



## **CONSOLIDATED FINANCIAL STATEMENTS**

**For  
ACKROO INC.**

**As at and for the nine-months ended September 30, 2024**

### **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, 2024 and December 31, 2023**  
(expressed in Canadian dollars except for share and per share amounts)

	Sept 30, 2024	Dec 31, 2023
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	389,151	200,601
Accounts receivable (Note 5)	294,293	184,754
Inventory	5,103	6,730
Prepaid expenses and other assets	32,023	58,409
	<b>720,570</b>	450,494
<b>Non-current assets:</b>		
Due from related party (Note 16)	312,500	312,500
Property and equipment (Note 11)	1,086,816	1,240,211
Intangible assets (Notes 6,7 & 8)	2,233,765	2,725,001
Goodwill (Note 9)	3,064,006	3,064,006
	<b>6,697,087</b>	7,341,718
	<b>7,417,656</b>	7,792,212
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Bank indebtedness (Note 14)	-	-
Trade and other payables	520,982	763,819
Deferred consideration (Note 6)	-	461,019
Current tax payable	-	195,877
Current portion of lease liability (Note 13)	200,111	203,412
Current portion of deferred revenue	681	350
Current portion of long term debt (Note 12)	2,950,000	2,991,973
	<b>3,671,774</b>	4,616,450
<b>Non-Current Liabilities:</b>		
Lease liability (Note 13)	1,027,927	1,167,974
Long-term debt (Note 12)	-	-
	<b>4,699,701</b>	5,784,424
<b>SHAREHOLDERS' EQUITY</b>		
Capital stock (Note 15 (a),(b))	18,569,583	18,698,730
Warrants (Note 15(c))	-	-
Contributed surplus (Note 15(d))	2,156,326	2,309,511
Deficit	(18,007,954)	(19,000,453)
	<b>2,717,955</b>	2,007,788
Total liabilities and shareholders' equity	<b>7,417,656</b>	7,792,212

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 September 30, 2024 and 2023  
(Expressed in Canadian Dollars except for share and per share amounts)□

	Three-months ended September		Nine-months ended September	
	2024	2023	2024	2023
<b>SALES</b>				
Subscription	1,411,166	1,396,732	<b>4,297,734</b>	4,418,596
Product	140,530	227,270	<b>434,618</b>	641,731
	1,551,696	1,624,001	<b>4,732,352</b>	5,060,327
<b>COST OF SALES</b>				
Subscription	135,964	71,816	<b>415,707</b>	228,639
Product	57,901	74,748	<b>161,119</b>	194,880
	193,865	146,564	<b>576,826</b>	423,519
Gross profit	1,357,831	1,477,437	<b>4,155,526</b>	4,636,809
<b>EXPENSES</b>				
Administration	200,027	571,407	<b>1,062,935</b>	1,852,273
Research	290,802	297,099	<b>1,024,254</b>	860,920
Sales and marketing	135,190	214,268	<b>321,913</b>	796,131
Share-based compensation expense (Note 15(d))	54,235	53,357	<b>159,450</b>	169,739
Amortization of intangible assets (Note 8)	164,991	137,464	<b>491,770</b>	581,733
Amortization of property and equipment (Note 11)	55,218	56,647	<b>164,881</b>	169,299
Foreign exchange realized gain	4,998	508	<b>(1,728)</b>	40,066
Gain on divesture (Note 7)	-	-	-	(494,511)
	905,461	1,330,749	<b>3,223,475</b>	3,975,651
<b>INCOME FROM CONTINUING OPERATIONS BEFORE THE FOLLOWING ITEMS</b>	452,370	146,688	<b>932,051</b>	661,158
<b>FINANCE COSTS</b>				
Interest expense	(102,480)	(82,655)	<b>(276,813)</b>	(268,485)
Amortization of deferred financing charges	-	(4,013)	<b>(8,027)</b>	(12,040)
	(102,480)	(86,669)	<b>(284,839)</b>	(280,524)
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>	349,890	60,019	<b>647,212</b>	380,634
<b>INCOME TAX</b>	-	-	-	-
<b>NET INCOME AND COMPREHENSIVE INCOME (LOSS)</b>	349,890	60,019	<b>647,212</b>	380,634
<b>EARNINGS PER SHARE</b>				
Basic	0.003	0.0005	0.006	0.003
Diluted	0.003	0.0005	0.005	0.003
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>				
Basic	114,827,169	120,429,611	<b>115,494,595</b>	119,764,112
Diluted	118,493,752	120,429,611	<b>119,161,178</b>	119,764,112

