TSXV:SBIO · OTCQX:SABOF

Sabio Holdings Inc.

Consolidated Financial Statements

For the years ended
December 31, 2022 and 2021

Expressed in U.S. Dollars

Independent Auditor's Report

To the Shareholders of Sabio Holdings Inc. :

Opinion

We have audited the consolidated financial statements of Sabio Holdings Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Acquisitions

Key Audit Matter Description

As described in Note 5 to the consolidated financial statements, during 2022, the Company completed the acquisition of Vidillion Inc. which was accounted for as a business combination, which, in aggregate, amounted to $2,765,774 in total consideration. The identifiable assets acquired and the liabilities assumed are measured at fair value as of the acquisition date. Where the net of the fair value of the assets acquired and liabilities assumed is less than the fair value of consideration transferred, the difference is accounted for as goodwill. In assessing fair value of the acquired assets, management used various valuation techniques involving significant judgement and subjectivity.

We considered this to be a key audit matter due to the complexity of the transactions, which included valuation of the acquired intangible assets. This resulted in a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating the audit evidence related to management's estimates. As such, an increased extent of audit effort was required, which included the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures over management's valuation techniques in determining fair value of the acquired assets and in determining goodwill for the acquisition. Our audit work in relation to this included, but was not restricted to, the following:

- Analyzed the signed purchase agreement to obtain an understanding of the key terms and conditions and to identify the necessary accounting considerations.
- Tested the mathematical accuracy of management's valuation models and supporting calculations.
- Evaluated the fair value of the consideration transferred.
- Evaluated the reasonableness of key assumptions in management's models, including testing of historical financial results which were used as a basis for future projections.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the acquisition in the notes to the consolidated financial statements.
- With the assistance of internal valuation specialists, evaluated the reasonableness of management's model, through assessing the appropriateness of valuation models used and testing the significant assumptions and inputs by:
    - Comparing to externally available industry and economic trends;
    - Evaluating budgets and forecasts for future operations; and
    - Comparing against guideline companies within the same industry.

Impairment Analysis of Goodwill and Long-Lived Assets

Key Audit Matter Description

We draw attention to Notes 5, 7, and 9 to the consolidated financial statements. The Company has recorded goodwill, intangible assets and right-of-use assets of $4,312,180 as of December 31, 2022. The Company performs impairment testing for goodwill and long-lived assets on an annual basis or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of disposal. In determining the estimated recoverable amounts using a discounted cash flow model, the Company's significant assumptions include future cash flows based on expected operating results, long-term growth rates and the discount rate.

We considered this a key audit matter due to the significant judgment made by management in estimating the recoverable amount for goodwill and long-lived assets and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating audit evidence relating to management's estimates. This resulted in an increased extent of audit effort, including the involvement of internal valuation specialists.

Audit Response

We responded to this matter by performing procedures over the impairment of goodwill and long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

- Tested management's key assumptions, including a 'retrospective review' to compare management's assumptions in prior year expected future cash flows to the actual results to assess the Company's budgeting process.
- Evaluated the reasonableness of key assumptions in the impairment model, including future cash flows based on expected operating results, long-term growth rates and the discount rate.
- Tested the mathematical accuracy of management's impairment model and supporting calculations.
- Assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements.
- With the assistance of internal valuation specialists, evaluated the reasonableness of the Company's impairment model, which included:
    - Evaluating the reasonableness of the discount rates by comparing the Company's weighted average cost of capital against publicly available market data;
    - Developing a range of independent estimates and comparing those to the discount rate selected by management; and
    - Performing a sensitivity analysis by developing a range of independent estimates of growth rates and weighted average cost of capital.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Saad Shaikh.

MNP LLP

Toronto, Ontario
March 22, 2023

Chartered Professional Accountants
Licensed Public Accountants

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	December 31, 2022	December 31, 2021
	$	$
Assets		
Current assets		
Cash and cash equivalents	**3,999,402**	3,280,335
Accounts receivable, net of expected credit losses (Note 6)	**12,269,474**	8,376,791
Due from related parties (Note 13)	**848,063**	819,516
Prepaid expenses and other current assets	**361,615**	133,091
	17,478,554	12,609,733
Right of use asset (Note 9)	**1,479,250**	510,740
Intangible assets (Note 7)	**354,156**	329,217
Goodwill (Note 5)	**2,478,774**	-
	21,790,734	13,449,690
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	**13,083,733**	7,476,481
Deferred revenue	**276,034**	509,431
Current income tax liabilities (Note 12)	**37,957**	6,871
Lease liability (Note 9)	**490,664**	201,717
Loans payable (Note 10)	**3,945,423**	860,873
	17,833,811	9,055,373
Lease liability (Note 9)	**1,128,673**	333,126
Loans payable (Note 10)	**479,513**	3,265,417
Deferred income tax liabilities (Note 12)	**683**	-
	19,442,680	12,653,916
Shareholders' Equity		
Common shares (Note 11)	**12,058,242**	10,345,939
Common stock issuable (Note 11)	**10,645**	-
Share-based benefits reserve (Note 11)	**1,438,399**	763,466
Deficit	**(11,054,886)**	(10,208,121)
Foreign currency translation reserve	**(104,346)**	(105,510)
	2,348,054	795,774
	21,790,734	13,449,690

Events after the reporting period (Note 17)

Approved by Directors:

'Aziz Rahimtoola'
Director

'Jennifer Cabalquinto'
Director

The accompanying notes are an integral part of these consolidated financial statements

	For the year ended	
	December 31, 2022	December 31, 2021
	$	$
Revenues	**42,305,732**	24,220,173
Cost of sales	**16,955,141**	9,660,020
Gross profit	**25,350,591**	14,560,153
Expenses		
Sales and marketing	**12,820,322**	7,160,603
General and administrative	**5,483,584**	2,951,618
Research and technology costs	**5,315,656**	2,769,357
Amortization of intangible assets (Note 7)	**378,043**	841,441
Occupancy (Note 9)	**580,786**	97,300
Amortization of lease (Note 9)	**338,489**	64,414
Share-based compensation (Note 11)	**667,722**	329,975
	25,584,602	14,214,708
Income (loss) from operations	**(234,011)**	345,445
Gain on loan forgiveness	**-**	2,172,500
Income (loss) before finance costs, transaction costs and income taxes	**(234,011)**	2,517,945
Finance costs	**417,362**	1,314,896
Foreign exchange differences	**-**	62,749
Transaction costs	**156,752**	1,717,240
Loss before income taxes	**(808,125)**	(576,940)
Income taxes	**38,640**	6,871
Net loss for the year	**(846,765)**	(583,811)
Other comprehensive income (loss)		
Foreign currency translation gain (loss)	**1,164**	(105,510)
Comprehensive loss	**(845,601)**	(689,321)
Loss per share		
Basic	**(0.02)**	(0.02)
Diluted	**(0.02)**	(0.02)
Weighted average number of shares outstanding		
Basic	**45,222,615**	34,426,442
Diluted	**45,222,615**	34,426,442

The accompanying notes are an integral part of these consolidated financial statements

