

NAMESILO TECHNOLOGIES CORP.

Condensed Interim Consolidated Financial Statements (Unaudited – Expressed in Canadian dollars)

For the Three and Six Months Ended June 30, 2022 and 2021

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Notice of No Auditor Review of Interim Financial Statements

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NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, Part 4, subsection 4.3(3) released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed these unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2022 and 2021.

NAMESILO TECHNOLOGIES CORP.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – Expressed in Canadian Dollars)

	Notes	June 30, 2022 \$	December 31, 2021 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,605,889	1,416,552
Receivables		299,774	152,071
Prepaid expenses		9,392	4,971
Registry deposits		2,760,098	2,413,265
Prepaid domain name registry fees, current portion		20,535,822	18,601,319
		25,210,975	22,588,178
Prepaid domain name registry fees, long-term portion		1,860,570	2,081,276
Digital currency	3	61,703	43,353
Investments	4	3,534,576	4,947,321
Equipment	5	131,284	81,997
Brand	6	184,220	265,048
Customer relationships	7	2,908,938	3,326,088
Goodwill	8	7,857,955	7,731,115
		41,750,221	41,064,376
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	9	3,080,511	3,481,955
Customer deposits		2,360,379	1,982,320
Deferred revenue, current portion	10	23,087,706	21,860,080
		28,528,596	27,324,355
Convertible debenture – liability portion	12	3,357,184	3,249,193
Deferred revenue, long-term portion	10	2,229,904	2,321,560
Deferred income tax liability		967,264	951,651
		35,082,948	33,846,759
SHAREHOLDERS' EQUITY			
Share capital	13	35,013,486	35,013,486
Subscription advances		15,608	15,608
Convertible debt – equity portion	12	566,106	566,106
Contributed surplus		2,313,861	2,313,861
Accumulated other comprehensive loss		(120,622)	(138,836)
Deficit		(32,145,545)	(31,484,082)
Total equity attributable to shareholders of the Company		5,642,894	6,286,143
Attributable to non-controlling interest		1,024,379	931,474
		6,667,273	7,217,617
		41,750,221	41,064,376

Nature of operations and going concern (note 1)

Approved on behalf of the Board

“Paul Andreola” **Director** _____
“Colin Bowkett” **Director**

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

NAMESILO TECHNOLOGIES CORP.
Condensed Interim Consolidated Statements of Comprehensive Loss
For the three and six months ended June 30, 2022 and 2021
(Unaudited – Expressed in Canadian Dollars)

