds' cookies may be set in browsers, adversely affecting its business.

In the mobile app channel, cookies cannot be deployed and instead AcuityAds uses mobile advertising ids, the current technology standard in the industry. Similar to cookies, mobile advertising ids can be reset by mobile phone users and similar concerns relating to regulation and legislation exist.

Certain international jurisdictions have adopted and implemented legislation that negatively impacts the use of cookies and other tracking technologies for online advertising, and additional jurisdictions may do so in the future. Currently, although Canadian anti-spam legislation ("CASL") requires consent to install a computer program, CASL provides a deemed express consent for the installation of a cookie. Limitations on the use or effectiveness of cookies or other tracking technologies may impact the performance of the Self-Serve Programmatic Marketing Platform. AcuityAds may be required to, or otherwise may determine that it is advisable to, develop or obtain additional tools and technologies to compensate for any loss of data. AcuityAds may not be able to develop or implement such additional tools. Moreover, even if AcuityAds is able to do so, such additional tools may be subject to further regulation, time consuming to develop or costly to obtain, and less effective than AcuityAds' current tracking technology.

Potential "Do Not Track" Standards

As the use of cookies has received ongoing media attention in recent years, some government regulators and privacy advocates have suggested creating a "Do Not Track" standard that would allow internet users to express a preference, independent of cookie settings in their browser, not to have website browsing recorded. In 2010, the U.S. Federal Trade Commission ("FTC"), issued a staff report criticizing the advertising industry's self-regulatory efforts as too slow and lacking adequate consumer protections. In 2012, a subsequent staff report was issued by the FTC, indicating that the FTC had brought enforcement actions against various online advertisers for failure to honour consumer opt outs. The FTC emphasized a need for simplified notice, choice and transparency to the consumer regarding collection, use and sharing of data, and suggested implementing a "Do Not Track" browser setting that allows consumers to choose whether to allow "tracking" of their online browsing activities. All major internet browsers have implemented some version of a "Do Not Track" setting. Microsoft's Internet Explorer 10 and

11 include a “Do Not Track” setting that is selected by default. However, there is no definition of “tracking,” no consensus regarding what message is conveyed by a “Do Not Track” setting and no industry standards regarding how to respond to a “Do Not Track” preference. The World Wide Web Consortium chartered a “Tracking Protection Working Group” in 2011 to convene a multi-stakeholder group of academics, thought leaders, companies, industry groups and consumer advocacy organizations, to create a voluntary “Do Not Track” standard for the web. The group has yet to agree upon a standard. The “Do-Not-Track Online Act of 2013” was introduced in the U.S. Senate in February 2013. If a “Do Not Track” browser setting is adopted by many internet users, and the standard either imposed by legislation or agreed upon by standard setting groups, prohibits AcuityAds from using non-personal information as it currently does, then that could hinder growth of advertising and content production on the web generally, cause AcuityAds to change its business practices and adversely affect its business.

Legislation and Regulation

Government regulation may increase the costs of doing business online. The Canadian and certain foreign governments have enacted or are considering legislation related to online advertising and management of AcuityAds expects to see an increase in legislation and regulation related to advertising online, the use of geo-location data to inform advertising, the collection and use of anonymous internet user data and unique device identifiers, such as mobile unique device identifiers, and other data protection and privacy regulation. Such legislation could affect the costs of doing business online, and may adversely affect the demand for AcuityAds’ offerings or otherwise harm its business, results of operations and financial condition. For example, a wide variety of provincial, state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal information. While AcuityAds takes measures to protect the security of information that it collects, uses and discloses in the operation of its business, if there is a data breach, there is a potential for claims for damages by consumers whose personal information has been disclosed without authorization. Evolving and changing definitions of personal information, within Canada, the U.S. and elsewhere, especially relating to classification of machine or device identifiers, location data and other information, have in the past, and may cause AcuityAds to, in the future, change business practices, or limit or inhibit AcuityAds’ ability to operate or expand its business. Data protection and privacy-related laws and regulations are evolving and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. While AcuityAds takes measures to protect the security of information that it collects, uses and discloses in the operation of its business, and to offer certain privacy protections with respect to such information, such measures may not always be effective.

In Europe, the General Data Protection Regulation (GDPR), which entered into force in May 2018, provides for new obligations that apply internationally to entities that control or process the personal data of citizens of the European Union. Several of these obligations, if applicable, could require changes to the processes used by AcuityAds. Existing and proposed laws and regulations, in particular in the European Union and the United States, concerning user privacy, use of personal information and on-line tracking technologies could affect the efficacy and profitability of internet-based and digital marketing. The costs of compliance with these laws may increase in the future as a result of the implementation of new laws or regulations, such as the GDPR, or changes in interpretations of current ones. Any failure on our part to comply with these legal requirements, or their application in an unanticipated manner, could harm our business and result in penalties or significant legal liability.

In addition, while AcuityAds takes steps to avoid unlawful collection of personally identifiable data about consumers, it may inadvertently receive this information from advertisers or advertising agencies or through the process of delivering advertising, in which case it may log this information and may inadvertently release it in contravention of applicable privacy legislation. The Corporation’s failure to comply with applicable laws and regulations, or to protect personal information, could result in enforcement action against the Corporation, including fines, imprisonment of its officers and public censure, claims for damages by consumers and other affected individuals, damage to the company’s reputation and loss of goodwill, any of which could have a material adverse impact on operations, financial performance and business. Even the perception of privacy concerns, whether or not valid, may harm the Corporation’s reputation and inhibit adoption of its offerings by current and future advertisers and advertising agencies.

Ability to Protect AcuityAds' Proprietary Offering

Any failure to protect AcuityAds' proprietary Self-Serve Programmatic Marketing Platform could harm its business and competitive position. There can be no assurance that any steps AcuityAds has taken or intends to take will be adequate to defend and prevent misappropriation of technology, including the possibility of reverse engineering and the possibility that potential competitors will independently develop technologies that are designed around and are substantially equivalent or superior to AcuityAds' technology.

AcuityAds may use a combination of trade secret, copyright law, nondisclosure agreements, passing-off laws, other common law intellectual property protections and technical measures to protect its proprietary technology. AcuityAds has generally entered into confidentiality agreements with and obtains assignments of intellectual property and waivers of moral rights from its employees and contractors and has worked to limit access to and distribution of its technology, documentation and other proprietary information. However, the steps taken may not be adequate to deter misappropriation or independent third party development of AcuityAds' technology. In addition, the laws of some foreign countries do not protect proprietary technology rights to the same extent as do the laws of Canada and the U.S.. If AcuityAds resorts to legal proceedings to enforce its intellectual property rights, the proceedings could be burdensome and expensive and could involve a high degree of risk to AcuityAds' proprietary rights if it is unsuccessful in such proceedings. Moreover, AcuityAds' financial resources may not be adequate to enforce or defend its rights in its technology. Additionally, any patents that AcuityAds may apply for or obtain in the future may not be broad enough to protect all of the technology important to its business, and its ownership of patents would not in itself prevent others from securing patents that may prevent AcuityAds from engaging in actions necessary to its business, products, or services.

