YANGAROO Inc.

Condensed Interim Financial Statements

For the Three and Six Months Ended June 30, 2023 and 2022

(Expressed in US Dollars)

(Unaudited)

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.

YANGAROO Inc.

Condensed Interim Statements of Financial Position (Unaudited)
(Expressed in United States dollars)

As at		June 30, 2023		December 31, 2022
Assets				
Current				
Cash	$	**284,178**	$	296,748
Accounts receivable (note 4)		**1,953,577**		1,566,633
Prepaid expenses and sundry assets		**436,692**		439,925
Contract assets		**44,697**		108,527
		2,719,144		2,411,833
Non-Current				
Government assistance receivable		**538,019**		538,019
Property and equipment and right of use assets (note 5)		**530,502**		685,306
Intangible assets (note 6)		**1,631,191**		1,657,554
Goodwill (note 7)		**3,845,576**		3,845,576
	$	**9,264,432**	$	9,138,288
Liabilities				
Current				
Revolving credit facility (note 10)	$	**1,053,263**	$	844,982
Trade and other payables (note 8)		**1,042,495**		879,420
Contract liabilities		**183,848**		86,244
Current portion of lease obligations (note 9)		**200,034**		274,556
Current portion of term loan facility (note 10)		**334,253**		108,921
		2,813,893		2,194,123
Non-Current				
Lease obligations (note 9)		**234,786**		274,936
Term loan facility (note 10)		**1,512,816**		1,654,930
Convertible debenture (note 11)		**401,061**		382,908
		4,962,556		4,506,897
Equity				
Share capital (note 12)		**27,826,282**		27,826,282
Share-based payment reserve		**5,971,266**		5,971,266
Foreign currency translation reserve		**1,157,622**		1,157,622
Deficit		**(30,653,294)**		(30,323,779)
		4,302,990		4,631,391
	$	**9,264,432**	$	9,138,288

Commitments and contingency (note 17)
Subsequent events (note 18)

Approved by the Board of Directors

“Anthony Miller”
Director

“Phil Benson”
Director

YANGAROO Inc.

Condensed Interim Statements of Net Loss and Comprehensive Loss (Unaudited)
Three and Six Months Ended June 30, 2023 and 2022
(Expressed in United States dollars)

	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Revenue (note 15)	**$ 2,172,530**	$ 1,915,307	**$ 4,017,783**	$ 3,904,350
Expenses				
Salaries and consulting (notes 13, 16, & 17)	**1,344,064**	1,507,823	**2,577,530**	3,304,361
Marketing and promotion	**86,415**	57,869	**134,834**	134,872
General and administrative	**91,297**	223,069	**404,139**	427,962
Technology and production	**124,552**	173,121	**258,935**	382,100
Depreciation of property and equipment, right of use assets, and intangible assets (notes 5 & 6)	**210,127**	203,740	**442,627**	408,563
Restructuring expense	**49,384**	93,564	**187,897**	93,564
	1,905,839	2,259,186	**4,005,962**	4,751,422
Income (loss) from operations	**266,691**	(343,879)	**11,821**	(847,072)
Other income (expenses)				
Interest income	**128**	18	**128**	41
Interest expense (notes 9, 10, & 11)	**(122,523)**	(54,161)	**(241,318)**	(106,760)
Foreign exchange (loss) gain, net	**(80,108)**	73,401	**(99,553)**	31,596
Revaluation of foreign exchange embedded derivatives (note 11)	**(27,970)**	-	**521**	-
Fair value gain on contingent consideration	**-**	2,113,887	**-**	2,113,887
	(230,473)	2,133,145	**(340,222)**	2,038,764
Income (loss) before income tax	**36,218**	1,789,266	**(328,401)**	1,191,692
Income tax expense	**-**	-	**-**	-
Net and comprehensive income (loss)	**$ 36,218**	$ 1,789,266	**$ (328,401)**	$ 1,191,692
Basic income (loss) loss per share	$ 0.00	$ 0.00	$ (0.01)	$ 0.02
Diluted income (loss) loss per share	$ 0.00	$ 0.03	$ (0.01)	$ 0.02