	Number of Common Shares	Common shares	Common stock issuable	Share-based benefits reserve	Deficit	Foreign currency translation reserve	Total shareholders' equity (deficiency)
	#	$	$	$	$	$	$
Balance, December 31, 2020	30,453,142	444,719	-	639,876	(9,624,310)	-	(8,539,715)
Share-based compensation	-	-	-	329,975	-	-	329,975
Transaction costs	85,714	117,674	-	237,770	-	-	355,444
Shares issued due to exercise of stock options and warrants	6,361,111	1,333,697	-	(496,352)	-	-	837,345
Spirit's common shares rolled over to Sabio's common shares	730,086	1,011,897	-	-	-	-	1,011,897
Spirit's options rolled over to Sabio's options	-	-	-	44,535	-	-	44,535
Issuance of common shares from the concurrent financing, net of transaction costs	3,799,252	4,831,911	-	98,379	-	-	4,930,290
Issuance of common shares due to conversion of convertible promissory notes, at discount	2,395,536	2,606,041	-	(773,441)	-	-	1,832,600
Issuance of warrants to holders of convertible promissory notes upon conversion	-	-	-	682,724	-	-	682,724
Net loss and total comprehensive loss	-	-	-	-	(583,811)	(105,510)	(689,321)
Balance, December 31, 2021	**43,824,841**	**10,345,939**	**-**	**763,466**	**(10,208,121)**	**(105,510)**	**795,774**
Balance, December 31, 2021	43,824,841	10,345,939	-	763,466	(10,208,121)	(105,510)	795,774
Share-based compensation	-	-	-	757,485	-	-	757,485
Shares issued for the Acquisition of Vidillion Inc. (Note 5)	1,685,079	1,490,871	-	-	-	-	1,490,871
Shares issued due to exercise of stock options (Note 11)	868,268	221,432	-	(79,677)	-	-	141,755
Common stock issuable (Note 11)	-	-	10,645	(2,875)	-	-	7,770
Net loss and total comprehensive loss	-	-	-	-	(846,765)	1,164	(845,601)
Balance, December 31, 2022	**46,378,188**	**12,058,242**	**10,645**	**1,438,399**	**(11,054,886)**	**(104,346)**	**2,348,054**

The accompanying notes are an integral part of these consolidated financial statements

sabio HOLDINGS TSXV:SBIO OTCQX:SABOF

	For the year ended	
	December 31, 2022	December 31, 2021
	$	$
Cash flows from (used in) operating activities		
Net loss	**(846,765)**	(583,811)
Adjustments for:		
Share-based compensation (Note 11)	**667,722**	329,975
Shares issued to contractors (Note 11)	**89,763**	-
Transaction costs	**-**	1,279,451
Finance costs (Note 9)	**149,203**	17,483
Foreign exchange	**1,164**	(105,510)
Forgiveness of Paycheck Protection Program loan	**-**	(2,152,500)
Forgiveness of City of Los Angeles promissory note	**-**	(20,000)
Amortization of intangible assets (Note 7)	**378,043**	841,441
Loss on disposal of intangibles (Note 7)	**24,148**	-
Amortization of lease (Note 9)	**338,489**	64,414
	801,767	(329,057)
Changes in non-cash working capital items:		
Accounts receivable	**(3,892,683)**	(6,382,989)
Prepaid expenses and other current assets	**(228,524)**	(86,072)
Deferred revenue	**(233,397)**	509,431
Accounts payable and accrued liabilities	**5,639,021**	1,757,031
	2,086,184	(4,531,656)
Cash flows used in investing activities		
Acquisition of Vidillion Inc. (Note 5)	**(1,274,903)**	-
Development costs (Note 7)	**(140,130)**	(109,540)
	(1,415,033)	(109,540)
Cash flows from financing activities		
Advances of loan payable	**298,646**	259,698
Proceeds of convertible note subscription	**-**	2,418,801
Proceeds from reverse takeover of Spirit	**-**	220,664
Payments to related parties	**-**	(252,743)
Advances to related parties	**(28,547)**	(477,403)
Lease payments	**(371,708)**	(63,011)
Proceeds from the issuance of common shares for concurrent financing	**-**	4,930,290
Common stock issuable	**7,770**	-
Issuance of common shares upon exercise of stock options (Note 11)	**141,755**	837,345
	47,916	7,873,641
Net increase in cash and cash equivalents	**719,067**	3,232,445
Cash and cash equivalents, beginning of year	**3,280,335**	47,890
Cash and cash equivalents, end of year	**3,999,402**	3,280,335

The accompanying notes are an integral part of these consolidated financial statements

1. **Description of business**

Sabio Holdings Inc. (the "Company" or "Sabio") (formerly Spirit Banner II Capital Corp. and hereafter referred to as "Spirit"), was incorporated under the Business Corporation Act of Ontario, Canada on September 29, 2017. The registered corporate office is located at 181 Bay Street, Suite 4400, Toronto, Ontario, M5J 2T3. The corporate head office of the Company is located at 16350 Ventura Boulevard, #D827, Encino, California, 91436.

On November 19, 2021, the Company completed its reverse takeover transaction with Spirit based on which its wholly-owned, U.S. operating subsidiary Sabio, Inc. acquired all of the issued and outstanding securities of Spirit, via a reverse-takeover transaction (the "Qualifying Transaction"). Upon completion of the Qualifying Transaction, Spirit became a wholly owned subsidiary of the Company, which carried on the business previously carried on by Spirit. The Company changed its name to "Sabio Holdings Inc." and the Shares commenced trading on the TSX Venture Exchange (the "Exchange") at opening on November 26, 2021, under the symbol "SBIO" as a Tier 2 technology issuer.

The Company was classified as a Capital Pool Corporation as defined in the Policy 2.4 of the Exchange. Upon completion of the reverse-takeover transaction, the Company's principal business changed to a Connected TV ("CTV") and over-the-top ("OTT") streaming technology provider that delivers optimized yield performance via addressable cross screen solutions based on mobile behavior. Accordingly, these consolidated financial statements are presented as a continuation of Spirit.

On January 14, 2022, Sabio Canada Inc., a wholly owned subsidiary of the Company, was incorporated in Ontario, Canada for the Company's operation in Canada.

On February 4, 2022, Vidillion Corp. (formerly, Sabio Acquisition Inc.), a wholly owned subsidiary of the Company, was incorporated in Delaware, United States.

On February 25, 2022, Sabio Canada Finco, Inc., a wholly-owned subsidiary of the Company established in Ontario, Canada for the purpose of receiving subscription receipts in connection with a business combination with Sprit, was dissolved.

On April 1, 2022, the Company, through Vidillion Corp., completed the acquisition of substantially all of the assets of Vidillion Inc., a U.S. based CTV and OTT streaming supply side platform ("SSP") and technology provider for producers of content, in a combined stock and cash transaction.

2. **Significant accounting policies**

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These consolidated financial statements of the Company were authorized for issuance by the Board of Directors on March 22, 2023.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets. All financial information is presented in United States dollars ("U.S. dollars" or "USD"), the Company's reporting currency, except share and per share amounts or as otherwise noted.

2. Significant accounting policies *(continued from previous page)*

The principal accounting policies are set out below.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidated financial statements of the Company include Sabio Holdings Inc. and its wholly owned subsidiaries Sabio, Inc. (formerly Sabio Mobile, Inc.), AppScience, Inc., Sabio Canada Finco, Inc., Vidillion Corp., Sabio Canada Inc. and Sabio Mobile India Private Limited.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in transaction costs.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 *Financial Instruments*, is measured at fair value with the changes in fair value recognized in the statements of operations and comprehensive loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in the statements of operations and comprehensive loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets-

2. **Significant accounting policies** *(continued from previous page)*

Business combinations and goodwill (continued from previous page)

-acquired over the aggregate consideration transferred, then the gain is recognized in the statements of operations and comprehensive loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Operating segments

The Company operates as one operating segment which is reported in a manner consistent with the internal reporting provided to the chief operating decision-makers. The chief operating decision-makers are responsible for the allocation of resources and assessing the performance of the operating segment and have been identified as the CEO and CFO of the Company.

Foreign currency translation

The consolidated financial statements are presented in U.S. dollars. For each entity, the Company determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of Sabio Inc., AppScience, Inc., Vidillion Corp. and Sabio Mobile India Private Limited is U.S dollars. The functional currency of Sabio Holdings Inc., Sabio Canada Finco Inc. and Sabio Canada Inc. is Canadian dollars.