Infringement of Intellectual Property Rights

If AcuityAds' proprietary Self-Serve Programmatic Marketing Platform violates or is alleged to violate third party proprietary rights, AcuityAds may be required to reengineer its technology or seek to obtain licenses from third parties to continue offering its technology without substantial reengineering. Any such efforts may not be successful or if successful could require payments that may have a material adverse effect on profitability and financial condition. Any litigation involving infringement claims would be expensive and time-consuming, and an adverse outcome may result in payment of damages or injunctive relief that could materially and adversely affect AcuityAds' business.

Various circumstances could pose a threat to its intellectual property rights. Effective intellectual property protection may not be available in the U.S., Canada or other countries in which the Self-Serve Programmatic Marketing Platform is offered in the future. In addition, the efforts that have been taken to protect AcuityAds' intellectual property rights may not be sufficient or effective. Any impairment of AcuityAds' intellectual property rights could harm its business, its ability to compete and harm its operating results.

AcuityAds does not independently verify whether it is permitted to deliver advertising to its advertisers' internet users or that the content of the advertisements it delivers is legally permitted. AcuityAds receives representations from advertisers that the content of the advertising that AcuityAds places on their behalf is lawful. AcuityAds also relies on representations from its advertisers that they maintain adequate privacy policies that allow AcuityAds to place pixels on their websites and collect valid consents from users that visit those websites to collect and use such user's information to aid in delivering AcuityAds' offerings. If any of these representations are untrue and AcuityAds' advertisers do not abide by laws governing their content or privacy practices, AcuityAds may become subject to legal claims and exposed to potential liability and expense (for which it may or may not be indemnified), and its reputation may be damaged.

Use of Open Source Software Components

AcuityAds' Self-Serve Programmatic Marketing Platform, including its computational infrastructure, relies on software licensed to it by third party authors under "open source" licenses. The use of open source software may entail greater risks than the use of third party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. Some open source licenses contain requirements that AcuityAds make available source code for modifications or

derivative works AcuityAds creates based upon the type of open source software AcuityAds uses. If AcuityAds combines its proprietary software with open source software in a certain manner, AcuityAds could, under certain open source licenses, be required to release the source code of its proprietary software to the public. This would allow AcuityAds' competitors to create similar solutions with lower development effort and time and ultimately put the Corporation at a competitive disadvantage.

Although AcuityAds monitors its use of open source software to avoid subjecting its products to conditions it does not intend, the terms of many open source licenses have not been interpreted by Canadian courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on AcuityAds' ability to commercialize its services. Moreover, AcuityAds cannot guarantee that its processes for controlling its use of open source software will be effective. If AcuityAds is held to have breached the terms of an open source software license, it could be required to seek licenses from third parties to continue operating its platform on terms that are not economically feasible, to re-engineer its platform or the supporting computational infrastructure to discontinue use of certain code, or to make generally available, in source code form, portions of its proprietary code, any of which could adversely affect the Corporation's business, operating results and financial condition.

Unanticipated Problems Associated with the Self-Serve Programmatic Marketing Platform

AcuityAds depends upon the sustained and uninterrupted performance of its platform to operate a number of campaigns at any given time; manage its inventory supply; bid on inventory for each campaign; serve or direct a third party to serve advertising; collect, process and interpret data; and optimize campaign performance in real time and provide billing information. Because AcuityAds' software is complex, undetected errors and failures may occur, especially when new versions or updates are made. AcuityAds' Self-Serve Programmatic Marketing Platform may contain undetected errors or "bugs", which result in system failures, or failure to perform in accordance with industry or customer expectations. Despite AcuityAds' plans for quality control and testing measures, its Self-Serve Programmatic Marketing Platform, including any enhancements, may contain such bugs or exhibit performance degradation, particularly during periods of rapid expansion. In such an event, the Corporation may be required or choose to expend additional resources to help mitigate any problems resulting from errors in its software. Product or system performance problems could result in loss of or delay in revenue, loss of market share, failure to achieve market acceptance, adverse publicity, diversion of development resources and claims against the Corporation by its customers and other parties.

The Corporation may also experience interruptions in its information systems on which its operations depend. Further, the Corporation may face attempts by others to gain unauthorized access through the Internet to its information technology systems, to intentionally hack, interfere with or cause physical or digital damage to or failure of such systems (such as significant viruses or worms), which attempts the Corporation may be unable to prevent. The Corporation could be unaware of an incident or its magnitude and effects until after it is too late to prevent it and the damage it may cause. Any security breaches, unauthorized access, unauthorized usage, virus or similar breach or disruption could result in loss of confidential information, personal data and customer content, damage to the Corporation's reputation, early termination of contracts, litigation, regulatory investigations or other liabilities.

Social Data

AcuityAds' social data offering is currently based on publicly available social data signals from users on social media platforms. AcuityAds, via the 140 Proof Acquisition, is able to access this social user data for audience targeting. As a result, AcuityAds' ability to grow its revenue in this channel is closely tied to the availability and access to the social data signals from these social media platforms. These social media platforms may restrict AcuityAds' access to their publicly available data, intentionally or unintentionally. Additionally, the performance of this type of data in a particular scenario cannot be predicted. Also, data obtained in this way may not always correlate precisely with the target audience resulting in distorted insights. Another risk is that social media companies may cease to exist or become less relevant, based on the size and reach of their platforms which could harm AcuityAds' social data offering and revenues. Additionally, other players in the market could potentially develop competing tools potentially limiting AcuityAds' market penetration which in turn could negatively impact revenues.

Mobile Advertising

AcuityAds' success in the mobile advertising channel depends upon the ability of its Self-Serve Programmatic Marketing Platform to integrate with mobile inventory suppliers and provide advertising for most mobile connected devices, as well as the major operating systems that run on them and the thousands of applications that are downloaded onto them. The design of mobile devices and operating systems is controlled by third parties with whom AcuityAds does not have any formal relationships. These parties frequently introduce new devices, and from time to time they may introduce new operating systems or modify existing ones. Network carriers may also impact the ability to access specified content on mobile devices. If AcuityAds' platform is unable to work on these devices or operating systems, either because of technological constraints or because a maker of these devices or developer of these operating systems wishes to impair AcuityAds' ability to provide advertisements on them or AcuityAds' ability to fulfill advertising space, or inventory, from developers whose applications are distributed through their controlled channels, AcuityAds' ability to generate revenue could be significantly harmed.

Video Advertising

AcuityAds' analytics-led video offering is currently based on data accessible from key partnerships and API integration with large video portals in providing the data analytics for its TrueReach platform. As a result, AcuityAds' ability to grow its revenue in this channel is closely tied to the availability and access to the data from video-based platforms. These video-based platforms may restrict AcuityAds' access to their API and/or publicly available data, intentionally or unintentionally which could negatively impact AcuityAds' analytics-led video offering and revenues. Additionally, other players in the market could potentially develop competing tools potentially limiting AcuityAds' market penetration which in turn could negatively impact revenues.

