# Vertiqal Studios Corp.

(formerly, Gamelancer Media Corp.)

Consolidated Financial Statements

For the years ended December 31, 2024 and 2023

# Independent Auditor's Report

To the Shareholders of Vertiqal Studios Corp. (formerly, Gamelancer Media Corp.):

## Opinion

We have audited the consolidated financial statements of Vertiqal Studios Corp. (formerly, Gamelancer Media Corp.) and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2024 and December 31, 2023, and the consolidated statements of loss 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 material accounting policy information.

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, 2024 and December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board.

## 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.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2024 and as of that date, the Company had a working capital deficit and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## 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.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

### Impairment Analysis of definite life long-lived assets

### Key Audit Matter Description

We draw attention to Notes 2, 6 and 7 of the consolidated financial statements. The Company has recorded property and equipment, right of use assets, and intangibles assets of $2,813,620 as of December 31, 2024. The Company performs impairment testing for definite life long-lived assets when there is an indication of impairment. The Company assessed that there were qualitative indicators of impairment for Snapchat related long-lived assets and therefore completed a quantitative assessment as of December 31, 2024. 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 judgments made by management in estimating the recoverable amount for long-lived assets. This necessitates 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 audit procedures in relation to the impairment of long-lived assets. Our audit work in relation to this included, but was not restricted to, the following:

- Performed a qualitative assessment for the indicators of impairment for all definite life long-lived assets.
- Performed 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 IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

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 Ratan Kumar Verma.

MNP LLP

Toronto, Ontario
March 31, 2025

Chartered Professional Accountants
Licensed Public Accountants

# Vertiqal Studios Corp.
## (formerly, Gamelancer Media Corp.)
Consolidated Statements of Financial Position
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Current assets | | |
| Cash | **506,130** | 1,163,239 |
| Receivables (Note 5) | **1,338,061** | 2,325,781 |
| Prepaid expenses and deposits | **202,960** | 387,776 |
| | **2,047,151** | 3,876,796 |
| Restricted cash (Note 14(ii)) | **-** | 340,000 |
| Deposits | **4,425** | 4,425 |
| Property and equipment | **8,549** | 10,527 |
| Right of use asset (Note 7) | **215,795** | - |
| Intangible assets (Note 6) | **2,589,276** | 3,181,756 |
| **Total Assets** | **4,865,196** | 7,413,504 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | **2,706,608** | 3,102,857 |
| Income tax payable | **470,058** | 254,740 |
| Deferred revenue | **-** | 58,310 |
| Due to related parties (Note 17) | **5,069** | 5,069 |
| Debenture Units (Note 11) | **4,675,399** | - |
| Lease liability (Note 7) | **88,871** | - |
| Contingent consideration liability (Note 8) | **-** | 119,034 |
| | **7,946,005** | 3,540,010 |
| Promissory Note (Note 12) | **399,622** | 1,204,917 |
| Lease liability (Note 7) | **126,408** | - |
| Private placement liability (Note 11) | **350,000** | - |
| Debenture units (Note 11) | **-** | 4,579,822 |
| Deferred tax liability (Note 13) | **40,628** | 157,951 |
| **Total Liabilities** | **8,862,663** | 9,482,700 |
| **Shareholders' Deficit** | | |
| Common shares (Note 14) | **59,527,290** | 58,788,585 |
| Shares to be issued (Note 14(ii)) | **173,014** | 513,074 |
| Warrant reserve (Note 15) | **3,619,338** | 5,214,482 |
| Share-based benefits reserve (Note 16) | **1,958,630** | 2,413,310 |
| Accumulated other comprehensive loss | **1,155,128** | 1,215,890 |
| Accumulated Deficit | **(70,430,867)** | (70,214,537) |
| **Total Shareholders' Deficit** | **(3,997,467)** | (2,069,196) |
| **Total Liabilities and Shareholders' Deficit** | **4,865,196** | 7,413,504 |

***General information and going concern (Note 1)***
***Contingent liabilities (Note 23)***
***Subsequent events (Note 24)***

**Vertiqal Studios Corp.**
(formerly, Gamelancer Media Corp.)
Consolidated Statements of Loss and Comprehensive Loss
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

| | Years ended December 31 | |
|---|---|---|
| | **2024** | **2023** |
| | **$** | $ |
| **Revenues** | **4,861,413** | 4,845,926 |
| Cost of sales | **1,486,519** | 1,406,156 |
| **Gross profit** | **3,374,894** | 3,439,770 |
| **Expenses** | | |
| Consultants and subcontractors | **2,369,993** | 1,817,701 |
| Share-based payments (Note 18) | **271,984** | 1,419,006 |
| Professional fees | **669,992** | 1,055,743 |
| General and administrative | **931,099** | 1,806,694 |
| Advertising and promotion | **84,008** | 894,124 |
| Salaries, wages and benefits | **863,289** | 776,504 |
| Depreciation and amortization (Note 6,7) | **806,041** | 2,216,517 |
| Foreign exchange loss | **12,432** | 32,253 |
| Finance costs, net (Note 19) | **797,738** | 639,650 |
| Penalty on repayment of deferred consideration (Note 9) | **-** | 2,676,674 |
| Bad Debt | **419,950** | - |
| Impairment loss on goodwill (Note 10) | **-** | 27,176,045 |
| Impairment loss on intangible assets (Note 6) | **-** | 16,213,311 |
| (Gain) on extinguishment of debenture units (Note 11) | **(2,688,221)** | - |
| Loss on change in fair value recognized through profit and loss (Note 11) | **1,218,418** | - |
| (Gain) on revaluation of contingent consideration (Note 9) | **-** | (30,408) |
| | **5,756,723** | 56,693,814 |
| **Loss before income taxes** | **(2,381,829)** | (53,254,044) |
| **Income taxes** | | |
| Current | **(181,527)** | (180,225) |
| Deferred | **198,232** | 4,415,472 |
| **Net loss** | **(2,365,124)** | (49,018,797) |
| **Other comprehensive income (loss)** | | |
| Item that may be reclassified subsequently to loss: | | |
| Exchange difference on translating foreign operations | **19,223** | (840,938) |
| Deferred tax | **(79,985)** | 509,987 |
| **Total comprehensive loss** | **(2,425,886)** | (49,349,748) |
| Basic and diluted loss per share | **(0.00)** | (0.10) |
| Weighted average number of common shares outstanding (basic and diluted) | **631,977,420** | 506,921,615 |