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, 2023 and 2022
(Expressed in US dollars)

	Number of shares		Share capital		Share-based payments reserve		Foreign current translation reserve		Deficit		Total
Balance at December 31, 2021	60,697,140	$	27,554,260	$	6,149,388	$	1,157,622	$	(31,894,068)	$	2,967,202
Share-based payments (note 13)	-		-		42,318		-		-		42,318
Exercise of options (note 12)	580,000		74,423		(28,834)		-		-		45,589
Exercise of RSUs (note 12)	1,010,000		183,202		(183,202)		-		-		-
Net income for the period			-		-		-		1,191,692		1,191,692
Balance at June 30, 2022	**62,287,140**	**$**	**27,811,885**	**$**	**5,979,670**	**$**	**1,157,622**	**$**	**(30,702,376)**	**$**	**4,246,801**

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	-		-		-		-		(328,401)		(328,401)
Balance at June 30, 2023	**62,437,140**	**$**	**27,826,282**	**$**	**5,971,266**	**$**	**1,157,622**	**$**	**(30,652,180)**	**$**	**4,302,990**

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, 2023 and 2022
(Expressed in US dollars)

Six months ended June 30		**2023**		2022
Cash flow from (used in) operating activities:				
Net (loss) income for the period	**$**	**(328,401)**	$	1,191,692
Items not affecting cash:				
Depreciation of property and equipment, right of use assets, and intangible assets (notes 5 & 6)		**442,627**		408,563
Amortization of deferred financing costs		**85,223**		39,982
Interest expense on convertible debentures		**5,627**		-
Estimated credit recovery (note 4)		**(113,498)**		(6,891)
Revaluation of foreign exchange embedded derivatives		**(521)**		-
Share-based payments		**-**		42,345
Fair value gain on contingent consideration		**-**		(2,113,888)
Changes in non-cash operating working capital:				
Accounts receivable		**(273,446)**		132,903
Prepaid expenses and sundry assets		**3,233**		(108,258)
Contract assets		**63,830**		(7,660)
Trade and other payables		**163,075**		94,337
Contract liabilities		**97,604**		37,407
Net cash from (used in) operating activities		**145,353**		(289,468)
Cash flow from (used in) investing activities:				
Acquisition of property and equipment (note 5)		**(13,602)**		(64,757)
Additions to product development assets (note 6)		**(234,166)**		(328,632)
Net cash used in investing activities		**(247,768)**		(393,389)
Cash flow from (used in) financing activities:				
Repayments of lease liability		**(129,478)**		(165,197)
Proceeds from line of credit (note 10)		**208,281**		931,819
Repayment of term loan		**-**		(233,531)
Exercise of options (note 11)		**-**		45,587
Net cash from financing activities		**78,803**		578,678
Net decrease in cash		**(23,612)**		(104,179)
Effect of foreign exchange on cash		**11,042**		(56,783)
Cash and cash equivalents, beginning of the period		**296,748**		768,251
Cash and cash equivalents, end of the period	**$**	**284,178**	$	607,289
Cash interest paid	**$**	**241,318**	$	107,239

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, 2022.

These condensed interim financial statements were authorized for issue by the Board of Directors on August 24, 2023.

(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.

2. Basis of Preparation (continued)

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:

(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.

2. Basis of Preparation (continued)

(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, 2022 annual audited financial statements.

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, 2023, the amount of equity was $4,302,990 (December 31, 2022 - $4,631,391). 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 period ended June 30, 2023.

(Expressed in US dollars, unless otherwise noted)

4. Risk Management (continued)

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 of which two types of risk are applicable to the Company:

(i) Currency risk:

The Company operates internationally, and the US Dollar is the presentation currency. The Company, however, does have revenues, expenses, assets, and liabilities denominated in currencies other than USD, primarily CAD. The principal foreign currency risk as at June 30, 2023 is the CAD at $0.7553 USD: $1 CAD (December 31, 2022 - $0.7383).

