

## AQUARIUS AI INC.

### MANAGEMENT'S DISCUSSION AND ANALYSIS For the year ended December 31, 2020

*This management discussion and analysis (“MD&A”) of Aquarius AI Inc. (the “Company” or “AQUA”) for the year ended December 31, 2020 is as of April 30, 2021. The Company has prepared this MD&A with reference to National Instrument 51-102 “Continuous Disclosure Obligations” of the Canadian Securities Administrators. The Company’s audited consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). All amounts are expressed in Canadian dollars unless otherwise indicated.*

*This MD&A may contain certain “forward-looking statements” and certain “forward-looking information” as defined under applicable Canadian securities laws. Forward-looking statements and information can generally be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “continue”, “plans” or similar terminology. Forward-looking statements and information are subject to various known and unknown risks and uncertainties, many of which are beyond the ability of the Company to control or predict, that may cause the Company’s actual results, performance or achievements to be materially different from those expressed or implied thereby, and are developed based on assumptions about such risks, uncertainties and other factors set out herein. The Company undertakes no obligation to update forward-looking information except as required by applicable law. Such forward-looking information represents management’s best judgment based on information currently available. No forward-looking statement can be guaranteed, and actual future results may vary materially. Accordingly, readers are advised not to place undue reliance on forward-looking statements or information.*

#### OVERVIEW OF THE COMPANY

Aquarius AI Inc. (formerly Good Life Networks Inc.) was incorporated under the Business Corporations Act on August 17, 2011. The Company was classified as a Capital Pool Company (“CPC”) as defined in Policy 2.4 of the TSX Venture Exchange (the “TSXV”) until the completion of the qualifying transaction.

Effective January 28, 2018, the Company, then Exito Energy II Inc. (“Exito”) closed its qualifying transaction (the “Transaction”) with Good Life Networks Inc. (“GLN”), a Vancouver-based, digital media private company. The Transaction was completed by way of a share exchange pursuant to a plan of arrangement under the provisions of the *Business Corporations Act* (British Columbia) (the “Arrangement”), which included the amalgamation of GLN and Exito to form the Company as the resulting issuer. The Company continued the business of GLN. The transaction was considered a reverse takeover (“RTO”) since the legal acquiree is the accounting acquirer, as the former shareholders of GLN obtained a controlling interest of the resulting issuer after the completion of the Transaction.

The Company changed its name from Good Life Networks Inc. to Aquarius AI Inc. on November 29, 2019. The trading ticker symbol is “AQUA”. The Company continues to trade on the Frankfurt Stock Exchange under the stock symbol “4G5”. The registered office of the Company is located at 595 Howe Street 10th floor, Vancouver, BC V6C 2T5, Canada.

The Company’s business is that of a digital technology company with a mandate to develop and/or acquire technologies to monetize in-house or develop and sell to third parties or find joint venture partners for further development and monetization. During 2018, the Company was granted patent pending status

by the USPTO on several innovations related to the Company's exchange platform, algorithms and blockchain design:

Patent 1: SYSTEM AND METHOD FOR ADVERTISING AUCTIONS. It defines a system and method for conducting advertising auctions in programmatic advertising, creating a new method of matching an advertiser to an online user, with the goal of increasing user engagement with the adverts show.

Patent 2: ONLINE TOKENIZATION OF OUTSTANDING DEBT. It defines a system and method for using blockchain to allow accounts receivable (or any debt) to be tokenized (either on a fungible or non-fungible ("NFT") basis) and allow investors to directly or indirectly invest the tokens to fund the debt, with a fixed rate of return agreed upon upfront.

The Company's initial focus was blockchain/tokenization, as well as customer acquisition of consumer products and services through the development of a Programmatic Marketing Platform (the "Marketing Platform") to intelligently connect digital advertisers to consumers across online display, mobile and video advertising channels, and solve the key challenges that digital advertisers face. The Company ultimately chose to focus its efforts and resources on the Marketing Platform as it was the first ready to market and 'shelved' its blockchain technology.

For the year ended December 31, 2020, the Company had a net income of \$9,942,090 (2019 – net loss \$24,894,255) and cash outflows from operating activities of \$520,173 (2019 - \$3,830,106) and as at December 31, 2020, has an accumulated deficit of \$26,915,807 (2019 - \$36,881,535)

The Company currently does not generate sufficient working capital to enable it to meet its administrative overhead, service its obligations or maintain its interests. Currently, the Company's focus has been on utilizing its technology and operations to secure new sources of working capital to continue operations. The Company's ability to continue as a going concern is dependent upon the successful results from its activities of repositioning its technology, its ability to attain profitable operations therefrom and its immediate ability to raise equity capital, none of which is in any way certain that the Company can achieve. The nature of the Company's business involves a high degree of risk and there can be no assurance that management's plans will be successful.

## **CORPORATE UPDATE**

The Company has been working to refocus its business strategy during since late 2019 and all of 2020 due to the collapse of its advertising technology business. A major component of refocusing the business included settling with as many of its creditors as it was able and winding up now defunct operating subsidiaries.

The Marketing Platform was the cornerstone of the Company's business, providing industry leading insights and data. This allowed the Company to match their clients to buyers in a way that provides significant and sustainable value to both. The large volume of data accumulated allows the Company to forecast algorithmically the needs and wants of the brands they represent, maximizing the efficiency for their partners while increasing their margins and profitability.

The Company's repositioning strategy anticipates the repurposing and recommissioning of the Marketing Platform technology the Company has developed since 2016 to power customer acquisition for several consumer products and services. This work is extensive and no guarantees can be made about its effectiveness after such a long period of hiatus in what is a very fast moving industry. The majority of the

Company's time and resources will be focused on furthering the AR Block product for which the Company began its patent application in 2018. (US Patent Office, serial number 62/634,333).

The Company's AR Block application is designed to accelerate the account receivable pay cycle for publishers. Whereas programmatic advertising transactions can be completed in seconds, accounts receivables are typically paid on 90-day and 180-day cycles, tying up billions of dollars of working capital across the digital publishing industry. The Company's AR Block solution helps to ensure prompt payments to publishers without requiring third-party intermediaries such as factoring agents. This blockchain application has the potential to transform the entire AR ecosystem within the digital advertising industry and may have many beneficial applications to other sectors with mismatched AR cycles.

The Company believes that this AR Block solution can be utilized in other industries equally effectively. The combination of the Company's customer acquisition technology and its AR Block solution is the core focus of the Company moving forward. As part of the Company's token efforts, the Company is in the preliminary stages of researching opportunities related to the mining of tokens.