Assets and liabilities of entities having a functional currency other than the U.S. dollar are translated at the rate of exchange at the reporting period date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in foreign currency translation reserve, one components of the Consolidated Statements of Changes in Shareholders' Equity. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the statement of operations and comprehensive loss.

Financial Instruments

IFRS 9 contains three principle classifications for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL") and eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Classification of financial assets under IFRS 9 is generally based on a business model and its contractual cash flow characteristics.

The following table shows the classification categories under IFRS 9 for each class of the Company's financial assets and financial liabilities.

2. **Significant accounting policies** *(continued from previous page)*

Financial Instruments (continued from previous page)

Asset / liability:	Classification:
Cash and cash equivalents	FVTPL
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Lease liability	Amortized cost
Due from related parties	Amortized cost
Loans payable	Amortized cost

Financial assets

Recognition and initial measurement

The Company recognizes financial assets when it becomes party to the contractual provisions of the instrument. Financial assets are measured initially at their fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Transaction costs attributable to the acquisition of financial assets subsequently measured at fair value through profit or loss are expensed in profit or loss when incurred.

Classification and subsequent measurement

On initial recognition, financial assets are classified and subsequently measured at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). The Company determines the classification of its financial assets, together with any embedded derivatives, based on the business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets are classified as follows:

- Amortized cost - Assets that are held for collection of contractual cash flows where those cash flows are solely payments of principal and interest are measured at amortized cost. Interest revenue is calculated using the effective interest method and gains or losses arising from impairment, foreign exchange and derecognition are recognized in profit or loss. Financial assets measured at amortized cost are comprised of trade receivables and due from related parties.

- Fair value through other comprehensive income - Assets that are held for collection of contractual cash flows and for selling the financial assets, and for which the contractual cash flows are solely payments of principal and interest, are measured at fair value through other comprehensive income. Interest income calculated using the effective interest method and gains or losses arising from impairment and foreign exchange are recognized in profit or loss. All other changes in the carrying amount of the financial assets are recognized in other comprehensive income. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to profit or loss. The Company does not hold any financial assets measured at fair value through other comprehensive income.

- Mandatorily at fair value through profit or loss - Assets that do not meet the criteria to be measured at amortized cost, or fair value through other comprehensive income, are measured at fair value through profit or loss. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. Financial assets mandatorily measured at fair value through profit or loss are comprised of cash and cash equivalents.

2. Significant accounting policies *(continued from previous page)*

Financial Instruments (continued from previous page)

Financial assets (continued from previous page)

Classification and subsequent measurement *(continued from previous page)*

- Designated at fair value through profit or loss – On initial recognition, the Company may irrevocably designate a financial asset to be measured at fair value through profit or loss in order to eliminate or significantly reduce an accounting mismatch that would otherwise arise from measuring assets or liabilities, or recognizing the gains and losses on them, on different bases. All interest income and changes in the financial assets' carrying amount are recognized in profit or loss. The Company does not hold any financial assets designated to be measured at fair value through profit or loss.

The Company measures all equity investments at fair value. Changes in fair value are recorded in profit or loss. The entity does not hold any equity investments.

Business model assessment

The Company assesses the objective of its business model for holding a financial asset at a level of aggregation which best reflects the way the business is managed, and information is provided to management. Information considered in this assessment includes stated policies and objectives.

Contractual cash flow assessment

The cash flows of financial assets are assessed as to whether they are solely payments of principal and interest on the basis of their contractual terms. For this purpose, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money, the credit risk associated with the principal amount outstanding, and other basic lending risks and costs. In performing this assessment, the Company considers factors that would alter the timing and amount of cash flows such as prepayment and extension features, terms that might limit the Company's claim to cash flows, and any features that modify consideration for the time value of money.

Impairment

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit- impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

2. Significant accounting policies *(continued from previous page)*

Financial Instruments (continued from previous page)

Financial assets (continued from previous page)

Impairment *(continued from previous page)*

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire.

Financial liabilities

Recognition and initial measurement

The Company recognizes a financial liability when it becomes party to the contractual provisions of the instrument. At initial recognition, the Company measures financial liabilities at their fair value plus transaction costs that are directly attributable to their issuance, except for financial liabilities subsequently measured at fair value through profit or loss for which transaction costs are immediately recorded in profit or loss.

Where an instrument contains both a liability and equity component, these components are recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

Classification and subsequent measurement

Subsequent to initial recognition, all financial liabilities are measured at amortized cost using the effective interest rate method. Interest, gains and losses relating to a financial liability are recognized in profit or loss.

Derecognition of financial liabilities

The Company derecognizes a financial liability only when its contractual obligations are discharged, cancelled or expire.

Research and development

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;

2. Significant accounting policies *(continued from previous page)*

Research and development (continued from previous page)

- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for deferred development costs is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, deferred development costs are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Other intangible assets

Brand name, customer/publisher relationships, technology and patents acquired in a business combination that qualify for separate recognition are recognized as intangible assets at their fair values.

All finite-lived intangible assets are initially recorded at fair value and then amortized on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing.

Amortization of finite-lived intangible assets has been included in Expenses. Subsequent expenditures to maintain customer/supplier relationship, technology and patents and brand name are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of non-financial assets

Property, equipment and intangible assets (other than goodwill) are tested for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. When an indication of impairment is identified, the carrying value of the asset or group of assets is measured against the recoverable amount. The Company evaluates impairments losses, other than goodwill impairment, for potential reversals when events or circumstances warrant such consideration.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive loss.

2. Significant accounting policies *(continued from previous page)*

Income taxes (continued from previous page)

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled.

The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive loss or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

The fair value of the options/warrants granted is measured using the Black-Scholes pricing model ("BSM") taking into account the terms and conditions upon which the options/warrants were granted. At each financial position reporting date, the amount recognised as an expense is adjusted to reflect the actual number of share options/warrants that are expected to vest.

The BSM requires management to estimate the expected volatility, term of the equity instrument, the risk-free rate of return over the term, expected dividends, and the number of equity instruments expected to ultimately vest. In estimating expected volatility, the Company considers the historical share price volatility of similar publicly listed entities. Forfeitures are adjusted for on an actual basis.

The fair value of stock options/warrants is charged to loss and comprehensive loss with a corresponding increase in contributed surplus within equity. Previously recognised expenses are not subsequently reversed for options/warrants that vest but are not exercised. If, and when, share options/warrants are ultimately exercised, the applicable amount of contributed surplus is transferred to share capital.

2. Significant accounting policies *(continued from previous page)*

Share-based payment arrangements (continued from previous page)

The fair value of restricted stock units granted is the most recent closing trading price of the Company's common shares on the TSX Venture Exchange from the grant date. Compensation expense for each grant is recorded in the Consolidated statements of operations and comprehensive loss with a corresponding increase in Share-based benefits reserve on the Consolidated statements of financial position. The expense is based on the fair values at the time of the grant and is recognized over the vesting period of the respective RSU. The Company settles RSU's by issuing common shares.

Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from shareholders' equity.

Loss per share

The Company calculates basic loss per share amounts for loss attributable to common shareholders of the parent entity. Basic loss per share is calculated by dividing loss attributable to common shareholders of the parent entity (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period.

Common shares escrowed pursuant to the requirements of the Exchange and will be released according to the Exchange's schedule as the passage of time are not excluded from the number of outstanding common shares.

For the purpose of calculating diluted loss per share, the Company adjusts the loss attributable to common shareholders of the parent entity, and the weighted average number of common shares outstanding during the period, for the effects of all dilutive potential common shares. Potential common shares are treated as dilutive when, and only when, their conversion to common shares would decrease earnings per share or increase loss per share from continuing operations.

Fair value

Assets and liabilities carried at fair value must be classified using a three-level hierarchy that reflects the significance and transparency of the inputs used in making the fair value measurements.