	Notes	For the three months ended June 30, 2022 \$	For the three months ended June 30, 2021 \$	For the six months ended June 30, 2022 \$	For the six months ended June 30, 2021 \$
REVENUE	10	11,248,570	8,411,202	22,008,394	16,400,796
COST OF SALES	10	(9,051,949)	(6,963,356)	(17,587,807)	(13,993,841)
GROSS PROFIT		2,196,621	1,447,846	4,420,587	2,406,955
GENERAL AND ADMINISTRATION EXPENSES					
Amortization	5, 6, 7	278,437	265,778	554,566	539,769
Consulting fees		498,139	314,458	894,157	403,142
Management fees	15	90,000	48,000	180,000	84,000
Merchant fees		383,944	295,161	718,127	620,703
Office and general		239,588	187,213	404,475	216,641
Professional fees	15	90,941	132,046	237,408	244,860
Salaries		49,627	42,140	102,317	97,415
Transfer agent and filing		4,194	8,685	9,136	13,410
		1,634,870	1,293,481	3,100,186	2,219,940
Income before other items		561,751	154,365	1,320,401	187,015
OTHER ITEMS					
Foreign exchange gain		28,864	38,093	11,743	80,725
Gain on write-off of accounts payable		-	15,201	-	15,201
Interest and loan accretion expense	12	(171,116)	(126,507)	(340,067)	(276,273)
Other income		196	69	196	69
Realized (loss) gain on digital currency	3	(53,060)	77,170	(65,474)	77,170
Loss on investments	4	(1,049,675)	(3,024,368)	(1,279,226)	(6,725,684)
Share-based payment	13, 15	-	-	-	(3,763)
		(1,244,791)	(3,020,342)	(1,672,828)	(6,832,555)
Loss before income tax		(683,040)	(2,865,977)	(352,427)	(6,645,540)
Income tax expense		-	(32,017)	-	(85,322)
Net loss		(683,040)	(2,897,994)	(352,427)	(6,730,862)
Other comprehensive income (loss)					
Digital currency revaluation		7,293	(24,847)	7,080	(24,847)
Exchange difference on subsidiary translation		148,146	(143,674)	15,268	(264,930)
Total comprehensive loss		(527,601)	(3,066,515)	(330,079)	(7,020,639)
(Loss) income attributable to:					
Shareholders of the Company		(811,238)	(2,974,998)	(661,463)	(6,837,104)
Non-controlling interest		128,198	77,004	309,036	106,242
		(683,040)	(2,897,994)	(352,427)	(6,730,862)
Comprehensive (loss) income attributable to:					
Shareholders of the Company		(684,555)	(3,112,344)	(643,249)	(7,073,273)
Non-controlling interest		156,954	45,829	313,170	52,634
		(527,601)	(3,066,515)	(330,079)	(7,020,639)
Basic and diluted loss per share		(0.01)	(0.03)	(0.00)	(0.07)
Weighted average number of shares outstanding – basic and diluted		92,646,648	92,646,648	92,646,648	92,646,648

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

NAMESILO TECHNOLOGIES CORP.
Condensed Interim Consolidated Statements of Changes in Equity
(Unaudited – Expressed in Canadian Dollars)

	Number of Shares #	Share Capital \$	Subscription advances \$	Convertible Debenture – Equity Component \$	Contributed Surplus \$	AOCI \$	Deficit \$	NCI \$	Total \$
Balance, January 1, 2021	92,646,648	35,013,486	15,608	-	1,981,045	(44,475)	(22,689,370)	1,861,661	16,137,955
Share-based payment	-	-	-	-	3,763	-	-	-	3,763
Distributions	-	-	-	-	-	-	-	(387,347)	(387,347)
Net and comprehensive loss for the period	-	-	-	-	-	(236,169)	(6,837,104)	52,634	(7,020,639)
Balance, June 30, 2021	92,646,648	35,013,486	15,608	-	1,984,808	(280,644)	(29,526,474)	1,526,948	8,733,732
Convertible debenture	-	-	-	566,106	-	-	-	-	566,106
Share-based payment	-	-	-	-	329,053	-	-	-	329,053
Distributions	-	-	-	-	-	-	-	(451,287)	(451,287)
Digital currency revaluation	-	-	-	-	-	1,156	-	-	1,156
Net and comprehensive loss for the period	-	-	-	-	-	140,652	(1,957,608)	(144,187)	(1,961,143)
Balance, December 31, 2021	92,646,648	35,013,486	15,608	566,106	2,313,861	(138,836)	(31,484,082)	931,474	7,217,617
Distributions	-	-	-	-	-	-	-	(220,265)	(220,265)
Net and comprehensive loss for the period	-	-	-	-	-	18,214	(661,463)	313,170	(330,079)
Balance, June 30, 2022	92,646,648	35,013,486	15,608	566,106	2,313,861	(120,622)	(32,145,545)	1,024,379	6,667,273

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

NAMESILO TECHNOLOGIES CORP.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited – Expressed in Canadian Dollars)