# Vertiqal Studios Corp.
(formerly, Gamelancer Media Corp.)
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

| | 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 16) | - | - | - | 1,419,006 | - | - | 1,419,006 |
| 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 | (503,247) | - | (173,704) | - | - | - | (676,951) |
| - paid in warrants | (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 | 1,333,333 | - | - | - | - | | 1,333,333 |
| Issuance of common shares for contingent consideration | 466,667 | - | - | - | - | - | 466,667 |
| Transfer of reserves to deficit | - | - | (583,666) | (724,000) | 1,307,666 | - | - |
| Issuance of common shares for private placement (Note 14(viii)) | 1,700,000 | - | - | - | - | - | 1,700,000 |
| Shares to be issued - 2nd tranche of private placement (Note 14(ix)) | - | 513,074 | - | - | - | - | 513,074 |
| Net loss and total comprehensive loss | - | - | - | - | (49,018,797) | (330,951) | (49,349,748) |
| **Balance, December 31, 2023** | **58,788,585** | **513,074** | **5,214,482** | **2,413,310** | **(70,214,537)** | **1,215,890** | **(2,069,196)** |
| | | | | | | | |
| Balance, December 31, 2023 | 58,788,585 | 513,074 | 5,214,482 | 2,413,310 | (70,214,537) | 1,215,890 | (2,069,196) |
| Issuance of common shares for private placement (Note 14(i)) | 653,074 | (513,074) | - | - | - | - | 140,000 |
| Issuance of common shares for finders fee (Note 14 (iii)) | 37,776 | - | - | - | - | - | 37,776 |
| Issuance of common shares for acquisition (Note 14 (v)) | 57,372 | - | - | - | - | - | 57,372 |
| Transfer of reserves to deficit (Note 15, 16) | - | - | (1,595,144) | (553,650) | 2,148,794 | - | - |
| Share issuance Costs (Note 14) | (9,517) | - | - | - | - | - | (9,517) |
| Share-based compensation (Note 18) | - | - | - | 98,970 | - | - | 98,970 |
| Issuance of Restricted Share Units (RSUs) (Note 18) | - | 173,014 | - | - | - | - | 173,014 |
| Net loss and total comprehensive loss | - | - | - | - | (2,365,124) | (60,762) | (2,425,886) |
| **Balance, December 31, 2024** | **59,527,290** | **173,014** | **3,619,338** | **1,958,630** | **(70,430,867)** | **1,155,128** | **(3,997,467)** |

# Vertiqal Studios Corp.
## (formerly, Gamelancer Media Corp.)
Consolidated Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(Expressed in Canadian dollars)

| | Years ended December 31 2024 | 2023 |
|---|---|---|
| | $ | $ |
| **Cash flows used in operating activities** | | |
| Net loss | **(2,365,124)** | (49,018,797) |
| Adjustments for: | | |
| Share-based payments (Note 18) | **271,984** | 1,419,006 |
| Finance costs, net (Note 19) | **797,738** | 639,650 |
| Impairment loss on goodwill (Note 10) | - | 27,176,045 |
| Impairment loss on intangible assets (Note 6) | - | 16,015,233 |
| Depreciation and amortization (Note 6,7) | **806,041** | 2,216,517 |
| Unrealized foreign exchange loss | **12,432** | 32,253 |
| Gain on revaluation of contingent consideration (Note 9) | - | (30,408) |
| Penalty on Deferred Consideration (Note 9) | - | 2,676,674 |
| Bad debt | **419,950** | - |
| Change in fair value of convertible debt | **(1,469,803)** | - |
| Provision (benefit) for deferred taxes | **(198,232)** | (4,415,472) |
| | **(1,725,014)** | (3,289,299) |
| Changes in non-cash working capital items: | | |
| Receivables | **987,720** | (571,263) |
| Inventory | - | 87,983 |
| Prepaid expenses and deposits | **184,816** | (242,674) |
| Accounts payable and accrued liabilities | **(515,283)** | 165,093 |
| Income Tax Payable | **215,318** | 180,225 |
| Deferred revenue | **(58,310)** | 58,310 |
| | **(910,753)** | (3,611,625) |
| Finance costs | | |
| Interest received (net) | **(41,313)** | (19,645) |
| | **(952,066)** | (3,631,270) |
| **Cash flows used in investing activities** | | |
| Restricted cash | **340,000** | 57,440 |
| Private placement liability | **350,000** | - |
| Intangible assets for Viral Nation Acquisition | **(129,350)** | - |
| Payment of Contingent Consideration | - | (3,310,000) |
| Cash paid in connection with asset purchase - Offbeat (Note 8) | - | (1,345,630) |
| Payment of Penalty in cash | - | (1,333,333) |
| Contingent consideration - Joybox Media Inc. | - | (168,474) |
| Contingent consideration - Gamelancer Inc. | - | (254,987) |
| Net cash (outflow) / inflow from acquisition of subsidiary: | | |
| - Gamelancer, Inc. | - | (285,034) |
| | **560,650** | (6,640,018) |
| **Cash flows provided from financing activities** | | |
| Repayment of promissory note (Note 12) | **(953,247)** | (73,477) |
| Private placement of common shares and warrants (Note 14(i)) | - | 9,364,499 |
| Private placement of common shares (Note 14) | - | 1,547,287 |
| Private placement tranche 2 (Note 14) | **168,259** | 173,074 |
| Proceeds from issue of debenture units (Note 11) | **1,000,000** | - |
| Issuance costs paid in cash | - | (676,951) |
| Issuance costs paid in warrants | - | (123,780) |
| Lease payments | **(10,068)** | - |
| Repayment of convertible debentures (Note 11) | **(84,894)** | - |
| Transaction costs | - | 648,020 |
| | **120,050** | 10,858,672 |
| **Net increase in cash** | **(271,366)** | 587,384 |
| Effect of foreign currency exchange rate changes on cash and cash equivalents | **(385,743)** | 19,051 |
| Cash, beginning of year | **1,163,239** | 556,804 |
| **Cash, end of year** | **506,130** | 1,163,239 |

## 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 and registered 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 to unite the global gaming community.

*Going concern*

These 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 $2,365,124 for the year ended December 31, 2024 and has an accumulated deficit of $70,430,867 as at December 31, 2024. The Company has a working capital deficit of $5,898,854 at December 31, 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.

## 2. Material accounting policies

*Statement of compliance*

The consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards, as issued by the International Accounting Standards Board (“IASB") and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC").

The consolidated financial statements were authorized for issuance by the board of directors on **March 31, 2025**.

*Basis of preparation*

The consolidated financial statements of the Company 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 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 consolidated 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. | British Columbia, Canada |
| Gamelancer, Inc. | Delaware, United States of America |
| Wondr Gaming USA Corp. | Delaware, United States of America |

**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.

*Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Company entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9 *Financial Instruments*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

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

*Business combinations (continued from previous page)*

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

*Goodwill*

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

*Leases*

The Company assesses whether a contract is, or contains, a lease. If a contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration, then the contract may contain a lease. The Company assesses whether a contract conveys the right to control the use of an asset by performing the following tests:

1. Assess whether the contract involves the use of an identified asset and may be specified explicitly or implicitly. It should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a significant right to substitution, then the asset is not identified;

2. Assess whether the Company has the right to obtain substantially all of the economic benefits arising from the use of the asset throughout the period of use; and

3. Assess that the Company has the right to direct enjoyment of the asset. This right is identified when the Company has the decision-making rights in how and for what purpose the asset is used. In cases where the decision on how and for what purpose to use the asset has been predetermined, the Company has the right to direct the use of the asset if either it has the right to operate the asset, or the Company has designed the asset in a manner that predetermines how and for what purpose the asset will be used.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset can be periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

*Leases (continued from previous page)*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measure at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in future lease payments arising form a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company  changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of equipment that have a lease term of twelve months or less and leases of low-value assets, including IT equipment. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

*Intangible assets*

Intangible assets with finite lives that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. The amortization for such assets begins when asset become available for use. Following initial recognition, such intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses on a straight-line basis over the following periods:

| | |
|---|---|
| Trade Name | 10 years |
| Customer Relationships | 4 years |
| Technology | 4 years |

Amortization expense is included in the consolidated statements of loss and comprehensive loss.