Fraud

AcuityAds operates as a technology and services provider in a dynamic ecosystem where fraud exists. Typical forms of fraud include robotic traffic, where robots mimic the behaviour of users in order to inflate the number of impressions, clicks, post clicks actions or other metrics associated with the ad; ads that have no potential to be viewed by a human; and activities designed to trick mechanisms for user data collection or attribution models. AcuityAds employs reasonable measures to detect and eliminate fraud to the best of its ability. However, despite its efforts, AcuityAds is not in the fraud detection business and there are no guarantees as to the degree to which fraud can be minimized.

Publisher Protection

AcuityAds offers managed media campaign services and licenses its technology to third parties who use it to carry out media buys. Despite AcuityAds' efforts to protect its suppliers from unwanted buying activities and ads, misuse of the system by advertising parties cannot be ruled out.

Ad Blockers

Ad blockers represent an increased risk to the online advertising industry as a whole, as their use has lately risen. Ad blockers prevent ads from being displayed and can interfere with the collection and transmission of data required for the normal operation of the online advertising ecosystem, including user data, measurement and attribution. The industry is taking steps to combat ad blocking and tools have been created to detect ad blockers for use by publishers. These tools allow publishers who rely on ad revenue to withhold content from users with ad blockers. Additionally, in order to discourage the use of ad blockers, the industry is initiating a shift towards ads that are less disruptive to the user experience. Nevertheless, there are no guarantees that these measures will be sufficient to eliminate all ad blocking activities and that AcuityAds will not experience loss of potential revenue as a result of ad blocking.

Obsolescence

AcuityAds' business is characterized by rapid technological change, frequent new product and service introductions and enhancements, uncertain product life cycles, changes in customer requirements, and evolving industry standards. The introduction of new products embodying new technologies, the emergence of new industry standards, or improvements to existing technologies could render AcuityAds' platform obsolete or relatively less competitive. AcuityAds' future success will depend upon its ability to continue to develop and expand its Self-Serve Programmatic Marketing Platform and to address the increasingly sophisticated needs of its customers. AcuityAds may experience delays in releasing new offerings or enhancements in the future. Material delays in introducing new offerings or enhancements may cause customers to forego purchases of AcuityAds' offering to purchase offerings of competitors instead.

Catastrophic Events

AcuityAds maintains servers at co-location facilities in the United States that it uses to deliver advertising campaigns for its advertisers. Any of its existing and future facilities may be harmed or rendered inoperable by attack or security intrusion by a computer hacker, natural or man-made disasters, including earthquakes, tornadoes, hurricanes, wildfires, floods, nuclear disasters, war, acts of terrorism or other criminal activities, infectious disease outbreaks and power outages, any of which may render it difficult or impossible for AcuityAds to operate its business for some period of time. If AcuityAds were to lose the data stored in one or more of its co-location facilities, it could take several days, if not weeks, to recreate this data from multiple sources, which could result in significant negative impact on its business operations, and potential damage to its advertiser and advertising agency relationships. Any disruptions in AcuityAds' operations could negatively impact its business and results of operations, and harm its reputation. In addition, AcuityAds may not carry sufficient business interruption insurance to compensate for the losses that may occur. Any such losses or damages could have a material adverse effect on the Corporation's business, financial condition and results of operations.

Economic, Political and Market Conditions

AcuityAds' business depends on the overall demand for advertising and on the economic health of its current and prospective advertisers. Economic downturns or instability in political or market conditions may cause current or new advertisers to reduce their advertising budgets. Adverse economic conditions and general uncertainty about continued economic recovery are likely to affect the Corporation's business prospects. This uncertainty may cause general business conditions in the U.S. and elsewhere to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel purchases of the Corporation's offerings, and expose the Corporation to increased credit risk on advertiser orders, which, in turn, could negatively impact its business, financial condition and results of operations. In addition, continued geopolitical turmoil in many parts of the world have and may continue to put pressure on global economic conditions, which could lead to reduced spending on advertising.

Risks Related to the Common Shares

Market for Common Shares

There can be no assurance that an active trading market for the Common Shares will develop or, if developed, that any market will be sustained. Technology stocks have historically experienced high levels of volatility and AcuityAds cannot predict the prices at which the Common Shares will trade. Fluctuations in the market price of the Common Shares could cause an investor to lose all or part of its investment in Common Shares. Factors that could cause fluctuations in the trading price of the Common Shares include (i) announcements of new offerings, products, services or technologies, commercial relationships, acquisitions or other events by the Corporation or its competitors; (ii) price and volume fluctuations in the overall stock market from time to time; (iii) significant volatility in the market price and trading volume of technology companies in general and of companies in the digital advertising industry in particular; (iv) fluctuations in the trading volume of the Common Shares or the size of the Corporation's public float; (v) actual or anticipated changes or fluctuations in the Corporation's results of operations; (vi) whether AcuityAds' results of operations meet the expectations of securities analysts or investors; (vii) actual or anticipated changes in the expectations of investors or securities analysts; (viii) litigation involving the Corporation, its industry, or both; (ix) regulatory developments in Canada, the U.S., and foreign countries; (x)

general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases or sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on AcuityAds from any of the other risks cited herein.

Substantial Control by Insiders

AcuityAds' directors and executive officers, in the aggregate, beneficially own approximately 40.1% of the Common Shares. As a result, these insiders will be able to influence or control matters requiring approval by the Corporation's shareholders, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions. They may also have interests that differ from those of investors and may vote in a manner that is adverse to investors' interests. This concentration of ownership may have the effect of deterring, delaying or preventing a change of control of the Corporation, could deprive the Corporation's shareholders of an opportunity to receive a premium for their Common Shares as part of a sale of the Corporation and might ultimately affect the market price of the Common Shares.

Dividend Policy

AcuityAds is not currently paying any dividends on the Common Shares and may not declare or pay any dividends in the future. AcuityAds may, in its discretion, retain any earnings to finance the operation and expansion of its business, and accordingly, may not pay any dividends in the future. As a result, an investor may only receive a return on its investment in the Common Shares if the market price of such shares increases. In addition, the Line of Credit contains restrictions on AcuityAds' ability to pay dividends. See "Dividends and Distributions."

Analyst Coverage

The trading market for the Common Shares will, to some extent, depend on the research and reports that securities or industry analysts publish about the Corporation or its business. The Corporation does not have any control over these analysts. If one or more of the analysts who covers the Corporation should downgrade the Common Shares or change their opinion of the Corporation's business prospects, the Corporation's share price would likely decline. If one or more of these analysts ceases coverage of the Corporation or fails to regularly publish reports on the Corporation, the Corporation could lose visibility in the financial markets, which could cause the Corporation's share price or trading volume to decline.

Tax Consequences

There may be income tax consequences in relation to the Common Shares, which will vary according to circumstances of each investor. Shareholders and prospective investors should seek independent advice from their own tax and legal advisers.

