

# **YANGAROO Inc.**

Condensed Interim Financial Statements

For the Three and Six Months Ended June 30, 2024 and 2023

(Expressed in US Dollars)

(Unaudited)

August 28, 2024

## NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements have been prepared by and are the responsibility of the Company's management. The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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# YANGAROO Inc.

## Condensed Interim Statements of Financial Position (Unaudited)

(Expressed in United States dollars)

	June 30 2024	December 31 2023
<b>Assets</b>		
<b>Current</b>		
Cash	\$86,118	\$150,928
Accounts receivable (note 4)	1,722,117	1,689,671
Prepaid and sundry assets	151,421	196,367
Contract assets	44,666	69,727
Other receivable	13,559	26,121
	<b>2,017,881</b>	<b>2,132,814</b>
<b>Non-current</b>		
Government assistance receivable	429,977	429,977
Property and equipment and right of use assets (note 5)	463,184	367,291
Intangible assets (note 6)	1,850,030	1,800,673
Goodwill (note 7)	359,146	359,146
	<b>\$5,120,218</b>	<b>\$5,089,901</b>
<b>Liabilities</b>		
<b>Current</b>		
Trade and other payables (note 8)	\$1,105,688	\$1,041,252
Contract liabilities	258,207	159,501
Revolving credit facility (note 10)	986,310	850,597
Current portion of lease obligations (note 9)	127,032	87,797
Current portion of term loan facility (note 10)	1,423,806	1,656,679
Current portion of contingent consideration (note 12)	48,995	95,937
	<b>3,950,038</b>	<b>3,891,763</b>
<b>Non-current</b>		
Lease obligations (note 9)	324,264	205,175
Convertible debenture (note 11)	376,616	410,197
Contingent consideration (note 12)	88,100	88,100
	<b>4,739,018</b>	<b>4,595,235</b>
<b>Equity</b>		
Share capital (note 13)	27,826,282	27,826,282
Share-based payments reserve	5,971,266	5,971,266
Foreign currency translation reserve	1,157,622	1,157,622
Deficit	(34,573,970)	(34,460,504)
	<b>381,200</b>	<b>494,666</b>
	<b>\$5,120,218</b>	<b>\$5,089,901</b>

Commitments and contingencies (note 19)

### Approved by the Board of Directors

"H. Shepard Boone"  
Director

"Phil Benson"  
Director

See accompanying notes, which are an integral part of these condensed interim financial statements

# YANGAROO Inc.

## Condensed Interim Statements of Net Loss and Comprehensive Loss (Unaudited)

Three and Six Months Ended June 30, 2024 and 2023

(Expressed in US dollars)

	Three Months Ended June 30		Six Months Ended June 30	
	2024	2023	2024	2023
<b>Revenue (note 17)</b>	<b>\$1,949,689</b>	<b>\$2,172,493</b>	<b>\$3,872,319</b>	<b>\$4,017,658</b>
<b>Expenses</b>				
Salaries and consulting (notes 14 & 18)	1,144,470	1,344,064	2,329,870	2,577,530
Marketing and promotion	73,159	86,195	153,874	134,614
General and administrative	239,156	75,554	435,483	388,247
Technology & production	155,088	124,551	377,693	258,935
Depreciation of property and equipment and right of use assets and intangible assets (notes 5 & 6)	213,467	210,132	433,679	442,632
Acquisition Fees	1,463		1,463	
Restructuring expense	12,182	49,384	12,182	187,897
	<b>1,838,985</b>	<b>1,889,880</b>	<b>3,744,244</b>	<b>3,989,855</b>
<b>Income/(loss) from operations</b>	<b>110,704</b>	<b>282,613</b>	<b>128,075</b>	<b>27,803</b>
<b>Other income (expenses)</b>				
Interest expense (notes 9, 10 & 11)	(102,420)	(122,393)	(221,397)	(241,190)
Foreign exchange gain/(loss)	(15,847)	(79,325)	74,429	(99,548)
Revaluation of foreign exchange embedded derivatives (note 11)	(596)	(27,971)	28,249	521
	<b>(118,863)</b>	<b>(229,689)</b>	<b>(118,719)</b>	<b>(340,217)</b>
<b>Net income/(loss) before income tax</b>	<b>(8,159)</b>	<b>52,924</b>	<b>9,356</b>	<b>(312,414)</b>
Income tax expense (note 16)	120,872	15,750	122,822	15,899
<b>Net income/(loss) and comprehensive income/(loss)</b>	<b>\$(129,031)</b>	<b>\$37,174</b>	<b>\$(113,466)</b>	<b>\$(328,313)</b>
<b>Basic income (loss) per share (note 15)</b>	<b>\$(0.00)</b>	<b>\$0.00</b>	<b>\$(0.00)</b>	<b>\$(0.01)</b>
<b>Diluted income (loss) per share (note 15)</b>	<b>\$(0.00)</b>	<b>\$0.00</b>	<b>\$(0.00)</b>	<b>\$(0.01)</b>

