Consolidated Financial Statements
(In Canadian dollars)

EQ INC.

Years ended December 31, 2022 and 2021

RSM

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of EQ Inc.

Opinion

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

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

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of $6,435,000 and reported negative cash flows from operating activities of $5,623,000 during the year ended December 31, 2022 and, as of that date, the Company's available working capital is $114,000. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<u>Impairment Assessment of Goodwill</u>

Note 2: Significant Accounting Policies; and Note 4: Goodwill of the consolidated financial statements.

The Company carries out an impairment test annually for cash generating units ("CGUs") that have recorded goodwill.

As at December 31, 2022, the Company has $2,914,000 of goodwill related to two CGUs on the consolidated statement of financial position. Management assesses at least annually, or at any time if an indicator of impairment exists, whether there has been an impairment loss in the carrying value of goodwill. The Company performs its annual impairment analysis as of December 31 and estimates the recoverable amount for each of the two CGUs to which goodwill has been allocated using a discounted cash flow model. The Company discloses significant judgments, estimates and assumptions and the results of their analysis in respect of impairment in Note 4 to the consolidated financial statements. During the year, the Company determined that the CGUs had recoverable amounts that exceeded their respective carrying values and as such, no impairment was recognized.

We considered the impairment assessment of goodwill to be a key audit matter due to the significant judgements made by management to determine the assumptions and estimates underlying the calculations of recoverable amount. Assessing the reasonableness of these assumptions, including the cash flow forecast, growth rate and the discount rate, required significant auditor judgement and increased audit effort, including the use of valuation specialists, as changes in these assumptions could have a significant impact on either recoverable amount, the amount of any impairment charge, or both.

How our audit addressed the Key Audit Matter

Our audit procedures related to the valuation of goodwill included the following, among others:

- We evaluated the reasonableness of the inputs used in management's cash flow forecasts by considering each of the CGUs historical revenue and results, industry growth, pipeline of contracts and current customers;
- We tested the mathematical accuracy of the impairment models;
- We performed a sensitivity analysis on the discount rate by assessing how changes in the discount rate would impact the recoverable amount of the CGUs; and
- We involved our valuation specialists, who assisted in evaluating the appropriateness of the impairment valuation models and in particular, the discount rates used in the impairment assessment.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
April 28, 2023
Toronto, Ontario

EQ INC.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)
December 31, 2022 and 2021

		2022		2021
Assets				
Current assets:				
Cash	**$**	**1,253**	$	8,763
Accounts receivable (note 17(a))		**3,535**		4,687
Other current assets (note 8(a))		**234**		388
		5,022		13,838
Non-current assets:				
Property and equipment (note 9)		**55**		101
Right-of-use asset		**-**		6
Intangible assets (note 10)		**2,156**		2,193
Goodwill (note 4)		**2,914**		2,914
	$	**10,147**	$	19,052
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities (note 8(b) & 11 (a))	**$**	**3,488**	$	4,514
Rewards payable (note 8(c))		**1,281**		1,071
Lease liability		**-**		16
Loans and borrowings (note 11(b))		**79**		-
Contract liabilities (note 8(d))		**60**		529
Earn-out (note 3 (a))		**-**		1,401
		4,908		7,531
Non-current liabilities:				
Loans and borrowings (note 11 (b))		**-**		77
		4,908		7,608
Shareholders' equity		**5,239**		11,444
	$	**10,147**	$	19,052

Going concern (note 2(b))

On behalf of the Board:

"Vernon Lobo" Director "Geoffrey Rotstein" Director

See accompanying notes to consolidated financial statements

EQ INC.

Consolidated Statements of Loss and Comprehensive Loss
(In thousands of Canadian dollars, except per share amounts)
December 31, 2022 and 2021

		2022		2021
Revenue (note 5)	$	10,979	$	12,086
Expenses:				
Publishing costs		6,927		7,109
Employee compensation and benefits		4,955		5,272
Other operating costs		4,659		3,690
Depreciation of property and equipment		67		75
Depreciation of right-of-use asset		6		70
Amortization of intangible assets		637		441
Restructuring costs		117		-
		17,368		16,657
Loss from operations		(6,389)		(4,571)
Transaction costs of acquisition (note 3 (b))		-		(82)
Additional contingent consideration (note 3 (a))		-		(1,215)
Finance income (note 6)		43		66
Finance costs (note 6)		(89)		(153)
Net loss		(6,435)		(5,955)
Total comprehensive loss	$	(6,435)	$	(5,955)
Loss per share:				
Basic and diluted	$	(0.09)	$	(0.09)
Weighted average number of shares outstanding basic and diluted		69,435,624		67,266,224

See accompanying notes to consolidated financial statements

EQ INC.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars, except per share amounts)
Years ended December 31, 2022 and 2021

	Common shares												
	Number of shares (note 12)		**Amount**		**Contributed surplus**		**Warrants**		**Accumulated other comprehensive loss**		**Deficit**		**Total equity**
Balance, January 1, 2022	69,435,624	$	94,291	$	4,160	$	91	$	(2,062)	$	(85,036)	$	11,444
Net loss	-		-		-		-		-		(6,435)		(6,435)
Share-based payments (note 14)	-		-		230		-		-		-		230
Expiry of Warrants (note 13)	-		-		91		(91)		-		-		-
Balance, December 31, 2022	**69,435,624**	**$**	**94,291**	**$**	**4,481**	**$**	**-**	**$**	**(2,062)**	**$**	**(91,471)**	**$**	**5,239**

	Common shares												
	Number of shares (note 12)		**Amount**		**Contributed surplus**		**Warrants**		**Accumulated other comprehensive loss**		**Deficit**		**Total equity**
Balance, January 1, 2021	58,912,008	$	81,923	$	3,559	$	210	$	(2,062)	$	(79,081)	$	4,549
Net loss	-		-		-		-		-		(5,955)		(5,955)
Share-based payments (note 14)	-		-		643		-		-		-		643
Exercise of stock options (note 12 & 14)	1,227,333		118		(42)		-		-		-		76
Exercise of warrants (note 12 & 13)	2,108,783		1,602		-		(210)		-		-		1,392
Equity financing (note 12)	7,187,500		11,500		-		-		-		-		11,500
Share issuance costs (note 12)	-		(852)		-		91		-		-		(761)
Balance, December 31, 2021	**69,435,624**	**$**	**94,291**	**$**	**4,160**	**$**	**91**	**$**	**(2,062)**	**$**	**(85,036)**	**$**	**11,444**

See accompanying notes to consolidated financial statements

EQ INC.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)
December 31, 2022 and 2021

		2022		2021
Cash flows from operating activities:				
Net loss	**$**	**(6,435)**	$	(5,955)
Adjustments to reconcile net loss to net cash flows from operating activities:				
Depreciation of property and equipment		**67**		75
Depreciation of right-of-use asset		**6**		70
Amortization intangible assets		**637**		441
Share-based payments (note 14)		**230**		643
Unrealized foreign exchange gain		**(41)**		(2)
Additional contingent consideration		**-**		1,215
Transaction costs of acquisition		**-**		82
Finance costs, net		**10**		109
Change in non-cash operating working capital (note 19)		**(97)**		232
Net cash used in operating activities		**(5,623)**		(3,090)
Cash flows from financing activities:				
Repayment of obligations under property lease		**(45)**		(241)
Loans and borrowings (note 11(b))		**-**		40
Repayment of promissory notes (notes 11 (c))		**-**		(1,717)
Proceeds from exercise of warrants (note 12)		**-**		1,392
Equity financing (note 12)		**-**		11,500
Equity issuance costs (note 12)		**-**		(761)
Proceeds from exercise of stock options (note 14)		**-**		76
Interest paid		**-**		(293)
Net cash from (used) in financing activities		**(45)**		9,996
Cash flows from investing activities:				
Interest income received (note 6)		**43**		22
Acquisition (note 3 (b))		**-**		(498)
Transaction costs of acquisition		**-**		(82)
Earn-out payout (note 3 (a))		**(1,305)**		(36)
Purchases of property and equipment (note 9)		**(21)**		(58)
Addition of intangible assets (note 10)		**(600)**		(711)
Net cash used in investing activities		**(1,883)**		(1,363)
Increase (decrease) in cash		**(7,551)**		5,543
Foreign exchange gain on cash held in foreign currency		**41**		11
Cash, beginning of year		**8,763**		3,209
Cash, end of year	**$**	**1,253**	$	8,763

See accompanying notes to consolidated financial statements

1. Corporate information:

EQ Inc. ("EQ Works") or (the "Company") enables businesses to better understand, predict, and influence customer behavior. Using unique data sets, advanced analytics, machine learning and artificial intelligence, the Company creates actionable intelligence for businesses to attract, retain, and grow the customers through its proprietary SaaS technology platforms, LOCUS and ATOM. The Company is able to ingest, enrich, analyze and action upon receipt of large quantities of data. The Company is governed by the Ontario Business Corporations Act and is domiciled in Canada. The address of the Company's registered office is 1235 Bay Street, Suite 401, Toronto, ON, M5R 3K4. The Company is a publicly listed on the TSX Venture Exchange ("TSX-V").