DIVIDENDS AND DISTRIBUTIONS

It is not expected that AcuityAds will declare any dividends for the foreseeable future. The Corporation does not have any restrictions on paying dividends, but (i) AcuityAds OpCo is restricted from paying dividends (including to AcuityAds) without the prior consent of SVB and the Majority Lenders (as defined in the Term Loan Agreement) and (ii) if AcuityAds generates earnings in the foreseeable future, it is expected that they will be retained to finance growth, if any. The Board will determine if and when dividends should be declared and paid in the future based upon AcuityAds' financial position at the relevant time. Holders of Common Shares are entitled to an equal share in any dividends declared and paid on the Common Shares.

DESCRIPTION OF CAPITAL STRUCTURE

AcuityAds is authorized to issue an unlimited number of Common Shares. As of the date hereof, there are a total of 40,861,592 Common Shares issued and outstanding.

Holders of Common Shares are entitled to cast one vote per Common Share at all meetings of shareholders of the Corporation; to receive cumulative dividends, if any, as and when declared by the Board at its discretion from funds available for distribution; and upon the liquidation, dissolution or winding up of the Corporation, to receive on a *pro-rata* basis all the property and assets of the Corporation available for distribution.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares trade on the TSXV under the symbol “AT”. The following table sets forth, for the periods indicated, the reported high and low prices and the aggregate volume of trading of the Common Shares on the TSXV for the financial year ended December 31, 2017.

Month	High Trading Price (\$)	Low Trading Price (\$)	Monthly Volume (#)
January 2017	4.10	2.39	2,413,146
February 2017	3.80	3.32	820,651
March 2017	5.40	3.35	1,915,431
April 2017	4.85	3.85	1,129,188
May 2017	4.80	3.90	1,290,857
June 2017	4.71	3.95	549,714
July 2017	4.35	3.65	856,951
August 2017	4.70	3.40	927,289
September 2017	3.81	1.64	4,856,800
October 2017	2.40	1.75	1,413,226
November 2017	1.90	1.30	2,346,005
December 2017	1.90	1.26	1,199,264

Notes:

⁽¹⁾Source: TMX Market Data.

Prior Sales

During the financial year ended December 31, 2017, the Corporation issued the following securities not listed or quoted on a marketplace:

Date of Issuance	Security	Number of Securities Issued	Exercise Price Per Security (\$)
March 14, 2017	Stock options	435,000 ⁽¹⁾	4.65
May 9, 2017	Stock options	392,500 ⁽¹⁾	4.12
August 8, 2017	Stock options	130,000 ⁽¹⁾	4.47
February 8, 2017	Deferred share units	30,850 ⁽²⁾	N/A
March 14, 2017	Deferred share units	300,500 ⁽²⁾	N/A

May 9, 2017	Deferred share units	31,775 ⁽²⁾	N/A
August 8, 2017	Deferred share units	20,850 ⁽²⁾	N/A
November 10, 2017	Bonus warrants	321,426 ⁽³⁾	\$1.80
March 31, 2017	Compensation warrants	206,640 ⁽⁴⁾	\$3.40

Notes:

⁽¹⁾ Issued pursuant to stock option grants under the Corporation's stock option plan.

⁽²⁾ Issued either (a) in lieu of a portion of annual bonus payments payable to executives of the Corporation; or (b) in lieu of director fees payable to directors of the Corporation.

⁽³⁾ Issued to the Term Loan Lenders in connection with the extension and amendment of the Term Loan.

⁽⁴⁾ Issued to the underwriters in connection with the 2017 Private Placement.

DIRECTORS AND OFFICERS

The following table sets forth the name, province or state and country of residence, the position held with the Corporation and period(s) during which each director of the Corporation has served as a director, the principal occupation, and the number and percentage of Common Shares beneficially owned by each director and executive officer of the Corporation. The statement as to the Common Shares beneficially owned, controlled or directed, directly or indirectly, by the directors and executive officers hereinafter named is in each instance based upon information furnished by the person concerned and is as at the date hereof. All directors of the Corporation hold office until the next annual meeting of shareholders of the Corporation or until their successors are elected or appointed.

Name and Residence	Position with the Corporation and Period(s) Served as a Director	Principal Occupation	Number of Common Shares Beneficially Owned or Controlled	Percentage of Common Shares Beneficially Held
Tal Hayek Ontario, Canada	Chief Executive Officer and Director since October 9, 2009	Chief Executive Officer of the Corporation	3,797,821	9.29%
Jonathan Pollack Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Corporation	600,000	1.47%
Nathan Mekuz Ontario, Canada	Chief Technology Officer and Vice President of Ad Operations	Chief Technology Officer and Vice President of Ad Operations of the Corporation	3,390,617	8.30%
Rachel Kapcan Ontario, Canada	Chief Information Officer	Chief Information Officer of the Corporation	3,269,954	8.00%
Joe Ontman Ontario, Canada	Chief Revenue Officer and Director since October 9, 2009	Chief Revenue Officer of the Corporation	3,308,820	8.10%

Name and Residence	Position with the Corporation and Period(s) Served as a Director	Principal Occupation	Number of Common Shares Beneficially Owned or Controlled	Percentage of Common Shares Beneficially Held
Sheldon Pollack ^{(1) (2)} Ontario, Canada	Chairman and Director since January 9, 2013	Co-founder of OnX and early-stage investor	1,646,474	4.03%
Roger Dent ^{(1) (2)} Ontario, Canada	Director since July 16, 2014	Chief Executive Officer of Quinsam Capital Corporation	290,210	0.71%
Igal Mayer ^{(1) (2)} Ontario, Canada	Director since July 16, 2014	Chief Executive Officer of RDA Insurance Inc.	91,667	0.22%
Yishay Waxman ^{(1) (2)} Ontario, Canada	Director since July 16, 2014	President, YW Consulting Inc.	Nil	-

⁽¹⁾ Member of the Compensation and Corporate Governance Committee. Mr. Dent is Chair of the Compensation and Corporate Governance Committee.

⁽²⁾ Member of the Audit Committee. Mr. Mayer is the Chair of the Audit Committee.

As at the date hereof, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control over, a total of 16,395,563 Common Shares, representing approximately 40.12% of the issued and outstanding common shares of the Corporation.

The principal occupations, businesses or employments of each of the Corporation's directors and executive officers within the past five years are disclosed in the brief biographies set out below.

Tal Hayek – Director and Chief Executive Officer. Mr. Hayek has served as AcuityAds' Chief Executive Officer since October 2009. In 2004, he founded an ad-tech company, which provided a marketing platform focused on lead generation and customer acquisition. This company was subsequently sold in 2006 to a public company. Mr. Hayek continued with the company for two years and was a key contributor in helping the company's revenue grow to \$110 million in 2008.

Jonathan Pollack – Chief Financial Officer. Mr. Pollack has served as AcuityAds' Chief Financial Officer since May 2018. Mr. Pollack joined AcuityAds from The JMP Group, a private investment and consulting firm where he had been President since 2000. Previously, he served as the Executive Vice President of API Technologies Corp. and as the Chief Financial Officer and Corporate Secretary of Kaboose Inc. He also worked in investment banking in New York. Mr. Pollack received a Master of Science in Accounting and Finance from the London School of Economics and a Bachelor of Commerce from McGill University.