The estimated useful life and amortization method are reviewed annually, with the effect of any change in estimate being accounted for on a prospective basis.

For intangible assets with finite lives, impairment testing is triggered by specific indicators, such as significant market decline or adverse legal developments. The Company conducts a recoverability test, comparing the undercounted cash flows expected from the asset to its carrying amount. If the carrying amount exceeds the undercounted cash flows, an impairment loss must be recognized, reducing the asset's book value to its fair value. Monitoring external and internal factors that could affect an asset's value ensures timely and appropriate adjustments.

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

*Foreign currencies*

Transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. The functional currency of the Company and each of its subsidiaries is the Canadian dollar, except for Wondr Gaming USA Corp. for which the functional currency is the U.S. dollar.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise.

For the purposes of presenting consolidated financial statements, the assets and liabilities of foreign operations are translated into Canadian dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity.

*Revenue*

The core principle of IFRS 15 *Revenue from Contracts with Customers* (“IFRS 15”) is that an entity recognizes revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration the entity expects to be entitled in exchange for those goods or services. The standard establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

The Company accounts for a contract with a customer when it has approval and commitment from all parties, the rights of the parties and payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when control of the promised goods and services is transferred to customers.

The Company generates advertising revenue through the following means:

- Direct media advertising;
- Social media content strategy; and
- Short form Over-the-Top (“OTT”) or programmatic video sales.

*Direct media advertising*

Revenue from direct media advertising is mostly generated through social media network 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. Within some direct media advertising arrangements, the Company is sometimes required to produce/create content for the customer and also deliver impressions. For such arrangements, the Company allocates revenue to each distinct performance obligation based on their relative standalone selling price (“SSP”). Revenue is recognized as a point in time for the content delivery.

*Social media content strategy*

Social media content strategy for customers where the Company provides a complete marketing campaign strategy that includes guidance on how to create video content, strategy on distribution across various social media accounts, including influencer strategy, production and paid media spend. Revenue from social media content strategy is recognized as the services have been delivered and accepted by the customer.

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

Short form over-the-top ("OTT") or programmatic video sales

The Company delivers content to a social media platform on its owned and operated channels on such social media platform. The social media platform monetizes such content, and the advertisement revenue earned by the social media platform is shared with the Company under a revenue share agreement. As part of its assessment, the Company assessed that the social media platform is their customer and recognize revenue based on the revenue share received from them.

*Deferred development costs*

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;
- 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.

The Company's deferred development costs include the cost of materials and services used and consumed in developing its gaming rewards and loyalty platform and the cost of employee benefits related to personnel who were directly responsible for technology development.

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.

*Impairment of intangible assets*

At the end of each reporting period, the Company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

*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 equity.

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 share-based benefit reserve records items recognized as share-based compensation expense such time that the stock options are exercised. The corresponding amount will be transferred to share capital. If the options are expire, the amount recorded is transferred to accumulated deficit.

*Warrants reserve*

The fair value of warrants is determined upon their issuance either as part of unit private placements or in settlement of share issuance costs and finders' fees, using the Black-Sholes model. All such warrants are classified in a warrant reserve within equity. If the warrants are exercised, the value attributable to the warrants is transferred to share capital. Upon expiry, the amounts recorded for expired warrants is transferred to accumulated deficit from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

*Deferred tax*

Deferred tax is recognized on 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 profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or loss or directly in equity, in which case, the deferred tax is also recognized in other comprehensive income or loss or directly in equity, respectively. Where deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

*Government assistance and investment tax credits*

Government grants are recognized when the Company has complied with the terms and conditions of the approved grant program. Government grants, related to research and development activity, and investment tax credits, which are earned as a result of qualifying Scientific Research and Experimental Development ("SR&ED") expenditures, are recognized as a reduction to salaries, wages and benefits expense during the period in which the related expenditures are incurred, provided the Company has reasonable assurance with respect to the realization of the related receivable.

The Company claims SR&ED deductions and related investment tax credits for income tax purposes based upon management's interpretation of the applicable legislation in the Income Tax Act (Canada). Investment tax credits are subject to Canada Revenue Agency ("CRA") review and assessment of the eligibility of the Company's research expenditures. Actual investment tax credits received may differ from those estimated and recorded in these financial statements.

*Financial instruments*

IFRS 9 *Financial Instruments* ("IFRS 9") contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income or loss.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

*Financial assets*

<u>Recognition and initial measurement</u>

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.

<u>Classification and subsequent measurement</u>

On initial recognition, financial assets are classified as 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.

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

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.

- 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.

- 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.

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.

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.

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

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 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, or the financial asset has been transferred under particular circumstances.

For this purpose, a financial asset is transferred if the Company either:

- Transfers the right to receive the contractual cash flows of the financial asset, or
- Retains the right to receive the contractual cash flows of the financial asset but assumes an obligation to pay received cash flows in full to one or more third parties without material delay and is prohibited from further selling or transferring the financial asset.

Transferred financial assets are evaluated to determine the extent to which the Company retains the risks and rewards of ownership. When the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it evaluates whether it has retained control of the financial asset.

*Financial assets (continued from previous page)*

Where substantially all risks and rewards of ownership have been transferred, or risks and rewards have neither been transferred nor retained and control of the financial asset has not been retained, the Company derecognizes the financial asset. At the same time, the Company separately recognizes as assets or liabilities the fair value of any rights and obligations created or retained in the transfer. Any difference between the carrying amount measured at the date of recognition and the consideration received is recognized in profit or loss.

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, with the exception of 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, except for financial liabilities subsequently measured at fair value through profit or loss, 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.

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

*Derivative financial instruments*

Derivative instruments are recorded at fair value, including those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Changes in the fair values of derivative instruments are recorded in profit or loss.

*Embedded derivatives*

For hybrid contracts containing a host that is not an asset in the scope of IFRS 9, embedded derivatives are evaluated on initial recognition to determine if the embedded derivative must be separated from the host contract. Embedded derivatives are separated from the host contract when the economic characteristics and risks of the derivative are not closely related to those of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives that are separated from the host contract are initially measured at fair value and subsequently measured at fair value through profit or loss. The host contract is accounted for in accordance with the appropriate Standards.

Non-option derivatives are separated from the host contract on the basis of their stated or implied substantive terms so as to result in them having a fair value of zero at inception. Option-based derivatives are separated from the host contract on the basis of stated terms and conditions and measured at their fair value on inception, with the host contract's initial carrying amount being the residual amount after separating the derivative.