Level 1 inputs are unadjusted quoted prices of identical instruments in active markets;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs that are not based on observable market data (unobservable data).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Revenue recognition

The Company recognizes revenue in accordance with IFRS 15 Revenue from Contracts with Customers.

2. Significant accounting policies *(continued from previous page)*

Revenue recognition (continued from previous page)

Revenue represents the fair value of consideration received or receivable from customers for goods and services provided by the Company, net of discounts and sales taxes. The Company generates revenue from managed service, programmatic sales, connected TV, and App Science™ insights.

The Company sells digital advertising directly to marketers or through advertising agencies. Revenue from advertising is mostly generated through video and display advertising delivered through advertising impressions. Advertising is typically sold on a cost-per-thousand ("CPM") basis and is evidenced by an Insertion Order, ("IO"). Revenue is recognized as the number of impressions are delivered. IOs may include multiple performance obligations as they contain distinct advertising products or services. For such arrangements, the Company allocates revenue to each distinct performance obligation based on their relative standalone selling price ("SSP"). Advertising arrangements comprised of multiple performance obligations are recognized either at a point in time or over time depending on the nature of the distinct performance obligation.

Subscription Revenues

Revenue from subscriptions reflects the revenue recognized from sales of licenses to the Company's App Science™ platform to customers. Subscription fees are based primarily on the number of users of our platform. Subscription agreements generally have terms ranging up to one year and are billed monthly in advance. Subscriptions are generally non-cancelable during the subscription term and subscription fees are non-refundable. Subscription revenue is recognized ratably over the subscription term starting from the date which the platform is first made available to the customer, or from the beginning of the subscription term, if later. The subscription agreements generally provide for unspecified future updates, upgrades, enhancements, technical product support, and access to hosted services and support.

Contracts with multiple products or services

The Company enters into contracts that contain multiple products and services such as campaign management, insights, and studies. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the product or service is distinct from some or all of the other products or services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and the Company's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. Non-distinct products and services are combined with other goods or services until they are distinct as a bundle and therefore form a single performance obligation.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. The amount of a provision is the best estimate of the consideration at the end of the reporting period. Provisions measured using estimated cash flows required to settle the obligation are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The Company had no material provisions as at December 31, 2022 and 2021.

2. Significant accounting policies *(continued from previous page)*

Research tax credits

The Company is entitled to certain Canadian federal and provincial tax incentives for qualified scientific research and experimental development. These investment tax credits were recorded as a reduction in the related expenditures when there is reasonable assurance that such credits will be realised. Investment tax credits that are related to capitalised expenditures such as deferred development costs are recognised in the statement of financial position as a reduction to the asset that the tax credit relates.

Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. For the Company's right-of-use office leases, this period is approximately from 3 to 5 years.

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of office spaces (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the-

2. Significant accounting policies *(continued from previous page)*

Leases (continued from previous page)

iii) Short-term leases and leases of low-value assets (continued from previous page)

-lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

iv) Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates.

3. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors and management are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations, that the directors and management have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

<u>Selecting the option pricing model to estimate the fair value of equity instruments granted</u>

The Company uses the Black-Scholes Merton formula to estimate the fair value of equity instruments granted in connection with equity-settled share-based payments. Management considers factors that knowledgeable, willing market participants would consider when selecting the option pricing model to apply.

<u>Determination of functional currency</u>

In determining its functional currency, the Company considers factors related to its primary economic environment. These include the currency which mainly influences the Company's sales prices for goods and services, the country whose competitive forces and regulations mainly determine sale prices of its services, and the currency which mainly influences costs related to providing its services. The Company also considers secondary factors including the currency in which funds from financing activities are generated, and the currency in which operating activities are usually retained.

3. Critical accounting judgments and key sources of estimation uncertainty *(continued from previous page)*

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

<u>Expected credit losses</u>

The Company recognizes a loss allowance for the expected credit losses associated with its financial assets, other than financial assets measured at fair value through profit or loss. Expected credit losses are measured to reflect a probability-weighted amount, the time value of money, and reasonable and supportable information regarding past events, current conditions and forecasts of future economic conditions.

The Company applies the simplified approach for trade receivables. Using the simplified approach, the Company records a loss allowance equal to the expected credit losses resulting from all possible default events over the assets' contractual lifetime.

The Company assesses whether a financial asset is credit-impaired at the reporting date. Regular indicators that a financial instrument is credit-impaired include significant financial difficulties as evidenced through borrowing patterns or observed balances in other accounts and breaches of borrowing contracts such as default events or breaches of borrowing covenants. For financial assets assessed as credit-impaired at the reporting date, the Company continues to recognize a loss allowance equal to lifetime expected credit losses.

For financial assets measured at amortized cost, loss allowances for expected credit losses are presented in the consolidated statement of financial position as a deduction from the gross carrying amount of the financial asset.

Financial assets are written off when the Company has no reasonable expectations of recovering all or any portion thereof.

<u>Valuation of common share purchase options and equity-settled share-based payments</u>

The Company uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of common share purchase options/warrants and equity-settled share-based payments. The valuation techniques require the input of subjective assumptions including expected volatility, dividend yield and expected life of the instrument. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of these instruments.

<u>Income taxes</u>

At the end of each reporting period, the Company assesses whether the realization of deferred tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realized from available income tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available income tax strategies are lowered, or if changes in current income tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize deferred tax benefits.

The Company's effective income tax rate can vary significantly quarter-to-quarter for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized. The Company's effective income tax rate can also vary due to the impact of foreign exchange fluctuations.

3. Critical accounting judgments and key sources of estimation uncertainty *(continued from previous page)*

Key sources of estimation uncertainty (continued from previous page)

Internally generated development costs

Management monitors the progress of internal research and development projects and uses judgment to distinguish research from the development phase. Expenditures during the research phase are expensed as incurred. Development costs are recognized as an intangible asset when the Company can demonstrate certain criteria listed in Note 2. Otherwise, they are expensed as incurred.

Amortization of intangible assets

The Company applies the straight-line method to recognize amortization of intangible assets. Management is satisfied that the straight-line method best reflects the pattern in which the assets' future economic benefits are expected to be consumed by the Company.

Impairment of intangible assets and goodwill

IAS 36 requires that the Company ensures that its assets are carried at no more than their recoverable amount. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired, and the standard requires the entity to recognize an impairment loss. In assessing impairment, management uses judgment to allocate goodwill to each of the Company's cash-generating units (CGUs) and estimates recoverable amount for each CGU based on expected future cash flows and discount rates. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Impact from the global outbreak of COVID-19 (coronavirus)

Since March 2020, there has been a global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by Canada, the United States and India governments regarding travel, business operations and isolation/quarantine orders. COVID-19 has had varying consequences on the Company's services. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, the emergence of new covid variants, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada, the United States and other countries to fight the virus. At as December 31, 2022, and 2021, and for the years then ended, the Company determined that there were no material expectations of increased credit losses, no significant impact on the Company's customer base, no substantial disruptions of any aspects of the Company's operations and no material indicators of impairment of intangibles, or other long-term assets.

4. Standards issued but not yet effective

The amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are disclosed below. The Company intends to adopt these amended standards and interpretations, if applicable, when they become effective.

4. Standards issued but not yet effective *(continued from previous page)*

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
- What is meant by a right to defer settlement.
- That a right to defer must exist at the end of the reporting period.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

5. Acquisition of Vidillion Inc.

On April 1, 2022, the Company, through its newly formed wholly-owned subsidiary, Vidillion Corp. (formerly, Sabio Acquisition Inc.), completed the acquisition of 100% of Vidillion Inc., a CTV and OTT supply side platform ("SSP") and technology provider for content creation (the "Acquisition"). The Acquisition was made to enhance the Company's CTV/OTT technology, including for the creation and distribution of ad-supported CTV/OTT apps on various platforms.

