CONSOLIDATED FINANCIAL STATEMENTS

For

ACKROO INC.

As at and for the three and nine-months ended September 30, 2023

Notice of no auditor review of condensed interim consolidated financial statements

Under Part 4, subsection 4.3(3)(a) of National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Ackroo Inc. have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Chartered Professional Accountants for a review of interim financial statements by an entity's auditor.

ACKROO INC.
CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
as at September 30, 2023 and December 31, 2022
(expressed in Canadian dollars except for share and per share amounts)

	Sept 30, 2023	Dec 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	**108,205**	10,533
Deposit on business combination (Note 6)	**-**	1,274,617
Cash Held for Share Re-acquisition (Note 15 (e))	**24,477**	
Divesture receivables (Note 7)	**150,000**	-
Accounts receivable (Note 5)	**284,292**	461,102
Inventory	**7,571**	8,384
Prepaid expenses and other assets	**41,855**	57,239
	616,400	1,811,875
Non-current assets:		
Due from related party (Note 16)	**312,500**	312,500
Property and equipment (Note 11)	**1,296,086**	1,459,687
Intangible assets (Notes 6,7 & 8)	**2,560,791**	1,478,014
Goodwill (Note 9)	**2,012,084**	2,640,084
	6,181,461	5,890,285
	6,797,861	7,702,159
LIABILITIES		
Current Liabilities:		
Bank indebtedness (Note 14)	**-**	514,860
Trade and other payables	**433,805**	552,548
Consulting settlement payable (Note 10)	**-**	523,369
Lease liability (Note 13)	**204,541**	207,857
Deferred revenue	**56,139**	59,256
Long term debt (Note 12)	**2,987,960**	231,031
	3,682,445	2,088,921
Non-Current Liabilities:		
Lease liability (Note 13)	**1,213,449**	1,341,232
Debt (Note 12)	**-**	2,744,889
	4,895,894	6,175,042
SHAREHOLDERS' EQUITY		
Capital stock (Note 15 (a),(b),(e))	**19,412,743**	19,771,822
Warrants (Note 15 (c))	**840,512**	840,512
Contributed surplus (Note 15(d))	**1,952,414**	1,721,424
Deficit	**(20,303,702)**	(20,806,642)
	1,901,967	1,527,117
Total liabilities and shareholders' equity	**6,797,861**	7,702,159

Approved by the Board:

Steve Levely Director

Jeremy Jagt Director

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

ACKROO INC.
CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the three and nine months ended Sept 30, 2023 and 2022
(Expressed in Canadian Dollars except for share and per share amounts)

	Three-months ended Sept		Nine-months ended Sept	
	2023	**2022**	**2023**	**2022**
SALES				
Subscription	1,396,732	1,333,237	**4,418,596**	4,034,077
Product	227,270	195,173	**641,731**	634,325
	1,624,001	1,528,411	**5,060,328**	4,668,402
COST OF SALES				
Subscription	71,816	78,612	**228,639**	216,410
Product	74,748	46,181	**194,880**	158,022
	146,564	124,793	**423,519**	374,432
Gross profit	1,477,437	1,403,618	**4,636,809**	4,293,970
EXPENSES				
Administration	571,407	562,927	**1,852,273**	1,882,218
Research	297,099	306,419	**860,920**	915,190
Sales and marketing	214,268	200,227	**796,131**	629,223
Consulting settlement (Note 9)	-	1,164,978	**-**	1,164,978
Share-based compensation expense (Note 15(d))	53,357	53,613	**169,739**	231,285
Amortization of intangible assets (Note 8)	137,464	243,464	**581,733**	1,131,674
Amortization of property and equipment (Note 11)	56,647	74,180	**169,299**	221,671
Foreign exchange realized gain	508	(3,146)	**40,066**	(7,123)
Gain on divesture (Note 7)	-		**(494,511)**	-
	1,330,749	2,602,663	**3,975,651**	6,169,117
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE THE FOLLOWING ITEM	146,688	(1,199,045)	**661,158**	(1,875,147)
FINANCE COSTS				
Interest expense	(82,655)	(92,370)	**(268,485)**	(287,713)
Gain on retirement of debt		-	**-**	17,597
Amortization of deferred financing charges	(4,013)	(4,013)	**(12,040)**	(8,027)
	(86,669)	(96,383)	**(280,524)**	(278,143)
INCOME (LOSS) BEFORE INCOME TAXES	60,019	(1,295,428)	**380,634**	(2,153,289)
INCOME TAX	-	-	**-**	-
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	60,019	(1,295,428)	**380,634**	(2,153,289)
BASIC AND DILUTED EARNINGS (LOSS) PER SHARE	0.0005	(0.011)	**0.003**	(0.019)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	120,429,611	115,748,633	**119,764,112**	115,711,647

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

ACKROO INC.
CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the nine months ended September 30, 2023 and 2022
(Expressed in Canadian Dollars except for share and per share amounts)

	Common Shares		Agent		Contributed	Accumulated	
	Number	Amount	Options	Warrants	Surplus	Deficit	**Total**
Balance at December 31, 2021	**115,748,633**	**19,518,697**	**-**	**840,512**	**1,840,079**	**(19,118,830)**	**3,080,458**
Shares subscribed from options and warrants	-	-	-	-	-	-	**-**
Expiration of options / warrants	-	-	-	-	(349,129)	349,129	**-**
Share-based compensation	-	-	-	-	231,285	-	**231,285**
Comprehensive loss	-	-	-	-	-	(2,153,289)	**(2,153,289)**
Balance at September 30, 2022	**115,748,633**	**19,518,697**	**-**	**840,512**	**1,722,236**	**(20,922,990)**	**1,158,454**
Balance at December 31, 2022	**121,373,633**	**19,771,822**	**-**	**840,512**	**1,721,424**	**(20,806,642)**	**1,527,117**
Shares subscribed from options and warrants	-	-	-	-	-	-	**-**
Share Re-acquisition (Note 15 (e))	(2,126,000)	(359,080)	-	-	183,556	-	**(175,523)**
Expiration of options / warrants	-	-	-	-	(122,307)	122,307	**-**
Share-based compensation	-	-	-	-	169,739	-	**169,739**
Comprehensive income (loss)	-	-	-	-	-	380,634	**380,634**
Balance at September 30, 2023	**119,247,633**	**19,412,742**	**-**	**840,512**	**1,952,413**	**(20,303,702)**	**1,901,967**

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

ACKROO INC.

CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the nine months ended September 30, 2023 and 2022

(Expressed in Canadian Dollars except for share and per share amounts)

	2023	**2022**
OPERATING ACTIVITIES		
Net Income (Loss)	380,634	(857,861)
Items not affecting cash:		
Amortization of deferred financing charges	12,040	8,027
Amortization of property and equipment (Note 11)	169,299	147,491
Amortization of intangible assets (Note 8)	581,733	888,210
Share-based compensation (Note 15(d))	169,739	177,672
Gain on divestiture (Note 7)	(494,511)	(17,597)
Non-cash interest	55,920	42,527
	874,854	**388,469**
Changes in non-cash working capital items		
Accounts receivable (Note 5)	176,810	(82,022)
Working capital transferred (Note 6)	(58,012)	-
Inventory	814	(843)
Prepaid expenses and other assets	15,384	26,408
Accounts payable and accrued liabilities	(118,743)	(92,543)
Consulting agreement payable (Note 10)	(523,369)	-
Deferred revenue	(3,117)	(53,272)
	364,621	**186,197**
INVESTING ACTIVITIES		
Purchase of property and equipment (Note 11)	(5,698)	(8,380)
Proceeds on disposal (Note 7)	1,450,000	-
	1,444,302	**(8,380)**
FINANCING ACTIVITIES		
Repayment of bank indebtedness (Note 14)	(514,860)	-
Repayment of long-term debt (Note 12)	(809,371)	(36,828)
Cash payments of lease liabilities (Note 13)	(187,020)	(138,121)
Share Re-acqusition (Note 15 (e))	(175,523)	
Cash Held for Share Re-acquisition (Note 15 (e))	(24,477)	
	(1,711,251)	**(174,949)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	97,672	2,868
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	10,533	772,304
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	108,205	775,172

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

1. NATURE OF OPERATIONS

Ackroo Inc. ("Ackroo" or the "Company" or "We" or "Our") is a public company and its shares are listed on the TSX Venture Exchange (TSX-V:AKR) and OTC Markets (OTC: AKRFF). The Company exists under the *Canada Business Corporations Act* and is located at 1250 South Service Rd, Unit A3-1 (3rd Floor) Hamilton, ON, L8E 5R9. The Company develops and sells an online loyalty and rewards platform that enables businesses to design and execute customer transaction, engagement and retention strategies.

Going Concern

At September 30, 2023, the Company had cash of $108,205, net profit from operations for the year of $661,158, including a one-time gain on disposition of $494,511, and an accumulated deficit of $20,303,702. The Company has entered into certain loan arrangements to assist in financing continued operations and certain acquisitions (Note 12).

In view of these conditions, the ability of the Company to continue as a going concern is dependent upon achieving a profitable level of operations or obtaining the necessary financing to fund ongoing operations. Historically, the Company has relied upon funds from the operations, bank financing, sale of shares of stock, issuance of promissory notes and loans from its shareholders and private investors to finance its operations and growth. Management may raise additional funds for working capital through loans and/or additional sales of its common stock, as required, however, there is no assurance that the Company will be successful in raising additional capital or that such additional funds will be available on acceptable terms, if at all. Should the Company be unable to raise this amount of capital, its operating plans will be limited to the amount of capital that it can access. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to any adjustments which will be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements.

Impact from the global outbreak of COVID-19 (coronavirus) and changes to the macroeconomic environment

The COVID-19 pandemic has had adverse financial impacts on the global economy and financial markets. The conflict in Ukraine and the transition to higher inflationary environments have also contributed to increased global economic and financial volatility; however, there has been no significant impact on the Company's results and management continues to monitor for any potential impacts on the operations and financial position of the Company.

2. BASIS OF PREPARATION

Statement of compliance

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

The consolidated financial statements for the three and nine-months ended September 30, 2023 were approved and authorized for issue by the Board of Directors on November 8, 2023.

Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis.

Basis of consolidation

The consolidated financial statements include the assets, liabilities and results of operations of the Company and its wholly owned subsidiaries Ackroo Canada Inc., Ackroo Corporation and 3916715 Canada Inc., operating as GGGolf. The financial statements of all subsidiaries are prepared for the same reporting period, using consistent accounting policies. In preparing the consolidated financial statements, all intra-group balances and transactions between the entities in the consolidated group have been eliminated.

The consolidated financial statements are presented using the Canadian dollar, which is the parent and subsidiary companies' functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue represents the amount the Company expects to receive for products and services in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived from the provision of loyalty rewards software-as-a-service ("SaaS") arrangements, consulting services and consumable products utilized by its customers in the implementation and management of customer loyalty programs. Revenue is generated in three distinct ways: (i) setup includes all of the components required to start a loyalty program including: software, card readers, loyalty cards, artwork, training and configuration of the software to meet customer specific requirements; (ii) transactions include the ongoing monthly processing of loyalty transactions and are charged on either a per transaction basis or a flat monthly fee over the contract period; (iii) the Company also generates revenue from consulting services provided for additional customer training and customized development of loyalty programs.

Typically, the Company enters into contracts that contain services such as subscriptions, incremental variable fees, transaction fees, setup fees and professional services. The Company evaluates these arrangements to determine the appropriate unit of accounting (performance obligation) for revenue recognition purposes based on whether the services are distinct from some or all of the other services in the arrangement. A product or service is distinct if the customer can benefit from it on its own or together with other readily available resources and Ackroo's promise to transfer the good or service is separately identifiable from other promises in the contractual arrangement with the customer. The Company has determined that all products and services provided to its customers are dependent on its proprietary technology platforms and there are no separately identifiable promises related to products or services. Where a contract consists of more than one performance obligation, revenue for each performance obligation is recognized primarily on the relative fair value basis for each performance obligation.