*Classification of financial instruments*

The following table summarizes the classification of the Company's financial instruments:

| Asset / liability: | Classification: |
|---|---|
| Cash | FVTPL |
| Restricted cash | Amortized cost |
| Receivables | Amortized cost |
| Deposits | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Due to related parties | Amortized cost |
| Convertible debentures (debt host liability) | FVTPL |
| Conversion option liability | FVTPL |
| Lease liability | Amortized cost |

Financial liabilities at FVTPL are recognized initially at fair value. Any transaction costs are recorded directly in the statement of loss. Subsequent to initial recognition the financial liability is measured at fair value at each reporting date, with changes in fair value included in the statement of loss. The convertible debentures have been designated at FVTPL upon initial recognition as permitted by IFRS 9 as they contain an embedded derivative.

*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

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

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.

*Loss per share*

Basic loss per share is calculated by dividing net loss (the numerator) by the weighted average number of common shares outstanding (the denominator) during the year/period.

For the purpose of calculating diluted loss per share, the Company adjusts net loss, and the weighted average number of common shares outstanding during the year, for the effects of all dilutive potential common shares. The diluted loss per share is equal to basic loss per share since the Company is in a loss position for both years presented. Potential common shares, such as warrants and stock options, are treated as dilutive when, and only when, their conversion to common shares would decrease earnings per share or increase loss per share.

**3. Changes in accounting policies**

New standards, interpretations and amendments adopted from January 1, 2024

The following amendments are effective for the period beginning January 1, 2024;

*Supplier finance arrangements (amendments to IAS 7 and IFRS 7)*

On May 25 2023, the IASB issued supplier finance arrangements, which amended IAS 7 Statement of Cash Flows and IFRS 7 Financial instruments: Disclosures. The amendments require entities to provide certain specific disclosures (qualitative and quantitative) related to supplier finance arrangements. The amendments also provide guidance on characteristics of supplier finance arrangements.

These amendments had no effect on the consolidated financial statements of the Company.

*Lease liability in a sale and leaseback (amendments to IFRS 16)*

On September 22 2022, the IASB issued amendments to IFRS 16 Lease Liability in a sale and leaseback (the amendments). Prior to the amendments, IFRS 16 did not contain specific measurement requirements for lease liabilities that may contain variable lease payments arising in a sale and leaseback transaction. In applying the subsequent measurement requirements of lease liabilities to a sale and leaseback transaction, the amendments require a seller-lessee to determine “lease payments” or “revised lease payments” in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

These amendments had no effect on the consolidated financial statements of the Company.

*Classification of liabilities as current or non-current and non-current liabilities with covenants (amendments to IAS 1)*

The IASB issued amendments to IAS 1 in January 2020 Classification of liabilities as current or non-current and subsequently, in October 2022 non-current liabilities with covenants. The amendments clarify the following:

1. An entity’s right to defer settlement of a liability for at lease twelve months after the reporting period must have substance and must exist at the end of the reporting period.

2. If an entity’s right to defer settlement of a liability is subject to covenants, such covenants affect whether that right exists at the end of the reporting period only if the entity is required to comply with the covenant on or before the end of the reporting period.

3. The classification of a liability as current or non-current is unaffected by the likelihood that the entity will exercise its right to defer settlement.

***3*. Changes in accounting policies** (*continued from previous page*)

4. In case of a liability that can be settled, at the option of the counterparty, by the transfer of the entity's own equity instruments, such settlement terms of not affect the classification of the liability as current or non-current only if the option is classified as an equity instrument.

These amendments had no effect on the consolidated financial statements of the Company.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early.

The following amendments are effective for the annual reporting period beginning January 1 2025:

1. Lack of exchangeability (Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates)

The following amendments are effective for the annual reporting period beginning January 1 2026:

1. Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7)

2. Contracts referencing nature-dependent electricity (Amendments to IFRS 9 and IFRS 7)

The following amendments are effective for the annual reporting period beginning January 1 2027:

1. IFRS 18 Presentation and Disclosure in Financial Statements

2. IFRS 19 Subsidiaries without Public Accountability: Disclosures

The Company is currently assessing the effect of these new accounting standards and amendments. IFRS 18 Presentation and Disclosure in Financial statements, which was issued by the IASB in April 2024 supersedes IAS 1 and will result in major consequential amendments to IFRS accounting standards including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting policies, changes in accounting estimates and errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the consolidated financial statements, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of profit or loss, aggregation/disaggregation and labelling of information, and disclosure of management-defined performance measures.

Issued in May 2024, IFRS 19 allows for certain eligible subsidiaries of parent entities that report under IFRS Accounting Standards to apply reduced disclosure requirements. The Company doe snot expect this standard to have an impact on its operations or 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.

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

*IAS 21, The Effects of Changes in Foreign Exchange Rates (“IAS 21)*

In August 2023, the IASB issued amendments tilted Lack of Exchangeability to address situations where a currency is not exchangeable into another currency. The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The impact does not have a material impact on the financial statements.

*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.

Going concern

Assessing the Company’s ability to continue as a going concern requires management to make significant judgments and estimates of future cash flows and other future events, the outcome of which is uncertain. Management’s assessment is largely based on events and conditions that transpire after the reporting period, such as cash inflows from financing activities and other known developments.

Selecting the option pricing model to estimate the fair value of equity instruments granted

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.

*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.

Fair value of financial liabilities as at FVTPL

The determination of the fair values of debt instruments or the component parts of hybrid contracts requires the use of valuation models and/or techniques for which the underlying assumptions are inherently subject to significant estimation and judgment. These models and techniques require that management make estimates and assumptions with respect to one or more of the following at the date of issuance: the fair value of the Company’s equity securities, expected volatility of the Company’s share value, estimated life of conversion rights and warrants and interest rates which could be obtained for debt instruments with similar terms and maturities.

Identification and measurement of assets acquired and liabilities assumed in a business combination

Management is required to make judgments and estimates when identifying and measuring the assets acquired and liabilities assumed in a business combination. Management applied the guidance set out in IFRS 3 *Business Combinations* when determining the recognition of assets acquired and liabilities assumed in connection with the acquisitions of its subsidiary entities.

Estimate for convertible debentures

The amounts recorded for convertible debentures held at fair value through profit and loss are estimated based on the fair value of the hybrid contract. Key assumptions include the expected term or time to conversion, volatility, risk-free interest and the estimated conversion price relative to the current market price of the company’s shares.

Impairment of goodwill and determination of cash-generating units

Determining whether goodwill is impaired requires the determination of cash-generating units and an estimation of the value in use of the cash-generating units to which goodwill has been allocated.

(Expressed in Canadian dollars)

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

The determination of cash-generating units and value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Fair value of investment in a private company

The Company measures its equity investment in Rival.ai Inc. at fair value. On initial recognition, the Company irrevocably elected to present in other comprehensive income or loss the fair value gains and losses arising from the equity investment. The Company's investment in a private company is neither held for trading nor contingent consideration acquired in a business combination. Management believes the election made best reflects the business model for managing its investment. Measuring the investment in Rival.ai Inc. at each reporting date requires management to make significant judgments and estimates.