Six months ended June 30,	2022	2021
	\$	\$
CASH FLOWS PROVIDED BY (USED IN):		
Operating activities		
Net loss for the period	(352,427)	(6,730,862)
Adjustment for items not involving cash:		
Amortization	554,566	539,769
Foreign exchange gain	-	(84,241)
Interest expense and loan accretion	107,991	275,541
Share-based payment	-	3,763
Loss on investments	1,279,226	6,725,684
Realized gain on digital currency	65,474	(77,170)
	1,654,830	652,484
Changes in non-cash working capital related to operations:		
Receivables	(147,703)	(430,987)
Prepaid expenses	(4,421)	42,645
Registry deposits	(346,833)	1,385,328
Prepaid domain name registry fees	(1,713,797)	(2,485,790)
Digital currency	(76,744)	(572,952)
Accounts payable and accrued liabilities	(401,444)	(362,724)
Customer deposits	378,059	695,455
Deferred revenue	1,135,970	2,657,065
Net cash provided by operating activities	477,917	1,580,524
Investing activities		
Purchase of investments	(109,356)	-
Sale of investments	242,875	44,540
Purchase of equipment	(52,407)	-
Net cash provided by investing activities	81,112	44,540
Financing activities		
Repayment of loans payable	-	(1,743,727)
Distributions to NCI	(220,265)	(387,347)
Net cash used in financing activities	(220,265)	(2,131,074)
Foreign exchange on cash		
	(149,427)	29,743
Increase (decrease) in cash during the period	189,337	(476,267)
Cash – beginning of the period	1,416,552	2,401,601
Cash – end of the period	1,605,889	1,925,334
Cash paid for interest	(232,076)	(352,011)
Cash paid for income tax	(377,846)	(85,322)

Supplemental cash flow information (Note 17)

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

NAMESILO TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and six months ended June 30, 2022 and 2021

(Unaudited – Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

NameSilo Technologies Corp. (the “Company”) is a publicly listed company incorporated in Canada with limited liability under the legislation of the Province of British Columbia. On December 3, 2018, the Company changed its name from Brisio Innovations Inc. to NameSilo Technologies Corp. The Company’s shares are listed on the Canadian Securities Exchange (“CSE”). The head office and principal address is 409 Granville Street, Suite 1052, Vancouver, BC, Canada, V6C 1T2. The Company is a provider of domain name registration services and marketplace services for the buying and selling of domain names.

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to 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.

For the six months ended June 30, 2022, the Company had a net loss of \$352,427, a working capital deficit of \$3,317,621 and an accumulated deficit of \$32,145,545. The Company’s ability to continue as a going concern is dependent upon generating positive cash flows from operations, earning sufficient returns on its investments, and upon obtaining additional financing. The outcome of these matters cannot be predicted at this time. In March 2020 there was a global pandemic outbreak of COVID-19. The actual and threatened spread of the virus globally has had a material adverse effect on the global economy and specifically, the regional economies in which the Company operates. The Company’s business financial condition and results of operations may be further negatively affected by economic and other consequences from Russia’s military action against Ukraine and the sanctions imposed in response to that action in late February 2022. While the Company expects any direct impacts of the pandemic and the conflict in the Ukraine to the business to be limited, the indirect impacts on the economy could negatively affect the business and may make it more difficult for it to raise equity or debt financing. There can be no assurance that the Company will not be impacted by adverse consequences that may be brought about on its business, results of operations, financial position and cash flows in the future. These material uncertainties lend significant doubt as to the ability of the Company to meet its obligations as they come due, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue in business.

2. BASIS OF PREPARATION

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and International Accounting Standard 34, Interim Financial Reporting. They do not include all the information required for full annual financial statements.

These condensed interim consolidated financial statements were approved by the Board of Directors on August 22, 2022.

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(b) Basis of consolidation

These condensed interim consolidated financial statements include the financial statements of the Company and the following subsidiaries subject to control by the Company:

	Incorporated in	Percentage owned	
		Jun 30, 2022	Dec 31, 2021
Netco Argentina S.A.	Argentina	100%	100%
1155064 BC Ltd.	Canada	100%	100%
NameSilo, LLC (“NameSilo LLC”)	USA	81.5%	81.5%
NamePal.com, LLC (“NamePal”)	USA	81.5%	81.5%

Control is achieved when the Company has the power to, directly or indirectly, govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

(c) Functional and presentation currency

The functional currency of a company is the currency of the primary economic environment in which the Company operates. The presentation currency for a company is the currency in which the Company chooses to present its financial statements.