Nathan Mekuz – Chief Technology Officer and Vice President of Ad Operations. Dr. Mekuz has served as AcuityAds' Chief Technology Officer since October 2009 and Vice President of Ad Operations since February 2015. He has played a key role in developing AcuityAds' machine learning algorithm. Dr. Mekuz has researched machine learning algorithms for statistical pattern recognition and predictive analytics since 1997. He holds a Bachelor of Science in Computer Science from York University, a Master of Science in Computer Science from the University of Western Ontario and a Doctor of Philosophy in Computer Science from York University.

Rachel Kapcan – Chief Information Officer. Ms. Kapcan has served as AcuityAds' Vice President of Technologies from October 2009 until November 2016 and Chief Information Officer since then. She began her career in the Israeli Intelligence Corps where she developed and designed contextual information and research systems and led projects developing a full-text retrieval system, including morphological and soundex searches. More recently, Ms. Kapcan has managed multi-million dollar infrastructure projects in the financial services industry.

Joe Ontman – Director and Chief Revenue Officer. Mr. Ontman served as AcuityAds’ Chief Management Officer from October 2009 to July 2014 and currently is AcuityAds’ Chief Revenue Officer. He previously founded a computer supply company servicing large clients including Mount Sinai Hospital, the Hospital for Sick Children, Credit Suisse, the University of Toronto and the Government of Ontario. In 2007, he founded an ad-tech company specializing in client acquisitions via search marketing, email marketing and media buys. He holds a diploma in Computer Repair from Seneca College.

Sheldon Pollack – Chairman and Director. Mr. Pollack is an entrepreneur, having started his first venture at the age of 16 and has been an early stage investor in AcuityAds since January 2013. He is currently Managing Director of Ov2 Capital. Throughout his career, Mr. Pollack has played an active role in starting and funding a number of successful technology ventures. He co-founded OnX Enterprise Solutions Inc. (“**OnX**”) and has held the position of Vice-Chairman of OnX until it was acquired in 2017. He took OnX public in April 2000 and subsequently re-privatized the company in April 2009. Today, OnX has revenues over \$750 million and offices throughout Canada, the United States and the United Kingdom.

Roger Dent – Director. Mr. Dent has served as the Chief Executive Officer and a director of Quinsam Capital Corporation since December 2013 and is a director of Omni-Lite Industries Canada, Inc., VitalHub Corp., Deveron UAS Corp., and California Nanotechnologies Corp. From 2003 to 2011, he held various positions, including portfolio manager, with Matrix Fund Management Inc., where he managed the Matrix Strategic Small Cap Fund and the Matrix Small Companies Fund. He was formerly Vice-Chairman of one of Canada’s largest independent investment dealers and was Managing Director and Deputy Manager of Research at CIBC World Markets. He holds a Master of Business Administration from Harvard Business School and a Bachelor of Commerce from Queen’s University.

Igal Mayer – Director. Mr. Mayer has over 30 years of experience in the financial services industry. He has held the positions of Co-Chairman and Chief Executive Officer of RDA Insurance Inc. since January 2014. Prior to that, he held various executive positions with Aviva plc (UK) from June 2007 to May 2012. Mr. Mayer also held various positions at Aviva plc and Aviva Canada Inc. for over 23 years, including Executive Director, Chief Executive Officer of Aviva Europe, Chief Executive Officer of Aviva North America, Chief Executive Officer of Aviva UKGI and Chief Executive Officer of Aviva Canada. Mr. Mayer previously served as the Chief Financial Officer at Canadian General Insurance Group, where he led the successful sale of the company. Mr. Mayer is a Certified Public Accountant and Chartered Accountant with the Canadian Institute of Chartered Accountants and holds a Bachelor of Arts in Economics and Commerce from the University of Toronto.

Yishay Waxman – Director. Mr. Waxman is an entrepreneur, investor and start-up advisor and has been President of YW Consulting, a marketing and advertising consulting company, since June 2005. He has worked in the mobile industry for over 18 years, selling platforms and solutions to more than 350 operators worldwide. Most recently, he was the co-founder of Jumptap, Inc., a widely recognized advertising network in mobile advertising, which was acquired in November 2013 by Millennial Media. He holds a Master of Business Administration from Heriot-Watt University (Israel) and an Honours Bachelor of Arts from McMaster University.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set forth below, no director or executive officer of the Corporation, is, as at the date hereof, or has been, within the ten years before the date hereof, a director, chief executive officer or chief financial officer of any company (including AcuityAds) that:

- (a) was subject to a cease trade or similar order, or an order that denied the company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) was subject to a cease trade or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred

while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

Mr. Joe Ontman was previously a shareholder, director and officer of OTA Business Centre Inc. (“OTA”), which filed for bankruptcy on January 26, 2009. A major bank was the main creditor. No OTA employees were owed money and after costs of realization, there were no funds remaining for distribution to any of OTA’s creditors.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

- (a) is, as at the date hereof, or has been within the ten years before the date hereof, a director or executive officer of any company (including AcuityAds) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Other than as set forth below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Pursuant to the terms of a settlement agreement dated December 17, 2001 between Mr. Roger Dent and the Ontario Securities Commission, Mr. Dent received a reprimand and agreed to pay a penalty of \$50,000 plus \$10,000 in costs to the Ontario Securities Commission in connection with certain trades in which he was involved while in a conflict of interest position as a result of being an officer and director of Yorkton Securities Inc.

Conflicts of Interest

To the best of the Corporation’s knowledge, and other than as disclosed herein, there are no known existing or potential conflicts of interest between the Corporation and any directors or officers of the Corporation, except that certain of the directors and officers serve as directors, officers, promoters and members of management of other public or private companies and therefore it is possible that a conflict may arise between their duties as a director or officer of the Corporation and their duties as a director, officer, promoter or member of management of such other companies.

The directors and officers of the Corporation are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors and officers of conflicts of interest and the Corporation will rely upon such laws in respect of any directors’ and officers’ conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the CBCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

AcuityAds has entered into an agreement with Ov2 Securities Inc. (“Ov2”) that provides for Ov2 acting as AcuityAds’ buy-side M&A advisory firm. Ov2 advised the Corporation on both the 140 Proof Acquisition and the Visible Measures Acquisition. Sheldon Pollack, a director and Chairman of the Board, is a principal of Ov2. See also “Interests of Managements and Others in Material Transactions”.

The 2018 Term Loan Lenders include, among others, the executive officers and certain directors of the Corporation, Joe Ontman, Sheldon Pollack, relatives of Roger Dent and Igal Mayer. See “Description and General Development of the Business – Business of the Corporation – Three Year History – Financings”.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the Corporation’s systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents, including the Corporation’s annual audited financial statements and unaudited quarterly financial statements, and monitoring the performance and independence of the Corporation’s external auditors. The Audit Committee is also responsible for reviewing with management the Corporation’s risk management policies, the timeliness and accuracy of the Corporation’s regulatory filings and all related party transactions as well as the development of policies and procedures related to such transactions.