Since March 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

## SELECTED ANNUAL INFORMATION

For the year ended December 31, 2020

	2020	Change %	2019	Change %	2018
Revenue	Nil	100%	8,358,386	-58%	20,077,289
Net Income (loss) from continuing operations attributable to the Owners of the company	9,942,090	-140%	(24,895,233)	961%	(2,345,549)
Basic and diluted income (loss) per share	0.54	-118%	(3.0)	858%	(0.3)
Comprehensive income (loss) attributable to the Owners of the Company	9,827,581	-139%	(25,360,861)	1155%	(2,020,070)
Basic and diluted income (loss) per share	0.54	-118%	(3.0)	991%	(0.3)
Total assets	57,831	-93%	837,185	-98%	45,918,382

## OVERALL PERFORMANCE

### REVENUE AND MEDIA COSTS

The Company previously generated revenue through its proprietary advertising technology platform and related systems, connecting online users to advertisers. During the year ended December 31, 2020, the Company generated no revenue (2019- \$8,358,386).

Media costs comprise advertising impressions the Company purchased from real-time advertising exchanges or through other third parties. For the year ended December 31, 2020, media costs were \$nil compared to \$5,968,349 for the year ended December 31, 2019, representing a collapse of the Adtech sector and the Company's former business in that sector. If the Company is successful with repositioning its business, it will be evaluating its pricing strategy in order to optimize the Company's objectives of market penetration and profitability; accordingly, margins will fluctuate from year to year.

### RESULTS OF OPERATIONS

#### *Financial and operating highlights for the year ended December 31, 2020 and to the date of this report*

*As of December 31, 2020, primarily as a result of the collapse of its revenues for its advertising and content marketing business the Company:*

- Has impaired and written off the following during the years ended December 31, 2020 and 2019:

	2020	2019
Intangible assets	\$ -	\$ 10,468,597
Goodwill related to 495	-	7,792,864
Goodwill related to ImpressionX	-	2,292,733
Office equipment and software	-	84,812
Dissolution of GLN US	<b>(347,607)</b>	-
Dissolution of ImpressionX	-	1,040,732
Write-offs related to 495	<b>(512,118)</b>	-
Change in fair value of contingent consideration		
495	-	(8,952,900)
ImpressionX	-	(2,467,146)
<b>Total</b>	<b>\$ (859,725)</b>	<b>\$ 10,259,692</b>

- On June 12, 750,000 common shares were issued in full settlement of Lerna and Lernalabs loan of \$75,000. The fair value of the 750,000 common shares was determined to be \$75,000.
- On June 12, 150,000 common shares were issued with a fair value of \$15,000 to the former owner of 495 in full settlement of outstanding loan payable of \$1,091,936 and its accrued interest of \$16,397 together with the cash payments.
- On June 17, 2020, the Company's 60% owned subsidiary, Good Life Network USA Inc. was dissolved.

- On July 8, 2020, the Company consolidated its Common Shares on the basis of one post-consolidated Common Share for every ten pre-consolidated Common Shares. The Company had 9,400,027 shares issued and outstanding as of the date of the consolidation.
- On July 30, 2020, the Company closed a non-brokered private placement offering of 13,327,450 units (the “2020 Units”) of the Company at a price of \$0.10 per 2020 Unit to raise gross proceeds of \$1,332,745. Each 2020 Unit consisted of one Common Share and one-half of one Common Share purchase warrant (each whole Common Share Purchase Warrant, a “2020 Warrant”), with each 2020 Warrant exercisable to acquire an additional Common Share at a price of \$0.15 per additional Common Shares for a period of 24 months.
- In August 2020, the Company reached an agreement with the Bank to settle all outstanding debt being the principal amount of \$10,754,619 and accrued interest thereon of \$538,896 (the “Loan”) in exchange for (i) 500,000 Common Share purchase warrants (the “Settlement Warrants”) of the Company; and (ii) a cash payment of \$825,000. Each Settlement Warrant is exercisable into one Common Share of the Company at a price of \$0.275 per Common Share for a period of 24 months from the date of issue. On August 17, 2020, the Company fully settled the Loan with the Bank by issuing Settlement Warrants and making the cash payment.
- In October 2020, the Company entered into a letter of intent (the “Letter of Intent”) with Podkast Entertainment Corp. (formerly Gemini Digital Corp.) (“Podkast”) to license their audio monetization technology. If the transactions contemplated by the Letter of Intent are consummated, the Company will have access to Podkast’s technology through a custom white labelled implementation for a period of three years on a revenue share basis. The Company and Podkast are working towards a definitive agreement outlining the terms of the revenue sharing arrangement as contemplated in the Letter of Intent, with a view to completing such agreement by June, 2021. Adding audio advertising technology to its current video technology will give the Company the capabilities to monetize content via video, audio, podcasts and streaming.
- On November 12, 2020 the Company entered into a Software Reseller and Platform License Agreement with Backstageplay Inc. (“Backstageplay”), pursuant to which Backstageplay will provide the Company, and its brands, customers and prospects with access to its celebrity and influencer gamification platform which is described at [www.backstageplay.com](http://www.backstageplay.com). This agreement remains active.
- During the month of November 2020 the Company issued an aggregate of 350,000 common shares in satisfaction of warrant exercises at \$0.15 per share.
- During the year ended December 31, 2020, 1,232,862 shares were issued with a fair value of \$255,017 to settle accounts payable amounts owing to various lenders of \$650,209, resulting in a gain of \$395,192.

*As of the date of this report, the Company has:*

- During the month of March, 2021 the Company issued an aggregate 1,081,500 common shares in settlement of certain warrant exercises at \$0.15 per share.

- On March 19, 2020, the Company announced it had completed a non-brokered private placement of an aggregate 25,111,983 units at a price of \$0.12 per unit, raising aggregate gross proceeds of \$3,013,438. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.25 per share for a period of 24 month from the date of issuance. In connection with the placement the Company issued an additional aggregate 679,126 Finders Warrants, subject to the same terms as the unit warrants.

## **FUTURE OUTLOOK**

The Marketing Platform was the cornerstone of the Company's business, providing industry leading insights and data. This allowed the Company to match their clients to buyers in a way that provides significant and sustainable value to both. The large volume of data accumulated allows the Company to forecast algorithmically the needs and wants of the brands they represent, maximizing the efficiency for their partners while increasing their margins and profitability. As the online marketing landscape moves quickly the Company needs to both reposition and recommission the platform to operate in-line with industry trends as well as build specific components related to its owned and operated business areas. This work is extensive and no guarantees can be made about its effectiveness after such a long period of hiatus in what is a very fast moving industry. The Company will seek to have a robust customer acquisition tool that drives value customers to its properties in a cost effective and scalable manner.

The repositioning strategy anticipates utilizing this repurposed and recommissioned Marketing Platform to power customer acquisition for several consumer products and services, including the Company's blockchain Accounts Receivable ("AR Block") product for which the Company began its patent application in 2018. (US Patent Office, serial number 62/634,333). The Company's existing Marketing Platform, when used in these new markets, is hoped will give the Company a significant customer acquisition advantage.

