

# **Vertiqal Studios Corp.**

(formerly, Gamelancer Media Corp.)

## **Condensed Consolidated Interim Financial Statements**

For the three and six months ended June 30, 2024 and 2023

(Unaudited)

**Vertiqal Studios Corp.**(formerly, **Gamelancer Media Corp.**)

## Condensed Consolidated Interim Statements of Financial Position

As at June 30, 2024 and December 31, 2023

(Expressed in Canadian dollars, except number of shares - Unaudited)

	June 30, 2024	December 31, 2023
	\$	\$
<b>Assets</b>		
Current assets		
Cash	1,281,019	1,163,239
Receivables (Note 5)	1,827,849	2,325,781
Prepaid expenses and deposits	204,233	387,776
	3,313,101	3,876,796
Restricted cash	-	340,000
Deposits	4,425	4,425
Property and equipment	10,057	10,527
Intangible assets (Note 6)	2,789,305	3,181,756
<b>Total Assets</b>	<b>6,116,888</b>	<b>7,413,504</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	2,284,647	3,102,857
Income tax payable	318,565	254,740
Deferred revenue	47,094	58,310
Due to related parties	5,069	5,069
Contingent consideration liability (Note 7)	123,183	119,034
	2,778,558	3,540,010
Promissory Note (Note 9)	790,557	1,204,917
Debenture units (Note 8)	5,822,489	4,579,822
Deferred tax liability (Note 10)	212,373	157,951
<b>Total Liabilities</b>	<b>9,603,977</b>	<b>9,482,700</b>
<b>Shareholders' Equity</b>		
Common shares (Note 11)	59,469,918	58,788,585
Shares to be issued (Note 11(ii))	-	513,074
Warrant reserve (Note 12)	5,798,148	5,798,148
Share-based benefits reserve (Note 13)	3,137,310	3,137,310
Accumulated other comprehensive loss	1,056,462	1,215,890
Accumulated Deficit	(72,948,927)	(71,522,203)
<b>Total Shareholders' Equity</b>	<b>(3,487,089)</b>	<b>(2,069,196)</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>6,116,888</b>	<b>7,413,504</b>

*General information and going concern (Note 1)**Contingent liabilities (Note 18)**Events after the reporting period (Note 19)*

**Vertiqal Studios Corp.**

(formerly, Gamelancer Media Corp.)

**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars, except number of shares - Unaudited)

	Three months ended June 30		Six months ended June 30	
	2024	2023	2024	2023
	\$	\$	\$	\$
<b>Revenues</b>	<b>1,104,170</b>	<b>1,420,830</b>	<b>1,947,079</b>	<b>2,143,039</b>
Cost of sales	236,024	438,217	424,088	982,471
<b>Gross profit</b>	<b>868,146</b>	<b>982,613</b>	<b>1,522,991</b>	<b>1,160,568</b>
			<b>78.22%</b>	<b>54.16%</b>
<b>Expenses</b>				
Consultants and subcontractors	603,953	434,294	1,049,437	878,618
Share-based payments (Note 13)	-	650,821	-	1,419,006
Professional fees	251,831	463,760	236,630	605,683
General and administrative	223,109	394,606	452,469	864,803
Advertising and promotion	54,900	275,740	43,946	470,452
Salaries, wages and benefits	217,195	163,921	415,211	375,595
Depreciation and amortization (Note 6)	193,080	500,114	378,113	1,052,556
Foreign exchange loss (gain)	5,311	22,921	24,923	29,190
Finance costs, net (Note 14)	199,711	156,897	398,451	319,228
Penalty on repayment of deferred consideration (Note 9, 14)	-	2,672,707	-	2,672,707
Loss on revaluation of contingent consideration (Note 7)	-	16,549	-	64,129
	<b>1,749,090</b>	<b>5,752,330</b>	<b>2,999,180</b>	<b>8,751,967</b>
<b>Loss before income taxes</b>	<b>(880,944)</b>	<b>(4,769,717)</b>	<b>(1,476,189)</b>	<b>(7,591,399)</b>
<b>Income taxes</b>				
Current	(69,221)	(63,541)	(86,945)	(83,523)
Deferred	36,488	164,642	136,410	415,381
<b>Net loss</b>	<b>(913,677)</b>	<b>(4,668,616)</b>	<b>(1,426,724)</b>	<b>(7,259,541)</b>
<b>Other comprehensive income (loss)</b>				
Item that may be reclassified subsequently to loss:				
Exchange difference on translating foreign operations	6,556	(775,246)	31,406	(833,117)
Deferred tax	(46,778)	-	(190,834)	-
<b>Total comprehensive loss</b>	<b>(953,899)</b>	<b>(5,443,862)</b>	<b>(1,586,152)</b>	<b>(8,092,658)</b>
Basic and diluted loss per share	(0.00)	(0.01)	(0.00)	(0.01)
Weighted average number of common shares outstanding (basic and diluted)	631,113,354	543,545,994	627,374,768	543,545,994