(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, 2024 and 2023**

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

	Common Shares		Warrants	Contributed Surplus	Accumulated Deficit	Total
	Number	Amount				
<b>Balance at December 31, 2022</b>	<b>121,373,633</b>	<b>19,771,822</b>	<b>840,512</b>	<b>1,721,424</b>	<b>(20,806,642)</b>	<b>1,527,117</b>
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
<b>Balance at September 30, 2023</b>	<b>119,247,633</b>	<b>19,412,742</b>	<b>840,512</b>	<b>1,952,413</b>	<b>(20,303,702)</b>	<b>1,901,967</b>
<b>Balance at December 31, 2023</b>	<b>115,304,952</b>	<b>18,698,730</b>	<b>-</b>	<b>2,309,511</b>	<b>(19,000,453)</b>	<b>2,007,788</b>
Shares subscribed from options and warrants	300,000	31,308	-	(11,808)	-	19,500
Share Re-acquisition (Note 15(e))	(950,000)	(160,454)	-	44,461	-	(115,993)
Expiration of options / warrants	-	-	-	(345,287)	345,287	-
Share-based compensation	-	-	-	159,450	-	159,450
Comprehensive income (loss)	-	-	-	-	647,212	647,212
<b>Balance at September 30, 2024</b>	<b>114,654,952</b>	<b>18,569,583</b>	<b>-</b>	<b>2,156,327</b>	<b>(18,007,954)</b>	<b>2,717,955</b>

(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, 2024 and 2023

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

	2024	2023
<b>OPERATING ACTIVITIES</b>		
Net Income (Loss)	647,212	843,370
<u>Items not affecting cash:</u>		
Amortization of deferred financing charges	8,027	16,053
Amortization of property and equipment (Note 11)	164,881	226,170
Amortization of intangible assets (Note 8)	491,770	709,173
Share-based compensation (Note 15(d))	159,450	212,866
Gain on disposition (Note 7)	-	(862,511)
Gain on settlement of deferred consideration (Note 6)	-	(122,008)
Income tax expense (Note 18)	-	195,877
Non-cash interest	59,228	99,086
	<b>1,530,568</b>	<b>1,318,076</b>
<u>Changes in non-cash working capital items</u>		
Accounts receivable (Note 5)	(109,539)	276,348
Inventory	1,627	1,654
Prepaid expenses and other assets	26,386	(1,170)
Accounts payable and accrued liabilities	(438,714)	170,480
Consulting agreement payable (Note 10)	-	(523,369)
Deferred revenue	331	(58,906)
	<b>1,010,659</b>	<b>1,183,113</b>
<b>INVESTING ACTIVITIES</b>		
Purchase of property and equipment (Note 11)	(11,486)	(6,694)
Acquisitions (Note 6)	(471,727)	(1,292,870)
Proceeds on disposition (Note 7)	-	1,600,000
Purchase of intangible assets (Note 8)	-	-
	<b>(483,213)</b>	<b>300,436</b>
<b>FINANCING ACTIVITIES</b>		
Advances of bank indebtedness (Note 14)	-	(514,860)
Cash payments of lease liabilities (Note 13)	(192,403)	(251,155)
Repayment of long-term debt (Note 12)	(50,000)	-
Re-acquisition of shares (Note 15(e))	(115,993)	(527,466)
Issuance of capital stock (Note 15(d))	19,500	-
	<b>(338,896)</b>	<b>(1,293,481)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	188,550	190,068
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>	200,601	10,533
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>	389,151	200,601

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

**ACKROO INC.**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the nine months ended September 30, 2024 AND 2023**  
(Expressed in Canadian Dollars except for share and per share amounts)

**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 A31 (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 transactions, engagement and retention strategies.

**Going Concern**

At September 30, 2024, the Company had cash of \$389,151, net profit from operations for the year of \$647,212 and an accumulated deficit of \$18,007,954. 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.

**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 Company prepares its interim financial statements in accordance with International Accounting Standard 34 (IAS 34) – Interim Financial Reporting. These interim financial statements provide a true and fair view of the company’s financial position, performance, and cash flows for the interim period. The financial statements have not been audited but have been reviewed by management to ensure compliance with IAS 34 requirements.

The consolidated financial statements for the nine months ended September 30, 2024 were approved and authorized for issue by the Board of Directors on October 22, 2024.

**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

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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 clients who have requested unique billing frequencies, such as quarterly or annual billing. The standard billing frequency is monthly.