A 5% change in exchange rates would result in a $164,593 impact on profit or loss (December 31, 2022 - $147,723).

Balances in foreign currencies at June 30, 2023 and December 31, 2022 are as follows:

Balances in USD		**June 30, 2023**		December 31, 2022
Cash	**$**	**37,016**	$	34,079
Accounts receivable		**102,917**		108,758
Trade and other payables		**130,433**		129,107
Line of credit		**1,053,263**		716,361
Convertible debentures		**401,061**		358,383
Term loan		**1,847,069**		1,786,287

(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 $165,754 impact on profit or loss (December 31, 2022 - $125,413).

(Expressed in US dollars, unless otherwise noted)

4. Risk Management (continued)

(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 June 30, 2023, one customer comprises approximately 19% of accounts receivable (December 31, 2022 – two customers comprising 15%). During the six months ended June 30, 2023, one customer comprises approximately 21% of the Company's revenue (June 30, 2022 – two customers comprise 12% of revenue).

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, 2023		December 31, 2022
0 to 30 days past due	**$**	**494,540**	$	501,443
31 to 60 days		**452,445**		406,134
Over 60 days		**194,940**		504,000
Total past due	**$**	**1,141,925**	$	1,411,577

Continuity of expected credit losses:

		June 30, 2023		December 31, 2022
Balance, beginning of period	**$**	**214,170**	$	91,181
Estimated credit losses during the period		**71,774**		129,880
Net remeasurement of loss allowance		**(113,498)**		(6,891)
Balance, end of period	**$**	**172,446**	$	214,170

The Company's estimated credit losses as at June 30, 2023 is $172,446 (December 31, 2022 - $214,170) to address any anticipated collectability issues based on payment history and the expected credit loss of each customer.

(Expressed in US dollars, unless otherwise noted)

4. Risk Management (continued)

(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) as at June 30, 2023 and December 31, 2022.

	Lease obligations	Contract liabilities	Term Loan Facility	Trade and other payables	Line of credit	Total
Less than 1 year	$ 200,034	$ 183,848	$ 334,253	$ 1,042,495	$ 1,053,263	$ 2,813,893
1-3 years	234,786	-	1,512,816	-	-	1,747,602
Balance at June 30, 2023	**$ 434,820**	**$ 183,848**	**$ 1,847,069**	**$ 1,042,495**	**$ 1,053,263**	**$ 4,561,495**

	Lease obligations	Contract liabilities	Term Loan Facility	Trade and other payables	Line of credit	Total
Less than 1 year	$ 274,556	$ 86,244	$ 108,921	$ 879,420	$ 844,982	$ 2,194,123
1-3 years	274,936	-	1,654,930	-	-	1,929,866
Balance at December 31, 2022	$ 549,492	$ 86,244	$ 1,763,851	$ 879,420	$ 844,982	$ 4,123,989

(Expressed in US dollars, unless otherwise noted)

4. Risk Management (continued)

(c) Liquidity risk:

At present, the Company expects to pay all liabilities at their contractual maturity. In order to meet such cash commitments, the Company expects the operating activity to generate sufficient cash inflows. The company also uses the revolving credit facility to provide cash on a as-needed basis.

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

Cost		Office equipment		Computer equipment		Computer software		Right of use office property		Leasehold Improvements		Total
Balance, January 1, 2022	$	30,941	$	705,345	$	355,451	$	973,492	$	24,503	$	2,089,732
Additions		1,561		21,452		60,636		292,168		21,116		396,933
Balance, December 31, 2022		32,502		726,797		416,087		1,265,660		45,619		2,486,665
Additions		3,078		16,930		8,400		-		-		28,408
June 30, 2023	$	35,580	$	743,727	$	424,487	$	1,265,660	$	45,619	$	2,515,073