The functional currency of the Company, Netco Argentina S.A. and 1155064 BC Ltd. is the Canadian dollar. The functional currency of NameSilo LLC and NamePal is the US dollar. The presentation currency of the Company is the Canadian dollar.

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities – at the closing rate as at the reporting date, and income and expenses – at the average rate of the period. All resulting changes are recognized in other comprehensive income as cumulative translation differences.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

When the Company disposes of its entire interest in a foreign operation, or loses control, joint control, or significant influence over a foreign operation, the foreign currency gains or losses accumulated in other comprehensive income related to the foreign operation are recognized in profit or loss. If an entity disposes of part of an interest in a foreign operation which remains a subsidiary, a proportionate amount of foreign currency gains or losses accumulated in other comprehensive income related to the subsidiary are reallocated between controlling and non-controlling interests.

NAMESILO TECHNOLOGIES CORP.
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(d) Basis of measurement

The condensed interim consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at their fair value.

In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(e) Use of estimates and judgments

The preparation of financial statements in compliance with IFRS requires management to make certain judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates and assumptions.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

Significant accounting estimates:

- a. The judgment of indications of impairment of each asset and related determination of the net realizable value and write-down of these assets where applicable;
- b. Fair value for share-based compensation transactions;
- c. Fair value of investments;
- d. Estimate of indirect tax payable;
- e. Bifurcation of convertible debenture; and
- f. The tax basis of assets and liabilities and related deferred income tax assets and liabilities.

Significant accounting judgments:

- a. The determination of categories of financial assets and financial liabilities has been identified as an accounting policy which involves judgments or assessments made by management;
- b. The Company has used judgment in determining the currency of the primary economic environment in which each entity operates. In making such determination, the management has considered the currency that mainly influences the sale prices and the cost of providing goods and services in each jurisdiction in which the Company operates. The Company also considered secondary indicators including the currency in which funds from financing activities are denominated and the currency in which funds are retained;
- c. There is currently no specific definitive guidance in IFRS or alternative accounting frameworks for the accounting for digital currencies and management has exercised

NAMESILO TECHNOLOGIES CORP.

Notes to the Condensed Interim Consolidated Financial Statements

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significant judgement in determining appropriate accounting treatment. In making this determination on the accounting for the digital currencies the Company has reviewed the sources and uses of the digital currencies in the operations of its business. In the event authoritative guidance is enacted by the IASB, the Company may be required to change its policies which could result in a change in the Company's financial position and earnings; and

- d. The going concern risk assessment (see note 1).

3. DIGITAL CURRENCY

The Company holds 2.08 bitcoins with a fair value of \$61,703 (USD\$47,884) as at June 30, 2022 (December 31, 2021 – 0.70 bitcoins with a fair value of \$43,353 (USD\$34,196)).

The digital currency market is still a new market and is highly volatile; historical prices are not necessarily indicative of future value; a significant change in the market prices or lack of an active market for the digital currencies would have a minimal impact on the Company's other comprehensive income and financial position. The Company uses Blockchain.info as the exchange to transact in bitcoin.