**ACKROO INC.**  
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**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.



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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.

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**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

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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

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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.

### **Earnings and 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

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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.

### Lessee accounting

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

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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 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.

#### Revenue recognition

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.

#### Valuation of identifiable assets in a business combination

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

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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.

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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.

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**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.

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The aging of accounts receivable balances at September 30, 2024 are as follows:

	\$
Not past due	24,166
16 - 30 days	24,165
31 - 60 days	25,302
61 - 90 days	9,867
Greater than 90 days	-3,653
Accounts in collections	121,610
	<u>201,457</u>
	\$
Trade accounts receivable before allowances	201,457
Less allowances for doubtful accounts	(26,716)
Other receivables	119,552
Total Accounts Receivables	<u>294,293</u>

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 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, 2024, the allowance for doubtful accounts amounted to \$26,716 (2023 - \$Nil). At September 30, 2024, there was 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, Inc. Under the terms of the acquisition, Ackroo acquired all customer contracts and related intellectual property of Simpliconnect. In consideration for the acquisition, on December 29, 2022, the Company paid US\$750,000 (CAD \$1,021,492) and issued 5,625,000 common shares valued at CAD \$253,125. These amounts were held in escrow until January 1, 2023, and are included in deposit on business combination at December 31, 2022. In addition, the Company would make a series of six, monthly payments of US \$125,000 commencing July 1, 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 were subject to a 4 month and 1-day statutory hold period which was valued at CAD \$48,098.

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The fair value of the purchase consideration is allocated to the fair value of the net assets acquired as follows:

<b>Purchase price</b>	
Cash deposit	\$ 1,015,847
Fair value of 5,625,000 common shares	205,036
Fair value of deferred consideration	959,338
	<hr/>
	<b>\$ 2,180,221</b>
<b>Net assets acquired</b>	
Customer contracts	\$ 1,384,197
Intellectual property	434,762
Brand	21,670
Goodwill	339,592
	<hr/>
	<b>\$ 2,180,221</b>

In April 2023, the Company negotiated a final payment of US \$600,000 to be paid in May 2023 in lieu of the series of US \$125,000 payments and working capital adjustments resulting in a gain of CAD \$122,008 which is included in gain on settlement of deferred consideration.

GiftFly

On December 1, 2023, The Company completed the acquisition of certain assets of GiftFly. GiftFly is a self-serve eGift Card platform actively used by 3,000+ merchants across Canada and the United States. Under the terms of the acquisition, Ackroo acquired all customer contracts and intellectual property of GiftFly for a cash payment of US\$350,000 on closing and a series of four US\$100,000 payments on January 5, 2024, and on or before the first Business Day of each February, March and April 2024. The final payment was reduced to US\$50,000 because certain revenue targets were not achieved. The company made the final payment on April 1<sup>st</sup>. There was no amount owing at September 30, 2024.

The fair value of the purchase consideration is allocated to the fair value of the net assets acquired as follows:

<b>Purchase price</b>	
Cash deposit	\$ 475,370
Fair value of deferred consideration	461,980
	<hr/>
	<b>\$ 937,350</b>
<b>Net assets acquired</b>	
Customer contracts	\$ 347,130
Intellectual property	172,890
Goodwill	417,330
	<hr/>
	<b>\$ 937,350</b>

**7. DISPOSITIONS**

3916715 CANADA INC. / GGGolf

On March 31, 2023, the Company completed the divestiture 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 divestiture 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 were paid in connection with completion of the divestiture.

The gain on disposition is as follows:

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<b>Proceeds</b>	<b>\$ 1,600,000</b>
<b>Net book value of disposed assets</b>	
Customer contracts	\$ 189,972
Brand	59,000
IP	155,517
Goodwill	333,000
	<b>\$ 737,489</b>
<b>Gain on disposition</b>	<b>\$ 862,511</b>

**8. INTANGIBLE ASSETS**

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

<b>Cost</b>	Intellectual Property	Brand	Customer Contracts	Total
As at December 31, 2022	1,599,101	71,000	8,391,034	10,061,135
Additions	607,651	21,670	1,731,326	2,360,647
Disposition	(301,000)	(59,000)	(977,000)	(1,337,000)
As at Decemeber 31, 2023	1,906,285	33,670	9,145,360	11,085,315
Additions	-	-	-	-
Disposition	-	-	-	-
As at September 30, 2024	1,906,285	33,670	9,145,360	11,085,315