5. Acquisition of Vidillion Inc. *(continued from previous page)*

The Acquisition has been accounted for using the acquisition method. The fair values of the identifiable assets and liabilities of Vidillion Inc. as at the date of acquisition were:

	Fair value recognised on acquisition ($)
Net Assets	
Customer/publisher relationships	83,000
Technology and patents	129,000
Brand name	75,000
Total identifiable net assets at fair value	**287,000**
Goodwill	2,478,774
Purchase consideration transferred	**2,765,774**
Settled by:	
Cash	*1,250,000*
Fair value of common shares issued - Discounted	*1,515,774*
Analysis of cash flows on acquisition:	
Cash paid	(1,250,000)
Cost related to the issuance of common shares	(24,903)
Net cash flow on acquisition	**(1,274,903)**

In connection with the Acquisition, the Company issued 1,685,079 Common Shares at CAD$1.30/share and made a cash payment of $1,250,000. The Common Shares issued were subject to a lock-up period of six months which expired on October 1, 2022, in addition to the hold periods or restrictions under applicable securities laws or the policies of the Exchange. The fair value of the Common Shares which were held in escrow was determined to be $1,515,774. The discount related to the fair value of the shares held in escrow was determined using Black Scholes Option Pricing model with the following assumptions: share price of $1.04, exercise price of $1.04, expected life of 0.33 year, volatility of 57.1%, risk free rate of 2.2% and dividend yield of nil. The Acquisition was an Arm's Length Transaction, as such term is defined in the policies of the Exchange, and no finder's fees were paid in connection with the Acquisition.

The goodwill of $2,478,774 recognised is primarily attributed to the expected synergies arising from the Acquisition and the workforce which is not separately recognised. The goodwill is not deductible for income tax purposes and is expected to be realized from Vidillion Corp.'s future profitability.

The carrying amount of the company's Vidillion CGU was determined based on a fair value less costs to dispose calculation using a discounted cash flow model over a five-year period. The fair value of the Vidillion CGU was determined through a third-party appraisal using a nominal discount rate of 13.9% with a cost to dispose of 3%. Based on the analysis, the carrying value of the Vidillion CGU did not exceed the fair value less costs to dispose and no impairment was recorded.

There was no other activity of Vidillion Corp. other than the business acquired from Vidillion Inc. The consolidated financial statements included the results of Vidillion Corp. for the nine-month period from the acquisition date. Vidillion Corp. has contributed $821,994 to the Company's consolidated revenues and $1,409,134 to the Company's consolidated loss, of which $806,955 pertains to Vidillion supply cost of sales on Sabio campaigns, from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, Vidillion Corp's revenue for the year would have been $1,055,263 and net loss for the year would have been $1,556,909, of which $861,830 pertains to Vidillion supply cost of sales on Sabio campaigns. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the date of-

5. Acquisition of Vidillion Inc. *(continued from previous page)*

-acquisition would have been the same as if the acquisition had occurred on January 1, 2022. The net loss from the acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2022.

Transaction costs of $156,752 for the year ended December 31, 2022 have been expensed and are included in Transaction costs in the Consolidated Statements of Operations and Comprehensive Loss and are part of operating cash flows in the Consolidated

Statements of Cash Flows. The attributable costs of the issuance of common shares of $24,903 have been charged directly to equity as a reduction in Common shares in the Consolidated Statements of Financial Position.

6. Accounts receivable

	December 31, 2022	December 31, 2021
	$	$
Trade receivables	**12,447,100**	8,539,086
Expected credit loss provision	**(177,626)**	(162,295)
Net carrying value	**12,269,474**	8,376,791

7. Intangible assets

	Internally generated intangible assets	Acquired Technology and Patents (*)	Acquired Customer/Publisher Relationships (*)	Acquired Brand Name (*)	Total
	$	$	$	$	$
Cost					
Balance at December 31, 2020	3,193,167	-	-	-	3,193,167
Additions	109,540	-	-	-	109,540
Balance at December 31, 2021	3,302,707	-	-	-	3,302,707
Additions	140,130	-	-	-	140,130
Acquisition of Vidillion Inc. (Note 5) (*)	-	129,000	83,000	75,000	287,000
Disposal	(79,377)	-	-	-	(79,377)
Balance at December 31, 2022	**3,363,460**	**129,000**	**83,000**	**75,000**	**3,650,460**
Accumulated amortization and impairment losses					
Balance at December 31, 2020	2,132,049	-	-	-	2,132,049
Amortization expense	841,441	-	-	-	841,441
Balance at December 31, 2021	2,973,490	-	-	-	2,973,490
Amortization expense	338,407	19,600	12,000	8,036	378,043
Disposal	(55,229)	-	-	-	(55,229)
Balance at December 31, 2022	**3,256,668**	**19,600**	**12,000**	**8,036**	**3,296,304**
Net book value as at:					
December 31, 2021	329,217	-	-	-	329,217
Balance at December 31, 2022	**106,792**	**109,400**	**71,000**	**66,964**	**354,156**

(*) Intangible assets were acquired via the asset purchase acquisition of Vidillion Inc. on April 1, 2022.

8. Accounts payable and accrued liabilities

	December 31, 2022	December 31, 2021
	$	$
Trade accounts payable and accrued liabilities	**13,022,213**	7,329,389
Interest payable	**61,520**	147,092
	13,083,733	7,476,481

9. Right of use asset and lease liabilities

Right-of-use asset

	Office premises
Cost	$
Balance, December 31, 2020	141,690
Additions	551,539
Balance, December 31, 2021	693,229
Additions	1,306,999
Balance, December 31, 2022	**2,000,228**
Accumulated amortization	
Balance, December 31, 2020	118,075
Amortization	64,414
Balance, December 31, 2021	182,489
Amortization	338,489
Balance, December 31, 2022	**520,978**
Carrying amount	
December 31, 2021	510,740
December 31, 2022	**1,479,250**

Lease Liability

Cost	**$**
Balance, December 31, 2020	28,832
Additions	531,539
Interest accretion	17,483
Lease payments	(43,011)
Balance, December 31, 2021	534,843
Lease extension	-
Additions	1,269,738
Interest accretion	149,203
Lease payments	(334,447)
Balance, December 31, 2022	**1,619,337**
Current	490,664
Non-current	1,128,673
Balance, December 31, 2022	**1,619,337**

9. Right of use asset and lease liabilities *(continued from previous page)*

The following table provides the remaining lease commitments in 2023 and onward. The amounts disclosed in the maturity analysis are the contractual undiscounted cash flows before deducting interest or finance charges.

	$
2023	670,463
2024	655,434
2025	382,344
2026	155,545
2027	124,548
	1,988,334

The Company has certain short-term office leases which are not capitalized in accordance with IFRS 16 due to their short-term nature. The Company recorded occupancy expenses of $580,786 for the year ended December 31, 2022 (2021 - $97,300) related to these short-term office leases in the consolidated statements of operations and comprehensive loss.