2. Significant accounting policies:

(a) Statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretation Committee ("IFRIC"), as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2022. The Board of Directors authorized the consolidated financial statements for issue on April 28, 2023.

(b) Basis of presentation and going concern:

The consolidated financial statements have been prepared under the historical cost basis. Other measurement bases used are described in the applicable notes.

The consolidated financial statements were prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

The Company's ability to continue as a going concern is dependent upon the Company's ability to successfully generate profit from operations, or to finance its cash requirements through equity financing, debt financing or rights offerings from existing shareholders. There is no assurance that the Company will be successful in generating profits or raising sufficient funds through financing.

The Company has incurred total comprehensive losses of $6,435 and negative cash flows from operations of $5,623 for the year ended December 31, 2022, and has a working capital of $114 as at December 31, 2022. As a result, these material uncertainties may cast significant doubt regarding the Company's ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments that might be necessary to the carrying amount of reported assets, liabilities, revenue, and expenses and the statement of financial position classification used if the Company was unable to continue operations in accordance with this assumption. Such adjustments could be material.

2. Significant accounting policies (continued):

(c) Functional and presentation currencies:

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiaries.

(d) Use of estimates and judgments:

The preparation of consolidated financial statements and application of IFRS often involves management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment.

There have been no material revisions to the nature and amount of estimates and judgments made in prior periods.

The following are critical accounting policies subject to such judgments and the key sources of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results of operations and consolidated financial position.

Key sources of estimation uncertainty:

(i) Useful lives of intangible assets - Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

(ii) Impairment of non-financial assets – In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

(iii) Revenue recognition – The recognition of revenue requires judgement in the assessment of performance obligations, whether they are distinct and separate, within a contract and the assessment of recognizing at a point in time or over a period of time. In instances of bundle contracts, management estimates and allocates the transaction price to each performance obligation based on its stand-alone selling price. The determination of whether revenue should be reported on a gross or net basis is based on an assessment of whether the Company is acting as the principal or an agent in these transactions with advertisers and involves judgement based on an evaluation of the terms of each arrangement. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, management places the most weight on the analysis of whether the Company controls the services before they are transferred to the customer.

2. Significant accounting policies (continued):

(d) Use of estimates and judgments (continued):

(iv) Expected credit losses - The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.

(v) Share-based payments - The estimated fair value of stock options is determined using the Black-Scholes option pricing model. Inputs to the model are subject to various estimates related to volatility, interest rates, dividend yields and expected life of the stock options issued. Fair value inputs are subject to market factors, as well as internal estimates. In addition to the fair value calculation, the Company estimates the expected forfeiture rate with respect to equity-settled share-based payments based on historical experience.

(vi) Business combinations – IFRS 3, Business Combinations, is applied to account for all business acquisitions. Identifying the fair value of assets and liabilities acquired, including intangible assets and residual goodwill requires significant judgement by management upon acquisition.

(e) Business combinations:

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the acquirer assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date. Contingent consideration to be transferred by the acquirer is recognized at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognized in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognized as goodwill. If the

2. Significant accounting policies (continued):

(e) Business combinations (continued):

consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognized as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognized and also recognizes additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends 12 months from the date of the acquisition.

The Company determines whether a business is acquired when the integrated set of assets and activities includes at a minimum, an input and a substantive process and whether the acquired set has the ability to contribute to the creation of outputs.

The Company also has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the concentration test is met, and the transaction is determined not to be a business combination. If the assets acquired are not a business, the transaction is accounted for as an asset acquisition.

(f) Goodwill:

Goodwill is initially recognized at cost, being the excess of the purchase price of acquired businesses over the estimated fair value of the tangible and intangible assets acquired and liabilities assumed at the date acquired and is allocated to the cash generating unit (“CGU”) expected to benefit from the acquisition. A CGU is the smallest group of assets for which there are separately identifiable cash flows.

Subsequently, goodwill and indefinite life intangible assets are not amortized but are assessed at the end of each reporting period for impairment and more frequently whenever events or circumstances indicate that their carrying value may not be fully recoverable. The Company considers the relationship between its market capitalization and its book value, as well as other factors, when reviewing for indicators of impairment. Goodwill is assessed for impairment based on the CGUs or group of CGUs to which the goodwill relates. Any potential goodwill impairment is identified by comparing the recoverable amount of a CGU or group of CGUs to its carrying value which includes the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized.

(In thousands of Canadian dollars, except per share amounts)

2. Significant accounting policies (continued):

(f) Goodwill (continued):

The Company may need to test its goodwill for impairment between its annual test dates if market and economic conditions deteriorate or if volatility in the financial markets causes declines in the Company's share price, increases the weighted average cost of capital, or changes valuation multiples or other inputs to its goodwill assessment. In addition, changes in the numerous variables associated with the judgments, assumptions, and estimates made by management in assessing the fair value could cause them to be impaired. Goodwill impairment charges are non-cash charges that could have a material adverse effect on the Company's consolidated financial statements but in themselves do not have any adverse effect on its liquidity, cash flows from operating activities or debt covenants.

An impairment loss of goodwill is not reversed. For other assets, an impairment loss may be reversed if the estimates used to determine the recoverable amount have changed. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount or the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years. The reversal is recognized in the consolidated statements of income.

(g) Basis of consolidation:

(i) Subsidiaries:

Subsidiaries are entities controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Company has the following wholly owned subsidiaries:

Subsidiary	Jurisdiction of incorporation	Ownership interest December 31, 2022	Ownership interest December 31, 2021
CX Digital Media U.S.A Inc.	Delaware	100%	100%
EQ Advertising Group Ltd.	Ontario	100%	100%
CX U.S.A Southwest Inc.	Texas	100%	100%
CX U.S.A. Pacific, Inc.	California	100%	100%
Tapped Networks Inc. (note 3 (a))	Ontario	100%	100%
Integrated Rewards Inc. (note 3 (b))	Ontario	100%	100%

(ii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from such transactions, are eliminated upon consolidation.

2. Significant accounting policies (continued):

(h) Foreign currency transactions:

Transactions in foreign currencies are translated to the respective functional currencies of the Company and its subsidiaries at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency using the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency using the exchange rate at the date that the fair value was determined.

Foreign currency differences arising from translation are recognized in finance income or cost. Non-monetary assets and liabilities and related depreciation and amortization are translated at historical exchange rates. Revenue and expenses, other than depreciation and amortization, are translated at the monthly average rates of exchange for the year.

(i) Financial instruments:

The Company classifies its financial assets in the following measurement categories:

(i) Those to be measured subsequently through fair value (either through other comprehensive income ("OCI"), or through profit or loss), and

(ii) Those to be measured at amortized cost using the effective interest method.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. The transaction costs of a financial asset carried at FVPL are expensed in profit or loss.