Accumulated Depreciation		Office equipment		Computer equipment		Computer software		Right of use office property		Leasehold Improvements		Total
Balance, January 1, 2022	$	28,771	$	593,480	$	313,856	$	460,680	$	10,879	$	1,407,666
Additions		1,451		60,183		41,150		285,019		5,890		393,693
Balance, December 31, 2022		30,222		653,663		355,006		745,699		16,769		1,801,359
Additions		553		29,342		16,180		132,466		3,557		182,098
June 30, 2023	$	30,775	$	683,005	$	371,186	$	878,165	$	20,326	$	1,983,457

Net book value		Office equipment		Computer equipment		Computer software		Right of use office property		Leasehold Improvements		Total
June 30, 2023	**$**	**4,805**	**$**	**60,722**	**$**	**53,301**	**$**	**387,495**	**$**	**25,293**	**$**	**531,616**
December 31, 2022	$	2,280	$	73,134	$	61,081	$	519,961	$	28,850	$	685,306

(Expressed in US dollars, unless otherwise noted)

5. Property and Equipment and Right-of-Use Assets (continued)

Included in property and equipment are computer equipment and computer software under leases with a carrying value of $20,850 (December 31, 2022 - $8,254).

6. Intangible assets

Cost		Brand		Customer relationships		Development costs		Total
Balance, January 1, 2022	$	62,000	$	969,000	$	578,165	$	1,609,165
Additions		-		-		671,372		671,372
Balance, December 31, 2022		62,000		969,000		1,249,537		2,280,537
Additions		-		-		234,166		234,166
June 30, 2023	$	62,000	$	969,000	$	1,483,703	$	2,514,703

Accumulated Depreciation		Brand		Customer relationships		Development costs		Total
Balance, January 1, 2022	$	12,056	$	188,417	$	5,110	$	205,583
Additions		20,668		323,000		73,732		417,400
Balance, December 31, 2022		32,724		511,417		78,842		622,983
Additions		10,332		161,500		88,697		260,529
June 30, 2023	$	43,056	$	672,917	$	167,539	$	883,512

Net book value		Brand		Customer relationships		Development costs		Total
June 30, 2023	**$**	**18,944**	**$**	**296,083**	**$**	**1,316,164**	**$**	**1,631,191**
December 31, 2022	$	29,276	$	457,583	$	1,170,695	$	1,657,554

During the six months ended June 30, 2023, the Company capitalized product development costs of $234,166 (2022 - $328,632). Amortization expense of the Company’s development costs during the six months ended June 30, 2023 was $88,697 (2022 - $18,451) The significant new projects for the six months ended June 30, 2023 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, 2023		December 31, 2022
Balance, beginning of period	**$**	**3,845,576**	$	3,845,576
Acquisitions		**-**		-
	$	**3,845,576**	$	3,845,576

(Expressed in US dollars, unless otherwise noted)

8. Trade and Other Payables

		June 30, 2023		December 31, 2022
Trade payables	**$**	**764,510**	$	554,167
Accrued interest payable		**30,423**		4,291
Accrued expenses		**247,562**		320,962
	$	**1,042,495**	$	879,420

During the six months ended June 30, 2023, the company incurred $187,897 (2022 - $93,564) 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 terms ranging between 3 and 5 years at inception and carry a weighted average incremental borrowing rate of 4.60% per annum (December 31, 2022 – 4.53%). During the six months ended June 30, 2023, the Company recorded interest expense of $13,790 (2022 - $4,920).