10. Loans payable

	Note	**December 31, 2022**	December 31, 2021
		$	$
Wisper Ventures Leasing, LLC promissory note	(a)	**71,326**	932,200
U.S. Small Business Administration promissory note	(b)	**490,000**	489,090
Avidbank Credit Facility	(c)	**3,863,610**	2,705,000
		4,424,936	4,126,290
Current portion of loans payable		**3,945,423**	860,873
Long-term portion of loans payable		**479,513**	3,265,417
		4,424,936	4,126,290

Future principal repayments are as follows:

2023	**3,945,423**
2024	**10,887**
2025	**11,302**
2026 and beyond	**457,324**
	4,424,936

a) The Wisper Ventures Leasing, LLC multiple advance promissory note bears interest at 15.0% plus 3.0% per annum and is with the original due date of September 30, 2023. During the year ended December 31, 2022, the Company paid $860,874 (2021 - $565,392) in principal and incurred $109,495 (2021 - $408,718) of interest expense. Subsequent to the year end, the loan obligation comprising all principal and interest owned until the maturity dates was settled in full and was discharged as disclosed in Note 17.

b) On April 1, 2020, the Company closed on an unconditional guarantee disaster loan from the U.S. Small Business Administration in the amount of $500,000. The Loan is intended to alleviate economic injury caused by disaster occurring in the month of January 2020. The loan bears interest at a fixed rate of 3.75% per annum, with a maturity date of thirty years from the date of the Loan. Interest and principal payments are deferred for the first 30 months. During the year ended December 31, 2022, the Company paid $nil (2021 - $nil) in principal and incurred $48,622 (2021 - $1,563) of interest expense.

10. Loans payable *(continued from previous page)*

c) On November 23, 2021, the Company closed on a credit facility pursuant to the terms of a credit agreement between the Company and Avidbank. The term of the facility is 24 months from closing. The facility is secured against assets of the Company including, but not limited to, its Accounts Receivable and currently provides for an Accounts Receivable Line of Credit, with $7,000,000 maximum loans outstanding, at an interest rate of the greater of the Wall Street Journal prime rate plus 1.00% or 5.00%. The 5.00% floor was amended from 4.25% starting from May 26, 2022 in connection with an increase in the maximum loans outstanding to $7,000,000 from $4,000,000. On March 14, 2022, $1,250,000 was drawn to fund the acquisition of substantial assets of Vidillion Inc. During the year ended December 31, 2022, the Company has withdrawn $2,461,056 (2021 - $2,705,000) and paid $1,302,446 in principal (2021 - $nil) and incurred $218,504 of interest expense (2021 - $12,135).

All interest accrued related to these loans have been recorded under accounts payables and accrued liabilities.

11. Share capital

a) Authorized share capital

The authorized share capital of the Company consists of an unlimited number of common shares with a nominal par value.

	#	$
Balance, December 31, 2020	30,453,142	444,719
Issuance of common shares from concurrent financing, net of transaction costs	3,799,252	4,831,911
Spirit's common shares rolled over to Sabio's common shares	730,086	1,011,897
Issuance of common shares due to conversion of convertible promissory notes	2,395,536	2,606,041
Issuance of common shares for listing agents	85,714	117,674
Issuance of common shares due to exercise of stock warrants and options	6,361,111	1,333,697
Balance December 31, 2021	**43,824,841**	**10,345,939**
Balance, December 31, 2021	43,824,841	10,345,939
Issuance of common shares for the acquisition of Vidillion Inc. (Note 5)	1,685,079	1,490,871
Issuance of common shares due to exercise of stock warrants and options	868,268	221,432
Balance December 31, 2022	**46,378,188**	**12,058,242**

i. On April 1, 2022, 1,685,079 common shares were issued as part of the consideration transfer for the Acquisition of Vidillion Inc., as described in Note 5.

ii. As of December 31, 2022, 868,268 stock options were exercised for total net proceeds of $141,755. The total share-based benefits reserve reclassified to common shares was $79,677.

On November 21, 2022, the Company entered into share exchange agreements with the Company's officers whereby the Company agreed to purchase from each officer for fair market value, on the terms and conditions contained in the share exchange agreements, a total of 5,646,807 common shares in exchange for the same number of convertible restricted voting shares issued by the Company. The share exchanges were completed on December 22, 2022.

11. Share capital *(continued from previous page)*

b) Common Stock Issuable

	#	$
Balance, December 31, 2021	-	-
Common shares issuable for option exercised in 2022	45,708	10,645
Balance December 31, 2022	**45,708**	**10,645**

For financial reporting purposes, the Company recognized $10,645 as common stock issuable in the Company's Statements of Changes in Shareholders' Equity to account for the balance of 45,708 stock options that were exercised in 2022, and the corresponding common stock was not issued as at December 31, 2022. The total of net proceeds collected was $7,770 and the total share-based benefits reserve reclassified to common stock issuable was $2,875. The common stock was issued on January 3, 2023, and was reclassified to common shares thereafter.

c) Escrow shares

Subject to certain permitted exemptions, all securities of the Company held by principals of the Company will also be subject to escrow. As of December 31, 2022, the Company's escrow shares were contemplated in the weighted average shares outstanding calculation as they are placed in the escrow according to the requirements of the Exchange and were/will be released when the passage of certain timelines is met.

In connection with the Qualifying Transaction, 7,343,838 shares held by principals of the Company and founders of Sabio Inc. were deposited into escrow at closing of the Qualifying Transaction (the "Value Escrow Shares"), of which 10% of the Value Escrow Shares were released upon the date of issuance of the Final Exchange Bulletin, 15% were released on May 24, 2022, 15% were released on November 24, 2022, 15% will be released on May 24, 2023, 15% will be released on November 24, 2023, 15% will be released on May 24, 2024 and 15% will be released on November 24, 2024. Additionally, 414,846 shares of the Company held by former shareholders of Spirit were held in escrow at closing of the Qualifying Transaction ("CPC Escrow Shares"), of which 25% of the CPC Escrow Shares were released upon the date of the Final Exchange Bulletin, 25% were released on May 24, 2022, 25% were released on November 24, 2022, and 25% will be released on May 24, 2023.

In connection with the Acquisition of Vidillion Inc., 1,685,079 common shares issued were held in escrow until the expiry date of a six-month lock-up period on October 1, 2022.

d) Share based compensation and share based payment reserve

The Company has established an omnibus incentive plan for its employees, directors, officers and consultants under which the Company may grant security-based compensation, including options and restricted stock units, from time to time to acquire a maximum of 10% of the issued and outstanding common shares. The grant of security-based compensation and the exercise price of each option granted under the plan shall be determined by the Board of Directors.

Stock options

Options may be exercised for a maximum term of ten years from the date of the grant. They are non-transferable and expire after 30 days to 90 days of termination of employment.

11. Share capital *(continued from previous page)*

d) Share based compensation and share based payment reserve *(continued from previous page)*

Stock options *(continued from previous page)*

A summary of changes in share-based compensation during the years ended December 31, 2022, and 2021, is as follows:

Measurement date	**Number of Options**	**Weighted average exercise price**
	#	$
Balance, December 31, 2020	6,207,888	0.11
Granted	4,278,334	0.17
Spirit's options rolled over to Sabio's options	73,009	1.25
Exercised	(5,995,488)	0.13
Forfeited	(1,722,621)	0.10
Balance, December 31, 2021	2,841,122	0.19
Granted	1,474,495	1.01
Exercised	(913,976)	0.16
Forfeited	(257,560)	0.55
Balance, December 31, 2022	**3,144,081**	**0.55**

The following tables summarize information about the Company's share options outstanding as at December 31, 2022:

Range of exercise prices	**Number of options**	**Weighted average exercise price**	**Weighted average remaining contractual life in years**
	#	$	#
0.09	277,908	0.09	4.04
0.14	3,656	0.14	5.55
0.17	1,408,022	0.17	7.76
0.58	244,375	0.58	4.79
1.00	120,000	1.00	4.23
1.10	1,090,120	1.10	9.04
	3,144,081	**0.55**	**7.51**

During the year ended December 31, 2022, 1,474,495 share options were issued (2021 – 4,278,334) with a weighted average fair value of $0.77 per option at the date of grant (2021 - $0.08 per option) to directors, employees and consultants. 1,354,495 of the options were granted to directors, employees and consultants that vest quarterly from the grant date and 120,000 of the options granted to a consultant that vests monthly, starting from month five (5) of the consulting agreement.

