YANGAROO Inc.

Condensed Interim Financial Statements

For the Three Months Ended March 31, 2023 and 2022

(Expressed in US Dollars)

(Unaudited)

YANGAROO Inc.

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

	As at	
	March 31 2023	December 31 2022
Assets		
Current		
Cash	**$ 204,604**	$ 296,748
Accounts receivable (note 4)	**1,556,333**	1,566,633
Prepaid and sundry assets	**298,863**	439,925
Contract assets	**69,409**	108,527
	2,129,209	2,411,833
Non-current		
Government assistance receivable	**538,019**	538,019
Property and equipment and right of use assets (note 5)	**607,549**	685,306
Intangible assets (note 6)	**1,669,127**	1,657,554
Goodwill (note 7)	**3,845,576**	3,845,576
	$ 8,789,480	$ 9,138,288
Liabilities		
Current		
Revolving credit facility (note 10)	**$ 716,361**	$ 844,982
Trade and other payables (note 8)	**1,047,618**	879,420
Contract liabilities	**128,335**	86,244
Current portion of lease obligations (note 9)	**243,544**	274,556
Current portion of term loan facility (note 10)	**218,170**	108,921
	2,354,028	2,194,123
Non-current		
Lease obligations (note 9)	**242,180**	274,936
Term loan facility (note 10)	**1,568,117**	1,654,930
Convertible debenture (note 11)	**358,383**	382,908
	4,522,708	4,506,897
Equity		
Share capital (note 12)	**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	**(30,688,398)**	(30,323,779)
	4,266,772	4,631,391
	$ 8,789,480	$ 9,138,288

Commitments and contingencies (note 17)

Approved by the Board of Directors

“Anthony Miller”
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 Ended Months Ended March 31, 2023 and 2022
(Expressed in US dollars)

	Three Months Ended March 31, 2023	2022
Revenue (note 15)	**$ 1,845,253**	$ 1,989,042
Expenses		
Salaries and consulting (notes 13, 16 & 17)	**1,233,466**	1,796,538
Marketing and promotion	**48,419**	77,001
General and administrative	**312,842**	204,881
Technology & production	**134,383**	208,978
Depreciation of property and equipment and right of use assets and intangible assets (notes 5 & 6)	**232,500**	204,824
Restructuring expense	**138,513**	-
	2,100,123	2,492,222
Loss from operations	**(254,870)**	(503,180)
Other income (expenses)		
Interest income	**-**	19
Interest expense (notes 9, 10 & 11)	**(118,795)**	(52,598)
Foreign exchange loss	**(19,445)**	(41,816)
Revaluation of foreign exchange embedded derivatives (note 11)	**28,491**	-
	(109,749)	(94,395)
Loss before income tax	**(364,619)**	(597,575)
Income tax expense	**-**	(11)
Total net and comprehensive loss	**$ (364,619)**	$ (597,586)
Basic income (loss) per share (note 14)	**$ (0.01)**	**$ (0.01)**
Diluted income (loss) per share (note 14)	**$ (0.01)**	**$ (0.01)**

YANGAROO Inc.

Condensed Interim Statements of Changes in Equity (Unaudited)
Three months ended March 31, 2023 and 2022
(Expressed in US dollars)

	Number of Shares	Share Capital	Share-based payments reserve	Foreign Currency Translation Reserve	Deficit	Total
Balance at December 31, 2021	60,697,140	$27,554,260	$6,149,389	$ 1,157,622	$(31,894,068)	$2,967,203
Share-based payments (note 13)	-	-	38,508	-	-	38,508
Exercise of options (note 12)	580,000	74,423	(28,834)	-	-	45,589
Exercise of RSUs (note 12)	1,010,000	-	-		-	-
Net loss for the period	-	-	-	-	(597,586)	(597,586)
Balance at March 31, 2022	**62,287,140**	**$27,628,683**	**$6,159,063**	**$ 1,157,622**	**$(32,491,654)**	**$2,453,714**
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	-	-	-	-	(364,619)	(364,619)
Balance at March 31, 2023	**62,437,140**	**$27,826,282**	**$5,971,266**	**$ 1,157,622**	**$(30,688,398)**	**$4,266,772**

YANGAROO Inc.