The Company recognizes revenue when it has transferred significant risks of ownership, legal title has passed, it retains neither continuing managerial involvement to the degree usually associated with ownership or effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transactions will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from setup not relating to the sale of product is classified as subscription and service on the consolidated statements of loss and comprehensive loss and is deferred and recognized over the expected life of the estimated term of the merchant agreement. Revenue from license and subscriptions is recognized evenly over the term or estimated term. Revenue from the supply of product and service and consulting fees is recognized in the year in which the product or services are delivered.

Deferred revenue

Deferred revenue is comprised of startup fees received in advance of a merchant being setup on the Company's loyalty platform, monthly fees paid in advance and recognized in income over the term of the merchant agreement.

Cash and cash equivalents

The Company's policy is to present bank balances under cash and cash equivalent with balances that fluctuate frequently from being positive to overdrawn and undeposited funds on hand. Bank overdrafts are included in liabilities.

Inventory

Inventory consists of components such as cards and card readers and is recorded at the lower of cost and net realizable value. Previously written down inventory is reversed if circumstances that caused the write-down no longer exist.

Financial instruments

Financial instruments are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of a financial instrument. The Company initially recognizes all of its financial assets and liabilities, including derivatives and embedded derivatives in certain contracts, at fair value.

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics, and management choices and intentions related thereto for the purpose of ongoing measurements. Classification for financial assets include:

a) FVTPL – measured at fair value with changes in fair value recorded in the statement of loss;
b) FVTOCI – measured at fair value with changes in fair value recognized in other comprehensive income for the current year until realized through disposal or impairment except for investment in affiliate as it is a non-derivative equity instrument with no quoted market price; and
c) Amortized cost – recorded at amortized cost with gains and losses recognized in net earnings in the year that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include:

a) FVTPL – measured at fair value with changes in fair value recorded in net earnings; and
b) Amortized cost – measured at amortized cost with gains and losses recognized in net earnings in the year that the liability is derecognized.

The Company's financial assets and liabilities are classified and measured as follows:

Financial Assets	
Cash and cash equivalents	Amortized cost
Accounts receivable	Amortized cost
Due from related party	Amortized cost
Financial Liabilities	
Accounts payable and accrued liabilities	Amortized cost
Leases – IFRS 16	Amortized cost
Long-term debt	Amortized cost

With respect to financial assets measured at amortized cost, the Company assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Company determines that during the year there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, they will then recognize a reduction as an impairment loss in the statements of income and comprehensive income. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in the statements of income and comprehensive income in the year the reversal occurs.

Transaction costs other than those related to financial instruments classified as FVTPL or FVTOCI, which are expensed as incurred, are added to or deducted from the fair value of the financial asset or financial liability, as appropriate, on initial recognition and amortized using the effective interest method.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The accounting standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

Fair value determination is classified within a three-level hierarchy, based on observability of significant inputs, as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs for the asset or liability. Inputs into the determination of the fair value require management judgment or estimation.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Changes to valuation methods may result in transfers into or out of an investment's assigned level.

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or if the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the financial asset. A financial liability is derecognized when its contractual obligations are discharged, cancelled or expire.

Impairment

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

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

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

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.

Foreign currency

In preparing the financial statements, transactions in currencies other than the Company's functional currency are recorded at the exchange rates prevailing at the dates of the transactions. At each statement of financial position date, monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars at the foreign exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Canadian dollars at the effective exchange rate on the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognized in the statement of loss.

Property and equipment

Property and equipment are recorded at cost less residual value and accumulated amortization. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company. Amortization is provided when the asset is available for use, over the estimated useful life of the asset, using the following annual rates and methods:

Computer equipment	45%, declining balance method
Right of use leased asset	straight line, over the remaining term of the lease
Leasehold improvements	straight line, over the shorter of useful life or term of the lease
Furniture and fixtures	20%, declining balance method

An asset's residual value, useful life and amortization method are reviewed, and adjusted prospectively if appropriate, on an annual basis.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statements of loss and comprehensive loss.

Business combinations

Business combinations are accounted for by applying the acquisition method. The acquisition method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. The acquiree's identifiable assets and liabilities that meet the conditions for recognition under IFRS 3, Business Combinations ("IFRS 3"), are recognized at their fair value at the acquisition date.

The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value. Transaction costs related to the acquisition are expensed as they are incurred.

Goodwill arising on acquisition is recognized as an asset and represents the excess of acquisition cost over the fair value of the Company's share of the identifiable net assets of the acquiree at the date of the acquisition. Any excess of identifiable net assets over the acquisition cost is recognized in net income immediately after acquisition.

Goodwill and intangible assets

Goodwill, representing the excess of the purchase price over the fair value of the net assets acquired, is carried at its original value based on the acquisition, less impairment losses determined subsequent to the acquisition. Goodwill, both new and existing, is measured against the whole operations of Ackroo as a singular cash generating unit (CGU).

Intangible assets consist of acquired customer contracts, brand, internally development research and development intellectual property and intellectual property acquired through acquisitions. Intangible assets are accounted for at cost. Customer contracts and intellectual property have finite useful lives and are carried at cost less accumulated amortization and accumulated impairment losses. The customer contracts are amortized on a straight-line basis over the estimated useful life of 3 to 7 years. Intellectual property is amortized on straight-line basis over the estimated useful life of 5 to 7 years.

Impairment of non-financial assets

Goodwill and intangibles with indefinite useful lives are reviewed for impairment annually, or when events or changes in circumstances indicate the carrying value of the assets may not be recoverable. Goodwill, both new and existing, is measured against the whole operations of Ackroo as a singular cash generating unit (CGU). If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs of disposal and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses related to goodwill cannot be reversed.

Long-lived assets or finite life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). The recoverable amount is the higher of fair value less costs to sell and value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. When an impairment loss subsequently reverses, other than related to goodwill, the carrying amount of the asset is increased to the revised estimate but is limited to the carrying amount that would have been determined if no impairment loss had been recognized in prior years.