		Computer equipment		**Computer software**		**Property**		**Total**
Balance at January 1, 2022	$	10,461	$	5,911	$	514,212	$	530,584
Additions during the period		10,172		-		292,168		302,340
Principal payments		(8,527)		(5,911)		(268,994)		(283,432)
Balance at December 31, 2022		12,106		-		537,386		549,492
Additions during the period		14,806		-		-		14,806
Principal payments		(3,879)		-		(125,599)		(129,478)
Balance at June 30, 2023	**$**	**23,033**	**$**	**-**	**$**	**411,787**	**$**	**434,820**

		Computer equipment		**Computer software**		**Property**		**Total**
Current lease obligation	$	8,383	$	-	$	191,651		200,034
Non-current lease obligation		14,650		-		220,136		234,786
Balance at June 30, 2023	**$**	**23,033**	**$**	**-**	**$**	**411,787**	**$**	**434,820**

		Computer equipment		**Computer software**		**Property**		**Total**
Current lease obligation	$	6,277	$	-	$	268,279		274,556
Non-current lease obligation		5,829		-		269,107		274,936
Balance at December 31, 2022	$	12,106	$	-	$	537,386	$	549,492

10. Term Loan Facility and Credit Facility

On May 21, 2021, in conjunction with the acquisition of DMS, the Company settled its then existing CAD $1,000,000 revolving credit facility and entered into 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 new revolving credit facility in the amount of CAD $1,750,000 (USD $1,321,775) and a term loan facility with an initial principal balance of CAD $3,250,000.

Revolving Credit Facility

The revolving credit facility of CAD $1,750,000 (USD $1,321,775) 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, 2023, the Company has drawn $1,053,263 (December 31, 2022 - $844,982) 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 was 42 months, amortized over 72 months, and had an initial 6-months interest only payment component. Interest payments were based on the Bank’s prime rate plus 2.45%. The term loan facility is secured by the assets of the Company.

On December 2, 2022, the Bank entered into an amendment agreement with the Company such that the Company will be in good standing with the covenants related to the term loan facility. The amendment provides a six-month principal holiday beginning on January 1, 2023 during which the Company is required to pay interest only on its term loan, and an increase in the interest rate to Prime plus 4.45%. During the six months ended June 30, 2023, the Company incurred $95,724 of amendment fees and has recorded these as deferred financing costs that are being amortized over the expected duration of the term loan facility. During the six months ended 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 2022.

In accordance with the terms of the amended loan facility, the Company must maintain a minimum Fixed Charge Coverage Ratio and Interest-Bearing Debt to EBITDA ratio which shall not be tested until the end of fiscal year 2023. The Company must maintain minimum EBITDA targets for each of the three months ended June 30, 2023 and each of the quarterly periods in 2023. The Company was in compliance with the financial covenants as of June 30, 2023.

(Expressed in US dollars, unless otherwise noted)

10. Credit Facility (continued)

As at		**June 30, 2023**		December 31, 2022
Term loan facility	**$**	**1,971,219**	$	1,926,941
Less: unamortized deferred financing costs		**(124,150)**		(163,090)
Balance, end of period	**$**	**1,847,069**	$	1,763,851

As at		**June 30, 2023**		December 31, 2022
Current portion of term loan	**$**	**334,253**	$	108,921
Non-current portion of term loan		**1,512,816**		1,654,930
Balance, end of period	**$**	**1,847,069**	$	1,763,851

11. Convertible Debentures

As part of the amendment, the Company completed a non-brokered private placement offering of 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 event of certain defaults). 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 except for 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. Interest will be payable within 30 days of the end of each semi-annual period ended November 30th and May 31st throughout the term of the Debentures in cash or common shares of the Company, at the discretion of the Company. As of June 30, 2023, 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 provided waivers of such default effective as of such date (June 30, 2023) and consented to receiving such payment on or before September 30, 2023. 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, 2023, the company amortized $2,005 of the deferred financing fees (six months ended June 30, 2022 - $nil).

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.