Valuation of common share purchase warrants and equity-settled share-based payments

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 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.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. These calculations are based on available data, other observable inputs and projections of cash flows, all of which are subject to estimates and assumptions. Recoverable amounts are also sensitive to assumptions about the future usefulness of in-process development and the related marketing rights. At the period end, management concluded that none of the Company's non-financial assets were impaired.

**5. Receivables**

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Trade receivables | **1,048,819** | 1,673,049 |
| Harmonized sales tax receivable | **288,784** | 651,074 |
| Other receivables | **458** | 1,658 |
| | **1,338,061** | 2,325,781 |

(Expressed in Canadian dollars)

### 6. Intangible assets

| | Technology | Trade Name | Customer Relationships | Total |
|---|---|---|---|---|
| | $ | | | $ |
| **Cost** | | | | |
| Balance, December 31, 2022 | 808,030 | 18,662,385 | 1,142,640 | 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) | (467,128) |
| Balance, December 31, 2023 | 787,688 | 18,235,100 | 3,897,150 | 24,394,055 |
| Additions | - | - | 186,722 | 186,722 |
| Effect of foreign exchange rate changes | - | 1,570,050 | 69,780 | 1,641,367 |
| **Balance, December 31, 2024** | **787,688** | **19,805,150** | **4,153,652** | **26,222,144** |
| **Accumulated amortization and impairment losses** | | | | |
| Balance, December 31, 2022 | 40,764 | 1,326,812 | 212,655 | 2,890,604 |
| Amortization | 57,351 | 1,860,095 | 313,847 | 2,237,241 |
| Impairment loss | 696,677 | 14,736,905 | 621,776 | 16,213,311 |
| Effect of foreign exchange rate changes | (25,371) | (66,994) | (36,335) | (128,857) |
| Balance, December 31, 2023 | 769,421 | 17,856,818 | 1,111,943 | 21,212,299 |
| Amortization | 18,267 | 55,889 | 713,815 | 787,971 |
| Effect of foreign exchange rate changes | - | 1,540,865 | 90,196 | 1,632,598 |
| **Balance, December 31 2024** | **787,688** | **19,453,572** | **1,915,954** | **23,632,868** |
| **Carrying amount** | | | | |
| Balance, December 31, 2023 | 18,267 | 378,282 | 2,785,207 | 3,181,756 |
| **Balance, December 31, 2024** | **-** | **351,578** | **2,237,698** | **2,589,276** |

*FY2023*

*Asset acquisition*

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.

*Goodwill and long-lived assets impairment*

As at December 31, 2023, the Company carried out an impairment analysis on its Cash Generating Units ("CGUs") as required by IAS 36. The Company's CGUs are organized by business operations (Direct Media and Snapchat). After analyzing the fair value less costs of disposal and the value in use, the Company determined the recoverable amount of both CGUs to be based on value in use. The Company therefore recognized an impairment loss of $43,389,356 during the year ended December 31, 2023 which was first allocated to Goodwill for $27,176,045 and the excess to intangible assets of $16,213,311.

*FY2024*

*Asset acquisition*

In December 2024, the Company entered into an Asset Purchase Agreement with Viral Nation Inc., to purchase four instagram social media channels. The acquired instagram channels met the definition of an intangible asset under IAS 38 and therefore these channels were measured at cost, $186,722. These channels were categorized under Customer Relationships as they are similar to assets that were purchased from Gamelancer Inc. and Offbeat. This transaction is accounted for as an asset acquisition.

(Expressed in Canadian dollars)

***6.* Intangible assets** (*continued from previous page*)

Definite live intangible asset impairment

As at December 31, 2024, the Company's intangible asset balance by CGU is as follows:

Direct Media: $186,398

Snapchat: $2,402,878

As required by IAS 36, the Company first assessed whether there were any indicators of impairment for the definite life intangible assets and noted that there were indicators of impairment for the Snapchat intangible assets and no indicators of impairment for the Direct Media intangible assets. The company therefore carried out a quantitative impairment analysis on the Snapchat CGU as required by IAS 36.

Further, management performed the impairment analysis for the Snapchat CGU. The key assumptions used in the discounted cash flow model are summarized below:

| | **Snapchat** |
|---|---|
| Discount rate | 34.6% |
| Income tax rate | 26.5% |
| Terminal growth rate | 3.0% |
| Costs of disposal | 5% |

The company determined the rates above based on past performance and its expectations for future performance. The discount rate is based on prior year discount rate analysis. Income tax rate is based on the Canadian statutory rate in effect. Changes in inputs, such as discount rates and future cash flows, are subject to estimate and changes in these inputs can materially impact the estimated recoverable amount of the intangible assets and goodwill.

As per the impairment analysis performed, the Company concluded there was no impairment on Snapchat CGU.

**7. Leases**

The Company's right of use assets and lease obligations relate to the Company's office premise.

| *Right of use asset* | $ |
|---|---|
| Balance, December 31, 2023 | - |
| Addition | 224,095 |
| **Balance, December 31, 2024** | **224,095** |
| | |
| **Accumulated depreciation** | |
| Balance, December 31, 2023 | - |
| Depreciation | 8,300 |
| **Balance, December 31, 2024** | **8,300** |
| | |
| Net balance, December 31, 2023 | - |
| **Net balance, December 31, 2024** | **215,795** |
| | |
| *Lease obligations* | |
| Balance, December 31, 2023 | - |
| Addition | 224,095 |
| Interest accretion | 1,252 |
| Lease payments | (10,068) |
| **Balance, December 31, 2024** | **215,279** |
| | |
| Current | 88,871 |
| Non-current | 126,408 |

## 8. Asset Acquisition

*Offbeat Media Group Inc.*

On December 19, 2023, Gamelancer entered into an Asset Purchase Agreement ("APA" or the "Agreement") with Offbeat Media Group Inc., a Delaware corporation ("Offbeat"), Offbeat Studios LLC, a Georgia limited liability company ("Offbeat Studios"), Creator Labs LLC, a Georgia limited liability company ("Creator Labs" and together with Offbeat and Offbeat Studios, each a "Seller" and collectively the "Sellers") to purchase 68 Snapchat social media channels owned and operated by the Sellers.

Offbeat Studios and Creator Labs are wholly owned subsidiaries of Offbeat.

The Agreement outlines that Gamelancer has acquired 68 Snapchat channels (the "Snapchat Channels") and all related rights, licenses, permits, certifications and accreditations relating to those channels owned by the Sellers in exchange for:

Purchase price of USD$2,000,000, which consists of:

1. USD$1,000,000 of cash consideration due on closing; and
2. USD$1,000,000 payable in equal monthly instalments over the following 18 months and interest at a rate of 5% per annum payable monthly on the outstanding balance.

The company assessed the acquisition utilizing the IFRS 3 literature and concluded that the concentration test was met and therefore the acquisition of the Snapchat channels should be accounted for as an asset acquisition. The transaction was therefore outside of the scope of IFRS 3.