# Vertiqal Studios Corp.

(formerly, Gamelancer Media Corp.)

## Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars, except number of shares - Unaudited)

	Common shares	Shares to be issued	Warrant reserve	Share-based benefits reserve	Accumulated Deficit	Other comprehensive income (loss)	Total shareholders' equity
Balance, December 31, 2022	49,070,665	-	2,517,444	1,718,304	(22,503,406)	1,546,841	32,349,848
Share-based compensation (Note 13)	-	-	-	650,821	-	-	650,821
Private placement of common shares and warrants	6,689,108	-	3,314,742	-	-	-	10,003,850
Issue of Broker Warrants	-	-	123,780	-	-	-	123,780
Issuance Costs:							
- paid in cash (Note 14)	(350,534)	-	(173,704)	-	-	-	(524,238)
- paid in warrants (Note 14)	(82,766)	-	(41,014)	-	-	-	(123,780)
Deferred tax benefit on share issuance costs	114,825	-	56,900	-	-	-	171,725
Issuance of common shares for penalty on repayment of deferred consideration (Note 14)	-	1,324,000	-	-	-	-	1,324,000
Net loss and total comprehensive loss	-	-	-	-	(4,668,616)	(775,246)	(5,443,862)
<b>Balance, June 30, 2023</b>	<b>55,441,298</b>	<b>1,324,000</b>	<b>5,798,148</b>	<b>3,137,310</b>	<b>(29,762,947)</b>	<b>713,724</b>	<b>36,651,533</b>
Balance, December 31, 2023	58,788,585	513,074	5,798,148	3,137,310	(71,522,203)	1,215,890	(2,069,196)
Issuance of common shares for private placement (Note 11(i))	653,074	(513,074)	-	-	-	-	140,000
Issuance of common shares for finders fee	37,776	-	-	-	-	-	37,776
Share issuance Costs	(9,517)	-	-	-	-	-	(9,517)
Net loss and total comprehensive loss	-	-	-	-	(1,426,724)	(159,428)	(1,586,152)
<b>Balance, June 30 2024</b>	<b>59,469,918</b>	<b>-</b>	<b>5,798,148</b>	<b>3,137,310</b>	<b>(72,948,927)</b>	<b>1,056,462</b>	<b>(3,487,089)</b>

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

**Vertiqal Studios Corp.****(formerly, Gamelancer Media Corp.)****Condensed Consolidated Interim Statements of Cash Flows****For the six months ended June 30, 2024 and December 31, 2023****(Expressed in Canadian dollars, except number of shares - Unaudited)**