The fair value of the share options granted during the periods was determined using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

11. Share capital *(continued from previous page)*

d) Share based compensation and share based payment reserve *(continued from previous page)*

Stock options *(continued from previous page)*

	December 31, 2022	December 31, 2021
Estimated fair value per common share	**$0.44 to $0.85**	$0.17
Exercise price of the option	**$0.58 to $1.1**	$0.17
Expected volatility of the underlying common share	**67.2%-77.2%**	67.4%-82.6%
Expected life of the option (in years)	**5-10 years**	1-10 years
Expected dividend yield	**0.00%**	0.00%
Risk-free rate of interest	**0.9%-4%**	0.1%-0.93%

During the year ended December 31, 2022, the Company recognized stock-based compensation for granted options of $618,113 (2021 - $309,975) under share-based compensation expense and $ 84,477 (2021- $nil) under contractor and corresponding expenses.

Restricted stock units

On June 29, 2022, shareholders of the Company approved a replacement omnibus equity incentive plan that permits the granting of certain compensation securities, including restricted stock units. Restricted stock units are automatically converted into the Company's common shares upon vesting and when the common shares are issued upon redemption, the shares will be fully paid and non-assessable shares in the share capital of the Company.

A summary of changes in restricted stock units during the year ended December 31, 2022, is as follows:

Measurement date	**Number of restricted stock units**	**Weighted average grant price**	**Weighted average remaining contractual life in years**
	#	$	#
Balance, December 31, 2021	-	-	-
Granted	657,313	0.65	1.94
Balance, December 31, 2022	**657,313**	**0.65**	**1.94**

During the year ended December 31, 2022, the Company recognized stock-based compensation for granted restricted stock units of $49,609 under share-based compensation expense and $5,286 under contractor expenses.

Warrants

A summary of changes in share-based compensation during the years ended December 31, 2022, and 2021, is as follows:

11. Share capital *(continued from previous page)*

d) Share based compensation and share based payment reserve *(continued from previous page)*

Warrants *(continued from previous page)*

Measurement date	**Number of Warrants**	**Weighted average exercise price**
	#	$
Balance, December 31, 2020	-	-
Granted	3,170,374	0.17
Exercised	(365,623)	0.17
Issuance of warrants to convertible promissory notes holders upon conversion	1,197,761	1.39
Warrants issued to listing agents/consultants upon completion of Qualifying Transaction	169,596	1.37
Issurance of warrants to individuals with Zelos Capital Ltd. upon completion of Qualifying Transaction	6,080	1.37
Balance, December 31, 2021 and December 31, 2022	**4,178,188**	**0.57**

The following tables summarize information about the Company's share warrants outstanding as at December 31, 2022:

Range of exercise prices	**Number of warrants**	**Weighted average exercise price**	**Weighted average remaining contractual life in years**
	#	$	#
0.17	2,804,751	0.17	2.03
1.39	1,197,761	1.39	0.88
1.37	175,676	1.37	0.90
	4,178,188	**0.57**	**1.66**

There were no warrants issued during the year ended December 31, 2022. During the year ended December 31, 2021, the Company issued:

- 100,000 pre-Qualifying Transaction warrants (equivalent to 365,623 post Qualifying Transaction warrants) to an officer of the Company at a strike price of $0.61 equivalent to $0.17 per post Qualifying Transaction warrant, and a fair value of $0.20 per warrant pre-Qualifying Transaction that was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.10%, expected volatility of 82.6%, expected life of 1 year and expected dividends of $nil. The warrants value of $20,000 was recognized in share-based benefits reserve with a corresponding cost to stock-based compensation expense.
- 767,000 pre-Qualifying Transaction warrants (equivalent to 2,804,751 post Qualifying Transaction warrants) to Greenglade Ventures Inc., an advisor of the Company engaged to assist in the Company's sale of convertible promissory notes and efforts to publicly list on the TSX Venture Exchange, at a strike price of $0.61 equivalent to $0.17 per post Qualifying Transaction warrant, and a fair value of $0.31 per post Qualifying Transaction warrant that was determined using the Black-Scholes option pricing model using the following assumptions: risk-free interest rate of 0.36%, expected volatility of 67.38%, expected life of 4 years and expected dividends of $nil. The warrants value of $237,770 was recognized in 2021 in share-based benefits reserve with a corresponding expense booked under transaction costs.

11. Share capital *(continued from previous page)*

d) Share based compensation and share based payment reserve *(continued from previous page)*

Warrants *(continued from previous page)*

- 1,197,761 post-Qualifying Transaction warrants to holders of convertible promissory notes in accordance with their term respectively. The warrants are with a strike price and exercise price of $1.39 (CAD$1.75), and a fair value of $0.57 per post-Qualifying Transaction warrant that was determined using the Black-Scholes pricing model using the following assumptions: risk-free interest rate of 0.52%, expected volatility of 75.46%, expected life of 2 year and expected dividends of $nil. The warrants' fair value of $682,724 at the grant date were bifurcated from the fair value of 2,395,536 post Qualifying Transaction common shares issued for the conversion of convertible promissory notes.
- 169,596 and 6,080 post-Qualifying Transaction warrants to listing agents and individuals with Zelos Capital Ltd. for their engagement to assist in the Company's efforts to close the concurrent financing. The warrants are with a strike price and exercise of $1.37 (CAD$1.75), and a fair value of $0.56 per post Qualifying Transaction warrant that was determined using the Black-Scholes pricing model using the following assumptions: risk-free interest rate of 0.50%, expected volatility of 75.52%, expected life of 2 year and expected dividends of $nil. The warrants' fair value of $98,379 was recognized in share-based benefits reserve with a corresponding amount recognized as a reduction to common shares.

12. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 – 26.5%) to the effective tax rate is as follows:

	December 31, 2022	December 31, 2021
	$	$
Net loss before recovery of income taxes	**(808,125)**	(576,940)
Expected tax rate	**26.5%**	26.50%
Expected tax benefit resulting from loss	**(214,153)**	(152,890)
Difference in foreign tax rates	**2,651**	39
Book to filing adjustment	**(12,359)**	(133,463)
Non-deductible expenses	**(45,382)**	(852,009)
Transaction costs not deductible	**3,931**	772,162
Change in tax rate	**(105,563)**	(488,332)
Change in tax benefits not recognized	**409,515**	861,365
	38,640	6,871

The Company's income tax expense is allocated as follows:

	December 31, 2022	December 31, 2021
	$	$
Current tax expense (recovery)	**37,957**	6,871
Deferred tax expense (recovery)	**683**	-
	38,640	6,871

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12. Income Taxes *(continued from previous page)*

The following table summarizes the components of deferred tax:

	December 31, 2022	December 31, 2021
Deferred income tax assets (liabilities)	**$**	$
Deferred income tax assets		
Lease liabilities	**413,661**	135,312
Deferred tax liabilities		
Investment tax credits	**(683)**	-
Right of use assets and net investment in sublease	**(413,661)**	(135,312)
Net deferred tax asset (Liability)	**(683)**	-

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2022	December 31, 2021
	$	$
Intangible assets - research & development	**543,542**	654,071
Research & development credits	**129,779**	129,779
Lease liability	**140,087**	24,103
Net operating loss carried forward	**7,881,420**	6,683,780
Charitable donations carried forward	**14,030**	7,867
Stock options	**140,858**	140,858
Share issuance costs	**284,660**	431,956
Professional fees	**526,791**	615,569
Balance at the end of the year	**9,661,167**	8,687,984

The Canadian non-capital loss carry forwards expire between 2041 and 2042. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the therefrom.