Condensed Interim Statements of Cash Flows (Unaudited)
Three months ended March 31, 2023 and 2022
(Expressed in US dollars)

	Three Months Ended March 31	
	2023	2022
Cash flow from (used in) operating activities		
Net income for the period	**$ (364,619)**	$ (597,586)
Items not affecting cash:		
Depreciation of property and equipment and amortization of intangible assets (note 5 and 6)	**232,500**	204,824
Amortization of deferred financing costs	**23,426**	10,169
Interest expense on convertible debentures	**2,664**	-
Estimated credit losses (note 4)	**91,773**	-
Revaluation of foreign exchange embedded derivatives (note 11)	**(28,491)**	-
Share-based payments (note 13)	**-**	38,508
Changes in non-cash operating working capital:		
Accounts receivable	**(81,473)**	197,116
Prepaid and sundry assets	**141,062**	(91,494)
Contract assets	**39,118**	65,811
Trade and other payables	**168,198**	95,585
Contract liabilities	**42,091**	56,072
Net cash from (used in) operating activities	**266,249**	(20,995)
Cash flow used in investing activities		
Acquisition of property and equipment (note 5)	**(12,693)**	(33,724)
Additions to product development assets (note 6)	**(153,623)**	(160,361)
Net cash used in investing activities	**(166,316)**	(194,085)
Cash flow from (used in) financing activities		
Payment of lease obligations (note 9)	**(66,966)**	(83,557)
Proceeds from (repayment of) term loan	**-**	(116,994)
Exercise of options (note 12)	**-**	45,587
Payment to line of credit (note 10)	**(128,621)**	349,294
Net cash from (used in) financing activities	**(195,587)**	194,330
Net (decrease) in cash	**(95,654)**	(20,750)
Effect of foreign exchange on cash	**3,510**	35,658
Cash and cash equivalents, beginning of period	**296,748**	768,251
Cash and cash equivalents, end of period	**$ 204,604**	$ 783,159
Cash interest paid	**$ 118,795**	$ 52,609

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 May 25, 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 March 31, 2023, the amount of equity was $4,266,772 (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 three months ended March 31, 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 March 31, 2023 is the CAD at $0.7389 USD: $1 CAD.

A 5% change in exchange rates would result in a $142,365 impact on profit or loss.

Balances in foreign currencies at March 31, 2023 are as follows:

		USD
Cash	$	34,079
Accounts receivable	$	108,758
Trade and other payables	$	129,107
Line of credit	$	716,361
Convertible debentures	$	358,383
Term loan	$	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 $32,623 impact on profit or loss.

(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 and during the three months ended March 31, 2023, approximately 24% (March 31, 2022 - 15%) of accounts receivable and 27% (March 31, 2022 - 13%) of revenue are from two customers (March 31, 2022 - 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:

	March 31 2023	**December 31 2022**
0 to 30 days past due	**$ 348,596**	$ 501,443
31 to 60 days	**560,857**	406,134
Over 60 days	**375,344**	504,000
Total past due	**$ 1,284,797**	$ 1,411,567

Continuity of expected credit losses:

	March 31 2023	**December 31 2022**
Balance, beginning of period	**$ 214,170**	**$ 91,181**
Estimated credit losses during the period	**91,773**	**129,880**
Net remeasurement of loss allowance	**-**	**(6,891)**
Balance, end of period	**$ 305,943**	$ 214,170

The Company's estimated credit losses as at March 31, 2023 is $305,943 (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).

	Lease Obligations	Contract Liabilities	Term Loan Facility	Trade and Other Payables	Revolving Credit Facility	Total
Less than 1 year	$ 243,544	$ 128,335	$ 218,170	$ 1,047,618	$ 716,361	$ 2,354,028
1- 3 years	$ 242,180	$ -	$1,568,117	$ -	$ -	$ 1,810,297
Balance at March 31, 2023	**$ 485,724**	**$ 128,335**	**$1,786,287**	**$ 1,047,618**	**$ 716,361**	**$ 4,164,325**

	Lease Obligations	Contract Liabilities	Term Loan Facility	Trade and Other Payables	Revolving Credit Facility	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

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.