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4. INVESTMENTS

June 30, 2022

	Namesilo Tech		Pioneering Technologies		Renoworks Software Inc.		Allur Group		Total Telcom Inc.		Vigil Health Solutions		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Balance, Dec 31 21	-	\$ -	821,300	\$ 36,959	100,000	\$ 46,000	523,332	\$ 78,500	45,000	\$ 5,850	362,500	\$ 184,875	
Purchased	211,000	30,535	-	-	-	-	-	-	-	-	-	-	
Redeemed	-	-	-	-	-	-	-	-	-	-	(362,500)	(242,875)	
Gain (loss)	-	1,115	-	(16,426)	-	(11,000)	-	-	-	(1,800)	-	58,000	
Balance, Jun 30 22	211,000	\$ 31,650	821,300	\$ 20,533	100,000	\$ 35,000	523,332	\$ 78,500	45,000	\$ 4,050	-	\$ -	

	ImmunoPrecise Antibodies		West Mining Corp.		Atlas Engineered Products Ltd.		Yuansfer		Lawson West Capital Corp.		Erebus Capital Corp.		Total
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Balance, Dec 31 21	560,000	\$ 3,858,400	180,000	\$ 20,700	921,079	\$ 552,647	-	\$ 63,390	133,333	\$ 100,000	-	\$ -	\$ 4,947,321
Purchased	-	-	-	-	50,000	28,821	-	-	-	-	200,000	50,000	109,356
Redeemed	-	-	-	-	-	-	-	-	-	-	-	-	(242,875)
Gain (loss)	-	(1,125,600)	-	(9,900)	-	(173,615)	-	-	-	-	-	-	(1,279,226)
Balance, Jun 30 22	560,000	\$ 2,732,800	180,000	\$ 10,800	971,079	\$ 407,853	-	\$ 63,390	133,333	\$ 100,000	200,000	\$ 50,000	\$ 3,534,576

December 31, 2021

	Lite Access Technologies Inc.		Pioneering Technologies		Renoworks Software Inc.		Allur Group		Total Telcom Inc.		Vigil Health Solutions		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Balance, Dec 31 20	165,999	\$ 22,410	821,300	\$ 61,598	100,000	\$ 60,000	523,332	\$ 78,500	45,000	\$ 5,400	362,500	\$ 114,187	
Purchased	-	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from sale	(165,999)	(28,730)	-	-	-	-	-	-	-	-	-	-	
Gain (loss)	-	6,320	-	(24,639)	-	(14,000)	-	-	-	450	-	70,688	
Balance, Dec 31 21	-	\$ -	821,300	\$ 36,959	100,000	\$ 46,000	523,332	\$ 78,500	45,000	\$ 5,850	362,500	\$ 184,875	

	ImmunoPrecise Antibodies		West Mining Corp.		Atlas Engineered Products Ltd.		Yuansfer		Lawson West Capital Corp.		Total
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Balance, Dec 31 20	560,000	\$ 10,886,400	200,000	\$ 72,000	821,079	\$ 336,642	-	\$ -	-	\$ -	\$ 11,637,137
Purchased	-	-	-	-	100,000	41,440	-	63,390	133,333	100,000	204,830
Proceeds from sale	-	-	(20,000)	(15,810)	-	-	-	-	-	-	(44,540)
Gain (loss)	-	(7,028,000)	-	(35,490)	-	174,565	-	-	-	-	(6,850,106)
Balance, Dec 31 21	560,000	\$ 3,858,400	180,000	\$ 20,700	921,079	\$ 552,647	-	\$ 63,390	133,333	\$ 100,000	\$ 4,947,321

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The investment in Yuansfer is a SAFE investment. The Company designated the SAFE at fair value through profit or loss. The fair value of the SAFE, at each reporting period, is estimated using Level 3 inputs of the fair value hierarchy.

The Company holds investments where there is no quoted market price or active market for the investment. These investments are currently measured at the fair value equivalent to the fair value of the shares from the initial purchase. There are no indicators during the current or prior periods that the value of the shares might not be representative of fair value.