The acquired Snapchat channels meet the definition of an intangible asset under IAS 38 and therefore are measured at cost. The total cost recognized was $2,773,590 and included the cash consideration and the note payable for both $1M USD, plus transaction costs of $149,563.

*Viral Nation Inc.*

On December 19, 2024, the Company entered into an Asset Purchase Agreement ("APA" or the "Agreement") with Viral Nation Inc., an Ontario corporation, the Company purchased four instagram social media channels owned and operated by Viral nation. Viral nation is considered an arms length party.

The Agreement outlines that the Company has acquired four instagram channels (the "Instagram Channels") and all related rights, licenses, permits, certifications and accreditations relating to those channels owned by the Sellers in exchange for:

Purchase price of USD$150,000, which consists of:

1. USD$50,000 of cash consideration due on closing; and
2. USD$100,000 payable through the issuance of 5,737,200 common shares in the capital of the Company.

Under IFRS 3, Business Combinations, it was determined that the acquisition did not qualify as a business combination, as no substantive processes were transferred and the Company did not acquire any organized workforce, operational systems, or intellectual property that would enable acquired channels to generate outputs. Accordingly, the acquisition does not meet the definition of a business combination and therefore, it was accounted for as an asset acquisition in accordance with IFRS 2. The Company measures equity-settled share-based payment transactions at the fair value of the goods or services received, unless that fair value cannot be estimated reliably in which case these are measured at the fair value of the equity instruments issued. On December 19, 2024, the fair value of common shares was $0.010 per share, which was used to value the four instagram social media channels acquired as assets. There are no other assets acquired or liabilities assumed under this APA.

The acquired Instagram channels meet the definition of an intangible asset under IAS 38 and therefore are measured at cost. The total cost recognized was $186,722 and included the cash consideration of $71,850 and the issuance of 5,737,200 shares (at fair value of $0.010 per share valuing $57,372), plus transaction costs of $57,500.

(Expressed in Canadian dollars)

## 9. Deferred and contingent consideration

| *Contingent consideration* | |
|---|---|
| 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 |
| Write off contingent consideration | (119,034) |
| **Balance, December 31, 2024** | - |

## 10. Goodwill

There is no goodwill balance as at December 31, 2024. During the year ended December 31, 2023, the Company completed its annual assessment of the recoverable amount of the Company's CGUs compared to their carrying value. This resulted in a total impairment loss to goodwill for the CGUs identified of $27,176,045 which is allocated between Direct Media and Snapchat CGUs to be $22,343,855 and $4,832,190 respectively in 2023. Refer to note 6 for additional context around analysis and management assumptions used in determining the recoverable amounts.

(Expressed in Canadian dollars)

**11. Debenture units**

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

| | $ CD I | $ CD II |
|---|---|---|
| Balance, December 31, 2023 | 4,579,822 | - |
| Additions | - | 1,000,000 |
| Repayment | (84,894) | - |
| Extinguishment of convertible debt | (4,935,479) | - |
| Valuation of new convertible debt | 2,250,000 | - |
| Fair value Adjustment | 1,267,126 | (51,450) |
| Interest and accretion expense | 573,425 | 76,848 |
| **Balance, December 31, 2024** | **3,650,000** | **1,025,398** |

On June 27, 2024, the Company issued unsecured convertible debentures (CD II) in the amount of $1,000,000. 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. For accounting purposes, the Company has designated the convertible debenture at FVTPL. The conversation feature does not meet the fixed-for-fixed criteria for the accrued interest due to the conversion price being variable. The Company does not separately account for the fair value of the conversion feature as a derivative as it has classified the entire instrument as FVTPL. The change in fair value of the debentures was $51,450 during the year ended December 31, 2024.

On September 10, 2024, the Company entered into the Amendment of the convertible debenture (CD I) with the subscribers. As a result, the agreement was modified.The amendments resulted in several changes to the terms of the debentures, among others, notably:

- Increase in interest rate from 12% to 15%;
- Maturity date changed from November 3, 2027 to September 10, 2025;
- Automatic conversation to common shares at maturity, unless the Company exercises a prepayment option.

Due to the substantial modification of the terms of an existing financial liability, it was accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similar to the above, the debenture is recorded as FVTPL. The change in fair value of the debenture was $1,267,126 during the year ended December 31, 2024.

In December 2024, the Company commenced a private placement to issue unsecured convertible debentures up to an amount of $3,000,000. The Company only received first tranche of funds in December for $350,000 from one subscriber, with the remaining received subsequently. In 2025, the Company has received three more tranches of funds relating to the existing private placement that is currently open. The debenture is expecting to close on May 1, 2025.

**12. Promissory note**

On December 19, 2023, the Company entered into an Asset Purchase Agreement ("APA" or the "Agreement") with Offbeat Media Group Inc., a Delaware corporation ("Offbeat"), Offbeat Studios LLC, a Georgia limited liability company ("Offbeat Studios"), Creator Labs LLC, a Georgia limited liability company ("Creator Labs" and together with Offbeat and Offbeat Studios, each a "Seller" and collectively the "Sellers") to purchase 68 Snapchat social media channels owned and operated by the Sellers (Note 8).

The Agreement outlines that the Company has acquired 68 Snapchat channels (the "Snapchat Channels") and all related rights, licenses, permits, certifications and accreditations relating to those channels owned by the Sellers in exchange for:

Purchase price of USD$2,000,000, which consists of:

1. USD$1,000,000 of cash consideration due on closing; and
2. USD$1,000,000 payable in equal monthly instalments over the following 18 months and interest at a rate of 5% per annum payable monthly on the outstanding balance.

(Expressed in Canadian dollars)

***12. Promissory note*** (*continued from previous page*)

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

| | $ |
|---|---|
| Balance, December 31, 2023 | 1,204,917 |
| Repayment | (909,746) |
| Interest and accretion expense | 104,900 |
| Interest payments | (43,501) |
| Effect of foreign exchange rate changes | 43,053 |
| **Balance, December 31, 2024** | **399,622** |

### 13. Income Taxes

The following schedule reconciles the expected income tax expense (recovery) at the Canadian combined federal and provincial statutory rate of 26.5% to the amounts recognized in the statements of loss and comprehensive loss:

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| Net loss | (2,381,829) | (53,254,043) |
| Statutory rate | 26.5% | 26.5% |
| Expected income tax recovery | (631,185) | (14,112,321) |
| Non-deductible listing fees | - | - |
| Share-based compensation and other non-deductible expenses | 108,424 | 413,342 |
| Penalty on contingent consideration | - | 562,101 |
| Deemed interest income | 256,848 | 454,065 |
| Write-off of goodwill | - | 7,564,436 |
| Difference in tax rates | 11,551 | (470,018) |
| Others | (57,707) | (8,905) |
| Return to provision | 1,030,242 | - |
| Change in tax benefits not recognized | (734,878) | 1,362,053 |
| Income tax expense | (16,705) | (4,235,247) |