Financial instruments at amortized cost: Financial instruments at amortized cost include cash, accounts receivable, accounts payable and accrued liabilities, loan and borrowings, lease liability and other current and non-current liabilities. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized costs. When material, interest income from these financial assets are included in finance income using the effective interest rate method. Impairment losses are presented as a separate line item in the statement of operations.

Equity instruments: The Company subsequently measures all investments in equity instruments at fair value. Dividends from such investments will be recognized in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of the financial assets at FVPL are recognized in other gains or (losses) in the statement of operations as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVPL are not reported separately from other changes in fair value.

2. Significant accounting policies (continued):

(i) Financial instruments (continued):

For other assets measured at fair value, gains and losses will be recorded directly in the statement of operations or OCI. For financial assets other than equities measured at fair value through other comprehensive income ("FVOCI") changes in the carrying amount will be recorded in OCI except for recognition of impairment losses, interest revenue and foreign exchange gain and losses on the instrument's amortized cost which are recognized in income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity instrument at FVOCI.

When derecognized the cumulative gain or loss in OCI (on non-equity FVOCI financial assets) is reclassified from equity to income. Interest income is recognized on FVOCI financial assets using the effective interest method.

Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For accounts receivables, the Company applies the simplified approach permitted by IFRS 9, which requires ECL to be recognized from initial recognition of the receivables.

(j) Property and equipment:

(i) Recognition and measurement:

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized net within loss from operations.

The costs of the day-to-day servicing of property and equipment are recognized in operating income as incurred.

(ii) Depreciation:

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its estimated residual value. Depreciation is recognized on a straight-line basis over the estimated useful lives of the property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

2. Significant accounting policies (continued):

(j) Property and equipment (continued):

(ii) Depreciation (continued):

The estimated useful lives for the current and comparative years are as follows:

Furniture and fixtures	4 years
Computer equipment	3 years
Leasehold improvements	Lesser of useful life and term of lease

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted, if appropriate.

(k) Intangible assets:

(i) Intangible assets:

Intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are recorded at cost when internally generated and at fair value when acquired during a business acquisition. Intangible assets are amortized over their estimated useful lives.

Software platform: Certain costs incurred in connection with the development of software to be used internally is capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met;

1. It is technically feasible to complete the software product so that it will be available for use;
2. Management intends to complete the software product and use or sell it;
3. There is an ability to use or sell the software product;
4. It can be demonstrated how the software product will generate probable future economic benefits;
5. Adequate technical, financial and other resources to complete the development and to use or sell the software product are available, and
6. The expenditure attributable to the software product during its development can be reliably measured.

Costs that qualify for capitalization include both internal and external costs.

2. Significant accounting policies (continued):

(k) Intangible assets (continued):

(ii) Amortization:

Amortization is calculated over the cost of the asset less its estimated residual value, which typically is expected to be nil. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Useful lives, residual values and amortization methods for intangible assets with finite lives are reviewed at least annually.

The estimated useful lives for the current and comparative years are as follows:

Customer relationships	6 years
Customer relationships for Paymi	8.5% per year
Software	3 years
Developed technology	1-3 years
Non-compete	2 years
Backlog	1 year
Paymi brand	Indefinite

(iii) Research and development:

Research and development activities are assessed to determine if they qualify for recognition as internally generated intangible assets. Apart from complying with the general requirements for initial measurement of an intangible asset, qualification criteria are met only when technical as well as commercial feasibility can be demonstrated and cost can be reliably measured. It must also be probable that the intangible asset will generate future economic benefits, be clearly identifiable and allocable to a specific product. Further to meeting these criteria, only such costs that relate solely to the development phase of a self-initiated project are capitalized. Any costs that are classified as part of the research phase of a self-initiated project are expensed as incurred. If the research phase cannot be clearly distinguished from the development phase, the respective project-related costs are treated as if they were incurred in the research phase only. Capitalized development costs are amortized over the estimated useful life of the internally generated intangible asset. Internally generated intangible assets are reviewed for impairment annually when the asset is not yet in use or when events or changes in circumstances indicate that the carrying amount may not be recoverable and the asset is in use.

For the year ended December 31, 2022 $84 (2021 - $82) of research and development costs have been reimbursed from the Scientific Research and Experimental Development and Industrial Research Assistance Tax Incentive Program and recorded as part of employee compensation and benefits in profit or loss.

2. Significant accounting policies (continued):

(l) Impairment:

Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment test is conducted annually, for indefinite life intangible assets and intangible assets that are not yet available for use.

(m) Share-based payments:

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

The grant date fair value of share-based payment awards granted to employees is recognized as a compensation cost, with a corresponding increase in contributed surplus, over the vesting period of the award. The amount recognized is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that vest. Upon exercising the awards, such as options, the fair value of the stock options exercised that has been expensed to contributed surplus along with the cash received is reclassified to common shares and reflected in the statements of changes in shareholders' equity.

Under the Company’s restricted share unit (“RSU”) plan, RSU’s may be granted to directors, officers, employees and consultants. Compensation expense for each grant is recorded in the statement of loss and comprehensive loss with a corresponding increase in contributed surplus on the statement of financial position. The expense is based on the fair values at the time of the grant and is recognized over the vesting period of the respective RSU. The Company settles RSU’s by issuing shares.

(n) Warrants:

The Company follows the relative fair value method with respect to the measurement of common shares and warrants issued as private placement units. The proceeds from the issuance of units are allocated between share capital and warrants. Unit proceeds are allocated to shares and warrants using the Black-Scholes option pricing model and the share price at the time of financing. If and when the warrants are exercised, the applicable relative fair value recognized in warrants is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus. In situation where warrants are issued as consideration for goods and services received and some or all of the goods or services received cannot be specifically identified or reliably measured, then these warrants are measured at the fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model.

2. Significant accounting policies (continued):

(o) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The timing or amount of the outflow may still be uncertain. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(p) Revenue:

Revenue is recognized based on the five-step model outlined in IFRS 15:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company determines collectability by performing ongoing credit evaluations and monitoring its customers' accounts receivable balances. For new customers and their agents, which may be advertising agencies or other third parties, the Company may perform a credit check with an independent credit agency and check credit references to determine creditworthiness. The Company only recognizes revenue when collection is reasonably assured. If collection is not considered reasonably assured, revenue is recognized only once all amounts are collected.

In instances where the Company contracts with third party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. The Company is acting as the principal in these arrangements and therefore revenue earned and costs incurred are recognized on a gross basis as the Company has control and is responsible for fulfilling the advertisement delivery, establishing the selling prices and the delivery of the advertisements for fully managed revenue, providing training and updates for the self- serve proprietary platform and performing all billing and collection activities.

The timing of revenue recognition sometimes differs from the contract payment schedule, resulting in revenues that have been billed but not earned which are recorded as contract liabilities. As at December 31, 2022 the Company had $60 (2021 - $529) in contract liabilities.

In instances where the Company collects payment in advance and there is a significant financing component, the practical expedient is applied as the period from delivery of the goods or services is within one year of when the customer pays. No adjustment is made to the transaction price. The practical expedient is also applied to commission contract costs and these are expensed as incurred.

2. Significant accounting policies (continued):

(p) Revenue (continued):

Advertising Services

The Company generates revenue from the delivery of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile campaigns using its Programmatic Marketing Platform. The Company offers its services on a fully-managed and a self-serve basis. In instances of self-serve basis, the Company also provides its customers with access to the Programmatic Marketing Platform which includes promises related to hosting and support services. These arrangements are evidenced by a fully executed insertion order ("IO"). Generally, IOs specify the number and type of advertising impressions to be delivered over a specified time at an agreed upon price and performance objectives for an ad campaign based on client needs. Performance obligation are generally a measure of targeting as defined by the parties in advance, such as number of ads displayed, consumer clicks on ads or consumer actions (which may include qualified leads, registrations, downloads, inquiries or purchases). These payment models are commonly referred to as cost per impression ("CPM"), cost per click ("CPC") and cost per action ("CPA"). The performance obligations are satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully-managed revenue and the delivery of impressions for self-serve.