(Expressed in US dollars, unless otherwise noted)

11. Convertible debentures (continued)

		Total
Balance at January 1, 2022	$	-
Face value of convertible debentures		276,090
Embedded derivate liability		93,064
Issuance costs		(19,685)
Balance at December 2, 2022		349,469
Fair value loss on revaluation of embedded derivative liability		32,361
Accretion of convertible debentures		5,146
Interest accrued		(4,291)
Amortization of issuance costs		330
Movement in foreign exchange rates		(107)
Balance, December 31, 2022		382,908
Fair value gain on revaluation of embedded derivative liability		(521)
Accretion of convertible debentures		31,754
Interest accrued		(26,127)
Amortization of issuance costs		2,005
Movement in foreign exchange rates		11,042
Balance at June 30, 2023	**$**	**401,061**

12. 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, 2022	60,697,140	$ 27,554,260
Exercise of options (a)	580,000	74,423
Exercise of RSUs (b)	1,160,000	197,599
Balance at December 31, 2022	62,437,140	$ 27,826,282
Balance at June 30, 2023	**62,437,140**	**$ 27,826,282**

(Expressed in US dollars, unless otherwise noted)

13. Share-Based Payments

Securities Based Compensation Plan

The Company had a Predecessor Plan that was replaced by an Omnibus Incentive Plan (the "Omnibus Equity Incentive Plan"), which was approved on June 29, 2021 at the Company's Annual General and Special Meeting of the shareholders. The Omnibus Equity Incentive Plan permits the grant of stock options as well as restricted share units, deferred share units, performance share units and share appreciation rights (all awards other than options referred to as the "Non-Option Awards"). Pursuant to the terms of the Omnibus Equity Incentive Plan, the maximum number of common shares issuable pursuant to new options together with options granted under the Predecessor Plan cannot not exceed 6,651,935 in the aggregate, being 11% of the issued and outstanding common shares of the Company at the time of implementation and the maximum number of common shares issuable pursuant to the Non-Option Awards common shares could not exceed 1,814,164 in the aggregate, being 3% of the issued and outstanding common shares of the Company at the time of implementation, for an unchanged aggregate maximum of 8,466,099 common shares (14%).

The Non-Option Awards may be settled, if and when vested, in common shares of the Company or the cash equivalent, at the election of the Company on issuance of the awards.

Stock Options

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

Six months ended June 30	**2023**			2022		
	Number of options		**Weighted average exercise price**	Number of options		Weighted average exercise price
Balance, beginning of the period	**3,675,500**	**$**	**0.18**	6,409,500	$	0.16
Expired	**(1,162,500)**		**(0.28)**	(687,500)		(0.13)
Exercised	**-**		**-**	(580,000)		(0.10)
Balance, end of the period	**2,513,000**	**$**	**0.14**	5,142,000	$	0.17
Options exercisable, end of the period	**2,513,000**	**$**	**0.14**	5,142,000	$	0.17

For the six months ended June 30, 2023, the fair value of options granted was $nil (June 30, 2022 - $nil).

The estimated fair value of the options is expensed over the vesting period. The options vest 10% on the date of grant, and the remaining 90% vest as to a third on each 6-month anniversary following the date of grant. The compensation expense and charge to share based payment reserves relating to the stock options for the six months ended June 30, 2023 was $nil (six months ended June 30, 2022 - $38). The weighted average life of the outstanding options at June 30, 2023 is 0.91 years (December 31, 2022 – 1.56 years).

(Expressed in US dollars, unless otherwise noted)

13. Share-Based Payments (continued)

The following table shows the stock options outstanding at June 30, 2023:

Number of options	Number of unvested options	Number of vested options	Exercise price (CAD)	Expiry date
1,315,000	-	1,315,000	$0.155	January 4, 2024
525,000	-	525,000	$0.120	June 18, 2024
638,000	-	638,000	$0.115	February 4, 2025
35,000	-	35,000	$0.105	September 15, 2025
2,513,000	**-**	**2,513,000**	**$0.14**	

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.

On August 10, 2021, the Company issued 1,115,000 restricted share units to directors, officers, employees and consultants, of which 600,000 were issued to directors and officers. These restricted share units are expected to be settled through the issuance of 1,115,000 common shares of the Company. These restricted share units vested fully on January 31, 2022. These restricted share units have been fair valued based on the quoted market price on the date of issuance of $0.23 per common share.