	<b>Six months ended</b>	
	<b>June 30</b>	
	<b>2024</b>	<b>2023</b>
	<b>\$</b>	<b>\$</b>
<b>Cash flows used in operating activities</b>		
Net loss	(1,426,724)	(7,259,541)
Adjustments for:		
Share-based payments (Note 13)	-	1,419,006
Finance costs, net (Note 14)	398,451	319,228
Depreciation and amortization (Note 6)	378,113	1,052,556
Unrealized foreign exchange loss	24,923	64,129
Loss on revaluation of contingent consideration (Note 7)	-	29,190
Penalty on Deferred Consideration (Note 9)	-	2,672,707
Provision (benefit) for deferred taxes	(136,410)	(415,381)
	(761,647)	(2,118,106)
Changes in non-cash working capital items:		
Receivables	497,932	(104,141)
Inventory	-	1,975
Prepaid expenses and deposits	183,543	(102,161)
Accounts payable and accrued liabilities	(818,210)	(297,043)
Income Tax Payable	63,825	83,523
Deferred revenue	(11,216)	140,013
	(845,773)	(2,395,940)
Finance costs		
Interest received (net)	(5,241)	(4,904)
	(851,014)	(2,400,844)
<b>Cash flows used in investing activities</b>		
Restricted cash	340,000	7,440
Payment of Contingent Consideration	-	(3,310,000)
Payment of Penalty in cash (Note 9)	-	(1,324,000)
Contingent consideration - Gamelancer Inc.	-	(165,500)
Net cash (outflow) / inflow from acquisition of subsidiary:		
- Gamelancer, Inc. (Note 7)	-	(285,034)
	340,000	(5,077,094)
<b>Cash flows provided from financing activities</b>		
Repayment of promissory note (Note 9)	(414,360)	-
Private placement of common shares and warrants (Note 14)	-	9,812,518
Proceeds from issue of Debenture units (Note 8)	1,000,000	-
Proceeds from private placement (Note 11)	168,259	-
Issuance costs paid in cash	-	(524,238)
Issuance costs paid in warrants	-	(123,780)
Repayment of convertible debentures	(84,894)	-
	669,005	9,164,500
<b>Net (decrease) / increase in cash</b>	<b>157,991</b>	<b>1,686,562</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	(40,211)	10,377
Cash, beginning of period	1,163,239	556,804
<b>Cash, end of period</b>	<b>1,281,019</b>	<b>2,253,743</b>

# Vertiqal Studios Corp.

(formerly, Gamelancer Media Corp.)

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars - Unaudited)

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### 1. General information and going concern

#### *General information*

Vertiqal Studios Corp. (formerly, Gamelancer Media Corp.) (the “Company” or “Vertiqal”) was incorporated under the laws of the Province of British Columbia on June 24, 1999. The Company’s principal place of business is 405-120 Carlton St., Toronto, Ontario, Canada. Gamelancer is a publicly traded company, listed on the Canadian Securities Exchange (“CSE”). Effective April 21, 2022, in connection with the acquisition of Gamelancer, Inc., the Company changed its name to Gamelancer Gaming Corp. and its CSE ticker symbol was changed to “GMNG”. Effective September 27, 2022, the Company then changed its name to Gamelancer Media Corp.

Vertiqal Studios Corp. is a technology and entertainment company providing direct advertising services to brands over its social media channels, with future programmatic advertising services planned as well as plans to build and acquire assets focused on Esports loyalty and rewards programs to unite the global gaming community.

#### *Going concern*

These condensed consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations for the foreseeable future. The Company incurred a net loss of \$1,426,724 for the six months ended June 30, 2024 and has an accumulated deficit of \$72,948,927 as at June 30, 2024. The Company has a working capital of \$534,543 at June 30, 2024. To-date, the Company has funded its operations principally through the issuance of debt and equity securities. The availability of such funding in the future is subject to uncertainty. As such, there is a material uncertainty related to these events and conditions that may cast significant doubt on the Company’s ability to continue as a going concern and, therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Management acknowledges that there is a significant uncertainty over the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is dependent on the Company’s ability to pay its liabilities; obtaining new funding to fund operations; implement cost savings associated with managing operating expense levels, raising other equity and/or debt financings, as well as the Company’s ability to maintain sufficient working capital from operations. It cannot be determined at this time whether these objectives will be realized.

Management believes that the use of the going concern assumption is appropriate for these consolidated financial statements. If the Company were unable to continue its operations, adjustments to the carrying amounts and classification of assets and liabilities may be necessary. Such adjustments could be material to the consolidated financial statements.

# Vertiqal Studios Corp.

(formerly, Gamelancer Media Corp.)

## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars - Unaudited)

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### 2. Material accounting policies

#### *Statement of compliance*

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard 34 *Interim Financial Reporting* ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements do not include all of the disclosures required for annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended December 31, 2023.

The condensed consolidated interim financial statements were authorized for issuance by the board of directors on **August 14, 2024**.