The Company's AR Block application is designed to accelerate the account receivable pay cycle for publishers. Whereas programmatic advertising transactions can be completed in seconds, accounts receivables are typically paid on 90-day and 180-day cycles, tying up billions of dollars of working capital across the digital publishing industry. The Company's AR Block solution helps to ensure prompt payments to publishers without requiring third-party intermediaries such as factoring agents. This AR Block application has the potential to transform the entire accounts receivable ecosystem within the digital advertising industry and may have many beneficial applications to other sectors with mismatched accounts receivable cycles.

The Company believes that this AR Block solution can be utilized in other industries equally effectively. The combination of the Company's customer acquisition technology and its AR Block solution is the core focus of the Company moving forward. As part of the Company's overall token efforts, the Company is in the preliminary stages of researching opportunities related to the mining of tokens.

To finance its immediate operations and repositioning, during March 2021 the Company closed a non-brokered private placement of an aggregate of 25,111,983 units at a price of \$0.12 per unit for gross proceeds of \$3,013,438.

The Company can make no assurances that it will be successful in completing its repositioning of its technology platform and that it has sufficient capital to implement its business objectives. Failure to raise additional capital if, as and when required or failure to succeed in any manner will negatively impact the Company as a viable business.

## Results for the year ended December 31, 2020 and 2019

The following table summarizes various results for the year ended December 31, 2020 and 2019:

	Year Ended December 31,	
	2020	2019
	\$	\$
Total revenue	Nil	8,358,386
Direct expenses	Nil	5,968,349
Operating expenses	2,452,328	20,856,218
Other income (expenses)	12,394,418	(4,038,037)
Net income (loss)	9,942,090	(24,894,255)
Comprehensive income (loss)	9,827,581	(25,359,883)
Comprehensive income (loss) per share - Basic and diluted	0.54	(2.97)

### Direct expenses and gross profit

Revenue for the year ended December 31, 2020 was \$Nil (2019: \$8,358,386) a substantial decrease due to the collapse of the Company's Adtech business and its focus during 2020 in restructuring its business and technology.

Direct expenses, consisting mostly of cost of sales and media buys saw a correlating decrease as well to \$Nil in 2020 from \$5,968,349 in 2019.

### Operating expenses

Operating expenses include general and administrative expenses, marketing expenses, research and development, and share-based compensation. Operating expenses decreased by \$18,403,890 to \$2,452,328 for the year ended December 31, 2020 (2019 - \$20,856,218). This decrease is due largely to the decrease and/or cessation of certain of the Company's operations.

## Results for the three months ended December 31, 2020 and 2019

The following table summarizes various results for the three months ended December 31, 2020 and 2019:

	Three Months Ended December 31,	
	2020	2019
	\$	\$
Total revenue	-	(89,137)
Direct expenses	-	711,217
Operating expenses	629,927	1,694,406
Other income (expenses)	349	
Net income (loss)	(450,911)	(1,289,961)
Comprehensive income (loss)	(556,947)	(1,390,370)
Comprehensive income (loss) per share - Basic and diluted	(0.03)	(0.25)

The significant differences between the two comparative periods is due to the overall decreased operations during 2020 while the Company restructured debt; and worked to refocus its efforts with reduced operational support.

## SELECTED QUARTERLY INFORMATION

The following table sets forth selected information from the Company's unaudited quarterly financial statements for the most recent eight quarters.

### For the quarters ended:

Three Months Ended	December 31, 2020	September 30, 2020	June 30, 2020	March 30, 2020
Total Revenue	\$Nil	\$Nil	\$Nil	\$Nil
Direct Expenses	\$Nil	\$Nil	\$Nil	\$Nil
Gross Profit	\$Nil	\$Nil	\$Nil	\$Nil
Net Income (Loss)	\$(634,838)	\$10,620,660	\$818,177	\$(868,093)
Net Comprehensive Income (Loss)	\$(734,690)	\$10,590,425	\$824,361	\$(852,515)
Income (Loss) per share	\$(0.03)	\$0.60	\$0.09	\$(0.10)

Three Months Ended	December 31, 2019	September 30, 2019	June 30, 2019	March 30, 2019
Total Revenue	(\$89,137)	\$751,971	\$3,077,988	\$4,617,564
Direct Expenses	\$711,217	(\$542,731)	(\$1,641,798)	(\$3,072,603)
Gross Profit	(\$800,351)	\$209,240	\$1,436,190	\$1,544,961
Net Income (Loss)	(\$1,289,961)	(\$3,333,065)	(\$19,133,866)	(\$1,137,363)
Net Comprehensive Income (Loss)	(\$1,390,370)	(\$3,329,834)	(\$19,128,999)	(\$1,510,680)
Income (Loss) per share	(\$0.25)	(\$0.04)	(\$2.43)	(\$0.15)

## FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value of the Company's assets and liabilities will fluctuate due to changes in foreign exchange rates.

The Company is exposed to foreign currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in its functional currency. The Company does not manage currency risk through hedging or other currency management tools.



As at December 31, 2020 and 2019, the Company's net exposure to foreign currency risk on its financial instruments is as follows:

	<b>2020</b>	<b>2019</b>
	CAD\$	CAD\$
Cash	554	25,153
Accounts receivable	-	597,765
Accounts payable and accrued liabilities	(1,425,829)	(1,223,439)
Loans payable	(95,490)	(1,091,936)
Other liabilities	(484,931)	(434,931)
Due to related party	(245,890)	-
	<b>(2,251,586)</b>	<b>(2,252,388)</b>

A 10% (2019 - 10%) change in the US dollar against the Canadian dollar at December 31, 2020 would result in a change of approximately \$225,000 (2019 - \$225,000) in comprehensive income (loss).

To date the Company does not hedge foreign currency transactions but may elect to do so in the future if it is determined to be advantageous.

## **LIQUIDITY AND CAPITAL RESOURCES**

Selected financial information from the consolidated statements of financial position as at December 31, 2020 and December 31, 2019 are as follows:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Working capital (deficit)	\$ (3,180,952)	\$ (14,972,385)
Deficit	\$ (26,915,807)	\$ (36,881,535)

The Company does not have sufficient working capital to meet its ongoing financial obligations. Until the Company generates sufficient revenue it must continue to seek outside sources to fund operations. There can be no assurance of an ability to secure such financing and may require the Company to substantially curtail operations, new business opportunities, or may even cause the Company to fail.

Subsequent to the Company's year ended December 31, 2020, to finance its immediate operations and repositioning, the Company closed a non-brokered private placements of an aggregate of 25,111,983 units at a price of \$0.12 per unit for gross proceeds of \$3,013,438 during March 2021.

## Sources and Uses of Cash

	Year Ended December 31,	
	2020	2019
Cash used in operating activities	\$ (520,173)	\$ (3,830,106)
Cash used in investing activities	-	(262,290)
Cash provided by financing activities	418,358	3,425,676
Foreign exchange effect on cash	1,602	(13,773)
Net decrease in cash	\$ (100,213)	\$ (680,493)

The decrease in cash was primarily attributable to the reduced proceeds of share issuances, offset by less amounts paid for its operating activities, as compared to the year ended December 31, 2019. There is \$Nil cash used in investing activities.