Audit Committee Charter

The Audit Committee Charter sets out its responsibilities and authority, procedures governing meetings, qualifications for membership and particulars governing the role of the Chair. A copy of the Audit Committee Charter is attached hereto as Schedule “A”.

Composition of the Audit Committee

During the year ended December 31, 2017, the Audit Committee was comprised of four directors, all of whom were independent directors. The current members of the Audit Committee are: Messrs. Mayer (Chair), Dent, Pollack, and Waxman. In addition to being independent directors as described above, each member of the Audit Committee is considered “financially literate” pursuant to National Instrument 52-110 *Audit Committees* (“NI 52-110”).

Relevant Education and Experience

For the relevant education and experience of each of the members of the Corporation’s Audit Committee, please see the biographical summary of each of Messrs. Mayer, Dent, Pollack and Waxman under the heading “Directors and Officers”.

Audit Committee Oversight

At no time since January 1, 2017, has any recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the Corporation’s board of directors.

Pre-Approval Policies and Procedures

The Audit Committee Charter sets out responsibilities regarding the provision of non-audit services by the Corporation’s external auditors and provides that the Audit Committee may pre-approve, in accordance with applicable law, any non-audit services to be provided by the Corporation’s external auditors, with reference to compatibility of the service with the external auditors’ independence.

External Auditor Service Fees

The aggregate fees billed by the Corporation’s external auditor during the years ended December 31, 2017 and December 31, 2016 are set out in the table below.

Year Ended	Audit Fees⁽¹⁾	Audit Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
December 31, 2017	\$180,177	\$11,600	\$41,587	Nil
December 31, 2016	\$110,000	\$16,052	\$24,800	Nil

- (1) "Audit Fees" refers to the aggregate fees billed by the Corporation's external auditor for audit services.
- (2) "Audit-Related Fees" refers to the aggregate fees billed for assurance and related services by the Corporation's external auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and not reported under Audit Fees. These amounts were incurred in relation to a quarterly review performed by the Corporation's external auditor.
- (3) "Tax Fees" refers to the aggregate fees billed for professional services rendered by the Corporation's external auditor for tax compliance, tax advice and tax planning.
- (4) "All Other Fees" refers to the aggregate fees billed for certain other services provided by the Corporation's external auditor, other than the services reported under the other three columns.

Exemption

The Corporation is relying upon the exemption in section 6.1 of NI 52-110.

PROMOTERS

Other than as disclosed below, no person or company has within the two most recently completed financial years, or is during the current financial year, been a promoter of the Corporation or a subsidiary thereof.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is not and was not, during the year ended December 31, 2017, a party to any material legal proceedings, nor is any of its property, nor was any of its property, during the year ended December 31, 2017, the subject of any material legal proceedings. As at the date hereof, no such material legal proceedings are known to be contemplated.

During the financial year ended December 31, 2017, there were no: (a) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (b) penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below and herein, none of the directors or executive officers of the Corporation, nor any person or company that beneficially owns, controls, or directs, directly or indirectly, more than 10% of any class or series of outstanding voting securities of the Corporation, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Corporation.

Each of Rachel Kapcan (Chief Information Officer), Nathan Mekuz (Chief Technology Officer and Vice President of Ad Operations) and Joe Ontman (Chief Revenue Officer and a director of the Corporation) participated in the 2017 Secondary Offering.

In connection with the 140 Proof Acquisition and the Visible Measures Acquisition, Ov2, a corporation of which Sheldon Pollack, a director of the Corporation and Chair of the Board, is a principal, received advisory fees in the aggregate amount of US\$200,000.

For more information regarding the 2017 Secondary Offering and the Visible Measures Acquisition, please refer to the material change report of the Corporation dated March 20, 2017, which is available on the Corporation's SEDAR profile at www.sedar.com.

Each of Sheldon Pollack (Director), Roger Dent (Director), Igal Mayer (Director), Nathan Mekuz (Chief Technology Officer and Vice President of Ad Operations) and Joe Ontman (Chief Revenue Officer and Director) participated in the 2017 Non-Brokered Private Placement. See "Description and General Development of the Business – Business of the Corporation – Three Year History – Financings" and the material change report dated December 22, 2017, which is available on the Corporation's SEDAR profile at www.sedar.com.

Each of Sheldon Pollack, (Director and Chair of the Board), Tal Hayek (Chief Executive Officer and a director of the Corporation), Rachel Kapcan (Vice President of Technologies), Nathan Mekuz (Chief Technology Officer and Vice President of Ad Operations), Joe Ontman (Chief Revenue Officer and Director) and Jonathan Pollack (Chief Financial Officer effective as of May 9, 2018) participated in the 2018 Private Placement. See "Description and General Development of the Business – Business of the Corporation – Three Year History – Financings" and the news release dated April 18, 2018, which is available on the Corporation's SEDAR profile at www.sedar.com.

The 2018 Term Loan Lenders include, among others, the executive officers and certain directors of the Corporation, Joe Ontman, Sheldon Pollack, relatives of Roger Dent and Igal Mayer. See "Description and General Development of the Business – Business of the Corporation – Three Year History – Financings" and the material change report dated June 22, 2018, which is available on the Corporation's SEDAR profile at www.sedar.com.

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is TSX Trust Company at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

Other than the 140 Proof Agreement and the Visible Measures Agreement, the Corporation did not enter into any material contracts outside the ordinary course of business during the year ended December 31, 2017, nor has it entered into any material contracts outside the ordinary course of business prior to the year ended December 31, 2017 which are still in effect as at the date of this AIF. As disclosed herein, the Corporation entered into the ADman Agreement subsequent to the year ended December 31, 2017. Please see "Description and General Development of the Business – Three Year History – Acquisitions" for further information.

INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP, Chartered Professional Accountants, are the auditors of the Corporation and have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be found on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans for the year ended December 31, 2017 is contained in the Corporation's management information circular filed in connection with its 2017 annual meeting of shareholders.

Additional financial information is provided in the Corporation's annual financial statements and management's discussion and analysis for the year ended December 31, 2017, each of which is available on SEDAR at www.sedar.com.