Deferred tax assets (liabilities) recognized are as follows:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Deferred tax liabilities | | |
| Other | (19,218) | (87,356) |
| Debentures | (548,380) | (158,882) |
| Foreign exchange | (251,501) | (171,516) |
| Deferred tax assets | | |
| Intangible assets | 97,049 | (49,578) |
| Share issuance costs | 130,266 | 178,226 |
| US net operating losses available for carryforward | - | 87,018 |
| Canadian non-capital losses available for carryforward | 551,156 | 44,137 |
| Net deferred tax asset (liability) | (40,628) | (157,951) |

(Expressed in Canadian dollars)

***13.* Income taxes** (*continued from previous page*)

The movement in deferred tax assets and liabilities during the year is as follows:

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| Balance, beginning of year | (157,951) | (5,271,145) |
| Recognized in profit or loss | 198,232 | 4,415,472 |
| Recognized in equity | - | 171,725 |
| Recognized in other comprehesive income | (79,985) | 509,988 |
| Recognized in goodwill | - | - |
| Others | (924) | 16,009 |
| Balance, end of year | (40,628) | (157,951) |

Deferred income tax assets in excess of deferred income tax liabilities have not been recognized in respect of the following attributes because it is not probable that future taxable profit will be available against which the Company can use the benefits:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Lease liability | **-** | - |
| Investment in a private company | **-** | 21,630 |
| Accrued liabilities | **132,500** | 132,500 |
| Intangibles | **143,103** | 282,854 |
| Share issue costs | **71,528** | 112,190 |
| US net operating losses available for carryforward | **-** | 123,824 |
| Canadian capital losses available for carryforward | **53,811** | - |
| Non-capital losses available for carryforward | **3,849,045** | 4,324,884 |
| | **4,249,987** | 4,997,882 |

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

Section 382 of the Internal Revenue Code limits the utilization of U.S. net operation loss ("NOL") carry forwards following a change of control. Of the U.S. NOLs, $nil (2023 - $509,482) may be subject to Section 382 limitation.

| | $ Canada | $ United States |
|---|---|---|
| 2036 | - | - |
| 2037 | 148,786 | - |
| 2038 | 1,038,451 | - |
| 2039 | 386,162 | - |
| 2040 | 55 | - |
| 2041 | 3,501,160 | - |
| 2042 | 4,723,886 | - |
| 2043 | 2,080,863 | - |
| 2044 | 2,645,334 | - |
| Indefinite | - | - |
| | 14,524,697 | - |

(Expressed in Canadian dollars)

## 14. 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 14(i)) | 26,122,960 | 653,074 |
| Issuance of common shares for finders fee (Note 14(iii)) | 944,400 | 37,776 |
| Increase in common shares listed (Note 14 (iv)) | 8,666,666 | - |
| Issuance of common shares for acquisition (Note 14(v)) | 5,737,200 | 57,372 |
| Shares to be Issued (Note 14 (ii)) | - | 173,014 |
| Issuance Costs | - | (9,517) |
| Balance, December 31, 2024 | 645,517,220 | 59,700,304 |

(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 $0.025 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.

In December 2024, the Company issued RSUs to its Board of Directors with vesting in December 2025.

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

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

(iv) Increase in common shares listed

The Company had an additional 8,666,666 common shares listed and reserved for insurance pursuant to the advisory services plan.

(v) Issuance of common shares for acquisition

In December 2024, the Company issued 5,737,200 common shares at a price per share of $0.010. The Company issued these shares in connection to the Asset Purchase Agreement as part of the purchase price.

(vi) Shares held in escrow

As at December 31, 2024, the Company has 31,850,840 common shares held in escrow in connection with the Gamelancer transaction. The escrowed securities will be released on April 14, 2025.

(Expressed in Canadian dollars)

### 15. Warrants

| | # | $ |
|---|---|---|
| Balance, December 31, 2023 | 133,877,182 | 5,214,482 |
| Warrants expired | (30,633,228) | (1,595,144) |
| **Balance, December 31, 2024** | **103,243,954** | **3,619,338** |

During the year ended December 31, 2024, there were 30,633,228 warrants expired (2023 - 25,925,494 warrants expired). Prior year expired warrants were reclassified from warrant reserve to deficit.

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 |
| **Balance, December 31, 2024** | 103,243,954 | 0.15 |

Additional information regarding warrants outstanding at December 31 2024 follows.

| | Warrants outstanding | |
|---|---|---|
| Exercise price | Number of warrants | Weighted average remaining contractual life |
| | # | (in years) |
| $0.07 | 1,197,259 | 0.9 |
| $0.15 | 100,038,500 | 1.5 |
| $0.10 | 2,008,195 | 1.5 |
| | **103,243,954** | **1.4** |

(Expressed in Canadian dollars)

**16. 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 | 64,551,722 |
| Issued and outstanding at end of period | (46,503,100) |
| Number of options available for grant under the Plan at December 31, 2024 | 18,048,622 |

The vesting terms of options granted pursuant to the Plan are determined by the board of directors, which are to vest immediately.

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

| | **Year ended December 31, 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 | 8,448,000 | 0.02 | 9,600,000 | 0.155 |
| Expired/Cancelled | (11,017,500) | 0.29 | (11,800,000) | 0.22 |
| Granted | 6,900,000 | 0.025 | - | - |
| Granted | - | - | 9,325,100 | 0.110 |
| Balance, end of period | **46,503,100** | **0.10** | 42,172,600 | 0.17 |
| Exercisable, end of period | **46,503,100** | **0.10** | 42,172,600 | 0.17 |

The weighted average fair value of share options granted during the period was $0.01 and $0.0021 respectively. The Company used the Black-Scholes Merton formula to estimate the fair value of share options granted during the period, based on the following inputs:

| | **August 16, 2024** | **December 2, 2024** |
|---|---|---|
| Weighted average estimated fair value per common share | $ 0.02 | $ 0.025 |
| Weighted average exercise price of the share option | $ 0.01 | $ 0.0021 |
| Weighted average expected volatility of the underlying common share | 68.74% | 65.25% |
| Weighted average expected life of the share option | 3 years | 3 years |
| Weighted average expected dividend yield | 0.00% | 0.00% |
| Weighted average risk-free interest rate | 3.01% | 2.91% |

(Expressed in Canadian dollars)

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

The following table provides additional information about the Company's share option plan at December 31, 2024:

| | Share options issued and outstanding | |
|---|---|---|
| Exercise prices | Number of options | Weighted average remaining contractual life in years |
| | # | # |
| $0.02 | 8,448,000 | 2.6 |
| $0.025 | 6,900,000 | 2.9 |
| $0.10 | 6,800,000 | 0.5 |
| $0.11 | 4,825,100 | 1.5 |
| $0.12 | 125,000 | 0.9 |
| $0.13 | 13,000,000 | 0.9 |
| $0.155 | 5,675,000 | 1.0 |
| $0.40 | 730,000 | 0.1 |
| | 46,503,100 | 1.5 |

During the year ended December 31, 2024, the Company recognized share-based compensation expense of $271,984 (year ended December 31, 2023 - $1,419,006), presented in the line item 'share-based payments' in the consolidated statements of loss and comprehensive loss. During the year ended December 31, 2024, 11,017,500 share options related to former officers and employees who are no longer with the Company expired (2023 - 12,460,000 share options expired). Prior year expired options were reclassified from share-based benefits reserve to deficit.