The Company's Canadian and US non-capital income tax losses, the benefit of which has not been recognized on the consolidated financial statements, expire as follows:

	Canada	**US**
	$	$
2036	**-**	59,260
2037	**-**	-
2038	**-**	-
2039	**-**	-
2040	**-**	-
2041	**116,487**	-
2042	**1,065,582**	-
Indefinite	**-**	6,565,714
	1,182,069	$ 6,624,974

13. Related party transactions

Compensation of key management personnel

Key management personnel are persons responsible for planning, directing and controlling activities of an entity, and include management executives of the Company. Compensation provided to key management is as follows:

	December 31, 2022	December 31, 2021
		$
Salaries and short-term employee benefits	**3,012,881**	2,379,271
Stock based compensation	**165,020**	161,790
	3,177,901	2,541,061

Amounts due from related parties as at December 31, 2022 and 2021 were as follows:

	December 31, 2022	December 31, 2021
	$	$
Simon Wong	**60,956**	60,351
Aziz Rahimtoola	**787,107**	759,165
	848,063	819,516

The balance from Simon Wong is a loan principal of $60,076 (bearing an interest rate of 1% per annum) plus accrued interest. During the second quarter of 2022 the loan was extended for an additional year and is due on July 15, 2023. The balance from Aziz Rahimtoola represents non-interest-bearing advances made to a shareholder due on demand.

14. Risk management arising from financial instruments

a) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's principal financial assets that expose it to credit risk are receivables, the Company mitigates this risk by monitoring the credit worthiness of its customers.

The Company recognizes a provision for expected credit losses based on its assessment of probability of specific losses, estimates of future individual exposures and provisions based on historical experience.

The following is the breakdown of the aging of trade receivables:

14. Risk management arising from financial instruments *(continued from previous page)*

a) Credit risk *(continued from previous page)*

	December 31, 2022	December 31, 2021
		$
Trade receivables aging		
0-30 days	**8,113,708**	5,591,292
31-60 days	**1,650,873**	2,414,923
61-90 days	**1,169,287**	361,147
Greater than 90 days	**1,513,232**	171,724
	12,447,100	8,539,086
Allowance for expected credit losses	**(177,626)**	(162,295)
Net trade receivables	**12,269,474**	8,376,791

At December 31, 2022, of the Company's trade receivables, two customers accounted for 32% (2021 – three customers for 53%).

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the Company's historical collections and loss experience and incorporates forward looking factors, where appropriate. The provision matrix below shows the expected credit loss rate for each aging category of trade receivables as at December 31, 2022, and 2021.

December 31, 2022	**Total**	**0-30 days**	**31-60 days**	**61-90 days**	**>90 days**
Default rates		0.61%	0.80%	0.91%	6.90%
Trade receivables	**$ 12,447,100**	$ 8,113,708	$ 1,650,873	$ 1,169,287	$ 1,513,232
Expected credit loss	**$ 177,626**	$ 49,416	$ 13,207	$ 10,646	$ 104,357

December 31, 2021	**Total**	**0-30 days**	**31-60 days**	**61-90 days**	**>90 days**
Default rates		0.49%	1.35%	1.40%	56.66%
Trade receivables	**$ 8,539,086**	$ 5,591,292	$ 2,414,923	$ 361,147	$ 171,724
Expected credit loss	**$ 162,295**	$ 27,391	$ 32,553	$ 5,056	$ 97,295

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's revolving demand facility and debt have variable interest rates. Changes in the lending institutions prime lending rates can cause fluctuations in interest payments and cash flows.

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14. Risk management arising from financial instruments *(continued from previous page)*

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 approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, by continuously monitoring actual and forecasted cash flows.

	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	**13,083,733**	13,083,733	-	-	-
Lease liability	**1,988,334**	670,463	1,037,778	280,093	-
Loans payable	**4,424,936**	3,945,423	22,189	23,914	433,410
	19,497,003	17,699,619	1,059,967	304,007	433,410

d) Foreign currency risk

The Company is exposed to currency risk related to the fluctuation of foreign exchange rates. The Company is exposed to currency risk through its operations in Indian rupees and through maintaining cash in Canadian dollars and purchasing services in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. A change of 1% in the INR/USD and CAD/USD exchange rates on the December 31, 2022, would have had an impact on the Company's cash and cash equivalent balances in Indian rupees of $1,020, on the Company's cash in Canadian dollars of $491, on the Company's accounts payable and accrued liabilities in Canadian dollars of $670 and on the Company's lease liabilities in Indian rupees of $2,088.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period follows:

	December 31, 2022	December 31, 2021
	INR	INR
Cash and cash equivalents	**8,519,472**	4,897,405
Net financial assets	**8,519,472**	4,897,405

	December 31, 2022	December 31, 2021
	CAD $	CAD $
Cash	**67,171**	155,129
Net financial assets	**67,171**	155,129

	December 31, 2022	December 31, 2021
	CAD $	CAD $
Accounts payable and accrued liabilities	**91,726**	21,844
Net financial liabilities	**91,726**	21,844

14. Risk management arising from financial instruments *(continued from previous page)*

d) Foreign currency risk *(continued from previous page)*

	December 31, 2022	December 31, 2021
	INR	INR
Lease liabilities	**17,436,372**	-
Net financial liabilities	**17,436,372**	-

e) Management of capital

The Company's objective of managing capital, comprising of shareholder's equity, is to ensure its continued ability to operate as a going concern. The Company manages its capital structure and makes changes to it based on economic conditions. With approval from the Board of Directors, management will adjust its capital structure through the issue of new shares, debt or other activities deemed appropriate under the specific circumstances. Management and the Board of Directors review the Company's capital management approach on an ongoing basis and believe this approach, given the relative size of the Company, is reasonable. The Company is subject to capital requirements from Avidbank for the use of the granted credit facility. The Company's capital management objectives, policies and processes have remained unchanged during the year ended December 31, 2022.

15. Segmented Information

The Company has identified one operating segment that is a technology provider in the high-growth advertising areas of connected TV ("CTV") and over-the-top ("OTT") streaming. The Company sells services in the United States of America ("USA") with Sabio Inc. providing targeted campaign solutions to top agencies and the brands they represent by filling the ad slots in Vidillion Corp. and other non-Vidillion CTV/OTT apps. AppScience, Inc. provides an agnostic platform to track, measure and analyze media buys across multiple partners, while Sabio Mobile India Private Limited and Sabio Canada Inc. work as operational extensions of the Company for data engineering, data science activities and administration activities. The Company has determined that it has a single reportable segment as the Company's decision makers review information on a consolidated basis.

16. Commitment

The Company is committed under a contract with a strategic business advisor dated June 1, 2022, for a one-year period with a minimum commitment period of 6 months from the contract date, after which time the contract is cancellable upon 30 days' notice. The commitment for the remaining commitment period is $12,500.

On August 8, 2022, the Company entered a lease for a new office in Hyderabad, India with Gowra Ventures (P) Ltd with the assured period of five years from the rent commencement date. The lease contains non-lease components for maintenance charges and usage charges amounting to $273,253 (INR 334,123) for the assured period.

The future minimum commitment for these contracts as at December 31, 2022 is as follows:

Within one year	$	63,425
Less than one year and not longer than five years		222,328
Thereafter		-
	$	**285,753**

17. Subsequent Events

In January 2023, the loan obligation under the Wisper Ventures Leasing, LLC promissory notes, comprising all principal and interest owned until the maturity dates, was settled in full and discharged.

On February 6, 2023, Sabio London Limited, a wholly owned subsidiary of the Company, was incorporated in London, the United Kingdom for the Company's business expansion in the United Kingdom and European markets.

On March 17, 2023, the TSX Venture Exchange accepted a notice filed by the Company to implement a Normal Course Issuer Bid, whereupon the Company may, during the 12-month period commencing March 22, 2023 and ending March 21, 2024, purchase, for cancellation, up to 754,571 Shares in total, being 5% of the total number of 15,091,425 common shares outstanding as at February 15, 2023. The Company also had 31,755,764 issued and outstanding convertible restricted voting shares as of this date.