See accompanying notes, which are an integral part of these condensed interim financial statements

# YANGAROO Inc.

## Condensed Interim Statements of Changes in Equity (Unaudited)

Six months ended June 30, 2024 and 2023

(Expressed in US dollars)

	Number Of Shares	Share Capital	Share-Based Payments Reserve	Foreign Currency Translation Reserve	Deficit	Total
Balance at December 31, 2022	62,437,140	\$27,826,282	\$5,971,266	\$1,157,622	\$(30,323,779)	\$4,631,391
Net loss for the period	-	-	-	-	(328,313)	(328,313)
<b>Balance at June 30, 2023</b>	<b>62,437,140</b>	<b>\$27,826,282</b>	<b>\$5,971,266</b>	<b>\$ 1,157,622</b>	<b>\$(30,652,092)</b>	<b>\$4,303,078</b>
Balance at December 31, 2023	62,437,140	\$27,826,282	\$5,971,266	\$1,157,622	\$(34,460,504)	\$494,666
Net income for the period	-	-	-	-	(113,466)	(113,466)
<b>Balance at June 30, 2024</b>	<b>62,437,140</b>	<b>\$27,826,282</b>	<b>\$5,971,266</b>	<b>\$ 1,157,622</b>	<b>\$(34,573,970)</b>	<b>\$381,200</b>

See accompanying notes, which are an integral part of these condensed interim financial statements

# YANGAROO Inc.

## Condensed Interim Statements of Cash Flows (Unaudited)

Six months ended June 30, 2024 and 2023  
(Expressed in US dollars)

	Six Months Ended June 30	
	2024	2023
<b>Cash flow from (used in) operating activities</b>		
Net income/(loss) for the period	\$(113,466)	\$(328,313)
Items not affecting cash:		
Depreciation of property and equipment and amortization of intangible assets (note 5 and 6)	433,679	442,632
Amortization of deferred financing costs	27,149	85,223
Interest expense on convertible debentures	(7,290)	5,627
Estimated credit losses/(recovery) (note 4)	4	(113,498)
Revaluation of foreign exchange embedded derivatives (note 11)	(28,249)	(521)
Changes in non-cash operating working capital:		
Accounts receivable	(32,450)	(273,446)
Prepaid and sundry assets	44,946	3,233
Other account receivable	12,562	-
Contract assets	25,061	63,830
Trade and other payables	64,435	163,075
Contract liabilities	98,706	97,604
<b>Net cash from (used in) operating activities</b>	<b>525,087</b>	<b>145,446</b>
<b>Cash flow used in investing activities</b>		
Acquisition of property and equipment (note 5)	(1,076)	(13,602)
Additions to product development assets (note 6)	(343,201)	(234,166)
<b>Net cash used in investing activities</b>	<b>(344,277)</b>	<b>(247,768)</b>
<b>Cash flow from (used in) financing activities</b>		
Payment of lease obligations (note 9)	(76,326)	(129,478)
Repayment of term loan	(258,065)	-
Payment of contingent liabilities	(46,942)	-
Proceeds/(payment) to line of credit (note 10)	135,713	208,281
<b>Net cash from (used in) financing activities</b>	<b>(245,620)</b>	<b>78,803</b>
<b>Net (decrease) in cash</b>	<b>(64,810)</b>	<b>(23,519)</b>
<b>Effect of foreign exchange on cash</b>	<b>-</b>	<b>11,042</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>150,928</b>	<b>296,748</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$86,118</b>	<b>\$284,271</b>
<b>Cash interest paid</b>	<b>\$193,992</b>	<b>\$241,318</b>

See accompanying notes, which are an integral part of these condensed interim financial statements

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2024 and 2023  
(Expressed in US dollars, unless otherwise noted)

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## 1. Nature of Operations

YANGAROO Inc. ("YANGAROO" or "the Company") is a software company that is the provider of workflow management solutions within the media and entertainment ecosystem. The Company's Digital Media Distribution System (DMDS) platform is a patented cloud-based technology that provides customers with a fully integrated workflow and broadcaster connected managed network for digital content delivery and related data management across the advertising, music, and entertainment award show markets.