**Accumulated Amortization**

As at December 31, 2022	794,911	-	7,788,210	8,583,121
Amortization	290,611	-	418,561	709,172
Disposition	(145,484)	-	(787,028)	(932,512)
As at December 31, 2023	940,038	-	7,419,743	8,359,781
Amortization	249,256	-	242,513	491,770
Disposition	-	-	-	-
As at September 30, 2024	1,189,294	-	7,662,256	8,851,550

**Net book value**

As at December 31, 2022	804,190	71,000	602,825	1,478,015
As at December 31, 2023	966,247	33,670	1,725,617	2,725,534
As at September 30, 2024	716,991	33,670	1,483,104	2,233,764

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 Simpiconnect and GiftFly as disclosed in Note 6. The intangible assets disposed in 2023 were related to the divestiture of GGGolf assets as disclosed in Note 7.

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**9. GOODWILL**

In 2023, Goodwill arose on acquisition of Simpliconnect and GiftFly. This value, in part, consists of an increase of revenues, cost efficiencies, wider customer base, and synergies between existing products and services offered by Ackroo and those of the acquired.

<b>Balance, December 31, 2021</b>	<b>2,640,084</b>
Additions	-
<b>Balance, December 31, 2022</b>	<b>2,640,084</b>
Additions - Simpliconnect	339,592
Additions - GiftFly	417,330
Deductions - GGGolf	(333,000)
<b>Balance, December 31, 2023</b>	<b>3,064,006</b>
Additions	-
<b>Balance, September 30, 2024</b>	<b>3,064,006</b>

Goodwill was tested for impairment at December 31, 2023 and 2022 and it was determined that no impairment existed. No impairment of goodwill have been recorded historically.

For the years ended December 31, 2023 and December 31, 2022, 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 18.0% (pre-tax – 26.5%) per annum.

The cash flows beyond the five-year period have been extrapolated using a steady 2% 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**

In 2022, accounts payable in the amount of \$1,164,978 arose from a consulting agreement settlement. The outstanding balances due under the agreements totaling \$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 pertaining to the final four payments otherwise due was also settled. Repayment was in twelve equal monthly instalments beginning on July 15, 2022. The final settlement payment was made on June 15, 2023. As at December 31, 2023, there was no balance outstanding.

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**11. PROPERTY AND EQUIPMENT**

<b>Cost</b>	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2022	229,969	2,199,400	102,961	2,532,330
Additions	6,694	-	-	6,694
Disposition	-	-	-	-
As at December 31, 2023	236,663	2,199,400	102,961	2,539,024
Additions	11,486	-	-	11,486
Disposition	-	-	-	-
As at September 30, 2024	248,149	2,199,400	102,961	2,550,510

  

<b>Accumulated amortization</b>	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2022	192,073	823,805	56,765	1,072,643
Additions	18,560	198,404	9,206	226,170
Disposition	-	-	-	-
As at December 31, 2023	210,633	1,022,209	65,971	1,298,813
Additions	10,530	148,803	5,548	164,881
Disposition	-	-	-	-
As at September 30, 2024	221,163	1,171,012	71,519	1,463,694

  

<b>Net book value</b>	Computer equipment	Right of use leased asset - office space	Furniture and fixtures	Total
As at December 31, 2022	37,896	1,375,595	46,196	1,459,687
As at December 31, 2023	26,030	1,177,191	36,990	1,240,211
As at September 30, 2024	26,986	1,028,388	31,442	1,086,816

**12. LONG-TERM DEBT**

	2024	2023
BDC Capital Inc.	\$ 2,950,000	\$ 3,000,000
	\$ 2,950,000	\$ 3,000,000
Unamortized financing costs	-	-
Current portion	2,950,000	\$ 3,000,000
Long-term portion	\$ -	-

On July 2, 2019, the Company secured financing from BDC Capital Inc. ("BDC") 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 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. The current Interest rate is a floating rate calculated by adding a

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variance 1.7% to a variable base rate.

For the nine months ended September 30, 2024, interest expense includes \$207,176 (2023 - \$280,524) in relation to this loan.

On August 12, 2024, the Company signed a repayment schedule with the Debt Provider for the \$3,000,000 loan. The Company has made the first payment of \$50,000 as per the schedule. The company will continue to make monthly payments of \$50,000 on the last day of each month for the next 10 months. On August 31, 2024 the Company will make a final payment of \$2,450,000.