The Company's operational activities during the year ended December 31, 2020 were financed mainly by share issuances. As at December 31, 2020, the Company had current assets of \$57,831 compared to \$837,185 as at December 31, 2019. The Company had \$554 available cash as at December 31, 2020 compared to \$100,767 as at December 31, 2019.

The Company can make no assurances that it will be successful in completing its repositioning of its technology platform and that it has sufficient capital to implement its business objectives. Failure to raise additional capital if, as and when required or failure to succeed in any manner will negatively impact the Company as a viable business.

## Bank Debt

On December 17, 2018, the Company entered into a commercial agreement with a major Canadian financial institution (the "Bank") to provide four credit facilities ("Facilities") for working capital and acquisitions. On November 5, 2019, the Company entered into a restructuring agreement with the Bank to consolidate the Facilities into two Canadian dollar loans (the "Restructured Loans") pursuant to which the Bank agreed to defer enforcement of the security until November 5, 2021 (the "Maturity Date"). The loan balances are as follows:

	2020	2019
Loan A	\$ -	\$ 3,000,000
Loan B	-	7,754,619
Accrued interest	-	135,423
	\$ -	\$ 10,890,042

Loan A bears interest at a rate of prime per annum with interest payable monthly. The Company must repay 50% of interest accrued in cash monthly, with the remaining 50% payable on the Maturity Date. Loan A is fully repayable on the Maturity Date.

Loan B bears interest at a rate of prime plus 5% per annum with interest payable monthly. Interest is accrued and becomes payable on the Maturity Date. Loan B repayments are due as follows;

- i. USD \$300,000 no later than September 23, 2020;
- ii. USD \$50,000 no later than December 31, 2020;

- iii. USD \$600,000 no later than September 23, 2021; and
- iv. The remaining balance of principal and interest on the Maturity Date

The borrowing conditions outlined in the Restructured Loan agreement requires the Company to submit monthly, quarterly and other financial information to the Bank. The Restructured Loan agreement incorporates incentives to reduce the amount repayable to the Bank.

During the year ended December 31, 2019, the Company paid interest of \$609,728 towards the credit facilities.

The Company was not in compliance with the above covenants at December 31, 2019. Accordingly, the entire bank debt balance has been classified as current liability.

In August 2020, the Company reached an agreement with the Bank to settle all outstanding debt in exchange for (i) 500,000 common share purchase warrants (the “Settlement Warrants”) of the Company; and (ii) a cash payment of \$825,000. Each Settlement Warrant is exercisable into one common share of the Company at a price of \$0.275 per share for a period of 24 months from the date of issue.

During the year ended December 31, 2020, 500,000 common share purchase warrants were issued to the Company’s secured lender in full settlement of outstanding bank loan of \$10,890,042 and its accrued interest of \$403,473 together with the cash payments of \$825,000. The settlement warrants were valued using the Black-Scholes model resulting in fair value of \$128,655, resulting in a gain of \$10,339,860. The warrants issued are presented as a derivative liability as they do not meet the fixed-for-fixed criteria.

## **TRANSACTIONS WITH RELATED PARTIES**

During the year ended December 31, 2020, the Company paid wages and benefits of \$17,552 (2019 - \$476,298) and share-based compensation of \$nil (2019 - \$63,092) to companies controlled by directors/officers and family members of directors/officers.

At December 31, 2020, included in accounts payable and accrued liabilities was \$266,970 (December 31, 2019 - \$33,555) owing to officers and directors. The amounts due to or from related parties are without stated terms of repayment or interest and are unsecured.

As at December 31, 2020, included in other liabilities was \$245,890 (December 31, 2019 – \$Nil) owing to a company controlled by directors/officers. The amounts due to or from related parties are without stated terms of repayment or interest and are unsecured.

The Company’s directors/officers acquired 1,000,000 units pursuant to the private placement which was taken place on July 30, 2020. The issuance of units is considered to be a related party transaction within the meaning of TSX Venture Exchange Policy.

In 2018, the Company acquired certain patents from a company controlled by an officer of the Company in the amount of \$625,000, which remains unpaid as at December 31, 2020 and is included in accounts payable and accrued liabilities.

These transactions are in the normal course of business and have been valued in these consolidated financial statements at the fair value of the consideration paid.

### *Key management compensation*

The Company's key management consist of executive officers and directors:

The compensation recorded to key management personnel during the years ended December 31, 2020 and 2019 were as follows:

	<b>2020</b>	<b>2019</b>
Consulting and management fees	\$ 698,884	\$ 1,077,021
Share-based compensation	\$ -	\$ 107,328

## **CONTRACTUAL OBLIGATIONS**

### *Lerna and Lernalabs*

In July 2019, the Company entered into a settlement agreement with Lerna and Lernalabs. pursuant to which the Company agreed to pay to Lerna and Lernalabs the sum of US \$650,000 in full and final settlement, to be paid in deferred instalments with the final payment due December 19, 2019. The Company made the first instalment payment of US \$100,000 during the year ended December 31, 2019 but failed to make additional payments and was therefore subject to an interest penalty of US \$100,000. As at December 31, 2019, the amount of \$851,695 (US \$650,000) remains payable. On January 20, 2020, the Company entered into an amended settlement agreement with Lerna and Lernalabs pursuant to which the Company agreed to issue 750,000 common shares to Lerna and Lernalabs in full settlement of the amount owing of \$851,695. In addition, a further 185,000 common shares owned by an officer of the Company were transferred to another officer of the Company. The fair value of the 750,000 common shares was determined to be \$75,000. The liability as at December 31, 2019 was reduced to \$75,000. During the year ended December 31, 2020, 75,000 common shares were issued in full settlement of the debt.

As at December 31, 2020, a payable of \$434,931 remains outstanding which is due to the lawyers responsible for negotiating the various agreements with Lerna and Lernalabs.

### *Loan Payable*

The Company signed a promissory note agreement related to the acquisition of 495 for \$1,035,010. The loan is repayable on or before February 1, 2019. The loan will begin accruing interest at a rate of 6% per annum in the event the principal is not repaid on the due date. The loan is unsecured.

On April 24, 2020, the Company entered into a mutual release agreement with the former owner of 495 in full settlement of outstanding loan payable of \$1,035,010 and its accrued interest. Pursuant to the agreement, the Company agreed to pay the seller the equivalent of USD \$125,000 in four installments:

- i) USD \$25,000 by June 1, 2020 (paid);
- ii) USD \$25,000 by September 1, 2020 (paid);
- iii) USD \$25,000 by December 1, 2020 (unpaid);
- iv) USD \$50,000 by March 1, 2021 (unpaid); and
- v) issuance of 150,000 common shares (issued).