## 17. Related party transactions

*Compensation of key management personnel*

The remuneration of key management personnel, including directors and officers, during the year was as follows:

| | **2024** | 2023 |
|---|---|---|
| | **$** | $ |
| Short-term benefits | **1,817,830** | 2,173,452 |
| Share-based compensation | **271,984** | 3,956,250 |
| | **2,089,814** | 6,129,702 |

Short-term benefits include salaries of $584,735 (2023 - $642,972) and consulting fees of $1,233,095 (2023 - $1,530,480). Consulting fees, paid to companies controlled by key management personnel, were recognized in the line item 'consultants and subcontractors' in the consolidated statements of loss and comprehensive loss. During the fiscal year 2024, the Company has an amount owing due to a related party of $5,069.

The remuneration of key management personnel is determined by the board of directors having regard to the performance of individuals and market trends.

(Expressed in Canadian dollars)

***17.* Related party transactions** (*continued from previous page*)

*Due to related parties*

*A*mounts due to related parties are owed to key management personnel for reimbursement of various business expenditures that such individuals made payment for on behalf of the Company. Amounts due to related parties are unsecured, non-interest bearing and payable on demand.

In February 2025, the Company received a non-interest bearing loan from a related party in the amount of $200,000 USD.

## 18. Share-based payments

| | For the years ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **$** | $ |
| Share-based compensation | | |
| - stock options (Note 16) | **98,970** | 1,419,006 |
| - restricted stock units | **173,014** | - |
| | **271,984** | 1,419,006 |

On September 23, 2024, the Company issued 1,500,000 restricted stock units (RSUs) pursuant to the terms and conditions of the Company's Omnibus Share-Based Compensation Plan. These units shall vest on December 31, 2024. The shares were issued subsequent to year end.

On December 2, 2024, the Company issued 11,200,000 restricted stock units (RSUs) pursuant to the plan vesting on December 2, 2025 subject to each individual having served as a director for at least one year and remaining a director at the time of vesting.

## 19. Finance costs, net

| | Years ended December 31, | |
|---|---|---|
| | **2024** | 2023 |
| | **$** | $ |
| Interest and bank charges | **10,501** | 13,079 |
| Interest and accretion expense on promissory note | **104,900** | 5,511 |
| Interest accretion on lease liability | **1,252** | - |
| Accretion expense arising on deferred consideration (Note 9) | - | 31,630 |
| Interest and accretion expense on debenture units (Note 11) | **650,273** | 590,485 |
| Tax penalty | **61,255** | - |
| Interest (income) | **(30,443)** | (1,055) |
| | **797,738** | 639,650 |

(Expressed in Canadian dollars)

## 20. 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).

Total managed capital is as follows:

| | 2024 | 2023 |
|---|---|---|
| | $ | $ |
| Amount due to relates parties | 5,069 | 5,069 |
| Deferred consideration | - | - |
| Contingent consideration | - | 119,034 |
| Share capital | 59,700,304 | 59,301,659 |
| Warrant reserve | 3,619,338 | 5,214,482 |
| Share-based benefit reserves | 1,958,630 | 2,413,310 |
| Less: cash | (506,130) | (1,163,239) |
| **Total** | **64,777,211** | **65,890,315** |

To note, share capital in the above breakdown includes both common shares and shares to be issued.

In order to maintain or adjust its capital structure, the Company may elect to issue or repay financial liabilities, issue shares, or undertake any other activities as deemed appropriate under the specific circumstances. The Company is not subject to any externally imposed capital requirements.

## 21. 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 December 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.

*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.

(Expressed in Canadian dollars)

***21*. Financial instruments** (*continued from previous page*)

*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 | 2,706,608 | - | - | 2,706,608 |
| Lease liability | 101,060 | 130,879 | - | 231,939 |
| Due to related parties | 5,069 | - | - | 5,069 |
| Promissory note | 399,622 | - | - | 399,622 |
| Debenture units | 5,388,801 | - | - | 5,388,801 |
| | 8,601,160 | 130,879 | - | 8,732,039 |

*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:

| | **December 31, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Monetary assets | | |
| U.S. dollars | **1,933,087** | 1,425,547 |
| Monetary liabilities | | |
| U.S. dollars | **(346,996)** | (547,508) |

(Expressed in Canadian dollars)

***21*. Financial instruments** (*continued from previous page*)

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 |
| (Decrease) in profit | **(228,223)** | (116,129) |

## 22. 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 | 2,383,383 | 2,478,030 | 4,861,413 |
| Property and equipment | 8,549 | - | 8,549 |

## 23. Contingent liabilities

*Statement of claim – July 29, 2021*

On July 29, 2021, the Company received a statement of claim filed by GroupBy Inc. alleging breach of contract and unjust enrichment and seeking USD $4,136,807 plus interest and costs. The Company is contesting the claim.

On September 7, 2021, the Company filed a Statement of Defence and Counterclaim in the Ontario Superior Court of Justice against GroupBy Inc. The Company claims, among other things, GroupBy Inc.'s failure to perform the services and misrepresentation and seeks dismissal of the action. Furthermore, the Company is counterclaiming seeking damages of $400,000 plus costs for breach of contract and negligent misrepresentation.

On October 27, 2021, the Company filed a Third Party Counterclaim in the Ontario Superior Court of Justice against an individual who is a former director of the Company and the CEO of GroupBy Inc. claiming breach of fiduciary duties and duties of good faith and is seeking USD $4.1 million in damages plus costs.

As litigation is subject to many uncertainties, it is not possible to predict the ultimate outcome of this claim or to estimate the loss, if any, which may result. Accordingly, the outcome of the claim is not yet determinable, and the extent to which an outflow of funds maybe required to settle this possible obligation cannot be reliably determined.

On Jul 11, 2023, the Issuer attended a Mediation. There were no offers on the table that was settled upon at Mediation. Legal Counsel has suggested the Company to settle at $1.14M with payments spread out over time. The Company denied and as at December 31, 2023, the counter offer came down to $500,000. The offer has further come down to $200,000 in fiscal year 2024.No decisions have been made on settling.

**23. Contingent liabilities** (*continued from previous page*)

*Statement of claim – November 19, 2024*

On November 19, 2024, the Company filed a claim in the Ontario Superior Court of Justice against Playground Media Corp., as well as the individuals associated with the Company. The Company is claiming damages relating to breach of contract and misuse of confidential information, among other things and seeking $4,770,000 in damages plus costs. Subsequent to year end, the Company received a defence denying all claims and allegations. The company is preparing a defence to submit.

*Statement of claim – January 8, 2025*

On January 8, 2025, the Company received a claim from a former consultant claiming dues for wrongful termination in the amount of $193,957. On February 18, 2025 the Company filed a statement of defence. On March 3, 2025, the Company received a reply to the statement of defence. The Company has offered to schedule a mediation in June of 2025.

**24. Subsequent events**

There are no subsequent events noted other than those disclosed in the respective notes of the consolidated financial statement.