GLOSSARY

The following terms used in this AIF have the meanings set out below:

“**140 Proof**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History - Acquisitions”;

“**140 Proof Acquisition**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Acquisitions”;

“**140 Proof Agreement**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Acquisitions”;

“**2015 Prospectus Offering**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**2016 Private Placement**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**2017 Debt Conversion**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**2017 Non-Brokered Private Placement**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**2017 Private Placement**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**2017 Secondary Offering**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**2018 Private Placement**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**2018 Term Loan**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**2018 Term Loan Lenders**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**AcuityAds**” or the “**Corporation**” means AcuityAds Holdings Inc. and its subsidiary entities on a consolidated basis and, in the case of references to matters undertaken by a predecessor in interest to the Corporation or its subsidiary entities, includes each such predecessor in interest, unless the context otherwise requires;

“**AcquisitionCo**” means 2420246 Ontario Inc.;

“**AcuityAds OpCo**” means AcuityAds Inc.;

“**AcuityAds ParentCo**” means AcuityAds Holdings Inc., formerly Wildlaw Capital CPC 2 Inc.;

“**ADman Acquisition**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History - Acquisitions”;

“**ADman Agreement**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History - Acquisitions”;

“**ADman Media**” means ADman Interactive S.L.;

“**AIF**” means this annual information form;

“**AmalCo**” means the successor entity following the amalgamation of AcuityAds and AcquisitionCo;

“**API**” means application program interface which specifies how software components should interact;

“**Audit Committee**” means the audit committee of the Board;

“**Board**” means the board of directors of the Corporation;

“**Big Data**” means a voluminous amount of unstructured and semi-structured data;

“**CRA**” means the Canada Revenue Agency;

“**CBCA**” means *Canada Business Corporations Act*;

“**Common Share**” mean a common share in the capital of the Corporation;

“**Consolidations**” means, collectively, (i) the consolidation of the Common Shares on the basis of 31.8 pre-Consolidation Common Shares for one post-Consolidation Common Share, which was completed prior to the Qualifying Transaction, and (ii) the consolidation of the AcuityAds OpCo common shares on the basis of 6.5 pre-Consolidation common shares for one post-Consolidation common share to be completed prior to the Acquisition, which was completed prior to the Qualifying Transaction;

“**CPC**” means a Capital Pool Company under the CPC Policy;

“**CPC Policy**” means Policy 2.4 – *Capital Pool Companies* of the TSXV Corporate Finance Manual;

“**DAA**” means the Digital Analytics Association;

“**DNS**” means domain name service;

“**Full-Serve**” or “**Managed Services**” means AcuityAds’ fully-managed online digital campaign execution services;

“**Google**” means Google Inc.;

“**Hybrid**” means the AcuityAds service offering which combines both Full-Serve and self-serve AcuityAds resources to enable advertisers to strengthen their digital advertising skills as they progress to AcuityAds’ self-serve offering;

“**IAB**” means “Interactive Advertising Bureau”;

“**IFRS**” means International Financial Reporting Standards, as issued by the International Accounting Standards Board and as adopted by the Canadian Institute of Chartered Accountants, as amended from time to time;

“**Initial Cash Payment**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**June 2018 Warrants**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**Line of Credit**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**MD&A**” means management’s discussion and analysis;

“**Microsoft**” means Microsoft Corporation;

“**Non-Arm’s Length Lenders**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**OBCA**” means the *Business Corporations Act* (Ontario), including the regulations promulgated thereunder, as amended;

“**OnX**” means OnX Enterprise Solutions Inc.;

“**Original Lenders**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**Original Term Loan**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**Original Term Loan Credit Agreement**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**Original Term Loan Lenders**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**Qualifying Transaction**” means a transaction where a CPC acquires Significant Assets (as defined in the CPC Policy) other than cash, by way of purchase, amalgamation, merger or arrangement with another company or by other means, and, specifically in the case of AcuityAds, means the RTO;

“**R&D**” means research and development;

“**RTO**” has the meaning ascribed thereto under “Corporate Structure – Incorporation”;

“**Self-Serve Programmatic Marketing Platform**” means AcuityAds’ proprietary machine-learning technology offered in a SaaS-based model enabling advertisers to independently target and connect with their audiences online via video, social, mobile and display channels through their digital advertising efforts;

“**Share of Attention**TM” is a term trademarked by Visible Measures and means a video performance measurement that captures the relative amount of time consumers have spent watching one brand’s video content in relation to its competition;

“**SRED**” means Scientific Research and Experimental Development;

“**SSP**” means supply side platform;

“**Subscription Receipts**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Going Public Transaction”;

“**SVB**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**SVB Credit Agreement**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Financings”;

“**Trapeze**” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History – Strategic Partnerships”;

“TrueReach®” is a registered trademark of Visible Measures and means products and services which provides the most accurate video viewership metric available and has been vetted, audited, and approved by the Media Rating Council;

“TSXV” means the TSX Venture Exchange;

“U.S.” means the United States of America;

“Virtus” means Virtus Advisory Group Inc.;

“Visible Measures” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History”;

“Visible Measures Acquisition” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History”;

“Visible Measures Agreement” has the meaning ascribed thereto under “Description and General Development of the Business – Three Year History”; and

“Yahoo” means Yahoo! Inc.

APPENDIX A

AUDIT COMMITTEE CHARTER

General

The Board of Directors of the Corporation (the “**Board of Directors**”) will establish an Audit Committee (the “**Audit Committee**”). The primary role of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities regarding the following:

- the accuracy and completeness of the Corporation’s Financial Statements;
- the internal control and financial reporting systems of the Corporation;
- the selection and activities of the Corporation’s external Auditor;
- the development of the Corporation’s Risk Management Strategy;
- the Corporation’s compliance with legal and regulatory requirements regarding financial reporting; and
- any additional duties set out in this mandate or otherwise delegated to the Audit Committee by the Board of Directors.

Composition and Operation

The Board of Directors will in each year appoint at least three (3) Members of the Board of Directors (the “**Board Members**”) as Members of the Audit Committee. The majority of the Members of the Audit Committee shall be “Independent” Directors.

All Members of the Audit Committee shall be financially literate. “**Financially literate**” means the ability to read and understand a set of Financial Statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s Financial Statements. Specifically, a Board Member should have the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and reserves.

Board Members who are not Members of the Audit Committee may attend all or any part of Meetings of the Audit Committee, but shall not vote.

Mandate

The Audit Committee’s duties and responsibilities include, but are not limited to the following:

Financial Reporting and Disclosure

In connection with the financial reporting and disclosure obligations of the Corporation, the Audit Committee will:

- review the Audited Annual Financial Statements of the Corporation (the “**Annuals**”) as prepared by Management in conjunction with the external Auditors, related Management Discussion and Analysis of operations and financial results of the Corporation (the “**MD&A**”) and earnings Press Releases for submission to the Board of Directors for approval;
- review the Quarterly Financial Statements of the Corporation (the “**Quarterlies**”), the related MD&A and earnings Press Releases for submission to the Board of Directors for approval;
- review with Management and the external Auditor, significant accounting practices employed by the Corporation and disclosure issues, including complex or unusual transactions, judgmental areas such as reserves or estimates, significant changes to accounting principles, and alternative treatments under

Canadian GAAP and IFRS for material transactions. This review process must be undertaken in order to have reasonable assurance that the Financial Statements are complete, do not contain any misrepresentations, and present fairly the Corporation's financial position and the results of its operations in accordance with Canadian GAAP and IFRS;

- confirm through discussions with Management that Canadian GAAP and IFRS and all applicable laws or regulations related to financial reporting and disclosure have been complied with;
- review representations made by Management or the Auditor or other experts regarding any fact or event, which could have a material current or future effect on the Corporation's Financial Statements, and the manner in which these have been disclosed in the Financial Statements;
- discuss with Management the effect of any Off-Balance Sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components or revenues and expenses; and
- satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted from the Corporation's Financial Statements and periodically assess the adequacy of those procedures.