In the process of measuring expected future cash flows, management makes assumptions about future growth of profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company’s assets in subsequent financial years.

Income taxes

The income tax expense for the year comprises current and deferred tax. Tax is recognized in the consolidated statements of loss and comprehensive loss, except to the extent it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is recognized in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted, at the end of the year, and any adjustments to tax payable in respect to previous years.

Deferred taxes are calculated using the asset and liability method on temporary differences between the carrying amount of assets and liabilities and their related tax bases. Deferred income taxes are measured using substantively enacted tax rates that will be in effect when the amounts are expected to be settled. Deferred tax assets are only recognizable to the extent it is probable that they will be utilized against future taxable income. The assessment of probability of future taxable income in which deferred tax assets can be utilized is based on the Company's latest approved forecast, which is adjusted for significant non-taxable income and expenses. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, the deferred tax asset is generally recognized to the extent it is recoverable.

Deferred tax assets and liabilities are only offset when the Company has the right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets and liabilities are recognized as a component of income or expense in net earnings or loss, except where they relate to items that are recognized in other comprehensive income or equity.

Investment tax credits

The Company claims investment tax credits as a result of incurring scientific research and development expenditures. Investment tax credits are recognized when the related expenditures are incurred and there is reasonable assurance of their realization. Investment tax credits in connection with research and development activities are recorded as a reduction of the cost of the related assets or expenditures. Management has made a number of estimates and assumptions in determining the expenditures eligible for the investment tax credit claim and the amount could be materially different from the recorded amount upon assessment by the Canada Revenue Agency.

Research and development

Current research costs other than property and equipment acquisitions are expensed as incurred. Development costs are deferred and amortized when the criteria for deferral under IFRS are met, or otherwise, are expensed. In 2020, the Company recognized research and development assets which met the criteria under IAS 38 totaling $547,964. These assets were put in use by the end of December 2020 and amortization for the year ended December 31, 2021 has been recorded.

The criteria for the assets recognized under IAS 38 were:

(a) technical feasibility of completing the intangible asset so that it will be available for use or sale.
(b) its intention to complete the intangible asset and use or sell it.
(c) its ability to use or sell the intangible asset.
(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Share-based payments

The Company records equity settled share-based payments for the granting of stock options and warrants granted using the fair value method whereby all awards to employees are recorded at the fair value of each stock option or warrant at the date of the grant using the Black-Scholes option pricing model. The fair value of the stock options is amortized over the vesting period with a corresponding increase in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of options expected to eventually vest. Any consideration paid by the option or warrant holders to purchase shares is credited to share capital and the related share-based payments is transferred from warrant reserve or contributed surplus to share capital.

Loss per share

The Company calculates basic earnings/loss per share using the weighted average number of common shares outstanding during the year. Diluted earnings/loss per share is calculated by adjusting the weighted average number of common shares outstanding by an amount that assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the year in calculating the net dilution impact. Stock options and warrants are dilutive when the Company has income from continuing operations and the average market price of the common shares during the year exceeds the exercise price of the options and warrants.

Due to the antidilutive impact of options or warrants issued, basic loss per share is equal to diluted loss per share for the years presented.

Leases

At the inception of a contract, an evaluation is made to determine whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The following factors are considered to assess whether a contract conveys the right to control the use of an identified asset:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefit from use of the identified asset throughout the period of use; and
- the Company has the right to the direct use of the asset.

<u>Lessee accounting</u>

A right-of-use asset and a lease liability is recognized at the lease commencement date. The right-of-use asset is initially measured at cost, consisting of:

- 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 restore the site on which it is located; less
- any lease incentives received.

The right-of-use asset will typically be depreciated on a straight-line basis over the lease term, unless ownership of the leased asset is expected at the end of the lease. The lease term will consist of:

- the non-cancellable period of the lease;
- periods covered by options to extend the lease that are reasonably certain to be exercised;
- periods covered by options to terminate the lease that are reasonably certain not to be terminated.

If the Company expects to obtain ownership of the leased asset at the end of the lease, the right-of-use asset is depreciated over the underlying asset's estimated useful life. Additionally, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of 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. Usually, the incremental borrowing rate is used to discount lease payments as the interest rate implicit in a lease cannot be readily determined. The lease liability is subsequently measured at amortized cost using the effective interest rate method.

Lease payments included in the measurement of the lease liability include:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or rate;
- amounts expected to be payable under a residual guarantee; and
- the exercise price under a purchase option that is reasonably certain to be exercised, lease payments in an optional renewal period that are reasonably certain to be exercised, and penalties for early termination of a lease unless it is reasonably certain not to be terminated early.

The lease liability 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 the estimate of the amount expected to be payable under a residual value guarantee, or if there is a change in the assessment of whether or not a purchase, extension or termination option will be exercised. When the lease liability is remeasured in any of these circumstances, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

The lease liability is also remeasured when the underlying lease contract is amended. When there is a decrease in contract scope, the lease liability and right-of-use asset will decrease relative to this change with the difference recorded in net income prior to the remeasurement of the lease liability.

Significant accounting judgments, estimates and assumptions

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the year.

<u>Revenue recognition</u>

Revenue is recognized over the life of the merchant agreement in accordance with a typical "Software as a Service" model. Judgment is required when determining the fair value of elements included in a bundled merchant arrangement and the estimated life of each merchant agreement. Revenue for service elements is recognized as the services are performed. Estimates of performance are required to recognize revenue.

<u>Valuation of identifiable assets in a business combination</u>

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at the date of acquisition at their respective fair values. If any intangible assets are identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent external valuation expert may determine the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows.

These valuations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. In certain circumstances where estimates have been made, the Company may obtain third-party valuations of certain assets, which could result in further refinement of the fair-value allocation of certain purchase prices and accounting adjustments.

Asset purchase or business combination

The Company applies judgement on whether the purchase of shares or assets represents a business combination or an asset purchase. The Company also applies judgment on the recognition and measurement of the assets acquired and liabilities assumed, and estimates are utilized to calculate and measure such adjustments. In measuring the fair value of the assets and liabilities acquired management uses estimates of future cash flows and discount rates.