Revenue is recognized over time using the output method when the performance obligations are satisfied. Typically, campaigns run for a period of one to three months and are billed at the end of the month.

Fixed Fee Data Sales

The Company provides customers with research and analytics of data. The Company has concluded that these promises are not distinct and are recognized as one performance obligation. The IOs will specify the fixed fee arrangement to be delivered over an agreed upon price. Revenue is recognized as the performance obligation are satisfied over time as the services are provided to the customer. Typically, this service is bundled with advertising services and campaigns are generally for a period of one month and are billed at the end of the month.

CPM Data Sales

The Company provides customers with the ability to track the effectiveness of advertisements. The payment model is measured based on the number of impressions for results achieved through the tracking. The performance obligation are satisfied over time as the volume of impressions are delivered up to the contractual maximum. Revenue is recognized over time using the output methods when the performance obligations are satisfied. Typically, campaigns run for a period of one to three months and are billed at the end of the month.

2. Significant accounting policies (continued):

(p) Revenue (continued):

Other Services

The Company provides customers with consultation services to improve advertisement effectiveness and performance. These services are fixed fee arrangements for specified consulting services and each project is considered distinct. Each performance obligation is satisfied over time as the services are provided to the customer. Revenue is recognized using the input method for time incurred compared to the estimated time for specified services.

Content revenue

On July 5, 2021, the Company announced the closing of its acquisition of all of the issued and outstanding shares of Integrated Rewards Inc. ("Paymi").

Paymi is a downloadable app for iOS or Android that uses card linking technology. Paymi provides a seamless experience for members to securely connect their debit and credit cards and redeem cashback on their purchases. Paymi works with Merchant ("Client") for offers to be placed on its app. Paymi members can access the offers on the app and can redeem on purchases. Upon confirmation of the purchase by a Paymi member, revenue is calculated by multiplying the transaction amount by a certain rate and is recorded as commission revenue, and cash back expense for Paymi members are recorded simultaneously. Commission revenue and expenses arising from the provision of this service are recorded as revenue on a gross basis. Paymi bears all of the risk in delivering the cash-back rewards to its members regardless of the subsequent collection of funds from the Client. Paymi work with our Client to

set the percentage of cash back offered (often at different tiers based on targeting) and then set a commission fee based on the competitive landscape. Furthermore, we often strategize with the client about the content of the reward campaigns to make recommendations about the total cash back amounts, minimum spends, and whether to have one broad offer or multiple segmented offers with different cash back amounts. Paymi has the right to enforce discretionary control of the Client and Paymi members over the transaction and pricing.

2. Significant accounting policies (continued):

(q) Leases:

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

a. the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
b. the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
c. the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where all the decisions about how and for what purpose the asset is used are predetermined, the Company has the right to direct to use of the asset if either (i) the Company has the right to operate the asset, or (ii) the Company has designed the asset in a way that predetermines how and for what purpose it will be used.

If a contract is assessed to contain a lease, the Company recognizes a lease liability with a corresponding right-of-use ("ROU") asset on the date at which the leased asset is available for use by the Company. The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date, discounted using the interest rate implicit in the lease. If the implicit rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that it would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost and decreased by lease payments made over the lease period. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the Company's estimate of any residual amount payable, or if applicable, the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

The ROU asset is depreciated using the straight-line method from the recognition date to the earlier of the end of the useful life of the asset or the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are expensed as they are incurred in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

2. Significant accounting policies (continued):

(r) Finance income and finance cost:

Finance income comprises interest income on funds invested (including available-for-sale financial instruments), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on loans and borrowings, changes in the fair value of financial instruments at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gain and losses arriving from the translation and settlement of assets and liabilities as well as revenue and expenses are reported on a net basis within finance cost (income).

(s) Income taxes:

Income tax expense for the year comprises current and deferred income taxes. Current taxes and deferred taxes are recognized in the consolidated statements of comprehensive income (loss), except to the extent that they relate to items recognized in OCI or directly in equity. In these cases, the taxes are also recognized in OCI or directly in equity, respectively.

The Company uses the asset and liability method of accounting for deferred income taxes. Under this method, the Company recognizes deferred income tax assets and liabilities for future income tax consequences attributable to temporary differences between the consolidated statement of financial position carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carryforwards. The Company measures deferred income taxes using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The Company recognizes deferred income tax assets only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, as well as unused tax losses and tax credit carryforwards can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company recognizes the effect of a change in income tax rates in the year of enactment or substantive enactment.

Deferred income taxes are not recognized, if they arise from the initial recognition of goodwill, nor are they recognized on temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred income taxes are also not recognized on temporary differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

2. Significant accounting policies (continued):

(s) Income taxes (continued):

An entity shall offset deferred tax assets and deferred tax liabilities if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

The Company records current income tax expense or recovery based on taxable income earned or loss incurred for the year in each tax jurisdiction where it operates, and for any adjustment to taxes payable in respect of previous years, using tax laws that are enacted or substantively enacted at the consolidated statements of financial position dates.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining the Company's income tax provisions. Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax rules are subject to interpretation.

The Company establishes provisions related to tax uncertainties where appropriate, based on its best estimate of the amount that will ultimately be paid to or received from tax authorities.

(t) Loss per share

Basic loss per share amounts are calculated by dividing net loss for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss attributable to common shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential ordinary shares into common shares.

2. Significant accounting policies (continued):

(u) Government assistance

Government assistance is recognized when there is reasonable assurance that the assistance will be received and that the Company will comply with all relevant conditions. Government assistance related to current expense is recorded as a reduction of the related expense.

(v) Segment reporting

Reportable segments are those whose operating results are reviewed by the chief operating decision-maker, identified as the Chief Executive Officer, which is responsible for allocating resources and assessing performance.

The Company has one reportable segment, refer to Note 5 for additional information.

(w) Rewards payable

Paymi works client for offers to be placed on its app. Paymi members can access the offers on the app and can redeem on purchases. Upon confirmation of the purchase by a Paymi member, cash back will be deposited in members account. Cash back rewards to its members are booked as cost of sales on the statement of loss and comprehensive loss and as current liability on the statement of financial position. Once a member chooses to redeem the cash back rewards, the Company issues payment via e-transfer and derecognizes the liability.

3. Acquisition:

(a) Tapped Networks Inc.:

On October 15, 2018, the Company completed the purchase of 100% of the shares of Tapped Networks Inc. (“Tapped Mobile”), an Ontario based company. Tapped Mobile’s marketing solutions enable and expand the Company’s offering and enter into new markets as the Company continues to help the Company’s clients drive better business results. Pursuant to the purchase and effective upon closing, Tapped Mobile became a wholly owned subsidiary of EQ Inc. and all issued and outstanding common shares of Tapped Mobile were transferred to EQ Inc. The total consideration was up to $3,500 through the issuance of 1,000,000 common shares at a price of $0.63 to the shareholders of Tapped Mobile and additional cash consideration of up to $2,800 to be paid out over the following 24 months based on certain performance thresholds being met.

The acquisition agreement provides for contingent consideration payment up to $2,800, based on achievement of certain predetermined revenue and gross profits targets, in the 24-months period following the closing of the acquisition to a maximum total compensation paid to the former shareholders of Tapped Mobile up to $3,500. The Company has estimated the Earn-out to be $319 and $281 in the first and second year of the contingent consideration period, respectively.

(In thousands of Canadian dollars, except per share amounts)

3. Acquisition (continued):

(a) Tapped Networks Inc. (continued):

The first year of Earn-out of $744 was paid in December 2019. The Company paid $95 of second year Earn-out and has a remaining accrual of $1,401 for potential future Earn-out and legal fees in 2021. The two parties were in dispute regarding the amount owed relating to the second year earnout. However, the Ontario Superior Court ruled that the Company was to pay the former shareholders of Tapped Mobile the entire amount for the second year earnout under the Share Purchase Agreement. The Company recorded an additional Earn-out of $1,119 plus legal fee of $96 in profits and loss for the year ended December 31, 2021.