#### *Basis of preparation*

The condensed consolidated financial statements of the Company have been prepared using the same basis of presentation, accounting policies and methods of computation as those of the audited consolidated financial statements for the year ended December 31, 2023. All financial information is presented in Canadian dollars, except share and per share amounts or as otherwise noted. The functional currency of the Company and each of its subsidiaries is the Canadian dollar, except for Wondr Gaming USA Corp. and Gamelancer, Inc. for which the functional currency is the U.S. dollar.

The principal material accounting policies are set out below.

#### *Basis of consolidation*

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries:

Subsidiary	Domicile and country of incorporation
Wondr Gaming Corp.	Ontario, Canada
Enterprise Gaming Canada Inc.	Quebec, Canada
Hot Dot Media Inc.	Ontario, Canada
JoyBox Media Inc. Gamelancer, Inc.	British Columbia, Canada Delaware, United States of America
Wondr Gaming USA Corp.	Delaware, United States of America (incorporated on August 30, 2021)

# Vertiqal Studios Corp.

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## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars - Unaudited)

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### 2. Material accounting policies (*continued from previous page*)

#### *Basis of consolidation (continued from previous page)*

On March 1, 2022, the Company acquired 100% of the issued and outstanding common shares of JoyBox Media Inc. ("JoyBox") (Note 7). On April 14, 2022, the Company acquired 100% of the issued and outstanding common shares of Gamelancer Inc. (Note 7).

Each subsidiary is fully consolidated from the date of acquisition, which is when the Company obtains control, and continues to be consolidated until the date when such control ceases. Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and can use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate changes to one or more of the three elements of control listed above. The subsidiaries' financial statements are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### 3. New standards, amendments and interpretations not yet adopted by the Company

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.

#### *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 are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the financial statements.

#### *IFRS 16 - Leases ("IFRS 16")*

In September 2022, the IASB issued amendments to IFRS 16, Leases, which add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction. The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted. The impact does not have a material impact on the financial statements.

### 4. 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.

The critical accounting judgements and key sources of estimation uncertainty applicable to these condensed consolidated interim financial statements are the same as those described in the Company's annual audited consolidated financial statements for the year ended December 31, 2023.



# Vertiqal Studios Corp.

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## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars - Unaudited)

### 5. Receivables

	June 30, 2024	December 31, 2023
	\$	\$
Trade receivables	1,048,366	1,673,049
Harmonized sales tax receivable	779,024	651,074
Other receivables	459	1,658
	<b>1,827,849</b>	<b>2,325,781</b>

### 6. Intangible assets

	NFT platform	Gaming rewards and loyalty platform	Domain names	Technology	Trade Name	Customer Relationships	Software	Total
	\$	\$	\$	\$				\$
<b>Cost</b>								
Balance, December 31, 2022	1,134,667	170,000	151,965	808,030	18,662,385	1,142,640	17,906	22,087,593
Additions - Acq. of Offbeat Media	-	-	-	-	-	2,773,590	-	2,773,590
Effect of foreign exchange rate changes	-	-	-	(20,342)	(427,285)	(19,080)	(421)	(467,128)
Balance, December 31, 2023	1,134,667	170,000	151,965	787,688	18,235,100	3,897,150	17,485	24,394,055
Additions	-	-	-	-	-	-	-	-
Effect of foreign exchange rate changes	-	-	-	-	-	-	-	-
<b>Balance, June 30, 2024</b>	<b>1,134,667</b>	<b>170,000</b>	<b>151,965</b>	<b>787,688</b>	<b>18,235,100</b>	<b>3,897,150</b>	<b>17,485</b>	<b>24,394,055</b>
<b>Accumulated amortization and impairment losses</b>								
Balance, December 31, 2022	1,134,667	170,000	4,213	40,764	1,326,812	212,655	1,493	2,890,604
Amortization	-	-	-	57,351	1,860,095	313,847	5,948	2,237,241
Impairment loss	-	-	147,752	696,677	14,736,905	621,776	10,201	16,213,311
Effect of foreign exchange rate changes	-	-	-	(25,371)	(66,994)	(36,335)	(157)	(128,857)
Balance, December 31, 2023	1,134,667	170,000	151,965	769,421	17,856,818	1,111,943	17,485	21,212,299
Amortization	-	-	-	-	27,725	348,880	-	376,605
Effect of foreign exchange rate changes	-	-	-	-	(12,443)	28,289	-	15,846
<b>Balance, June 30 2024</b>	<b>1,134,667</b>	<b>170,000</b>	<b>151,965</b>	<b>769,421</b>	<b>17,872,100</b>	<b>1,489,112</b>	<b>17,485</b>	<b>21,604,750</b>
<b>Carrying amount</b>								
Balance, December 31, 2023	-	-	-	18,267	378,282	2,785,207	-	3,181,756
<b>Balance, June 30, 2024</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,267</b>	<b>363,000</b>	<b>2,408,038</b>	<b>-</b>	<b>2,789,305</b>