Estimated useful lives of assets

The estimated useful lives of intangible assets and property and equipment are based on management's intentions, historical experience, internal plans and other factors as determined by management. The useful lives are reviewed on an annual basis and any revisions to the useful lives are accounted for prospectively.

Impairment of financial instruments

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivable are measured at an amount equal to the lifetime expected credit losses if the amount is not considered fully recoverable. A financial asset carried at amortized is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit impairment on an individual basis. The remaining financial assets are assessed collectively.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Recognition of deferred income taxes

The extent to which deferred income tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgment is required in assessing the impact of a legal or economic limit of uncertainties in various tax jurisdictions.

Estimated BDC principal repayments

The BDC principal repayment structure is in the form of annual cash flow sweeps starting April 2021 for the 2020 fiscal year. The amount of the cash repayment is based on 50% of the available free cash flow from the prior year's operations to a maximum of $600,000 per year. Estimates have been made which reflect the Company's projected cash flow however, actual principal repayments may differ based on actual results.

Estimation uncertainty

Significant accounting policies and estimates utilized in the normal course of preparing the Company's consolidated financial statements require the determination of future cash flows utilized in assessing net recoverable amounts and net realizable values; identification and measurement of assets acquired and liabilities assumed in business combinations; amortization; allowance for doubtful accounts; useful lives of property, equipment and intangible assets; recoverability of goodwill and long-lived assets; ability to utilize tax losses and investment tax credits; fair value of share based awards and warrants; and measurement of deferred taxes. In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis where required.

These estimates have been applied in a consistent manner and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in these financial statements. The estimates are impacted by many factors, some of which are highly uncertain. The interrelated nature of these factors prevents us from quantifying the overall impact of these movements on the Company's consolidated financial statements in a meaningful way. These sources of estimation uncertainty relate in varying degrees to virtually all asset and liability account balances.

Critical accounting estimates

i. Stock-based compensation is subject to estimation of the value of the award at the date of grant using pricing models such as the Black-Scholes option valuation model. The option valuation model requires the input of highly subjective assumptions including the expected stock price volatility. Because the Company's stock options have characteristics significantly different from those of traded options and because the subjective input assumptions can materially affect the calculated fair value, such value is subject to measurement uncertainty.

ii. The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

iii. The determination of the liability portion and the equity portion of the convertible debenture is calculated using a discounted cash flow method, which requires management to make an estimate on an appropriate discount rate.

Critical accounting judgments

Going concern

Assessing the Company's ability to continue as a going concern requires management to estimate future cash flows and other future events, the outcome of which is uncertain.

New accounting standards

There are no other IFRS or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. FUTURE ACCOUNTING PRONOUNCEMENTS

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

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

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

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

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

IAS 12 Income Taxes

In May 2021, the IASB issued targeted amendments to IAS 12, Income Taxes. The amendments are effective for annual periods beginning on or after January 1, 2023, although earlier application is permitted. With a view to reducing diversity in reporting, the amendments will clarify that companies are required to recognize deferred taxes on transactions where both assets and liabilities are recognized, such as with leases and asset retirement (decommissioning) obligations. The amendments are not expected to have a material impact on the Company's consolidated financial statements.

5. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, due from related party, accounts payable and accrued liabilities, and long-term debt. The Company believes that the recorded values of all these financial instruments, with the exception of long-term debt, approximate their current fair values because of their short-term nature. The fair value of long-term debt approximates its carrying value due to its market rate of interest.

Risk management

The Company's activities expose it to a variety of financial risks including market risk (i.e. currency risk, interest rate risk), credit and liquidity risks.

(a) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Company is mainly exposed to interest rate risk and currency risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company transacts primarily in Canadian dollars and is not exposed to significant currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's long-term debt bears interest at a fixed rate. Bank indebtedness is based on market rates plus a fixed percentage and represents some risk. As a whole, the Company's exposure to interest rate risk is minimal.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company’s credit risks relate to its cash and cash equivalents and accounts receivable. The Company’s cash and cash equivalents are deposited with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote. Management believes that the credit risk on its accounts receivable is limited as the amounts are expected to be collected in the Company’s next operating cycle.

(Expressed in Canadian Dollars except for share and per share amounts)

The aging of accounts receivable balances at September 30, 2023 are as follows:

	$
Not past due	63,669
16 - 30 days	57,497
31 - 60 days	18,596
61 - 90 days	1,264
Greater than 90 days	2,980
Accounts in collections	63,952
	207,958

	$
Trade accounts receivable before allowances	207,958
Less allowances for doubtful accounts	-
Other receivables	76,334
Total Accounts Receivables	284,292

The Company has limited credit risk since the Company does not typically extend credit to its customers and customers are required to provide a pre-authorized method of payment upon entering into a service contract. The Company carries out, on a continuing basis, credit checks on its clients, a review of outstanding amounts and maintains provisions for estimated uncollectible accounts. Provisions for doubtful accounts, not due to credit loss, are made on an account-by-account basis. At September 30, 2023, the allowance for doubtful accounts amounted to $Nil (2022 - $Nil). At September 30, 2023, there were no customers that represented greater than 10% of the current total accounts receivable.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's management believes its existing working capital cash generated from its operations and additional financing activities will enable the Company to meet its financial obligations.

6. ACQUISITIONS

Simpliconnect

On January 1, 2023, The Company completed the acquisition of certain assets of SimpliConnect. Under the terms of the acquisition, Ackroo acquired all customer contracts and related IP of Simpliconnect adding over 60 clients and 350 locations. In consideration for the acquisition, on December 29, 2022, the Company paid US$750,000 and issued 5,625,000 common shares, these amounts were held in escrow until January 1st, 2023. The company has made a final cash payment of US$600,000 on May 15, 2023. The Company is at arms-length from Simpliconnect, and no finders' fees or commissions were paid in connection with completion of the acquisition. All common shares issued to Simpliconnect are subject to a 4-month and 1-day statutory hold period. As at the date of approval of the financial statements for the quarter ended March 31, 2023 by the board of directors, management has prepared initial accounting for business combination.