On December 1, 2021, the Company issued 150,000 RSUs to employees. These restricted share units are expected to be settled through the issuance of 150,000 common shares of the Company. These restricted share units vest fully on December 1, 2022. The fair value of the restricted share units was measured with reference to the quoted market price on the date of issuance of $0.13 per common share.

The compensation expense and credit to share-based payments reserve relating to the RSUs for the six months ended June 30, 2023 was $nil (six months ended June 30, 2022 - $42,307).

During the year ended December 31, 2022, the Company issued 1,160,000 shares to employees as part of the exercise of RSUs. The initial value of the RSUs at the date of grant of $197,599 was reclassified from share-based payments reserve to share capital.

(Expressed in US dollars, unless otherwise noted)

13. Share-Based Payments (continued)

The following table shows the RSUs outstanding as at June 30, 2023:

Number of units	**June 30, 2023**	December 31, 2022
Balance beginning of the period	**-**	1,232,500
Granted	**-**	-
Forfeited	**-**	(72,500)
Exercised	**-**	(1,160,000)
Balance end of the period	**-**	-

14. 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 three and six months ended June 30, 2023 and 2022 were as follows:

	Three months ended June 30, 2023	Three months ended June 30, 2022	**Six months ended June 30, 2023**	Six months ended June 30, 2022
Numerator				
Net income (loss)	**$ 36,218**	$ 1,789,266	**$ (328,401)**	$ 1,191,692
Denominator				
Weighted average number of common shares - basic	**62,437,140**	62,287,140	**62,437,140**	60,497,490
Adjustments for calculation of diluted income per share:				
Options in the money	**-**	-	**-**	1,953,917
Weighted average number of common shares - fully diluted	**62,437,140**	62,287,140	**62,437,140**	62,451,407

(Expressed in US dollars, unless otherwise noted)

15. 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 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 by operating segment:

Six months ended June 30, 2023	**Canada**	**US**	**Other**	**Total**
Revenue				
Advertising	**$ 196,193**	**$ 2,822,207**	**$ -**	**$ 3,018,400**
Music	**201,542**	**342,389**	**26,305**	**570,236**
Awards management	**56,516**	**372,631**	**-**	**429,147**
Total revenue	**$ 454,251**	**$ 3,537,227**	**$ 26,305**	**$ 4,017,783**

Six months ended June 30, 2022	Canada	US	Other	Total
Revenue				
Advertising	$ 113,055	$ 2,603,880	$ -	$ 2,716,935
Music	201,706	433,514	-	635,220
Awards management	54,683	497,512	-	552,195
Total revenue	$ 369,444	$ 3,534,906	$ -	$ 3,904,350

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

As at June 30, 2023	**Canada**	**US**	**Other**	**Total**
Property and equipment	**$ 340,992**	**$ 190,624**	**$ -**	**$ 531,616**
Intangible assets	**1,316,164**	**315,027**	**-**	**1,631,191**
Goodwill	**-**	**3,845,576**	**-**	**3,845,576**
Trade and other payables	**134,087**	**908,408**	**-**	**1,042,495**

As at December 31, 2022	Canada	US	Other	Total
Property and equipment	$ 373,809	$ 311,497	$ -	$ 685,306
Intangible assets	1,170,695	486,859	-	1,657,554
Goodwill	-	3,845,576	-	3,845,576
Trade and other payables	125,813	753,607	-	879,420

(Expressed in US dollars, unless otherwise noted)

16. 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 (note 13).

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

Six months ended June 30		**2023**		2022
Wages and benefits [(i)]	**$**	**367,471**	$	374,926
Share-based payments		**-**		19,564
Balance end of period	**$**	**367,471**	$	394,490

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

17. 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 as at and during the three and six months ended June 30, 2023.

18. Subsequent events

On August 3, 2023, the Company appointed Jeff Wagner as the Company's Chief Financial Officer, succeeding Dom Kizek.