YANGAROO Inc. is a publicly listed company incorporated on July 28, 1999 under the laws of Ontario as Musicrypt.com Inc. and changed to its present name on July 17, 2007. YANGAROO trades on the TSX Venture Exchange (TSX-V) under the symbol YOO and in the U.S. under OTCPK: YOOIF.

The address of the Company's corporate office and principal place of business is 360 Dufferin Street, Suite 203, Toronto, Ontario, M6K 3G1.

## 2. Basis of Preparation

### (a) *Basis of compliance*

These condensed interim financial statements are in compliance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), have been omitted. The preparation of these unaudited condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies.

These condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2023.

These condensed interim financial statements were authorized for issue by the Board of Directors on August 26, 2024.

### (b) *Basis of measurement*

The condensed interim financial statements have been prepared on the historical cost basis except certain financial instruments measured at fair value.

The condensed interim financial statements are presented in US dollars, which is also the Company's functional currency.

The preparation of these condensed interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts and the valuation of assets and liabilities and the disclosure of contingent assets and liabilities at the date of these condensed interim financial statements and the reported amounts of revenues and expenditures during the periods reported.

The most significant judgements and estimates made by management in preparing the Company's condensed interim financial statements are described as follows:



# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2024 and 2023  
(Expressed in US dollars, unless otherwise noted)

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(i) Share-based payments

Share-based payments which include stock options and RSUs granted to employees, officers and directors and warrants granted to agents and debenture holders, to the extent that they are not measured at the fair value of the services received, are based on the fair value at the date of the award. These share-based payments are valued using the Black-Scholes option pricing model, which includes inputs that require management's estimates and assumptions.

(ii) Revenue recognition

To the extent a contract includes multiple performance obligations, the Company applies judgement to determine whether these performance obligations are capable of being distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation. Additionally, recognition of revenue requires significant judgement to determine if revenue is recognized at a point in time or over time.

(iii) Investment tax credits

The Company uses judgement to determine the reasonable assurance of collection and estimates the valuation of investment tax credits to be accrued.

(iv) Collectability of accounts receivable

The Company applies the simplified method to measure loss allowance on accounts receivable at an amount equal to the lifetime expected credit loss ("ECL"). The Company applies judgement to evaluate each receivable at year end using factors such as age of receivable, payment history and credit risk.

(v) Capitalized development costs

The Company uses judgement to determine when internally generated development costs are available for intended use and assess if expenditures meet the criteria for capitalization under IAS 38.

(vi) Contingent consideration

The Company measures the contingent consideration payable in a business combination at the estimated fair value at each reporting date. The fair value is estimated using a Black-Scholes probability weighted approach, which includes inputs that require management's estimates and assumptions. The Company applies judgement at every reporting period to revalue the contingent consideration based on the revenue history of the related DMS customers.

### 3. Significant Accounting Policies

These condensed interim financial statements follow the same accounting policies and methods of their application as the Company's December 31, 2023 annual audited financial statements.

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2024 and 2023  
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## 4. Risk Management

### Capital Risk Management

The Company includes equity comprised of share capital, share-based payments reserve, foreign currency translation reserve and deficit, in the definition of capital. As at June 30, 2024, the amount of equity was \$381,200 (December 31, 2023 - \$494,666). The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to further develop and market platform services, and to maintain its ongoing operations. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity and warrants, debt or by securing strategic partners.

The Company has covenants in relation to the Term Loan facility (see note 10) during the six months ended June 30, 2024.