(Expressed in Canadian Dollars except for share and per share amounts)

Fair value of net assets acquired is as follows:

Customer contracts	$	1,204,000
Goodwill arising on acquisition		73,000
Brand		33,000
IP		832,000
Working capital		(58,000)
	$	2,084,000

7. DISPOSITIONS

3916715 CANADA INC. / GGGolf

On March 31, 2023, The Company completed the divesture of certain assets of 3916715 CANADA INC. / GGGolf. Under the terms of the agreement, GGGolf Technologies Inc. acquired all customer contracts and related intellectual property. Total consideration for the divesture is $1,600,000 consisting of $1,200,000 cash on closing and $50,000 a month for 8 months for a total of $400,000 starting May 15, 2023. The Company is at arms-length from the purchaser, and no finders' fees or commissions will be paid in connection with completion of the divesture.

Fair value of net assets disposed of is as follows:

Customer contracts	$	189,972
Relative value of Goodwill		701,000
Brand		59,000
IP		155,517
		1,105,489
Gain on disposition		494,511
Total Proceeds	$	1,600,000

(Expressed in Canadian Dollars except for share and per share amounts)

8. INTANGIBLE ASSETS

The Company's amortized intangible assets consist of the following:

Cost	Intellectual Property	Brand	Customer Contracts	Total
As at December 31, 2021	1,586,975	71,000	8,416,033	10,074,008
Additions	12,126	-	-	12,126
Disposition	-	-	(3,472)	(3,472)
As at December 31, 2022	1,599,101	71,000	8,412,561	10,082,662
Additions	832,000	33,000	1,204,000	2,069,000
Disposition	(301,000)	(59,000)	(977,000)	(1,337,000)
As at September 30, 2023	2,130,101	45,000	8,639,561	10,814,662
Accumulated Amortization				
As at December 31, 2021	504,046	-	6,722,205	7,226,251
Amortization	290,865	-	1,087,533	1,378,398
As at December 31, 2022	794,911	-	7,809,738	8,604,649
Amortization	262,440	-	319,292	581,733
Disposition	(145,483)	-	(787,028)	(932,511)
As at September 30, 2023	911,868	-	7,342,002	8,253,870
Net book value				
As at December 31, 2021	1,082,929	71,000	1,693,828	2,847,757
As at December 31, 2022	804,190	71,000	602,823	1,478,014
As at September 30, 2023	1,218,233	45,000	1,297,559	2,560,792

The intangible assets acquired in 2021 were recorded as a result of the business combinations and asset acquisition as disclosed in Note 6. The intangible assets acquired in 2022 were additional investments into a customer self serve portal. The customer contracts disposition during 2022 consisted of one AckrooPay Customer portfolio sold back to the previous owner of BNA Smart Payments. The intangible assets acquired in 2023 were recorded as a result of the acquisition of Simpliconnect as disclosed in Note 6. The intangible assets disposed in 2023 were related to the divesture of GGGolf assets as disclosed in Note 7.

9. GOODWILL

Goodwill in the amount of $391,000 arose on the acquisition of the assets of InterActive DMS (“IDMS”) on May 31, 2021. This value, in part, consists of an increase of revenues, costs efficiencies, wider customer base, and synergies between existing products and services offered by Ackroo and those of the IDMS technology and services.

Goodwill in the amount of $73,000 arose on the acquisition of the assets of Simpliconnect on January 1, 2023. This value, in part, consists of an increase of revenues, costs efficiencies, wider customer base, and synergies between existing products and services offered by Ackroo.

Goodwill in the amount of $701,000 was disposed of on the divesture of certain assets of 3916715 CANADA INC. / GGGolf on March 31, 2023 (Note 7). The goodwill allocated to the GGGolf disposal is based on the relative value of the operations disposed of was as a component of the single CGU determined at December 31, 2022.

(Expressed in Canadian Dollars except for share and per share amounts)

Ackroo (Single CGU)	Goodwill
Balance, December 31, 2020	**2,249,084**
Additions - IDMS	391,000
Balance, December 31, 2021	**2,640,084**
Additions -	-
Balance, December 31, 2022	**2,640,084**
Additions - Simpliconnect	73,000
Deductions - GGGolf	(701,000)
Balance, September 30, 2023	**2,012,084**

Goodwill was tested for impairment at December 31, 2022 and it was determined that no impairments existed. No impairments of goodwill have been recorded historically. The total amount of goodwill carried by the Company at year end is $2,640,084. No business acquisition transactions occurred during the year ended December 31, 2022.

For the years ended December 31, 2022 and December 31, 2021, the recoverable amount of the Company's CGU was determined based on a value-in-use calculation which uses cash flow projections based on financial budgets covering a five-year-period and an after-tax discount rate of 16.0% (pre-tax – 26.5%) per annum and a terminal growth rate of 2%.

The cash flows beyond the five-year period have been extrapolated using a steady 10.0% per annum growth rate. The cash flow projections used in estimating the recoverable amounts are generated consistent with results achieved historically adjusted for anticipated growth. The Company believes that any reasonably possible change in key assumptions on which the recoverable amounts were based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU.

10. CONSULTING SETTLEMENT PAYABLE

Accounts payable in the amount of $1,164,978 arose from a consulting agreement settlement in relation to the consulting services received from the former founders of an acquired entity (KESM). They provided strategic help to the business while bridging the knowledge gap to some of the key clients the Company purchased and focused on providing M&A and organic growth help primarily for US expansion. With not much positive outcome, the Company entered into a settlement agreement. The outstanding balances due under these agreements totaled $682,332 and US$336,000 ($432,970) were settled at $648,000 and US$315,000 ($405,909), respectively, for savings of $34,332 and $27,061, respectively. In addition, the prepayment of $107,793 was also settled. Repayment is in twelve equal monthly instalments beginning on July 15, 2022. As at June 30, 2023 there was no balance outstanding.