(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, 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	-	4,293	8,400	-	-	12,693
Balance, March 31, 2023	**32,502**	**731,090**	**424,487**	**1,265,660**	**45,619**	**2,499,358**
Accumulated depreciation						
Balance, January 1, 2022	28,771	593,480	313,856	460,680	10,879	1,407,666
Depreciation expense	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
Depreciation expense	200	19,270	2,968	66,233	1,779	90,450
Balance, March 31, 2023	**30,422**	**672,933**	**357,974**	**811,932**	**18,548**	**1,891,809**
Carrying amounts						
December 31, 2022	2,280	73,134	61,081	519,961	28,850	685,306
March 31, 2023	**2,080**	**58,157**	**66,513**	**453,728**	**27,071**	**607,549**

Included in property and equipment are computer equipment and computer software under leases with a carrying value of $10,001 (December 31, 2022 - $8,254).

6. Intangible Assets

	Brand	Customer relationships	Development costs	Total
Cost	$	$	$	$
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	-	-	153,623	153,623
Balance, March 31, 2023	**62,000**	**969,000**	**1,403,160**	**2,434,160**
Accumulated amortization				
Balance, January 1, 2022	12,056	188,417	5,110	205,583
Amortization expense	20,668	323,000	72,732	417,400
Balance, December 31, 2022	32,724	511,417	78,842	622,983
Amortization expense	5,168	80,750	56,132	142,050
Balance, March 31, 2023	**37,892**	**592,167**	**134,974**	**765,033**
Carrying amounts				
December 31, 2022	29,276	457,583	1,170,695	1,657,554
March 31, 2023	**24,108**	**376,833**	**1,268,186**	**1,669,127**

(Expressed in US dollars, unless otherwise noted)

6. Intangible Assets (continued)

During the three months ended March 31, 2023, the Company capitalized product development costs of $153,623 (March 31, 2022 - $160,360). Amortization expense of $56,132 (March 31, 2022 - $9,328) was capitalized to development costs during the three-months ended March 31, 2023. The significant new projects for the three months ended March 31, 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

	March 31, 2023	December 31, 2022
Balance, beginning of period	**$ 3,845,576**	$ 3,845,576
Acquisitions	-	-
	$ 3,845,576	$ 3,845,576

8. Trade and Other Payables

	March 31, 2023	December 31, 2022
Trade payables	**$ 649,964**	$ 554,167
Accrued expenses	**397,654**	325,253
	$ 1,047,618	$ 879,420

During the three months ended, the company incurred $138,513 (March 31, 2022 - $nil) 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 4.53% per annum (2022 – 4.53%).

	Computer Equipment	**Property**	**Total Lease Liability**
	$	**$**	**$**
Balance at January 1, 2023	12,106	537,386	549,492
Additions during the period	3,198	-	3,198
Principal payments	(1,868)	(65,098)	(66,966)
Balance at March 31, 2023	13,436	472,288	485,724
Current lease obligation	6,405	237,139	243,544
Long-term lease obligation	7,031	235,149	242,180
Balance at March 31, 2023	**13,436**	**472,288**	**485,724**
Effective annual rate of interest	6.16%	4.45%	4.52%
Amount of interest recognized in profit or loss	324	6,850	7,174

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 $1,292,025) 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 $1,292,025) 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 March 31, 2023, the Company has drawn $716,361 or CAD $969,496 (March 31, 2022 - $349,294 or CAD $675,000) 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%. 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 three months ended March 31, 2023, $22,436 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 March 31, 2023 and each of the quarterly periods in 2023. The Company was in compliance with the financial covenants as of March 31, 2023.

(Expressed in US dollars, unless otherwise noted)

10. Credit Facility (continued)

		March 31 2023		December 31 2022
Term loan facility	**$**	**1,928,507**	$	1,926,941
Less: unamortized deferred financing costs		**(142,220)**		(163,090)
Ending Balance		**1,786,287**		1,763,851
Current portion of term loan		**218,170**		108,921
Long-term portion of term loan		**1,568,117**		1,654,930
Ending Balance	**$**	**1,786,287**	$	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 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 a legal fees of $17,309. During the three months ended March 31, 2023, $990 (Year ended December 31, 2022 - $330) 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.