During the year ended December 31, 2020, repayments of \$70,142 (2019 - \$nil) were made toward the outstanding balance of the loan and shares with a fair value of \$15,000 (2019 - \$nil) were issued in connection with the mutual release agreement. As at December 31, 2020, the outstanding balance is \$95,490 (December 31, 2019 - \$1,091,936), including interest payable of \$nil as at December 31, 2020 (December 31, 2019 - \$56,926). A gain of \$927,701 from settlement of debt was recognized in the statement of comprehensive income (loss).

## **OUTSTANDING SHARE CAPITAL**

The Company completed a ten old for 1 new (10:1) consolidation of its common shares effective July 8, 2020. As of the date of this report, April 30, 2021, on a post-consolidated basis there are 51,043,798 common shares issued and outstanding 429,338 stock options, and 32,527,523 common share purchase warrants of the Company issued and outstanding.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no material undisclosed off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on our results of operations, financial condition, revenues or expenses, liquidity, capital expenditures or capital resources that is material to investors.

## **SUBSEQUENT EVENTS**

There are no subsequent events to report other than as disclosed elsewhere in this report.

## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation of audited consolidated financial statements and application of IFRS often involve management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment. Significant accounting policies and estimates under IFRS are found in Note 3 of the Company's audited consolidated financial statements.

## **ACCOUNTING STANDARDS ISSUED ADOPTED DURING THE YEAR**

### **Changes in accounting policy**

The accounting policies set out below have been applied consistently to all years presented in these financial statements except as discussed in the section – “New Accounting Standards”.

### **New accounting standards**

The Company has adopted all applicable new, revised or amending Accounting Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are mandatory for the reporting periods in these consolidated financial statements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted. At this stage, it is not expected that these new accounting standards will have a material impact on the amounts reported in the Company's financial statements. Certain disclosures and presentation may change due to the new or amended standards.

## **Estimates**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. We have seen a significant impact on our business to date. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy, and the operations of our business. The scale and duration of these developments continue to remain uncertain as at the date of this report creating ongoing uncertainty and as a result certain assumptions and estimates used in the preparation of this report are subject to greater volatility than normal.

## **RISK FACTORS**

The following risk factors should not be considered to be exhaustive and may not be all of the risks that AQUA may face. Management of the Company believes that the factors set out below could cause actual results to be different from expected and historical results.

The discussion in this MD&A addresses only what management has determined to be the most significant known events, trends, risks and uncertainties relevant to the Company, its operations and/or its financial results. This discussion is not exhaustive.

An investment in the Company is speculative and involves a high degree of risk due to the nature of the Company's business and the present stage of development of its products and services. The following risk factors, as well as risks not currently known to the Company, could materially adversely affect the Company's future business, operations and financial condition and could cause them to differ materially from the estimates described in forward-looking statements relating to the Company. Investors should carefully consider the following risk factors along with the other matters set out or incorporated by reference in this Listing Statement.

### **Global Pandemic (COVID-19)**

In March 2020, the World Health Organization declared coronavirus COVID-19 ("COVID-19") a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies and financial markets globally, leading to an economic downturn. The extent and duration of the COVID-19 pandemic, the reactions of governments, private sector participants and the public to the pandemic and the associated disruption to business and commerce generally, and the extent to which these will continue to affect the Company's business, financial condition and results of operation in particular will all depend on future developments which are highly uncertain and many of which are outside the control of the Company and cannot be predicted with confidence. Such developments include the ultimate geographic spread, intensity and duration of the pandemic (including the possibility of additional waves), potential mutations of the COVID-19 virus, the ability of governments to administer COVID-19 vaccines to the public in a timely manner, new information which may emerge concerning the severity of COVID-19, the effectiveness and intensity of measures to contain COVID-19 or address its impact (including any potential increase in the duration or intensity of restrictions on public gatherings, restrictions on the operation of non-essential businesses), short and longer-term changes to travel patterns or travel restrictions imposed by governments and the other economic impacts of the pandemic and the reactions to it.

Given the uncertainties, the Company cannot predict the extent or duration of the COVID-19 pandemic and the reactions to it, including the possibility that it may result in a prolonged global recession and may also have the effect of exacerbating the potential impact of the other risks disclosed in this Risk Factors section. The Company cautions that current global uncertainty with respect to the spread of COVID-19 and its effect on the broader global economy may have a significant negative effect on the Company. While the precise impact of COVID-19 on the Company's business and operations remain unknown, the rapid spread of COVID-19 could have a material adverse effect on global economic activity, and can result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, all of which may have a material adverse impact on the Company's business, financial condition and operations.

The Company is adopting the advice of public health authorities and adhering to government regulations with respect to COVID-19 in the jurisdictions in which it operates. The following measures have been instituted across the Company to prevent the potential spread of the virus: (i) indefinite closure of its corporate offices in Vancouver; (ii) employees are working remotely; (iii) social distancing practices have been implemented for any and all in-person meetings, with meeting participation via teleconferencing strongly encouraged; (iv) elimination of all non-essential business travel; (v) required 14-day quarantine for any employees returning from out of country travel.

### **Company Specific Risks**

#### ***Limited operating history and uncertainty of future revenues***

The Company has a limited operating history and trading record, and it is, therefore, difficult to evaluate the Company's business and future prospects. In particular, the Company is at an early stage of development with operating losses expected to continue for the foreseeable future. The future success of the Company is dependent on the Company's directors' ability to implement its strategy. While the directors are optimistic about the Company's prospects, there is no certainty that anticipated outcomes and sustainable revenue streams will be achieved. The Company faces risks frequently encountered by developing companies. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to expand and improve operational, financial and management information and quality control systems on a timely basis, while at the same time maintaining effective cost controls. Any failure to expand and improve operational, financial and management information and quality control systems in line with the Company's growth could have a material adverse effect on the business, financial condition and results of operations.

#### ***Dependence on key executives, personnel and contractors***

The success of the Company to a significant extent depends on the Company's directors, management and other key personnel and contractors. The directors believe that Company's future success will depend largely on its ability to attract and retain highly skilled and qualified personnel and contractors and to expand, train and manage its employee and contractor base. There can be no guarantee that suitably skilled and qualified individuals will be identified and employed or contracted on satisfactory terms or at all. If the Company fails to recruit or retain the necessary personnel or contractors, or if the Company loses the services of any of its key executives, its business could be materially and adversely affected.

#### ***Litigation risks***

Legal proceedings may arise from time to time in the course of the Company's business. The directors cannot preclude that litigation may not be brought against the Company in the future from time to time or that it may not be subject to any other form of litigation. The Company may find it difficult, impossible or very costly to enforce the rights it may have under agreements it may enter into. Please see "19. *Legal Proceedings and Regulatory Actions*" for the current legal proceedings involving the Company.

### ***Insurance and uninsured risks***

Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons.

### ***No history of dividends***

The Company has not paid dividends on its Common Shares since incorporation. The Company intends to continue to retain earnings and other cash resources for its business. Any future determination to pay dividends will be at the discretion of the Board and will depend upon the capital requirements of the Company, results of operations and such other factors as the Board considers relevant.