(Expressed in Canadian Dollars except for share and per share amounts)

11. PROPERTY AND EQUIPMENT

Cost	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2021	218,405	2,199,400	102,801	2,520,605
Additions	11,564	-	160	11,724
Disposition	-	-	-	-
As at December 31, 2022	229,969	2,199,400	102,961	2,532,329
Additions	5,698	-	-	5,698
Disposition	-	-	-	-
As at September 30, 2023	235,667	2,199,400	102,961	2,538,027

Accumulated amortization	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2021	165,797	580,653	45,257	791,707
Additions	26,276	243,152	11,508	280,936
Disposition	-	-	-	-
As at December 31, 2022	192,072	823,805	56,765	1,072,643
Additions	13,591	148,803	6,905	169,299
Disposition	-	-	-	-
As at September 30, 2023	205,663	972,608	63,670	1,241,942

Net book value	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2021	52,608	1,618,747	57,544	1,728,899
As at December 31, 2022	37,897	1,375,595	46,195	1,459,687
As at September 30, 2023	30,004	1,226,792	39,290	1,296,085

(Expressed in Canadian Dollars except for share and per share amounts)

12. LONG-TERM DEBT

The Company has the following debt balances outstanding:

	2023	2022
On July 2, 2019, the Company secured financing from BDC Capital Inc. in the amount of $3,000,000. On April 3, 2020 the Company received an additional $1,000,000 disbursement from BDC connected to the original financing. The BDC Capital Inc. financing has a 5-year term, bears an initial interest rate of 9.75% and incurred a 1.5% ($45,000) upfront fee for the first disbursement and ($15,000) for the second disbursement. The loan has annual principal repayments commencing April 2021 based on 50% of free available cash flow from the prior fiscal year with a maximum annual principal repayment of $600,000. The closing costs related to the loan were capitalized and will be recognized over the 5-year term of the loan. The loan is secured by a floating security charge over all assets of the Company. Current Interest rate is 7.5%.	3,000,000	3,000,000
	3,000,000	3,000,000
Unamortized financing costs	12,040	24,080
Current portion	2,975,920	231,031
Long-term portion	0	2,744,889

The estimated principal repayments over the next five years are:

2023	$	3,000,000
2024		-
2025		-
2026		-
2027		-
	$	3,000,000

The interest incurred on the long-term debt in the nine months ended September 30, 2023 and 2022, was $280,524 and $287,965 respectively.

13. LEASE LIABILITIES

Lease liabilities are comprised of the two leases, one for office space premises located in Stoney Creek, Ontario and the other for office furniture for the Stoney Creek office with monthly lease payments in the amounts of $20,190 and $2,830 respectively. The lease liability was calculated at a 5% incremental borrowing rate. Lease interest expense and amortization expense for the three months ended September 30, 2023 were $18,094 and $49,601 respectively (September 30, 2022: $20,322 and $64,517 respectively). Lease liabilities as of September 30, 2023 were $204,541 (short-term) and $1,213,449 (long-term). The final office furniture lease payment was in September 2022, As at December 31, 2022 there were no furniture leases outstanding.

(Expressed in Canadian Dollars except for share and per share amounts)

14. CREDIT FACILITIES

The Company has a revolving demand facility with a maximum borrowing of $1,600,000 of which $NIL was utilized at September 30, 2023 (2022 - $NIL). The facility is repayable on demand, bears a total interest rate at bank prime (7.20% at September 30, 2023) + 2% and is secured by a general security agreement over all personal property of the Company. The borrowings under this facility are based on the aggregate of 4 x MRR (4 times the total Monthly Recurring Revenue) to a maximum borrowing of $1,600,000.

Under the terms of the BDC Agreement, so long as any amount is owing, the Company must meet certain financial ratios concerning Working Capital and Term Debt to Tangible Equity. The company is in compliance during the nine months ended September 30, 2023.

15. CAPITAL STOCK

(a) Authorized share capital

The Company is authorized to issue an unlimited number of the following shares:

Preferred shares – issuable in series with the terms and conditions to be set on issuance
Common shares – voting, without par value

(b) Issued and outstanding

	2023	2022
Common - 119,247,633 shares (December 2022 - 121,373,633 shares)	$ 19,596,299	$ 19,771,822

(c) Outstanding warrants

At the nine months ended September 30, 2023, a summary of the Company's warrant activity is as follows:

	Number of warrants	**Weighted Average Exercise Price**
Balance at December 31, 2019	**10,375,364**	**$0.100**
Warrants expired	-	**$0.000**
Warrants exercised	(40,000)	**$0.100**
Warrants issued	25,000,000	**$0.180**
Balance at December 31, 2020	**35,335,364**	**$0.157**
Warrants expired	-	**$0.000**
Warrants exercised	(10,335,364)	**$0.100**
Warrants issued	-	**$0.000**
Balance at December 31, 2021	**25,000,000**	**$0.180**
Balance at December 31, 2022	**25,000,000**	**$0.180**
Balance at September 30, 2023	**25,000,000**	**$0.180**

For the year ended December 31, 2020, 25,000,000 warrants were issued in connection with the private placement for Units at a price of $0.12 per Unit for gross proceeds of $3,000,000 and 40,000 warrants were exercised by a warrant holder for total proceeds of $4,000. Each "Unit" consists of one common share of the Company and one share purchase warrant (each a "Warrant") entitling the holder to purchase an additional common share of the Company at a price of $0.18 per share until November 12, 2023. The Warrants are subject to accelerated expiry in the event the closing price of the Company's shares on or after 18 months from the date of closing is $0.28 or more for twenty consecutive trading days.

For the year ended December 31, 2021, 10,335,364 warrants were exercised by warrant holders for total proceeds of $1,033,536.

There was no warrant activity for the nine months ended September 30, 2023.

(d) Stock options

Under the terms of the Company's approved Stock Option Plan (ESOP) the Board of Directors of the Company may, from time to time, in its discretion, and in accordance with the Exchange requirements, grant to directors, officers, employees and consultants of the Company options to purchase common shares, provided that the number of common shares reserved for issuance, together with those to be issued pursuant to options previously granted, does not exceed 10% of the issued and outstanding common shares at the time of the grant. In addition, the number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis, or 2% if the optionee is engaged in investor relations activities or is a consultant. Under Exchange policy, all such rolling stock option plans which set the number of common shares issuable under the plan at a maximum of 10% of the issued and outstanding common shares must be approved and ratified by shareholders on an annual basis. There are currently 119,247,633 (September 30, 2022 – 115,748,633) common shares outstanding, with 3,249,763 (2022 – 5,849,863) of the Company's common shares available for issuance.