The Company did not agree with this judgement and appealed the decision to the upper court. However, the upper court upheld the decision and the Company settled the remainder of $1,305 of the second year Earn-out, and legal fees of $96 and interest of $46.

Changes to the carrying amount of earn-out during the fiscal years ended December 31, 2022 and 2021 were as follows:

		Earn-out
Balance at January 1, 2021	**$**	**222**
Addition		**1,215**
Payout		**(36)**
Earn-out at December 31, 2021	**$**	**1,401**
Balance at January 1, 2022	**$**	**1,401**
Payout		**(1,305)**
Legal fees		**(96)**
Earn-out at December 31, 2022	**$**	**-**

(b) Integrated Rewards Inc.

On July 2, 2021, the Company completed the acquisition of all the shares of Integrated Rewards Inc., and its consumer facing application Paymi.com. Paymi is a cloud-based marketing platform that uses card linking technology to enable consumers to received cash back rewards for credit and debit card transactions and offer merchant partners the ability to understand more about their customers to drive greater sales and increase market share.

In addition to a working capital adjustment, the purchase price payable on closing was $2,500, of which $500 was paid in cash and of which net liabilities of $2,000 were assumed by the Company and will be settled in the manner directed by Paymi. The $500 of cash was placed into escrow for indemnity purposes. Of the funds held in escrow, $375 will be released after 12 months and $125 will be released after 18 months, in each case subject to any claims by the Company. The $500 placed into escrow was fair valued by discounting the Paymi's cost of debt of 7.5% to $461 and was recognized on July 2, 2021. For the year ended December 31, 2021, an accretion of $17 was recorded. The Company is in dispute with the former shareholders and the $500 is still in escrow.

(In thousands of Canadian dollars, except per share amounts)

3. Acquisition (continued):

(b) Integrated Rewards Inc. (continued):

This transaction qualifies as a business combination and was accounted for in accordance with IFRS 3, Business Combinations using the acquisition method of accounting. To account for the transaction, the Company has performed a business valuation of Paymi at the date of acquisition and a provisional purchase price allocation. At the time of issuance of these financial statements there is still a dispute related to the working capital calculation and the Company will retain a third party for mediation. Certain aspects of the purchase price allocation are not finalized, and the business valuation and the purchase price allocations are subject to change. The Company is currently in dispute with the former shareholders of Paymi regarding working capital adjustment and the Company and the former shareholder engaged a third party to review the working capital. At this time, the amount of assumed working capital and goodwill are subject to change once the dispute is resolved. The Company incurred transaction costs of $82 associated with the acquisition which were expensed.

As allowed by IFRS 3, the fair values for purchase price allocation as a result of business combination with Integrated Rewards Inc. have been determined provisionally. Hence, the initial accounting for the business combination is incomplete and will be adjusted in the ensuing financial year based on more accurate and complete information and analysis during the measurement period.

The allocation of the purchase consideration is as follows:

Allocation		
Cash	$	**2**
Other current and non-current assets		**2**
Property and equipment		**16**
Developed technology		**67**
Paymi brand		**120**
Customers relationships		**640**
Goodwill		**2,182**
Accounts payable and accrued liabilities		**(1,232)**
Canada emergency business loan		**(40)**
Debentures		**(125)**
Shareholder loan		**(272)**
Rewards payable		**(898)**
Contract liabilities		**(1)**
Net assets acquired	$	**461**

Purchase consideration:		
Escrow		**461**
Purchase consideration	$	**461**

(In thousands of Canadian dollars, except per share amounts)

3. Acquisition (continued):

(b) Integrated Rewards Inc. (continued):

As at December 31, 2021, the Company recognized goodwill of $2,182 arising from the acquisition of Paymi, on July 2, 2021. Goodwill is calculated as the residual in the purchase price equation. It was determined by subtracting the fair values of net tangible assets and all identified intangible assets from the overall purchase price. A component of the goodwill related to the assembled workforce which reflects the value of the Target's skilled and experienced workforce. The amount of goodwill was determined in accordance with IFRS 3.

The acquisition of Paymi added a new revenue stream and facilitates expansion into multiple new customer verticals, an innovative propriety technology platform that accumulates 100% consent based zero party data in a privacy focused environment and access to these data sets will organically enhance LOCUS's leading analytics and AI framework with proprietary zero party data. The $2,182 recognized as goodwill is not deductible for tax purposes.

The Company recorded $238 of revenue and a $951 net loss in the Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2021., from Paymi as a result of the acquisition. If the acquisition occurred as of January 1, 2021, revenue for the year ended December 31, 2021, would have been $415 and the loss would have been $1,763.

The Company recorded $325 of revenue and a $1,243 net loss in the Consolidated Statement of Loss and Comprehensive Loss for the year ended December 31, 2022.

4. Goodwill:

Changes to the carrying amount of goodwill during the fiscal years ended December 31, 2022 and 2021 were as follows:

		Goodwill
Balance at January 1, 2021	$	732
Acquired through business combination (Note 3 (b))		2,182
Goodwill at December 31, 2022 and 2021	$	2,914
Allocated:		
Juice mobile	$	732
Paymi		2,182
Goodwill at December 31, 2022	$	2,914

4. Goodwill (continued):

Goodwill and indefinite life intangible assets are not amortized but are assessed at the end of each reporting period for impairment and more frequently whenever events or circumstances indicate that their carrying value may not be fully recoverable. The Company considers the relationship between its market capitalization and its book value, as well as other factors, when reviewing for indicators of impairment. Goodwill is assessed for impairment based on the CGUs or group of CGUs to which the goodwill relates. Any potential goodwill impairment is identified by comparing the recoverable amount of a CGU or group of CGUs to its carrying value which includes the allocated goodwill. If the recoverable amount is less than its carrying value, an impairment loss is recognized.

On December 31, 2022 and 2021, the Company performed its annual goodwill impairment test in accordance with its policy described in note 2. Based on the results of the 2022 and 2021 tests performed, the Company concluded that the recoverable amount of the Juice Mobile and Paymi CGU has exceeded its carrying amount, and therefore goodwill was not impaired.

The Juice Mobile CGU's recoverable amount was determined based on value in use using a 5 year discounted cash flow model. Key assumptions used in the discounted cash flow model are as follows: (a) projected revenue used in the forecast was estimated considering current and historical results with growth rates of 29% growth in 2023, 35% in 2024, 35% in 2025, 35% in 2026 and 35% in 2027 and a 2% terminal growth to reflect the inflationary growth; (b) projected general and administrative expenses used in the forecast were estimated using current and historical results as a percentage of revenue with consideration to variable costs, with fixed costs estimated to remain fairly constant, the gross margin has been estimated at 43% to 47% throughout the forecast; and (c) working capital and capital expenditures were estimated considering industry benchmarks as a percentage of revenue. The pre-tax discount rate applied in the discounted cash flow model was 19.39%.

The Paymi CGU's recoverable amount (level 3 fair value) was determined based on value in use using a 5 year discounted cash flow model. Key assumptions used in the discounted cash flow model are as follows: (a) projected revenue used in the forecast was with growth rates of 155% growth in 2023,300% in 2024, 120% in 2025, 72% in 2026 and 51% in 2026 and a 2% terminal growth to reflect the inflationary growth; and (b) projected general and administrative expenses used in the forecast were estimated using current and historical results as a percentage of revenue with consideration to variable costs, with fixed costs estimated to remain fairly constant, the gross margin has been estimated between 44% to 73% over the 5 year period. The pre-tax discount rate applied in the discounted cash flow model was 25.50%.

(In thousands of Canadian dollars, except per share amounts)

5. Segment information:

The Company's management and chief operating decision maker reviews performance of the Company on a consolidated basis and has integrated its services as one reportable segment, which provides real-time technology and advance analytics to improve performance for all web, mobile, social and video advertising initiatives and focuses on targeted advertising and incorporates the most sophisticated advertising technologies, data analytics and programmatic media buying capabilities into a single system. The chief operating decision maker evaluates the Company's performance, makes operating decision, and allocates resources based on financial data consistent with the presentation in these financial statements.