### ***General economic climate***

Factors such as inflation, currency fluctuations, interest rates, supply and demand of capital, and industrial disruption have an impact on demand, business costs and stock market prices. The Company's operations, business and profitability can be affected by these factors, which are beyond the control of the Company.

### ***Conflicts of Interest***

Certain of the officers and directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company will be required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest which they may have in any project or opportunity of the Company. If a conflict arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the director will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

### ***Ability to Protect Proprietary Offering***

Any failure to protect the Company's proprietary Marketing Platform and AR Block could harm its business and competitive position. There can be no assurance that any steps the Company 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 the Company's technology. As at the date hereof, the Company does not have patent protection on its technology or registered any trademarks but instead may, as necessary, rely on a combination of trade secret, copyright law, nondisclosure agreements, passing-off laws and other common law intellectual property protections in the U.S. and Canada. In addition, the Company 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 Company 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 the Company's technology. 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 the



Company 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 the Company's proprietary rights if it is unsuccessful in such proceedings. Moreover, the Company's financial resources may not be adequate to enforce or defend its rights in its technology. Additionally, any patents that the Company 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 the Company from engaging in actions necessary to its business, products, or services.

### ***Retaining and Attracting Customers***

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

The Company has invested significant resources in its sales and marketing teams to educate potential and prospective advertisers and advertising agencies about the value of the Marketing Platform and AR Block. Sales staff is often required to explain how the Company's Marketing Platform and AR Block can optimize advertising campaigns in real time. The Company's business depends in part upon advertisers' confidence, and the confidence of the advertising agencies that represent those advertisers, that use of real-time advertising exchanges to purchase inventory is superior to other methods of purchasing digital advertising. The Company 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. The Company may not be successful in attracting new advertisers despite its investment in business development, sales and marketing. The Company continues to be substantially dependent on its sales team to obtain new customers and to drive sales from existing customers. Management of the Company believes that there is significant competition for sales personnel with the skills and technical knowledge that it requires. The Company'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 Company 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 the Company grows rapidly, a large percentage of its sales team will be new to the Company and its offerings. If the Company 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***

The Company's customers will do business by placing insertion orders for particular advertising campaigns. If the Company performs well on a particular campaign, then the advertisers or the advertising agency representing such advertisers may place new insertion orders with the Company for additional advertising campaigns. The Company generally will have 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, the Company's 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 the Company 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 the Company's Marketing Platform and AR Block, or that the Company will be able to replace departing advertisers with new advertisers that provide the Company with comparable revenue.

### ***Failure to Properly Manage Growth***

Growth in the Company's business may strain the Company's management, financial, and other resources. The Company 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, the Company must expand its sales, marketing, technology and operational staff, invest in research and development of its Marketing Platform and/or new offerings, enhance its financial and accounting systems and controls, integrate new personnel or contractors, and successfully manage expanded operations. As the Company grows, it will incur additional expenses, and its growth may place a strain on resources, infrastructure and ability to maintain the quality of its offering. Accordingly, the Company may not be able to effectively manage and coordinate growth so as to achieve or maximize future profitability.

### ***Reliance on Third Parties***

The Company anticipates that it will continue to depend on various third party relationships in order to grow its business. The Company continues to pursue additional relationships with third parties, such as technology 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. The Company's 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 the Company's competitors or from offering competing services. These third parties can generally terminate their arrangements with the Company at any time. The Company's competitors may be effective in providing incentives to third parties to favour their products or services or to prevent or reduce purchases of the Company's offerings. In addition, these third parties may not perform as expected under the Company's agreements with them, and the Company may have disagreements or disputes with such third parties, which could negatively affect the Company's brand and reputation.

In particular, the Company's 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 the Company relies upon can degrade the level of services that it can provide, which may harm the Company's business. The Company also relies on its integration with many third party technology providers to execute its business on a daily basis. The Company 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 100 milliseconds. The Company relies on a third party domain name service, or DNS, to direct traffic to its closest data center for efficient processing. If the Company's DNS provider experiences disruptions or performance problems,

this could result in inefficient balancing of traffic across the Company's servers as well as impairing or preventing web browser connectivity to the Company's Marketing Platform, which may harm its business.

### ***Personnel***

The loss of any member of the Company'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 Company's business and operating results.

At present and for the near future, the Company will depend upon a relatively small number of employees and contractors to develop, market, sell and support its Marketing Platform and AR Block. The expansion of technology, marketing and sales of its Marketing Platform and AR Block will require the Company 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 the Company 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 Company 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 Company moves into new geographies, it will need to attract and recruit skilled employees in those areas. The Company has no experience with recruiting in geographies outside of Canada and the U.S., and may face additional challenges in attracting, integrating and retaining international employees.

### ***Lack of Transparency Over Fees and Net CPMs***

Despite programmatic media's focus on efficiency, advertisers are often paying significantly higher CPMs (cost per thousand) for programmatic non-guaranteed buys than a publisher receives net of fees. By itself, this pricing model is not problematic, as transactional technology has a concrete value in the purchase cycle and needs to be priced accordingly. However, the lack of transparency, where technology fees are not broken out from CPMs, results in buyers and sellers evaluating inventory value and return on investment based on limited information

### ***Cyclical Nature of Industry***

The advertising industry is cyclical and tends to peak in Q2 and more so in Q4. Q1 and Q3 tend to be the softest quarters. This trend carries through to online advertising where this pattern is also seen, with Q4 budgets and therefore revenues typically much larger than the other three quarters. This follows consumer spending cycles and advertisers keen to spend budgets in Q4 when consumers are spending heavily for the holiday season.

### ***Risks Associated with Insertion Orders***

The Company operates in business relationships under the terms of Insertion Orders ("IO"). These IOs are typically open ended but can be terminated at short notice. Equally they have no minimum and maximum spend and the ability to generate revenue is dependent on the Company's ability to secure appropriate users and match them to the appropriate advertisers.

## **Volatility of Blockchain Related Operations**

As is typical with any relatively new technology, there is significant volatility in consumer, client and public sentiment. This volatility could translate into both a significant increase or a decrease of adoption of its blockchain AR technology, which may or may not be related to the actual business or product performance. This could impact growth rate, investor confidence or even in the worst case the viability of the AR factoring business.

## **Financial and Accounting Risks**

### ***Additional Financing***

There can be no certainty that the Company's financial resources and revenue from sales will be sufficient for its future needs. The Company may need to incur significant expenses for growth, operations, research and development, as well as sales and marketing of its Marketing Platform and AR Block. In addition, other unforeseen costs could also require additional capital. The ability of the Company 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 Company. It may be difficult or impossible for the Company 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 Company, 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 Company pays to service future debt incurred by the Company and affect the Company'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 Company may change and shareholders of the Company may suffer dilution. If adequate funds are not available, or not available on acceptable terms, the Company 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 Company'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 Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

### ***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. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, as provided in the Company's 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. The Company's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause the Company's 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 the Company's limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not possible. The Company 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, the Company is highly reliant on the performance of compensating procedures and senior management's review and approval.