### Financial Instruments and Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board of Directors. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

#### (a) Market risk:

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in the market prices. Market risk is comprised of three types of risk such as foreign currency risk, interest rate risk and commodity risk. Two types of risk are applicable to the Company:

##### (i) Currency risk:

The Company operates internationally, and the US dollar ("USD") is the presentation currency. The Company, however, does have revenues, expenses, assets, and liabilities denominated in currencies other than USD, primarily Canadian dollar ("CAD"). The principal foreign currency risk as at June 30, 2024 is the CAD at \$0.7306 USD: \$1 CAD. A 5% change in exchange rates would result in a \$163,056 impact on profit or loss. Balances in foreign currencies at June 30, 2024 are as follows:

	<b>USD</b>
Cash	\$31,393
Accounts receivable	147,521
Trade and other payables	427,923
Line of credit	986,310
Convertible debentures	376,616
Term loan	1,423,806
Capital lease obligation	225,380

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2024 and 2023  
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(ii) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to potential decreases on the interest rate offered on cash held with chartered Canadian financial institutions and potential increases on the prime rate applied on the line of credit available to the Company. The Company's term loan is a floating interest rate facility. A 5% increase in the floating rate would result in a \$10,032 impact on profit or loss.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments which are potentially subject to credit risk for the Company consists primarily of non-payment of accounts receivable.

The Company mitigates this risk by monitoring the credit worthiness of its customers and by offering the platform service to numerous smaller customers. As at and during the six months ended June 30, 2024, approximately 20% (June 30, 2023 - 28%) of accounts receivable and 18% (June 30, 2023 - 27%) of revenue are from two customers, respectively.

The definition of items that are past due is determined by reference to payment terms agreed to with individual customers, which are normally within 30 to 60 days.

Aging of trade receivables that are past due, but not impaired are as follows:

	June 30 2024	December 31 2023
0 to 30 days past due	\$1,109,625	\$1,071,374
31 to 60 days	237,641	238,260
Over 60 days	374,851	377,709
Total past due	\$1,722,117	\$1,687,343

Continuity of expected credit losses:

	June 30 2024	December 31 2023
Balance, beginning of period	\$179,684	\$214,170
Estimated credit losses during the period	11,952	144,777
Net remeasurement of loss allowance	(11,948)	(179,263)
Balance, end of period	\$179,688	\$179,684

The Company's estimated credit losses as at June 30, 2024 is \$179,688 (December 31, 2023 - \$179,684) to address any anticipated collectability issues based on payment history and the expected credit loss of each customer.

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2024 and 2023  
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## (c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities. Senior management is also actively involved in the review and approval of planned expenditures.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this objective, the Company prepares annual expenditure budgets, which are regularly monitored and updated as considered necessary.

The Company manages liquidity risk on the basis of expected maturity dates.

The following tables analyze financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows).

	Lease Obligations	Contract Liabilities	Term Loan Facility	Trade & Other Payables	Revolving Credit Facility	Convertible Debt	Total
< 1 year	\$127,032	\$285,207	\$1,423,806	\$1,105,688	\$986,310	-	\$3,901,043
1- 3 years	\$324,264	-	-	-	-	\$376,616	\$700,880
<b>Balance at June 30, 2024</b>	<b>\$451,296</b>	<b>\$285,207</b>	<b>\$1,423,806</b>	<b>\$1,105,688</b>	<b>\$986,310</b>	<b>\$376,616</b>	<b>\$4,601,923</b>

	Lease Obligations	Contract Liabilities	Term Loan Facility	Trade & Other Payables	Revolving Credit Facility	Convertible Debt	Total
< 1 year	\$87,797	\$159,502	\$1,656,679	\$1,041,251	\$850,597	-	\$3,795,826
1- 3 years	\$205,175	-	-	-	-	\$410,197	\$615,372
<b>Balance at December 31, 2023</b>	<b>\$292,972</b>	<b>\$159,502</b>	<b>\$1,656,679</b>	<b>\$1,041,251</b>	<b>\$850,597</b>	<b>\$410,197</b>	<b>\$4,411,198</b>

The Company currently expects to pay all liabilities at their contractual maturity. To meet these cash commitments, the Company anticipates generating sufficient cash inflows from operating activities and raising equity capital or obtaining the necessary financing to meet current and future obligations. Additionally, the Company utilizes a revolving credit facility to provide cash on an as-needed basis.