5. EQUIPMENT

	Furniture & Equipment	Server & Domains	Total
	\$	\$	\$
Cost:			
Balance, December 31, 2020	8,517	-	8,517
Additions	-	82,973	82,973
Foreign exchange	-	946	946
Balance, December 31, 2021	8,517	83,919	92,436
Additions	-	52,407	52,407
Foreign exchange	-	2,082	2,082
Balance, June 30, 2022	8,517	138,408	146,925
Accumulated Amortization:			
Balance, December 31, 2020	3,566	-	3,566
Amortization	1,703	5,112	6,815
Foreign exchange	-	58	58
Balance, December 31, 2021	5,269	5,170	10,439
Amortization	852	4,208	5,060
Foreign exchange	-	142	142
Balance, June 30, 2022	6,121	9,520	15,641
Net Book Value:			
December 31, 2021	3,248	78,749	81,997
June 30, 2022	2,396	128,888	131,284

6. BRAND

The brand was acquired as a result of the acquisition of NameSilo LLC. The brand is amortized using the straight-line method over the useful life of 5 years. The changes in the value of the brand during the six months ended June 30, 2022 and year ended December 31, 2021 are as follows:

	\$
Balance, December 31, 2020	434,494
Amortization	(165,713)
Foreign exchange	(3,733)
Balance, December 31, 2021	265,048
Amortization	(84,046)
Foreign exchange	3,218
Balance, June 30, 2022	184,220

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7. CUSTOMER RELATIONSHIPS

The customer relationships were acquired as a result of the acquisition of NameSilo LLC. The customer relationships are amortized using the straight-line method over the useful life of 7 years. The changes in the value of the customer relationships during the six months ended June 30, 2022 and year ended December 31, 2021 are as follows:

	\$
Balance, December 31, 2020	4,272,420
Amortization	(917,741)
Foreign exchange	(28,591)
Balance, December 31, 2021	3,326,088
Amortization	(465,460)
Foreign exchange	48,310
Balance, June 30, 2022	2,908,938

8. GOODWILL

The goodwill was acquired as a result of the acquisition of NameSilo LLC. The changes in the value of the goodwill during the six months ended June 30, 2022 and the year ended December 31, 2021 are as follows:

	\$
Balance, December 31, 2020	7,764,045
Foreign exchange	(32,930)
Balance, December 31, 2021	7,731,115
Foreign exchange	126,840
Balance, June 30, 2022	7,857,955

The Company performs a goodwill impairment test annually and when circumstances indicate that the carrying value may not be recoverable. The recoverable amount of the CGU was based on value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU. The cash flows were projected over a five-year period based on past experience and actual operating results. The Company performed its annual goodwill impairment test in April 2022 and no impairment was indicated for the period tested. The values assigned to the key assumptions represented management's assessment of future trends in the industry and were based on historical data from both internal and external sources. The key assumptions applied in the impairment test include a weighted average cost of capital of 20%, average customer growth rate of 8% per year and terminal value growth rate of 5%.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The Company is subject to indirect taxation in some, but not all, of the various states and foreign jurisdictions in which the Company conducts business. Laws and regulations attempting to subject communications and commerce conducted over the internet to various indirect taxes are becoming more prevalent, both in Canada and internationally, and may impose additional burdens on the Company in the future. Taxing authorities may impose indirect taxes on the internet-related revenue generated by the Company based on regulations currently being applied to similar, but not directly comparable, industries. There are many transactions and calculations where the ultimate indirect tax determination is uncertain. In addition, Canadian and international indirect taxation laws are

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complex and subject to change. The Company may be audited in the future, which could result in changes to the indirect tax estimates.

As at June 30, 2022, an accrual for estimated indirect tax liabilities of \$1,864,010 (December 31, 2021 – \$1,833,922) has been included in accounts payable and accrued liabilities. This accrual reflects management’s best estimate of the probable liability based on an analysis of the Company’s business activities, revenues subject to indirect taxes and applicable regulations. Although the Company believes its indirect tax estimates and associated liabilities are reasonable, the final determination of indirect tax audits or settlements could be materially different than the amounts established for indirect tax contingencies. The current period effect of indirect tax is recognized as other expense in profit or loss.