In December 2023, the Company entered into an Asset Purchase Agreement with Offbeat Media Group Inc., to purchase 68 snapchat social media channels. The acquired snapchat channels met the definition of an intangible asset under IAS 38 and therefore these channels were measured at cost, \$2,773,590. These channels were categorized under Customer Relationships as they are similar to assets that were purchased from Gamelancer Inc. which also were categorized under Customer Relationships in 2022. This transaction is accounted for as an asset acquisition.

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Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars - Unaudited)

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### 7. Deferred and contingent consideration

	\$
<i>Deferred consideration</i>	
Balance, December 31, 2022	3,346,209
Accretion	31,630
Payment of deferred consideration	(3,310,000)
Effect of foreign exchange rate changes	(67,839)
<b>Balance, December 31, 2023 and June 30, 2024</b>	<b>0</b>
<i>Contingent consideration</i>	
Balance, December 31, 2022	962,006
Gain on revaluation of contingent consideration liability	(30,408)
Payment of Contingent Consideration	(735,000)
Effect of foreign exchange rate changes	(77,564)
Balance, December 31, 2023	119,034
Effect of foreign exchange rate changes	4,149
<b>Balance, June 30, 2024</b>	<b>123,183</b>

## Vertiqal Studios Corp.

(formerly, Gamelancer Media Corp.)

### Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars - Unaudited)

#### 8. Debenture units

The following table summarizes the movement in the carrying value of the debt during the period

	\$
Balance, December 31, 2023	4,579,822
Additions	1,000,000
Repayment	(84,894)
Interest and accretion expense	327,561
<b>Balance, June 30, 2024</b>	<b>5,822,489</b>

On June 27, 2024, the Company issued unsecured convertible debentures in the amount of \$1,000,000 CAD. Each \$1,000 of principal is convertible at a conversion price of \$0.025 per common share and accrues interest at 15% per annum. The convertible debenture matures on June 27, 2026.

#### 9. Promissory note

The following table summarizes the movement in the carrying value of the debt during the period:

	\$
Balance, December 31, 2023	1,204,917
Repayment	(452,662)
Interest and accretion expense	65,649
Interest payments	(27,347)
<b>Balance, June 30, 2024</b>	<b>790,557</b>

#### 10. Income Taxes

The Company's effective income tax rate was 3.35% for the six months ended June 30, 2024 (June 30, 2023 – 4.36%). The effective tax rate is different than the statutory rate primarily due to the imputed interest income on intercompany balance, utilization of prior year's unrecognized net operating loss in US and not recognizing current year losses because it is not probable that future taxable profit will be available against which the Company can use the benefits.

#### 11. Common shares

##### *Issued*

The following schedule shows the movement in common shares during the period:

	#	\$
Balance, December 31, 2023	604,045,994	58,788,585
Issuance of common shares for second tranche of private placement (Note 11(i))	26,122,960	653,074
Issuance of common shares for finders fee (Note 11(iii))	944,400	37,776
Issuance Costs	-	(9,517)
<b>Balance, June 30, 2024</b>	<b>631,113,354</b>	<b>59,469,918</b>

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## Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2024 and 2023

(Expressed in Canadian dollars - Unaudited)

### 11. Common shares (continued from previous page)

(i) Issuance of common shares for private placement

In December 2023, the Company issued 42,500,000 common shares at a price per share of \$0.04. The company initiated the private placement to raise funds to finance the acquisition of Snapchat channels from Offbeat Media. The Company raised \$1.7M CAD through the issuance of these shares, and therefore incurred \$152,713 of transaction costs which consisted of TSX listing fee and legal fees, as well as commissions paid on gross proceeds. In January 2024, the Company issued an additional 26,122,960 common shares at a price per share of \$0.04 as part of the second tranche of the initial private placement executed in December 2023.