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2024 and 2023  
(Expressed in US dollars, unless otherwise noted)

## 5. Property and Equipment and Right of Use Assets

	Office Equipment	Computer Equipment	Computer Software	Right Of Use Office Property	Leasehold Improvements	Total
Cost	\$	\$	\$	\$	\$	\$
Balance, January 1, 2023	32,502	726,797	416,087	1,265,660	45,619	2,486,665
Additions	3,078	21,610	20,532	-	-	45,220
Balance, December 31, 2023	35,580	748,407	436,619	1,265,660	45,619	2,531,885
Additions	-	1,077	-	234,650	-	235,727
<b>Balance, June 30, 2024</b>	<b>35,580</b>	<b>749,484</b>	<b>436,619</b>	<b>1,500,310</b>	<b>45,619</b>	<b>2,767,612</b>
<b>Accumulated depreciation</b>						
Balance, January 1, 2023	30,222	653,663	355,006	745,699	16,769	1,801,359
Depreciation expense	1,078	57,314	32,797	264,931	7,114	363,235
Balance, December 31, 2023	31,300	710,977	387,803	1,010,630	23,883	2,164,593
Depreciation expense	645	17,756	44,157	73,719	3,558	139,835
<b>Balance, June 30, 2024</b>	<b>31,945</b>	<b>728,733</b>	<b>431,960</b>	<b>1,084,349</b>	<b>27,441</b>	<b>2,304,428</b>
<b>Carrying amounts</b>						
December 31, 2023	4,280	37,430	48,816	255,030	21,736	367,292
<b>June 30, 2024</b>	<b>3,635</b>	<b>25,751</b>	<b>4,659</b>	<b>415,961</b>	<b>18,178</b>	<b>463,184</b>

Included in property and equipment are computer equipment under leases with a carrying value of \$11,016 (December 31, 2023 - \$15,239).

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2024 and 2023  
(Expressed in US dollars, unless otherwise noted)

## 6. Intangible Assets

	Brand	Customer Relationships	Development Costs	Total
Cost	\$	\$	\$	\$
Balance, January 1, 2023	62,000	969,000	1,249,537	2,280,537
Additions	8,000	129,000	563,756	700,756
Balance, December 31, 2023	70,000	1,098,000	1,813,293	2,981,293
Additions	-	-	343,201	343,201
<b>Balance, June 30, 2024</b>	<b>70,000</b>	<b>1,098,000</b>	<b>2,156,494</b>	<b>3,324,494</b>
<b>Accumulated amortization</b>				
Balance, January 1, 2023	32,724	511,417	78,842	622,983
Amortization expense	21,109	330,166	206,362	557,637
Balance, December 31, 2023	53,833	841,583	285,204	1,180,620
Amortization expense	9,945	177,584	106,315	293,844
<b>Balance, June 30, 2024</b>	<b>63,778</b>	<b>1,019,167</b>	<b>391,519</b>	<b>1,474,464</b>
<b>Carrying amounts</b>				
December 31, 2023	16,167	256,417	1,528,089	1,800,673
<b>June 30, 2024</b>	<b>6,222</b>	<b>78,833</b>	<b>1,764,975</b>	<b>1,850,030</b>

During the six months ended June 30, 2024, the Company capitalized product development costs of \$343,201 (June 30, 2023 - \$234,166). Amortization expense of \$106,315 (June 30, 2023 - \$88,697) was capitalized to development costs during the six months ended June 30, 2024. The significant new projects for the six months ended June 30, 2024 consisted of new features in the Awards platform, improvements in the user interface in the Music and Advertising platforms, and significant new enhancements to its core technology infrastructure.

## 7. Goodwill

	June 30, 2024	December 31, 2023
Balance, beginning of period	\$359,146	\$359,146
Acquisitions	-	-
Balance, ending of period	\$359,146	\$359,146

# YANGAROO Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three and six months ended June 30, 2024 and 2023  
(Expressed in US dollars, unless otherwise noted)

## 8. Trade and Other Payables

	June 30, 2024	December 31, 2023
Trade payables	\$893,346	\$784,831
Accrued interest payable	32,327	4,789
Accrued liabilities	180,015	251,632
	<b>\$1,105,688</b>	<b>\$1,041,252</b>

During the six months ended June 30, 2024, the company incurred \$12,182 (June 30, 2023 - \$187,897) of restructuring expense relating to employee severance.

## 9. Lease Obligations

The Company has lease obligations until 2028 with purchase options at the end of each lease term. All of these lease agreements had 3-5 year terms at inception and carry a weighted average incremental borrowing rate of 4.6% per annum (2023 – 4.53%).