As a venture issuer, the Company 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 the Company 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 the Company's 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, the Company's customers could develop their own solutions. Many of the Company's competitors have longer operating histories, greater name recognition, substantially greater financial, technical, marketing, management, service, support, and other resources than does the Company. They may be able to respond more quickly than the Company can to new or changing opportunities, technologies, standards, or customer requirements.

In addition to other companies offering programmatic and real time bidding solutions, the Company 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, and the ability to significantly influence pricing for digital advertising inventory. The Company also competes for a share of advertisers' total online advertising budgets, including traditional advertising media, such as direct mail, television, radio, cable and print.

New products or technologies will likely increase competitive pressures and competition could result in pricing pressures, reduced margins, or the failure of the Company's 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 the Company's competitive position.

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

Furthermore, as the AR blockchain landscape matures and existing financial services businesses become familiar with the benefits of the technology, it is probable that those competitors will likely attempt to enter

the same market. Given their significantly greater capitalization, client base and experience it is likely that they could compete effectively with the Company.

### *Use of Third-Party Cookies*

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 behavioral" 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.

The Company relies upon access to large volumes of data, including web browsing history, primarily through cookies in connection with its Marketing Platform. The Company's 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 the Company 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 the Company's servers. The Company's cookies record certain information, such as when an internet user views an advertisement, clicks on an advertisement, or visits one of the Company's advertiser's websites through a browser while the cookie is active. The Company 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. The Company 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, the Company 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 the Company's ability to make decisions about which inventory to purchase for an advertiser's campaign, and undermine the effectiveness of its 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, the Company's 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 the Company's cookies may be set in browsers, adversely affecting its business.

Certain international jurisdictions have adopted and implemented legislation that negatively impacts the use of cookies for online advertising, and additional jurisdictions may do so in the future. Currently, although the 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 may impact the performance of the Marketing Platform. The Company may be required to, or otherwise may determine that it is advisable to, develop or obtain additional tools and technologies to compensate for the lack of cookie data. The Company may not be able to develop or implement additional tools that compensate for the lack of cookie data. Moreover, even if the Company 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 the Company’s current use of cookies.

### ***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 the Company from using non-personal information as it currently does, then that could hinder growth of advertising and content production on the web generally, cause the Company 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 the Company 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 internet protocol (or IP) address or 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 the Company’s 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. The *Personal Information Protection and Electronic Documents Act* and substantially similar provincial privacy laws in Canada provide that IP addresses are personal information. Currently, the Company collects and stores IP addresses. While the Company 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 the 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 the Company to, in the future, change business practices, or limit or inhibit the Company's 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 the Company 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 addition, while the Company takes steps to avoid collecting personally identifiable data about consumers (other than IP addresses), it may inadvertently receive this information from advertisers or advertising agencies or through the process of delivering advertising and may inadvertently release this information in contravention of applicable privacy legislation. The Company's failure to comply with applicable laws and regulations, or to protect personal information, could result in enforcement action against the Company, 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 Company's reputation and inhibit adoption of its offerings by current and future advertisers and advertising agencies.

### ***Infringement of Intellectual Property Rights***

If the Company's proprietary Marketing Platform or AR Block platform violates or is alleged to violate third party proprietary rights, the Company 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 the Company's business.

Circumstances outside of the Company's control 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 Marketing Platform or AR Block business is offered in the future. In addition, the efforts that have been taken to protect the Company's intellectual property rights may not be sufficient or effective. Any impairment of the Company's intellectual property rights could harm its business, its ability to compete and harm its operating results.

The Company 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. The Company receives representations from advertisers that the content of the advertising that the Company places on their behalf is lawful. The Company also relies on representations from its advertisers that they maintain adequate privacy policies that allow the Company 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 the Company's offerings. If any of these representations are untrue and the Company's advertisers do not abide by laws governing their content or privacy practices, the Company 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***



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

Although the Company 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 the Company's ability to commercialize its services. Moreover, the Company cannot guarantee that its processes for controlling its use of open source software will be effective. If the Company 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 Marketing Platform on terms that are not economically feasible, to re-engineer its Marketing 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 Company's business, operating results and financial condition.

#### ***Unanticipated Problems Associated with the Marketing Platform and AR Block***

The Company depends upon the sustained and uninterrupted performance of its Marketing Platform and AR Block 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 the Company's software is complex, undetected errors and failures may occur, especially when new versions or updates are made. The Company's 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 the Company's plans for quality control and testing measures, its Marketing Platform, including any enhancements, may contain such bugs or exhibit performance degradation, particularly during periods of rapid expansion. In such an event, the Company 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 Company by its customers and other parties.

#### ***Mobile Advertising***

The Company's success in the mobile advertising channel depends upon the ability of its 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 the Company 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 the Company's Marketing 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 the Company's ability to provide advertisements on them or the Company's ability to fulfill advertising

space, or inventory, from developers whose applications are distributed through their controlled channels, the Company's ability to generate revenue could be significantly harmed.

### ***Obsolescence***

The Company's 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 the Company's Marketing Platform obsolete or relatively less competitive. The Company's future success will depend upon its ability to continue to develop and expand its Marketing Platform and AR Block and to address the increasingly sophisticated needs of its customers. The Company 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 the Company's offering to purchase offerings of competitors instead.

### ***Catastrophic Events***

The Company maintains servers at co-location facilities in Canada 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 the Company to operate its business for some period of time. If the Company 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 the Company's operations could negatively impact its business and results of operations, and harm its reputation. In addition, the Company 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 Company's business, financial condition and results of operations.

### ***Economic, Political and Market Conditions***

The Company's 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 Company's business prospects. This uncertainty may cause general business conditions in Canada and the U.S. and elsewhere to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel purchases of the Company's offerings, and expose the Company 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 Company's Common Shares**

### ***Market for Company's Common Shares***

Technology stocks have historically experienced high levels of volatility and the Company 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 Company 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 Company's public float; (v) actual or anticipated changes or fluctuations in the Company's results of operations; (vi) whether the Company's 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 Company, 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 the Company from any of the other risks cited herein.

### ***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 Company or its business. The Company does not have any control over these analysts. If one or more of the analysts who covers the Company should downgrade the Common Shares or change their opinion of the Company's business prospects, the Company's share price would likely decline. If one or more of these analysts ceases coverage of the Company or fails to regularly publish reports on the Company, the Company could lose visibility in the financial markets, which could cause the Company's share price or trading volume to decline.

### ***Estimates or Judgments Relating to Critical Accounting Policies***

The preparation of financial statements in conformity with International Financial Reporting Standards, or IFRS, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. AQUA bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, 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. AQUA's operating results may be adversely affected if the assumptions change or if actual circumstances differ from those in the assumptions, which could cause AQUA's operating results to fall below the expectations of securities analysts and investors, resulting in a decline in the share price of AQUA. 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 AQUA's limited administrative staffing levels, internal controls which rely on segregation of duties in many cases are not possible. AQUA 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, AQUA is highly reliant on the performance of compensating procedures and senior management's review and approval.