Options are exercisable over periods of up to three years as determined by the Board of Directors and are required to have an exercise price no less than the closing market price of the common shares prevailing on the day that the option is granted less a discount of up to 25%, with the amount of the discount varying with market price in accordance with the policies of the Exchange. Options held by an officer, director or service provider (not conducting investor relations) expire 30 days after the option holder has left office or the service provider ceases providing services, and for options held by service providers conducting investor relations, 30 days after the Company terminates that relationship. In the case of the death of an employee, officer, director or other service provider, the option may be exercised by a personal representative or heir until the earlier of the option's expiry or one year after the option holder died.

Pursuant to the Stock Option Plan, the Board of Directors may from time to time authorize the grant of options to directors, officers, employees and consultants of the Company or employees of companies providing management or consulting services to the Company. Other than options granted to consultants performing investor relations activities which must vest in stages over 12 months with no more than one-quarter of the options vesting in any three-month period, the Stock Option Plan contains no vesting requirements, but permits the Board of Directors to specify a vesting schedule in its discretion.

At September 30, 2023, a summary of the Company's stock option activity is as follows:

(Expressed in Canadian Dollars except for share and per share amounts)

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2021	**8,089,131**	**$0.191**
ESOP Options Granted	1,900,000	$0.102
ESOP Expired	(539,131)	$0.120
ESOP Forfeited	(3,725,000)	$0.195
Balance, December 31, 2022	**5,725,000**	**$0.130**
ESOP Options Granted	5,000,000	$0.065
ESOP Expired	(725,000)	$0.150
ESOP Forfeited	(1,325,000)	$0.087
Balance, September 30, 2023	**8,675,000**	**$0.130**

No options were exercised for the nine months ended September 30, 2023.

At September 30, 2023 and 2022, a summary of stock options outstanding and exercisable are as follows:

2023

Grant Date	# of Options Outstanding	# of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
January 20, 2021	2,850,000	2,850,000	$0.225	January 20, 2024	0.31
August 26, 2021	700,000	700,000	$0.170	August 26, 2024	0.91
January 18, 2022	300,000	150,000	$0.125	January 18, 2025	1.30
June 8, 2022	900,000	900,000	$0.085	June 8, 2025	1.69
January 24, 2023	3,925,000	0	$0.065	January 24, 2026	2.32
September 30, 2023	**8,675,000**	**4,600,000**	**$0.130**		

2022

Grant Date	# of Options Outstanding	# of Options Exercisable	Exercise Price	Expiry Date	Remaining Contractual Life (years)
January 24, 2020	550,000	550,000	$0.160	January 24, 2023	0.32
May 12, 2020	175,000	175,000	$0.120	May 12, 2023	0.61
October 8, 2020	100,000	100,000	$0.110	October 8, 2023	1.02
January 20, 2021	3,000,000	1,500,000	$0.225	January 20, 2024	1.31
August 26, 2021	700,000	350,000	$0.170	August 26, 2024	1.91
January 18, 2022	300,000	0	$0.125	January 18, 2025	2.30
June 8, 2022	900,000	0	$0.085	June 8, 2025	2.69
September 30, 2022	**5,725,000**	**2,675,000**	**$0.180**		

(e) Re-acquisition of Stock

On June 12, 2023, the Company entered into an Automatic Share Purchase Plan designed to allow the Company to purchase its common shares pursuant to its Normal Course Issuer Bid. During the Normal Course Issuer Bid, the Broker, on behalf of the Company, is permitted to buy up to an aggregate maximum of 6,068,681 Common Shares. The Broker is permitted to buy up to 2% of the issued and outstanding common shares each trading day with a maximum price of $0.10 per share. The maximum cost of all common shares may not exceed $600,000. Purchases are to be made during the period of July 5, 2023 to July 4, 2024. On July 5th, the company transferred $100,000 to the Broker to begin the Automatic Share Purchase Plan. The Company transferred an additional

(Expressed in Canadian Dollars except for share and per share amounts)

$100,000 to the Broker on September 5th, 2023. At September 30, 2023, 2,126,000 share were purchased at an average cost of $0.083.

16. Related party transactions

(a) Compensation of key management personnel

The remuneration of key management personnel of the Company during the nine months ended September 30, 2023 and 2022 were as follows:

	September 30, 2023	September 30, 2022
Salaries, incentives / short-term benefits	239,878	303,066
Share based compensation	101,894	84,320
	341,772	387,386

(b) Other related party transactions

On September 1, 2018, the Company entered into an agreement with a member of the management team to consolidate two amounts previously shown as "due from related party" into one consolidated promissory note representing $165,020 with a maturity date, and payment due on or before, December 31, 2020. This is a non-cash transaction, and the promissory note is non-interest bearing. On June 1, 2020, a revised agreement was signed to increase the due from related party by $134,980 for a total balance of $300,000. The terms of the agreement were modified to have the maturity date, and payment due on or before, June 1, 2022 and later extended to June 1, 2025. Simple interest will accrue on the indebtedness at a rate of 2% per annum and shall be payable annually. Interest Incurred between September 1, 2018 and September 30, 2022 was added to the loan amount. As of September 30, 2023, the balance was $312,500.

The Company entered into consulting agreements with directors and officers resulting in expense in the three months ended September 30, 2023 and 2022 of $5,000 and $9,080. As at September 30, 2023 $5,000 was unpaid and included in accounts payable and accrued liabilities (September 30, 2022 - $Nil).

17. Segmented information

The Company has not established discrete operating or geographic segments. Financial information is only available at the total company level, is not segmented and the chief operating decision maker, being the Chief Executive Officer, makes decisions at a total company level. An immaterial amount of reported revenue is derived outside of Canada and geographic areas outside of Canada are not managed separately.