	Computer Equipment	Property	Total Lease Liability
	\$	\$	\$
Balance at January 1, 2024	18,081	274,891	292,972
Additions during the period	-	234,650	234,650
Principal payments	(3,803)	(72,523)	(76,326)
<b>Balance at June 30, 2024</b>	<b>14,278</b>	<b>437,018</b>	<b>451,296</b>
Current lease obligation	6,889	120,143	127,032
Long-term lease obligation	7,389	316,875	324,264
<b>Balance at June 30, 2024</b>	<b>14,278</b>	<b>437,018</b>	<b>451,296</b>
Effective annual rate of interest	6.49%	4.45%	4.60%
Amount of interest recognized in profit or loss	702	8,897	9,599

## 10. Term Loan Facility and Credit Facility

The Company has a credit agreement (the “Credit Facility”) with a tier-1 Canadian financial institution (the “Bank”). The Credit Facility is secured by a first ranking security over all present and future assets and property of the Company.

The Credit Facility includes a revolving credit facility in the amount of CAD \$1,750,000 and a term loan facility with an initial principal balance of CAD \$3,250,000.

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## **Revolving Credit Facility**

The revolving credit facility of USD \$1,289,225 (CAD \$1,750,000) is available by loan advances and is subject to standard borrowing base calculations and margining against trade accounts receivable. Interest payments are based on the Bank's prime rate plus 1.95% per annum. As at June 30, 2024, the Company has drawn \$986,310 (June 30, 2023 - \$1,053,263) of the revolving credit facility.

## **Term Loan Facility**

The term loan facility of CAD \$3,250,000 was fully advanced on May 21, 2021 and was used for the purchase of DMS and for general corporate purposes. The term of the loan is 42 months, amortized over 72 months, and had an initial 6-months interest only payment component. Interest payments are based on the Bank's prime rate plus 4.45%. The term loan facility is secured by the assets of the Company.

On August 21, 2024, the Bank entered into the third amendment agreement with the Company such that the Company will be in good standing with the modified covenants related to the term loan facility. The Company incurred CAD \$10,000 of amendment fees and has recorded these as deferred financing cost that are being amortized over the expected duration of the term loan facility. The amendment extended the term loan maturity date to June 26, 2025 and the Company must maintain a minimum Fixed Charge Coverage Ratio and Interest-Bearing Debt to EBITDA ratio which shall not be tested until September 30, 2025. The Company must maintain a minimum EBITDA targets for the three months ended June 30, 2024 and each of quarterly periods until June 30, 2025. The Company was in compliance with the financial covenants pursuant to the third amendment agreement of the term loan facility as of June 30, 2024.

During the six months ended June 30, 2024, \$41,972 (June 30, 2023, \$83,218) of deferred financing fees were amortized. Under IFRS, the Company determined the amendment to be a modification of the loan. No gain or loss on modification of the loan was recorded for 2024.

	<b>June 30, 2024</b>	December 31, 2023
Term loan facility	<b>\$1,475,037</b>	\$1,749,882
Less: unamortized deferred financing costs	<b>(51,231)</b>	(93,203)
<b>Balance, ending of period</b>	<b>1,423,806</b>	1,656,679
Current portion of term loan	<b>1,423,806</b>	1,656,679
Long-term portion of term loan	-	-
<b>Balance, ending of period</b>	<b>\$1,423,806</b>	\$1,656,679
<b>Revolving credit facility balance, ending of period</b>	<b>\$986,310</b>	\$850,597

## **11. Convertible Debentures**

The Company has an unsecured, convertible debentures ("the Debentures") for gross proceeds of CAD \$500,000. The Debentures will mature on November 30, 2027 and each CAD \$1,000 Debenture will bear interest at a simple rate of Bank's prime plus 8.00% per annum (subject to increase to Bank's prime plus 10.00% per annum in the



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event of certain defaults). On August 21, 2024, the holders of the Debentures were required to exercise a Subordination and Postponement Agreement in favour of the Credit Facility. During the term of the Subordination and Postponement Agreement, no payments to the holders of the Debentures in the form of cash will be permitted including payments of interest. The holders of the Debentures will be entitled to convert the principal amount of the Debentures at any time on or prior to the maturity date into common shares of the Company at a conversion price of \$0.10. As of June 30, 2024, the Company had not paid the required semi-annual interest payment, which would otherwise constitute a default (but not event of default) pursuant to the terms of the Debentures; however, the holders of the Debentures have agreed to waive their right to receive interest payments while the Subordination Agreements remain in effect. As certain directors of the Company participated in the Debenture financing, the Debenture is considered a “related party” transaction. See note 16 - Related Party Transactions.

In connection with the Debentures, the Company paid legal fees of \$17,309. During the six months ended June 30, 2024, \$1,958 (June 30, 2023 - \$2,005) of deferred financing fees were amortized.