Oversight of Internal Controls

The Audit Committee will:

- review and assess the adequacy and effectiveness of the Corporation's system of internal control and Management information systems through discussions with Management and the external Auditor;
- oversee the system of internal control, by:
 - consulting with the external Auditor regarding the adequacy of the Corporation's internal controls;
 - monitoring Policies and Procedures for internal accounting, financial control and Management information, electronic data control and computer security;
 - obtaining from Management adequate assurances that all statutory payments and withholdings have been made; and
 - taking other actions as considered necessary.
- oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions; and
- establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by Employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.

External Audit Appointment and Removal

The Audit Committee will:

- recommend the appointment or replacement of the external Auditor to the Board of Directors, who will consider the recommendation prior to submitting the nomination to the Shareholders of the Corporation for their approval;

- review Management’s plans for an orderly transition to a new external Auditor, if required;
- pre-approve, in accordance with applicable law, any non-audit services to be provided to the Corporation by the external Auditor, with reference to compatibility of the service with the external Auditor’s independence; and
- review and approve the Corporation’s hiring policies regarding Partners, Employees and former Partners and Employees of the present and former external Auditor of the Corporation.

External Audit Liaison

The external Auditor will report directly to the Audit Committee.

In its role as liaison with the external Auditor the Audit Committee will:

- assist and facilitate the resolution of any disagreements between Management and the external Auditor regarding financial reporting;
- review all other material written communications between the external Auditor and Management, including the post-audit Management Letter containing the recommendations of the external Auditor, Management’s response and, subsequently, follow up identified weaknesses; and
- meet with the external Auditor independently from Management and without Management present at least annually to discuss and review specific issues; and as appropriate with respect to any significant matters that the Auditor may wish to bring to the Audit Committee for its consideration.

External Audit Review

The Audit Committee will:

- review with Management, and make recommendations to the Board of Directors, regarding the compensation of the external Auditor. In making a recommendation with respect to compensation, the Audit Committee shall consider the number and nature of reports issued by the external Auditor, the quality of internal controls, the size, complexity and financial condition of the Corporation, and the extent of other support provided by the Corporation to the external Auditor;
- review with Management the terms of the external Auditor’s engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external Auditor;
- review the Audit Plan and scope of the external Audit with the external Auditor and Management, and consider the nature and scope of the planned audit procedures;
- discuss with the external Auditor any significant changes required in the approach or scope of their Audit Plan, Management’s handling of any proposed adjustments identified by the external Auditor, and any actions or inactions by Management that limited or restricted the scope of their work;
- review, independently from Management and without Management present, the results of the Annual External Audit, the Audit Report thereon and the Auditor’s review of the related MD&A, and discuss with the external Auditor the quality (not just the acceptability) of accounting principles used, any alternative treatments of financial information that have been discussed with Management, the ramifications of their use and the Auditor’s preferred treatment, and any other material communications with Management;
- engage the external Auditor to review all Interim Financial Statements and review the results of the Auditor’s review of the Interim Financial Statements and the Auditor’s review of the related MD&A independent of and without Management present;

- review any other matters related to the external Audit that are to be communicated to the Audit Committee under generally accepted auditing standards or that relate to the external Auditor;
- review with Management and the external Auditor any correspondence with regulators or governmental agencies, Employee complaints or published reports that raise material issues regarding the Corporation's Financial Statements or Accounting Policies; and
- at least annually, and before the external Auditor issues its report on the Annual Financial Statements, review and confirm the independence of the external Auditor through discussions with the Auditor on their relationship with the Corporation, including details of all non-audit services provided. Consider the safeguards implemented by the external Auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external Auditor. Consider the number of years the lead audit partner has been assigned to the Corporation, and consider whether it is appropriate to recommend to the Board of Directors a policy of rotating the lead audit partner more frequently than every five years, as is required under the rules of the Canadian Public Accountability Board.

Risk Management

The Audit Committee will:

- review with Management the Corporation's tolerance for financial risks;
- review with Management its assessment of the significant financial risks facing the Corporation;
- review with Management its assessment of the policies for managing those significant financial risks; and
- review with Management its plans, processes and programs to manage and control such financial risks.

Regulatory Compliance

The Audit Committee will:

- review with Management any comment letters received from regulators and ensure that comments/concerns of the regulators are dealt with satisfactorily and in a timely manner; and
- review with Management the timeliness and accuracy of the Corporation's filings with regulatory authorities.

Related Party Transactions

The Audit Committee will review with Management all related party transactions and the development of Policies and Procedures related to those transactions.

Board of Directors Relationship and Reporting

The Audit Committee will:

- review and assess the adequacy of the Audit Committee mandate annually and submit such amendments as the Audit Committee proposes to the Board of Directors;
- oversee appropriate disclosure of the Audit Committee mandate, and other information required to be disclosed by applicable securities laws, in the Corporation's AIF and all other applicable disclosure documents, including any Management Information Circular distributed in connection with the solicitation of proxies from the Shareholders of the Corporation; and

- report regularly to the Board of Directors on Audit Committee activities, issues and related recommendations.

Chair

The Board of Directors will in each year appoint a Chairman of the Audit Committee (the “**AC Chair**”). In the AC Chair’s absence, or if the position is vacant, the Audit Committee may select another member as AC Chair. The AC Chair will have the right to exercise all powers of the Audit Committee between meetings but will attempt to involve all other Members as appropriate prior to the exercise of any powers and will, in any event, advise all other Members of any decisions made or powers exercised.

Meetings

The Audit Committee shall meet at the request of the AC Chair, but in any event it will meet at least four times a year. Notices calling Meetings shall be sent to all Audit Committee Members, to the CEO and to the AC Chair. The external Auditor or any member of the Audit Committee may call a meeting of the Audit Committee.

Quorum

A majority of Members of the Audit Committee, present in person, by teleconference, or by videoconference will constitute a quorum.

Removal and Vacancy

A Member may resign from the Audit Committee, and may be removed and replaced at any time by the Board of Directors, and will automatically cease to be a member as soon as the Member ceases to be a Board Member. The Board of Directors will fill vacancies in the Audit Committee by appointment from among the Directors in accordance with this mandate. Subject to quorum requirements, if a vacancy exists on the Audit Committee, the remaining Members will exercise all its powers.

Experts and Advisors

In order to carry out its duties, the Audit Committee may retain or appoint, at the Corporation’s expense, such independent counsel and other experts and advisors, as it deems necessary. The Audit Committee shall provide notice to the relevant parties of its actions in this regard.

Access

The Audit Committee may have access to and direct contact with any Employee, contractor, supplier, customer or other person that is engaged in any business relationship with the Corporation to confirm information or to investigate any matter within the mandate of the Audit Committee.

Secretary and Minutes

The AC Chair shall appoint a secretary for each meeting to keep Minutes of such Meeting. The Minutes of the Audit Committee will be in writing and duly entered into the books of the Corporation. The Minutes of the Audit Committee will be available to all Board Members.