(Expressed in US dollars, unless otherwise noted)

11. Convertible debentures (continued)

		Value
Balance as of December 31, 2022	$	382,908
Fair value loss (gain) on revaluation of embedded derivative liability		(28,491)
Accretion of convertible debentures		15,549
Interest accrued		(12,885)
Amortization of issuance costs		990
Exchange difference		312
Balance as of March 31, 2023	**$**	**358,383**

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 March 31, 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:

	Weighted average price (CAD)	Outstanding options	Vested options	Weighted average remaining life (years)
Balance at December 31, 2021	$ 0.16	6,384,500	6,374,000	1.67
Forfeited	0.14	(1,366,500)		
Expired	0.13	(762,500)		
Exercised	0.10	(580,000)		
Balance at December 31, 2022	**$ 0.18**	**3,675,500**	**3,675,000**	**0.97**
Expired	0.28	(1,162,500)		
Balance at March 31, 2023	**$ 0.14**	**2,513,000**	**2,513,000**	**1.16**

For the three months ended March 31, 2023, the fair value of options granted was $nil (March 31, 2022 - $nil).

(Expressed in US dollars, unless otherwise noted)

13. Share-Based Payments (continued)

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 three months ended March 31, 2023 was $nil (Three months ended March 31, 2022 - $38).

The following table shows the stock options outstanding at March 31, 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 three months ended March 31, 2023 was $nil (Three months ended March 31, 2022 - $38,470).

(Expressed in US dollars, unless otherwise noted)

13. Share-Based Payments (continued)

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.

The following table shows the RSUs outstanding as at March 31, 2023:

Number of units	**March 31, 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 months ended March 31, 2023 and 2022 were as follows:

For the three-months ended March 31, 2023	**March 31 2023**	March 31 2022
Numerator:		
Net income (loss)	**$ (364,619)**	$ (597,586)
Denominator:		
Weighted average number of common shares – basic	**62,437,140**	61,782,190
Adjustments for calculation of diluted income per share:		
Options in the money	**-**	-
Weighted average number of common shares – fully diluted	**62,437,140**	61,782,190
Basic income (loss) per share	**$ (0.01)**	$ (0.01)
Fully diluted income (loss) per share	**$ (0.01)**	$ (0.01)

(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, long-term assets, and payables by operating segment:

For the three-months ended March 31, 2023	Canada	US	Total
Advertising	$ 92,366	$ 1,342,224	$ 1,434,590
Music	100,092	161,101	261,193
Awards management	16,440	133,030	149,470
Total revenue	**$ 208,898**	**$ 1,636,355**	**$ 1,845,253**
Property and equipment	**$ 357,594**	**$ 249,955**	**$ 607,549**
Intangible assets	**$ 1,268,186**	**$ 400,941**	**$ 1,669,127**
Goodwill	**$ -**	**$ 3,845,576**	**$ 3,845,576**
Trade and other payables	**$ 653,219**	**$ 394,399**	**$ 1,047,618**

For the three-months ended March 31, 2022	Canada	US	Total
Advertising	$ 63,872	$ 1,402,783	$ 1,466,655
Music	99,998	202,687	302,685
Awards management	21,324	198,378	219,702
Total revenue	**$ 185,194**	**$ 1,803,848**	**$ 1,989,042**
Property and equipment	**$ 131,715**	**$ 474,495**	**$ 606,210**
Intangible assets	**$ 744,610**	**$ 724,087**	**$ 1,468,697**
Goodwill	**$ -**	**$ 3,845,576**	**$ 3,845,576**
Trade and other payables	**$ 495,189**	**$ 451,396**	**$ 946,585**

(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:

	March 31 2023	March 31 2022
Salaries and short-term employee benefits [i]	**$ 178,392**	$ 187,463
Share based payments	**-**	19,564
	$ 178,392	$ 207,027

(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 months ended March 31, 2023.