For accounting purposes, the debenture has been separated into a host debt liability and an embedded derivative liability component. The fair value of the derivative is calculated using a Black Scholes option model and revalued at every period through profit or loss, with the residual being allocated as the host debt liability component. The host debt will be measured subsequently at amortized cost using the effective interest rate method.

	<b>Value</b>
Balance as of December 31, 2023	<b>\$410,197</b>
Fair value loss (gain) on revaluation of embedded derivative liability	<b>(28,249)</b>
Accretion of convertible debentures	<b>20,409</b>
Interest accrued	<b>(27,699)</b>
Amortization of issuance costs	<b>1,958</b>
<b>Balance as of June 30, 2024</b>	<b>\$376,616</b>

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## 12. Contingent Consideration

As part of the Millenia3 acquisition, the Company incurred the contingent consideration, consisting of additional cash payments as a result of the following:

(a) Fiscal 2023

- (i) 5% of revenues if revenues for the months of November and December 2023 combined are less than \$166,667; or
- (ii) 10% of revenues if revenues for the months of November and December 2023 combined are at least \$166,667 and less than \$250,000; or
- (iii) 15% of revenues if revenues for the months of November and December 2023 combined are at least \$250,000

(b) Fiscal 2024 and 2025

- (iv) 5% of revenues if revenues for the applicable 12-month period are less than \$1,000,000;
- (v) 10% of revenues if revenues for the applicable 12-month period are at least \$1,000,000 and less than \$1,500,000; or
- (vi) 15% of revenues if revenues for the applicable 12-month period are at least \$1,500,000

Measurement periods: Annual periods ending on the 1st, 2nd, and 3rd of December 31, 2023.

During the six months ending June 30, 2024, the Company paid \$46,942 to the seller of Millenia3 with respect to the earnout payment.

## 13. Share Capital

The Company is authorized to issue an unlimited number of common shares.

The following is a summary of changes in common share capital:

	Number of Shares	Value
Balance at December 31, 2023	62,437,140	\$27,826,282
<b>Balance at June 30, 2024</b>	<b>62,437,140</b>	<b>\$27,826,282</b>

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## 14. Share-Based Payments

### Stock Options

The Company has issued stock options to acquire common shares as follows:

	Weighted Average Price (CAD)	Outstanding Options	Vested Options	Weighted Average Remaining Life (Years)
Balance at December 31, 2023	\$0.14	2,203,000	2,203,000	0.36
Expired	0.15	(1,665,000)	(1,665,000)	
<b>Balance at June 30, 2024</b>	<b>\$0.11</b>	<b>538,000</b>	<b>538,000</b>	<b>0.64</b>

No stock options were issued for the six months ended June 30, 2024 (June 30, 2023 - nil).

The following table shows the stock options outstanding at June 30, 2024:

Number of Options	Number of Unvested Options	Number of Vested Options	Exercise Price (CAD)	Expiry Date
503,000	-	503,000	\$0.12	February 4, 2025
35,000	-	35,000	\$0.11	September 15, 2025
<b>538,000</b>	<b>-</b>	<b>538,000</b>	<b>\$0.11</b>	

### Restricted Share Units

The Company may grant Restricted Share Units ("RSUs") to any participant under the Omnibus Equity Incentive Plan.

The fair value of Restricted Stock units is based on the closing price of the common shares of the Company on the trading day immediately preceding the date of the award and are recognized over the vesting period.

No RSUs were issued for the six months ended June 30, 2024 (June 30, 2023 - nil).

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## 15. Basic and Diluted Income (Loss) per Share

The income (loss) and weighted average number of common shares used in the calculation of basic and fully diluted income (loss) per share for the six months ended June 30, 2024 and 2023 were as follows:

	<b>Three months ended June 30 2024</b>	Three months ended June 30 2023	<b>Six months ended June 30 2024</b>	Six months ended June 30 2023
Numerator				
Net income (loss)	<b>\$(129,031)</b>	\$37,174	<b>\$(113,466)</b>	\$(328,313)
Denominator				
Weighted average number of common shares – basic	<b>62,437,140</b>	62,437,140	<b>62,437,140</b>	62,437,140
Adjustments for calculation of diluted income per share				
Options in the money	-	-	-	-
Weighted average number of common shares – fully diluted	<b>62,437,140</b>	62,437,140	<b>62,437,140</b>	62,437,140
<b>Basic income (loss) per share</b>	<b>\$(0.00)</b>	\$0.00	<b>\$(0.00)</b>	\$(0.01)
<b>Fully diluted income (loss) per share</b>	<b>\$(0.00)</b>	\$0.00	<b>\$(0.00)</b>	\$(0.01)