(ii) Shares to be issued

As part of the second tranche of the private placement that was raised in December 2023, there is an additional 20,522,960 common shares to be issued worth \$513,074, comprised of \$340,000 held in trust and the remaining received directly to the Company. These shares are issued subsequent to the year ended December 31, 2023.

(iii) Issuance of common shares for finder's fee

In connection with the acquisition of Offbeat Media, the Company issued 944,400 common shares at a price per share of \$0.04 for the finder's fee associated to the acquisition.

### 12. Warrants

	#	\$
Balance, December 31, 2023	133,877,182	5,798,148
Warrants expired	(30,633,228)	-
<b>Balance, June 30, 2024</b>	<b>103,243,954</b>	<b>5,798,148</b>

The following reconciles the warrants outstanding at the beginning and the end of the period:

	Number of warrants #	Weighted average exercise price \$
Balance, December 31, 2023	133,877,182	0.18
Expired	(30,633,228)	0.29
<b>Balance, June 30, 2024</b>	<b>103,243,954</b>	<b>0.15</b>

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### 12. Warrant reserve (continued from previous page)

Additional information regarding warrants outstanding at June 30, 2024 follows.

Warrants outstanding		
Exercise price	Number of warrants #	Weighted average remaining contractual life (in years)
\$0.07	1,197,259	1.4
\$0.15	100,038,500	2.0
\$0.10	2,008,195	2.0
	<b>103,243,954</b>	<b>2.0</b>

### 13. Share-based benefits reserve

The Company has adopted a stock option plan (the "Plan") to attract, retain and motivate qualified directors, officers, employees and consultants whose present and future contributions are important to the success of Vertiqal by offering them an opportunity to participate in the entity's future performance through the award of stock options.

Each stock option converts into one common share of Vertiqal on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The total number of common shares reserved and available for grant and issuance pursuant to the Plan is equal to 10% of the issued and outstanding common shares of the Company. The following reconciles the number of share options available for grant under the Plan:

	#
Total number of options reserved and available for grant and issuance under the Plan	63,111,335
Issued and outstanding at end of period	(32,707,600)
Number of options available for grant under the Plan at June 30, 2024	30,403,735

The vesting terms of options granted pursuant to the Plan are determined by the board of directors, ranging between zero and twelve months.

The following reconciles the options outstanding at the beginning and end of the period that were granted to eligible participants pursuant to the Plan:

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**13. Share-based benefits reserve** (continued from previous page)

	Six months ended June 30, 2024		Year ended December 31, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Balance, beginning of period	42,172,600	0.17	35,047,500	0.21
Granted	-	-	9,600,000	0.155
Expired	(5,190,000)	0.40	(3,950,000)	0.40
Expired	-	-	(2,350,000)	0.13
Expired	(425,000)	0.155	(3,450,000)	0.155
Cancelled	-	-	(50,000)	0.155
Granted	-	-	9,325,100	0.110
Expired	(2,500,000)	0.110	(2,000,000)	0.110
Expired	(250,000)	0.100	-	-
Expired	(1,100,000)	0.130	-	-
Balance, end of period	<b>32,707,600</b>	<b>0.14</b>	42,172,600	0.17
Exercisable, end of period	<b>32,707,600</b>	<b>0.14</b>	42,172,600	0.17

The following table provides additional information about the Company's share option plan at June 30, 2024:

	Share options issued and outstanding	
	Number of options	Weighted average remaining contractual life in years
Exercise prices	#	#
\$0.10	6,800,000	1.0
\$0.11	4,825,100	2.0
\$0.12	125,000	1.4
\$0.13	13,000,000	1.4
\$0.155	5,675,000	1.5
\$0.40	2,282,500	0.4
	<b>32,707,600</b>	<b>1.3</b>

During the three and six months ended June 30, 2024, the Company recognized share-based compensation expense of nil (three and six months ended June 30, 2023 - \$650,821 and \$1,419,006 respectively), presented in the line item 'share-based payments' in the condensed consolidated interim statements of loss and comprehensive loss.