The Company's assets and operations are all located in Canada; however, the Company services customers in the United States and internationally.

The Company generates revenue across two geographical regions; customer revenue by region is as follows:

		2022		2021
Canada	**$**	**10,962**	$	11,969
United States		**17**		117
	$	**10,979**	$	12,086

In 2022, there were three customers that comprised 30%, 17% and 11%, respectively, of the Company's total revenue from operations. In 2021, there were two customers that comprised 29% and 18%, respectively, of the Company's total revenue from operations.

The components of revenue are as follows:

		2022		2021
Advertising Services	**$**	**8,329**	$	8,804
Data Sales[(1)]		**2,650**		3,282
	$	**10,979**	$	12,086

(1) Data Sales are comprised of Fixed CPM Data and licenses.

(In thousands of Canadian dollars, except per share amounts)

6. Finance income and finance cost:

		2022		2021
Finance income:				
Interest income on cash	**$**	**43**	$	22
Loan discount and accretion (note 11 (b))		**-**		43
Foreign exchange gain, net		**-**		1
Total finance income	**$**	**43**	$	66

		2022		2021
Finance costs:				
Other interest expense	**$**	**(23)**	$	(8)
Accretion on loan (note 11 (b))		**(2)**		-
Accretion on escrow (note 3(b))		**(22)**		(17)
Accretion on lease		**(29)**		(107)
Accretion on promissory notes (note 11 (c))		**-**		(10)
Interest on loans and borrowings (note 11 (c))		**-**		(11)
Foreign exchange loss, net		**(13)**		-
Total finance costs	**$**	**(89)**	$	(153)

7. Income taxes:

(a) Provision for income taxes:

The reconciliation of the combined Canadian federal and provincial statutory tax rate of 26.5% to the effective tax rates is as follows:

		2022		2021
Loss before income taxes	**$**	**(6,435)**	$	(5,955)
Statutory rate		**26.5%**		26.5%
Expected income tax recovery based on statutory rate		**(1,705)**		(1,578)
Adjustment to expected income tax recovery:				
Change in statutory foreign tax, foreign exchange rates and other		**2**		-
Permanent differences		**68**		550
Adjustment to prior years provision versus statutory returns		**(1,914)**		-
Change in unrecognized deductible temporary differences		**3,821**		1,016
Other		**(272)**		12
Deferred tax recovery	**$**	**-**	$	-

(In thousands of Canadian dollars, except per share amounts)

7. Income taxes (Continued):

(b) Deferred income taxes:

Deferred taxes are a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities:

		2022		2021
Recognized deferred tax assets and liabilities				
Property, plant and equipment	**$**	**(2)**	$	-
Intangible assets		**(188)**		(351)
Non-capital losses		**190**		351
Deferred income tax liability		**(190)**		(351)
Deferred income tax asset recognized		**190**		351
Net deferred income asset/(liability)		**-**		-

		2022		2021
Unrecognized deferred tax assets				
Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:				
Non-capital losses available for future period	**$**	**15,242**	$	13,811
Capital losses available for future period		**7,875**		7,875
Property, plant and equipment		**57**		463
Intangible assets		**6**		-
Share issue costs		**125**		170
Amounts related to SRED		**3,101**		482
Receivables		**57**		-
		26,463		22,801
Unrecognized deferred tax assets		**(26,463)**		(22,801)
Net deferred tax asset		**-**		-

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can use the benefits.

The significant components of the Company's temporary difference, unused tax losses that have not been included on the consolidated statement of financial position are as follows:

		2022	Expiry date range
Temporary differences			
Non-capital losses available for future periods	**$**	**57,819**	2029 to 2042
Capital losses available for future periods		**59,431**	No expiry date
Property and equipment		**216**	No expiry date
Intangible assets		**21**	No expiry date
Share issue costs		**472**	2029 to 2045
SRED investment tax credit		**2,869**	2039 to 2042
SRED expenditure pool		**3,202**	No expiry date
Receivables		**213**	No expiry date
	$	**124,243**	

(In thousands of Canadian dollars, except per share amounts)

8. Other current assets and accounts payable and accrued liabilities:

(a) Other current assets:

The major components of other current assets are as follows:

		2022		2021
Prepaid expenses	**$**	**32**	$	170
Accrued income		**20**		21
Other receivables		**55**		15
Promissory notes (note 18)		**127**		182
	$	**234**	$	388

(b) Accounts payable and accrued liabilities:

The major components of accounts payable and accrued liabilities are as follows:

		2022		2021
Trade accounts payable	**$**	**1,892**	$	2,938
Accrued liabilities		**1,596**		1,576
Outstanding, end of year	**$**	**3,488**	$	4,514

(c) Rewards payable:

		2022		2021
Outstanding, beginning of the acquisition	**$**	**1,071**	$	898
Addition		**266**		216
Redemption		**(56)**		(43)
Outstanding, end of year	**$**	**1,281**	$	1,071

(d) Contract liabilities:

		2022		2021
Outstanding, beginning of the year	**$**	**529**	$	86
Addition		**432**		552
Acquisition		**-**		1
Earned		**(901)**		(110)
Outstanding, end of year	**$**	**60**	$	529

The timing of revenue recognition sometimes differs from the contract payment schedule, resulting in revenues that have been billed but not earned which are recorded as contract liabilities. As of December 31, 2022, the Company had $60 (2021 - $529) in contract liabilities.

(In thousands of Canadian dollars, except per share amounts)

9. Property and equipment:

		Furniture and fixtures		Computer equipment		Leasehold improvements		Total
Cost								
Balance, January 1, 2021	$	50	$	167	$	100	$	317
Additions		–		58		–		58
Acquisition (note 3 (b))		–		16		–		16
Balance, December 31, 2021	$	50	$	241	$	100	$	391
Cost								
Balance, January 1, 2022	$	50	$	241	$	100	$	391
Additions		–		21		–		21
Balance, December 31, 2022	$	50	$	262	$	100	$	412
Depreciation								
Balance, January 1, 2021	$	39	$	101	$	75	$	215
Depreciation		5		50		20		75
Balance, December 31, 2021	$	44	$	151	$	95	$	290
Depreciation								
Balance, January 1, 2022	$	44	$	151	$	95	$	290
Depreciation		3		59		5		67
Balance, December 31, 2022	$	47	$	210	$	100	$	357
Carrying amounts								
December 31, 2021	$	6	$	90	$	5	$	101
December 31, 2022	$	3	$	52	$	-	$	55

(In thousands of Canadian dollars, except per share amounts)

10. Intangible assets:

	Customer relationships	Non-compete	Backlog	Software	Developed Technology	Paymi Brand	Total
Cost							
Balance January 1, 2021	$ 501	$ 25	$ 71	$ 950	$ –	$ –	$ 1,547
Addition	–	–	–	600	111	–	711
Acquisition (note 3 (b))	640	–	–	–	67	120	827
Balance, December 31, 2021	**$ 1,141**	**$ 25**	**$ 71**	**$ 1,550**	**$ 178**	**$ 120**	**$ 3,085**
Cost							
Balance January 1, 2022	$ 1,141	$ 25	$ 71	$ 1,550	$ 178	$ 120	$ 3,085
Addition	–	–	–	460	140	–	600
Disposal	–	(25)	(71)	–	–	–	(96)
Balance, December 31, 2022	**$ 1,141**	**$ –**	**$ –**	**$ 2,010**	**$ 318**	**$ 120**	**$ 3,589**

(In thousands of Canadian dollars, except per share amounts)

10. Intangible assets (continued):

Amortization	**Customer relationships**	**Non-compete**	**Backlog**	**Software**	**Developed Technology**	**Paymi Brand**	**Total**
Balance, January 1, 2021	$ 233	$ 25	$ 68	$ 125	$ –	$ –	$ 451
Amortization	93	–	3	292	33	20	441
Balance, December 31, 2021	**$ 326**	**$ 25**	**$ 71**	**$ 417**	**$ 33**	**$ 20**	**$ 892**
Amortization							
Balance January 1, 2022	$ 326	$ 25	$ 71	$ 417	$ 33	$ 20	$ 892
Amortization	91	–	–	512	54	(20)	637
Disposal	–	(25)	(71)	–	–	–	(96)
Balance, December 31, 2022	**$ 417**	**$ –**	**$ –**	**$ 929**	**$ 87**	**$ –**	**$ 1,433**

Carrying amounts							
Balance, December 31, 2021	$ 815	$ **–**	$ **–**	$ 1,133	$ **145**	$ **100**	$ 2,193
Balance, December 31, 2022	**$ 724**	**$ –**	**$ –**	**$ 1,081**	**$ 231**	**$ 120**	**$ 2,156**

As of December 31, 2021, EQ has capitalized $711 of the development work related to internally generated software. Amortization expenses of $292 were recorded related to internally generated software.