### **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. As of September 30, 2022, the furniture lease has ended. Lease interest expense and amortization for the three ended September 30, 2024 were \$15,754 and \$49,601 respectively (September 30, 2023: \$18,094 and \$49,601 respectively.) Lease liabilities as of September 30, 2024 were \$200,111 (short-term) and \$1,027,927 (long-term).

Annual Lease payments are as follows:

2024	\$ 258,359
2025	265,671
2026	273,096
2027	280,637
2028	288,300
2029	220,588
	<u>\$ 1,586,651</u>

### **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, 2024 (2023 - \$230,929). The facility is repayable on demand, bears a total interest rate at bank prime + 2% (Totaling 8.95% at September 30, 2024) 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 and Annual Recurring Churn Rate.

### **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**



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	2024	2023
Common - 114,654,952 shares (December 2023 - 115,304,952 shares)	\$ 18,569,583	\$ 18,698,730

**(c) Outstanding warrants**

	Number of warrants	Weighted Average Exercise Price
<b>Balance at December 31, 2022</b>	<b>25,000,000</b>	<b>\$0.180</b>
Warrants expired	-	<b>\$0.000</b>
Warrants exercised	(25,000,000)	<b>\$0.180</b>
Warrants issued	-	<b>\$0.000</b>
<b>Balance at December 31, 2023</b>	<b>0</b>	<b>\$0.000</b>
<b>Balance at September 30, 2024</b>	<b>0</b>	<b>\$0.000</b>

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.

On November 13, 2023 all outstanding warrants expired. There was no warrant activity for the nine months ended September 30, 2024.

**(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 114,654,952 (September 30, 2023 – 119,247,633) common shares outstanding, with 840,495 (2023 – 3,249,763) 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.

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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, 2024, a summary of the Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price
<b>Balance, December 31, 2022</b>	<b>5,725,000</b>	<b>\$0.180</b>
ESOP Options Granted	5,000,000	\$0.065
ESOP Expired	(1,400,000)	\$0.175
ESOP Forfeited	(1,325,000)	\$0.087
<b>Balance, December 31, 2023</b>	<b>8,000,000</b>	<b>\$0.124</b>
ESOP Options Granted	5,800,000	\$0.070
ESOP Expired	(2,875,000)	\$0.225
Exercised	(300,000)	\$0.065
<b>Balance, September 30, 2024</b>	<b>10,625,000</b>	<b>\$0.071</b>

300,000 options were exercised for the nine months ending September 30, 2024.

At September 30, 2024, stock options outstanding and exercisable are as follows:

2024	Grant Date	# of Options Outstanding	# of Options Exercisable	Exercise Price	Expiry Date	Remaining
						Contractual Life (years)
	January 18, 2022	300,000	300,000	\$0.125	January 18, 2025	0.30
	June 8, 2022	900,000	900,000	\$0.085	June 8, 2025	0.69
	January 24, 2023	3,625,000	3,625,000	\$0.065	January 24, 2026	1.32
	January 26, 2024	5,800,000	0	\$0.070	January 24, 2027	2.32
	<b>September 30, 2024</b>	<b>10,625,000</b>	<b>4,825,000</b>	<b>\$0.071</b>		

**(e) Re-acquisition of Stock**

On July 4, 2024, the Company renewed the Automatic Share Purchase Plan from the prior year. The Plan is designed to allow the Company to purchase its common shares pursuant to its Normal Course Issuer Bid. The Broker is permitted to buy up to 5% of the issued and outstanding shares of the Company during the 12-month period of the NCIB. During that time, the Broker cannot purchase more than 2% in any given month. On July 8, 2024, the Company transferred \$100,000 and on August 6<sup>th</sup>, 2024 the company transferred \$25,000 to begin the process of buying back shares. At September 30<sup>th</sup>, 2024 the Broker had purchased and cancelled 950,000 shares.

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**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, 2024 and 2023 were as follows:

	September 30, 2024	September 30, 2023
Salaries, incentives / short-term benefits	256,042	239,878
Share based compensation	86,792	101,894
	<u>342,834</u>	<u>341,772</u>

**(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 June 30, 2022 was added to the loan amount. As of September 30, 2024, the balance was \$312,500 (2023 - \$312,500).

The Company entered into consulting agreements with directors and officers resulting in expense in the three months ended September 30, 2024 and 2023 of \$5,410 and \$5,000 As at September 30, 2024 \$5,410 was included in accounts payable and accrued liabilities (September 30, 2023 - \$5,000).

**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 North America and geographic areas outside of North America are not managed separately.