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#### 14. Finance costs, net

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Interest and bank charges	3,120	5,076	5,559	5,076
Interest and accretion expense on promissory note	29,547	-	65,649	-
Accretion expense arising on deferred consideration (Note 7)	-	(3,439)	-	31,678
Interest and accretion expense on debenture units (Note 8)	167,205	144,518	327,561	282,646
Interest (income) / expense	(161)	10,742	(318)	(172)
	199,711	156,897	398,451	319,228

#### 15. Capital management

The Company manages its capital to ensure it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2023.

The capital structure of the Company consists of net debt (comprising amounts due to related parties, deferred consideration and contingent consideration offset by cash) and equity (comprising common shares, warrant reserve, share-based benefits reserve, accumulated other comprehensive income and deficit).

The Company is not subject to any externally imposed capital requirements.

#### 16. Financial instruments

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks, and the actions taken to manage them, are described below.

##### *Fair value*

The carrying value of financial instruments classified at amortized cost (including cash, trade receivables, convertible debentures, contingent consideration, accounts payable and accrued liabilities and amounts due to related parties) approximate fair value due to their short-term nature.

##### *Credit and concentration risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not provide any guarantees which would expose the Company to credit risk.

The credit risk on cash and cash equivalents is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. There has been no instance of default with any counterparty since the Company's incorporation on May 6, 2019. The maximum credit exposure at March 31, 2024 is the carrying amount of cash, trade and other receivables. The Company's exposure to credit risk is considered to be low, given the size and nature of the various counterparties involved and their history of performance.



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### 16. Financial instruments (continued from previous page)

#### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets or liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

Amounts due to related parties are non-interest bearing. Accordingly, the fair value of these financial liabilities could fluctuate because of changes in market interest rates.

#### Liquidity risk

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Ultimate responsibility for liquidity risk management rests with the management with oversight by the board of directors, which has established an appropriate liquidity risk management framework for the management of the Company's short-, medium- and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash balances and borrowings, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table provides details of the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows.

	Less than one year	Later than one year and not later than five years	Later than five years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,284,647	-	-	2,284,647
Due to related parties	5,069	-	-	5,069
Contingent consideration liability	123,183	-	-	123,183
Promissory note	-	790,557	-	790,557
Debenture units	-	5,822,489	-	5,822,489
	2,412,899	6,613,046	-	9,025,945

#### Foreign currency risk

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

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



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### 16. Financial instruments (continued from previous page)

	June 30, 2024	December 31, 2023
	\$	\$
Monetary assets		
U.S. dollars	1,011,748	1,425,547
Monetary liabilities		
U.S. dollars	(457,107)	(547,508)

The following table details the Company's sensitivity to a 10% increase and decrease in the Canadian dollar against the U.S. dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Canadian dollar strengthens 10% against the U.S. dollar. For a 10% weakening of the Canadian dollar against the U.S. dollar, there would be a comparable impact on the profit, and the balances below would be opposite.

	U.S. dollar	
	2024	2023
Increase / (decrease) in profit	(75,914)	(116,129)

### 17. Segment information

The Company is engaged in a single business activity and does not have multiple operating segments. The CEO is the Company's chief operating decision-maker, as defined by IFRS 8, and all significant operating decisions are taken by the CEO. In assessing performance, the CEO reviews financial information on an integrated basis for the Company as a whole, substantially in the form of, and on the same basis as, the Company's consolidated financial statements.

Geographic information:

	Canada	United States	Total
	\$	\$	\$
Revenue	1,082,567	864,512	1,947,079
Property and equipment	10,057	-	10,057

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### **18. Contingent liabilities**

There are no contingent liabilities occurred for the six months ended June 30, 2024.

### **19. Events after the reporting period**

On July 2, 2024, the Company entered into a debt settlement agreement whereby the parties agreed to settle an aggregate of \$260,000 of indebtedness of the Company owing to the Creditor, through the issuance of an aggregate of 8,666,666 common shares in the capital of the Company.