As of December 31, 2022, EQ has capitalized $600 of development work related to internally generated software. Amortization expenses of $116 were recorded related to the internally generated software.

11. Loans and borrowings:

(a) Bank credit facility:

The Company has $1,600 revolving credit facility (the “Facility”), including credit card facility of $100, with a Canadian chartered bank. Borrowing under the Facility are secured by accounts receivable and the Facility bears interest at the bank’s prime rate plus 2.5% per annum. As at December 31, 2022, nil (2021 – nil) was outstanding under the Facility included in the loans and borrowings and $79 (2021 – $51) was outstanding under the credit card facility included in accounts payable and accrued liabilities.

(b) Canada Emergency Business Loan:

The Government of Canada launched the Canada Emergency Business Loan (“CEBA”) to provide interest-free loans to business to help cover operating costs during the period of COVID-19. As at December 31, 2020, the Company received $80 from the CEBA. For the year ended December 31, 2021, the Company received an additional $40 CEBA loan, on top of the $80 received in 2020. The loan is interest-free until December 31, 2023 and 5% starting on January 1, 2024. No principal repayment is required before December 31, 2023 and is due on December 31, 2025. Interest payments is required if the principal remains outstanding after December 31, 2023. The Company plan to repay the loan on or before December 31, 2023 and expect a loan forgiveness of $40. The loan balance is measured at the present value, discounted using 7.5%. For the year ended December 31, 2022, an accretion of $2 was recorded.

(c) Promissory notes payable:

On August 19, 2019, the Company entered into debt financing (the “2019 Notes”) in the amount of $1,717 due on January 19, 2021. The 2019 Notes, which are non-convertible, bear interest at an annual rate of 12% with principal and interest payment due on maturity date. The lenders received one and half non-transferable warrants (the “2019 Bonus Warrants”) for each dollar of principal amount of 2019 Notes, with each 2019 Bonus Warrants being exercisable for a period of seventeen months from the date of issuance for one common share of the Company at an exercise price of $0.66 per common share. All 2019 bonus Warrants are subject to a four month hold period from the date of issuance in accordance with the applicable securities law.

The 2019 Notes were separated into their liability and equity components using the effective interest rate method. The fair value of the liability component at the time of issuance was calculated as the discounted cash flows for the debentures assuming a 26.47% effective interest rate which was the estimated rate for the debentures without the warrants. The fair value of the warrants was determined at the time of issuance as the difference between the face value of the debentures and the fair value of the liability component. The value of the warrants has been classified as a component of equity.

On January 19, 2021, the 2019 Notes of $1,717 and accrued interest of $293 was fully repaid.

(In thousands of Canadian dollars, except per share amounts)

12. Common shares:

The authorized share capital of the Company comprises an unlimited number of common shares without par value. The holders of common shares are entitled to receive dividends when declared and are entitled to one vote per share at the annual meetings of the Company.

On January 19, 2021, the Company received proceeds of approximately $1,392 as a result of exercise of 2,108,783 warrants at an exercise price of $0.66. Each warrant was converted into one common share. The warrants were issued in connection with the 2019 Notes, with expiry dates of January 19, 2021. The Company used the proceeds from the Bonus Warrants as partial repayment for the amount owned under the 2019 Notes.

On February 19, 2021, the Company closed a bought deal offering of aggregate of 7,187,500 shares in the capital of the Company at a price of $1.60 per offered security for total proceeds of $11,500, which included the full exercise of the over-allotment option granted to the underwriters. The offering was completed by a syndicate of underwriters. In consideration for their services, the underwriters received aggregate cash compensation of $460 and 230,160 broker warrants. The broker warrants are exercisable for a period of 18 months following closing of the financing at a purchase price per share equal to the common share issuance price. The Company issued 230,160 broker warrants at a fair value of $0.39 per broker warrant that was determined using the Black-Scholes option pricing model using the following assumption: risk-free interest rate of 0.15%, expected volatility of 49%, expected life of 1.5 years and expected dividends of nil. The broker warrants' value of $91 was recognized with a corresponding reduction of share capital. The Company incurred additional share issuance costs of $301 in connection with the offering.

During 2022, no stock option was exercised. During 2021, 1,227,333 stock options were exercised into 1,227,333 common shares with an average exercise price of $0.06 for total proceeds of $76.

13. Warrant Capital:

The Company had the following warrants outstanding at December 31, 2022:

	2022		**2022**	2021		2021
	Number of warrants		**Weighted average exercise price**	Number of warrants		Weighted average exercise price
Outstanding, beginning of year	**230,160**	**$**	**1.60**	2,108,783	$	0.66
Granted	**-**		**-**	230,160		1.60
Exercised	**-**		**-**	(2,108,783)		0.66
Expired or cancelled	**(230,160)**		**1.60**	-		-
Outstanding, end of year	**-**	**$**	**-**	230,160	$	1.60

(In thousands of Canadian dollars, except per share amounts)

14. Share-based payments:

The following table summarizes the continuity of options issued under the Company's stock option plan (the "Plan") for the year ended:

	2022		2021	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Outstanding, beginning of year	2,746,000	$ 1.08	4,253,667	$ 0.68
Granted	112,500	1.18	745,000	1.43
Exercised	-	-	(1,227,333)	0.06
Forfeited or cancelled	(667,500)	1.08	(1,025,334)	0.88
Outstanding, end of year	2,191,000	1.08	2,746,000	1.08
Options exercisable, end of year	1,526,500	$ 1.07	1,178,667	$ 1.04

The average market price on the date of exercise was approximately $1.20.

A summary of the status of the Company's options under the Plan is as follows:

	2022			2021		
Range of exercise price	**Number of options**	**Weighted average remaining contractual life (years)**	**Number of options exercisable**	Number of options	Weighted average remaining contractual life (years)	Number of options exercisable
$0.60 – 0.69	**-**	**-**	**-**	10,000	1.8	10,000
$0.70 – 0.79	**275,000**	**1.17**	**275,000**	275,000	2.2	275,000
$0.80 – 0.89	**55,000**	**1.80**	**55,000**	55,000	2.8	36,667
$0.90 – 0.99	**1,091,000**	**2.29**	**727,334**	1,526,000	3.3	542,000
$1.10 – 1.19	**45,000**	**4.63**	**22,500**	-	-	-
$1.20 – 1.29	**212,500**	**3.90**	**-**	235,000	4.9	-
$1.30 – 1.39	**157,500**	**2.90**	**155,000**	165,000	3.9	155,000
$1.40 – 1.49	**255,000**	**3.42**	**191,666**	380,000	4.5	85,000
$1.70 – 1.79	**100,000**	**3.40**	**100,000**	100,000	4.4	75,000
	2,191,000		**1,526,500**	2,746,000		1,178,667

During 2022, 112,500 stock options were granted and nil were exercised. During 2021, 745,000 stock options were granted and 1,227,333 were exercised.