## 16. Income Taxes

The Company's income tax expense (recovery) for the six months ended June 30, 2024 and June 30, 2023 comprises the following:

	<b>June 30, 2024</b>	<b>June 30, 2023</b>
Current income tax expense	\$122,822	\$15,899
<b>Income tax expense</b>	<b>\$122,822</b>	<b>\$15,899</b>

In July 2024, the Company received correspondence from Canada Revenue Agency (“CRA”) regarding the completion of the audit of the Company’s Scientific Research and Experimental Development (“SRED”) made by the Company during the year ended December 31, 2022, which notified the Company of claims made by the Company in excess of the amounts in which the Company was entitled. As a result, \$115,797 was recorded as current income tax expense for the six months ended June 30, 2024.

Subsequent to the six months ended June 30, 2024, the Company paid \$50,043 to CRA with the remaining balance to be fully repaid before the end of year 2024.

## 17. Segmented Information

The Company has only one reportable segment and provides Advertising, Entertainment and Awards Management software workflow solutions to customers across multiple geographic regions. It considers the basis on which it is organized, including geographic areas and service offerings, in identifying its reportable segments. Operating segments of the Company are defined as components of the Company for which separate financial information is

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available and is evaluated regularly by the chief operating decision maker in allocating resources and assessing performance. The chief operating decision maker is the Chief Executive Officer of the Company. For revenues, the amounts included are from the originating country.

Below is the breakdown of revenue, long-term assets, and payables by operating segment:

<b>For the six months ended June 30, 2024</b>	Canada	US	Total
Advertising	\$144,878	\$2,774,617	\$2,919,495
Music	201,442	381,273	582,715
Awards management	50,561	319,548	370,109
<b>Total revenue</b>	<b>\$396,881</b>	<b>\$3,475,438</b>	<b>\$3,872,319</b>
<b>Property and equipment</b>	<b>\$219,266</b>	<b>\$243,918</b>	<b>\$463,184</b>
<b>Intangible assets</b>	<b>\$1,764,974</b>	<b>\$85,056</b>	<b>\$1,850,030</b>
<b>Goodwill</b>	<b>-</b>	<b>\$359,146</b>	<b>\$359,146</b>
<b>Trade and other payables</b>	<b>\$428,585</b>	<b>\$677,103</b>	<b>\$1,105,688</b>

<b>For the six months ended June 30, 2023</b>	Canada	US	Total
Advertising	\$168,529	\$2,849,746	\$3,018,275
Music	201,542	368,694	570,236
Awards management	56,516	372,631	429,147
<b>Total revenue</b>	<b>\$426,587</b>	<b>\$3,591,071</b>	<b>\$4,017,658</b>
<b>Property and equipment</b>	<b>\$340,992</b>	<b>\$190,624</b>	<b>\$531,616</b>
<b>Intangible assets</b>	<b>\$1,316,164</b>	<b>\$315,027</b>	<b>\$1,631,191</b>
<b>Goodwill</b>	<b>-</b>	<b>\$3,845,576</b>	<b>\$3,845,576</b>
<b>Trade and other payables</b>	<b>\$134,087</b>	<b>\$908,408</b>	<b>\$1,042,495</b>

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## 18. Related Party Transactions

Key management personnel are comprised of the Company's directors and executive officers. In addition to their salaries, key management personnel also participate in the Company's Omnibus Incentive Plan.

Key management personnel compensation are as follows for the six months ended:

	<b>June 30</b>	June 30
	<b>2024</b>	2023
Salaries and short-term employee benefits <sup>(i)</sup>	<b>\$358,774</b>	\$367,471
Share based payments	-	-
	<b>\$358,774</b>	\$367,471

(i) Short-term employee benefits include bonuses, vacation pay and commission.

## 19. Commitments and Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. There were no material litigation and claims against the company as at and during the six months ended June 30, 2024.

## 20. Events After Reporting Period

On July 22, 2024, the Company appointed Frank Guo as the Company's Chief Financial Officer, and issued 500,000 RSUs to Mr. Guo. These RSUs are expected to settle through the issuance of 500,000 common shares of the Company and vest fully on July 22, 2026.