As a venture issuer, AQUA will not be 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 AQUA 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**

### ***Market Competition and Technological Changes***

The existing and anticipated markets for AQUA's 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, AQUA's customers could develop their own solutions. Many of AQUA's competitors have longer operating histories, greater name recognition, substantially greater financial, technical, marketing, management, service, support, and other resources than does AQUA. They may be able to respond more quickly than AQUA can to new or changing opportunities, technologies, standards, or customer requirements.

In addition to other companies offering Programmatic and real time bidding solutions, AQUA 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, and the ability to significantly influence pricing for digital advertising inventory. AQUA also competes for a share of advertisers' total advertising budgets with online search advertising, for which AQUA does not offer a solution, and with traditional advertising media, such as direct mail, television, radio, cable and print.

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

New products or technologies will likely increase competitive pressures and competition could result in pricing pressures, reduced margins, or the failure of AQUA's 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 AQUA's competitive position.

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

### ***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 AQUA 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 IP address or 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 AQUA's 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. The Personal Information Protection and Electronic Documents Act and substantially similar provincial privacy laws in Canada provide that IP addresses are personal information. Currently, AQUA

collects and stores IP addresses for fraud prevention purposes only and not for advertisement targeting purposes.

In addition, while AQUA takes steps to avoid collecting personally identifiable data about consumers (other than IP addresses), it may inadvertently receive this information from advertisers or advertising agencies or through the process of delivering advertising and may inadvertently release this information in contravention of applicable privacy legislation. AQUA's failure to comply with applicable laws and regulations, or to protect personal information, could result in enforcement action against AQUA, 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 AQUA's reputation and inhibit adoption of its offerings by current and future advertisers and advertising agencies.

#### ***Ability to Protect AQUA's Proprietary Offering***

Any failure to protect AQUA's proprietary Programmatic Marketing Platform could harm its business and competitive position. There can be no assurance that any steps AQUA 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 AQUA's technology.

AQUA 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. AQUA 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 AQUA's 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 United States. If AQUA 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 AQUA's proprietary rights if it is unsuccessful in such proceedings. Moreover, AQUA's financial resources may not be adequate to enforce or defend its rights in its technology. Additionally, any patents that AQUA 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 AQUA from engaging in actions necessary to its business, products, or services.

#### ***Infringement of Intellectual Property Rights***

If AQUA's proprietary Programmatic Marketing Platform violates or is alleged to violate third party proprietary rights, AQUA 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 AQUA's business.

AQUA 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. AQUA receives representations from advertisers that the content of the advertising that AQUA places on their behalf is lawful. AQUA also relies on representations from its advertisers that they maintain adequate privacy policies that allow AQUA 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 AQUA's product. If any of these representations are untrue and AQUA's advertisers do not abide by laws governing their content or privacy practices, AQUA 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***

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

Although AQUA 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 AQUA's ability to commercialize its services. Moreover, AQUA cannot guarantee that its processes for controlling its use of open source software will be effective. If AQUA 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 AQUA business, operating results and financial condition.

#### ***Unanticipated Problems Associated with the Programmatic Marketing Platform***

AQUA 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 AQUA's technology is complex, undetected errors and failures may occur, especially when new versions or updates are made. AQUA's 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 AQUA's plans for quality control and testing measures, its Programmatic Marketing Platform, including any enhancements, may contain such bugs or exhibit performance degradation, particularly during periods of rapid expansion. In such an event, AQUA may be required or choose to expend additional resources to help mitigate any problems resulting from errors in its technology. 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 AQUA by its customers and other parties.

#### ***Mobile Advertising***

AQUA's success in the mobile advertising channel depends upon the ability of its 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 AQUA 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 AQUA's 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 wished to impair AQUA's ability to provide advertisements on them or AQUA's ability to fulfill advertising space, or inventory, from developers whose applications are distributed through their controlled channels, AQUA's ability to generate revenue could be significantly harmed.

### ***Obsolescence***

AQUA's 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 AQUA's platform obsolete or relatively less competitive. AQUA's future success will depend upon its ability to continue to develop and expand its Programmatic Marketing Platform and to address the increasingly sophisticated needs of its customers. AQUA 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 AQUA's offering to purchase offerings of competitors instead.

### ***Economic, Political and Market Conditions***

AQUA's 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 AQUA's business prospects. This uncertainty may cause general business conditions in the United States and elsewhere to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel purchases of AQUA's offering; and expose AQUA 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 AQUA 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 AQUA 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 AQUA's public float; (v) actual or anticipated changes or fluctuations in AQUA's results of operations; (vi) whether AQUA's 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 AQUA, its industry, or both; (ix) regulatory developments in the Canada, the United States, and foreign countries; (x) general economic conditions and trends; (xi) major catastrophic events; (xii) escrow releases, sales of large blocks of the Common Shares; (xiii) departures of key employees or members of management; or (xiv) an adverse impact on AQUA from any of the other risks cited herein.

### ***Substantial Control by Insiders***

As at December 31, 2020, AQUA's directors and executive officers, in the aggregate, beneficially own approximately 5.5% of the Common Shares. As a result, these insiders may be able to influence or control matters requiring approval by AQUA'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 AQUA, could deprive AQUA's shareholders of an opportunity to receive a premium for their Common Shares as part of a sale of AQUA and might ultimately affect the market price of the Common Shares.

### ***Significant Sales of Common Shares***

Although the Company's Common Shares are freely tradable, the Common Shares held by AQUA's directors and executive officers will be subject to escrow pursuant to the policies of the Exchange. Sales of a substantial number of the Common Shares in the public market after the expiry of lock-up or escrow restrictions, or the perception that these sales could occur, could adversely affect the market price of the Common Shares and may make it more difficult for investors to sell Common Shares at a favourable time and price.

### ***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 AQUA or its business. AQUA will not have any control over these analysts. If one or more of the analysts who covers AQUA should downgrade the Common Shares or change their opinion of AQUA's business prospects, AQUA's share price would likely decline. If one or more of these analysts ceases coverage of AQUA or fails to regularly publish reports on AQUA, AQUA could lose visibility in the financial markets, which could cause AQUA's share price or trading volume to decline.

### ***Tax Issues***

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

### ***Fraud***

AQUA operates as a technology and services provider in a dynamic eco-system where fraud exists. Typical forms of fraud include robotic traffic, where robots mimic the behavior 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. AQUA employs reasonable measures to detect and eliminate fraud to the best of its ability. However, despite its efforts, AQUA is not in the fraud detection business and there are no guarantees as to the degree to which fraud can be minimized.

### ***Publisher Protection***

AQUA offers managed media campaign services and licenses its technology to third parties who use it to carry out media buys. Despite AQUA's 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 AQUA will not experience loss of potential revenue as a result of ad blocking.