(In thousands of Canadian dollars, except per share amounts)

14. Share-based payments (continued):

The following table summarizes the continuity of RSUs for the period ended:

	2022		2021	
	Number of RSUs	**Market price at the grant date**	Number of RSUs	Market price at the grant date
Outstanding, beginning of year	**-**	$ **-**	125,000	$ 1.50
Forfeited or cancelled	**-**	**-**	(125,000)	1.50
Outstanding, end of year	**-**	**-**	-	-

The fair value of each option granted has been estimated on the date of grant using the Black-Scholes fair value option pricing model with the following weighted average input and assumptions:

	Year Ended	
	December 31, 2022	December 31, 2021
Dividend yield	**0%**	0%
Expected volatility (historical data basis)	**48%**	74%
Risk-free interest rate	**2.78%**	0.93%
Share price	**$ 1.19**	$ 1.43
Forfeiture rate	**29%**	11%
Expected life (years)	**5 years**	5 years
Weighted average grant date fair value	**$ 0.54**	$ 0.84

(In thousands of Canadian dollars, except per share amounts)

15. Fair values of financial instruments:

Classification of financial instruments:

The following table provides the allocation of financial assets and liabilities required to be measured at amortized cost or fair value and their carrying values:

December 31, 2022	**Carrying value total**	**Fair value total**
Measurement basis		
Financial assets at amortized cost:		
Cash	**$ 1,253**	**$ 1,253**
Accounts receivable	**3,535**	**3,535**
	$ 4,788	**$ 4,788**
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	**$ 3,488**	**$ 3,488**
Rewards payable	**1,281**	**1,281**
Loans and borrowings	**79**	**79**
	$ 4,848	**$ 4,848**

December 31, 2021	Carrying value total	Fair value total
Measurement basis		
Financial assets at amortized cost:		
Cash	$ 8,763	$ 8,763
Accounts receivable	4,687	4,687
	$ 13,450	$ 13,450
Financial liabilities at amortized cost:		
Accounts payable and accrued liabilities	$ 4,514	$ 4,514
Rewards payable	1,071	1,071
Loans and borrowings	77	77
	5,662	5,662
Earn-out	1,401	1,401
	$ 7,063	$ 7,063

There have been no transfers of assets between levels during the years ended December 31, 2022 and 2021.

16. Capital risk management:

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which comprises issued capital, contributed surplus, accumulated other comprehensive income and retained earnings (deficit). The Company manages its capital structure and makes adjustments to it in light of general economic conditions, the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from its Board of Directors, may issue shares, repurchase shares, pay dividends or raising capital and borrowings, as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements. There have been no changes to the Company's capital management approach in 2022 from 2021.

17. Financial risk management:

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee reviews the Company's risk management policies on an annual basis. The finance department identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash. The majority of the Company's customers are located in Canada. At December 31, 2022, three customers represented 24%, 19% and 18% of the gross accounts receivable balance of $3,748, respectively. At December 31, 2021, two customers represented 28% and 17% of the gross accounts receivable balance of $4,992, respectively. No other individual customers represented more than 10% of accounts receivable. As at December 31, 2022, the expected credit losses were $213 (2021 - $304). The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors. As at December 31, 2022, approximately 43%, $162 (2021 – 34%, $158) of accounts receivable balances over 90 days were not impaired. The consolidated entity has a credit risk exposure with two agencies located in Canada, which as at December 31, 2022 owed the consolidated entity $1,600 (43% of trade receivables) (2021: $1,172 (23% of trade receivables)). This balance was within its terms of trade and no impairment was made as at December 31, 2022. The Company's payment terms range from 30 days to 60 days from the invoice date. There are no guarantees against this receivable, but management closely monitors the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk. Management believes that the expected credit loss allowance is adequate.

(In thousands of Canadian dollars, except per share amounts)

17. Financial risk management (continued):

(a) Credit risk (continued):

The Company, from time to time, invests its excess cash with the objective of maintaining safety of the principal and providing adequate liquidity to meet current payment obligations and future planned capital expenditures and with the secondary objective of maximizing the overall yield of the portfolio. The Company's cash as at December 31, 2022 is not subject to external restrictions and is held with Schedule I banks in Canada.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for principal and interest payments on its debt, capital expenditures and working capital needs. The Company uses its operating cash flows, operating facilities and cash balances to maintain liquidity.

The following are the undiscounted contractual maturities for the Company's obligations:

2022	**Carrying amount**	**Contractual cash flow**	**Less than 1 year**	**1-3 years**	**>3 years**
Trade and other payables[(i)]	**$ 3,488**	**$ 3,488**	**$ 3,488**	**$ -**	**$ -**
Reward payable	**1,281**	**1,281**	**1,281**	**-**	**-**
Loans and borrowings	**79**	**120**	**-**	**120**	**-**
	$ 4,848	**$ 4,889**	**$ 4,769**	**$ 120**	**$ -**

2021	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	>3 years
Trade and other payables[(i)]	$ 4,514	$ 4,514	$ 4,514	$ -	$ -
Leases	16	48	48	-	-
Rewards payable	1,071	1,071	1,071	-	-
Loans and borrowings	77	120	-	120	-
Earn-out	1,401	1,401	1,401	-	-
	$ 7,079	$ 7,154	$ 7,034	$ 120	$ -

[(i)] Trade and other payables exclude other non-contractual liabilities

(In thousands of Canadian dollars, except per share amounts)

17. Financial risk management (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and the Company's share price, will affect the Company's income or the value of its financial instruments.

(i) Interest rate risk:

The Company's interest rate risk arises primarily from its loans and borrowings obligations, which bore a fixed interest rate of 12%. As the Company paid off the 2019 Notes on January 19, 2021, management believes that the Company is not significantly exposed to cash flow interest rate risk in the next twelve months.

(ii) Currency risk:

The Company operates internationally with the Canadian dollar as its functional currency and is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. cash on hand to support international forecasted obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $17 (2021 - $91) due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income (loss).

Balances held in non-Canadian dollars are as follows:

		2022		2021
		US		US
Cash	**$**	**95**	$	1,104
Accounts receivable		**1**		-
Accounts payable and accrued liabilities		**225**		388

(In thousands of Canadian dollars, except per share amounts)

18. Related party transactions and balances:

Officers and directors subscribed to $888 of the 2019 Notes of the Company. The Company issued 1,332,448 warrants related to the 2019 Notes. The principal of $888 including interest of $151 for a total of $1,039 was repaid on January 19, 2021. Officers and directors exercised 1,332,448 warrants at an exercise price of $0.66 with proceeds of $879 on January 19, 2021. Each warrant was converted into one common share.

On December 29, 2021, the corporation provided certain employees with $157 of short terms loans to cover the taxes owing in terms of the option excise. The Loans were provided pursuant to promissory notes issued to the Corporation by each employee (collectively, the "Promissory Notes"). The Promissory Notes are fully secured by all of the options exercised. The Promissory Notes bear interest at a rate of 2.45%. All interest accrued under the Promissory Notes is to be paid at the maturity date.

During 2022, $59 was repaid and the remaining balance was extended to December 29, 2023 at an interest rate of 6.45%. All interest accrued under the Promissory Notes is to be paid at the maturity date.

Transactions with key management personnel:

The key management personnel of the Company are the members of the Company's executive management team and Board of Directors.

The remuneration of key management personnel of the Company during the years ended December 31, 2022 and 2021 was as follows:

		2022		2021
Short-term employee benefits	**$**	**808**	$	743
Share-based payments		**153**		393
	$	**961**	$	1,136

19. Consolidated statements of cash flows:

The change in non-cash operating working capital comprises the following:

		2022		2021
Accounts receivable	**$**	**1,152**	$	(115)
Other current assets		**132**		(206)
Accounts payable and accrued liabilities		**(1,122)**		(63)
Rewards payable		**210**		174
Contract liabilities		**(469)**		442
	$	**(97)**	$	232

20. Additional information

During the year ended December 31, 2021, the Company benefited from Canadian Employment Wage Subsidy ("CEWS") of $206, which was used to reduce the salary on the consolidated statement of loss. The CEWS benefits reduced employee compensation and benefits by $206. During the year ended December 31, 2022, no CEWS was recorded.