10. DEFERRED REVENUE

Deferred revenue consists of the following as at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
	\$	\$
Current	23,087,706	21,860,080
Non-current	2,229,904	2,321,560
	<u>25,317,610</u>	<u>24,181,640</u>

The increase in the deferred revenue balance is primarily driven by payments received in advance of satisfying our performance obligations, affected by \$20,773,640 of revenue recognized during the six months ended June 30, 2022. The changes in the value of deferred revenue during the six months ended June 30, 2022 and the year ended December 31, 2021 are as follows:

	\$
Balance, December 31, 2020	17,856,522
Additions	40,180,920
Transferred to revenue	(33,855,802)
Balance, December 31, 2021	24,181,640
Additions	21,909,610
Transferred to revenue	(20,773,640)
Balance, June 30, 2022	<u>25,317,610</u>

Revenue consists of the following types of services for six months ended June 30, 2022 and the year ended December 31, 2021:

	June 30, 2022	December 31, 2021
	\$	\$
Domain Services	20,773,640	33,855,802
Market Place Transactions	861,334	1,452,700
Other	373,420	1,118,385
	<u>22,008,394</u>	<u>36,426,887</u>

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Costs of sales are the direct costs incurred by the Company in connection with selling an incremental product to its customers. Substantially all cost of sales relates to domain registration fees paid to the various domain registries, payment processing fees, and third-party commissions.

11. LOANS PAYABLE

On May 1, 2018, the Company received a bridge loan financing in the principal amount of \$5,000,000. The loan bore interest at a rate of 8% per annum and was due on November 1, 2018. On June 21, 2018, the Company entered into an amended loan agreement which extended the maturity date to June 21, 2019.

On June 21, 2018, the Company received another bridge loan financing in the principal amount of \$6,347,916 (USD\$4,770,000). The loans bore interest at a rate of 8% per annum and were due on June 21, 2019.

As an incentive for the lenders entering into the loan agreements, the Company issued as a bonus a total of 3,750,000 common shares to the lenders. The fair value of the common shares issued (\$1,312,500) was recorded as transaction costs against the value of the loans payable and amortized over the term of the loans.

On June 17, 2019, the Company entered into amended loan agreements to restructure the loans. As a result of the restructuring, the Company repaid \$1,293,978 of the principal and the maturity date of the loans was extended to December 17, 2020. Each loan bore interest at a rate of 11% per annum which was payable quarterly. The Company was required to pay 25% of each loan by July 17, 2020 and the balance by December 17, 2020. The loans were pre-payable at any time without penalties.

On July 17, 2020, the Company entered into the First Extension and Amendments to Loan Agreements to further amend the loans. As a result of the amendments, the Company paid total extension fee of \$50,000, repaid \$650,000 of the principal plus interest, and the first payment date of July 17, 2020 was first extended to September 17, 2020 and later extended to September 23, 2020 pursuant to the Second Extension and Amendments to Loan Agreements. The Company also granted to the lenders a first-ranking security interest over all of the present and after-acquired assets of the Company. The security interest provided to the lenders would cease once the Company fully repaid the loans.

On December 17, 2020, the Company entered into the Third Extension and Agreements to Loan Agreements, which extended the maturity date of the loan to February 15, 2021. The maturity date was extended again to March 1, 2021 pursuant to the Fourth Extension Letter signed on February 15, 2021 and to June 10, 2021 pursuant to the Fifth Extension and Agreements to Loan Agreements signed on April 6, 2021.

On October 29, 2021, the Company repaid the loans in full.

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	\$
Balance, December 31, 2020	5,793,818
Repayment	(6,120,361)
Interest expense	411,144
Foreign exchange	(84,601)
Balance, December 31, 2021 and June 30, 2022	-

12. CONVERTIBLE DEBENTURE

On October 19, 2021, the Company entered into a loan agreement with a third party lender (the “Lender”) whereby the Lender advanced to the Company a total of \$3,900,000 (the “Loan”). The Loan is for a term of three years and accrues interest at a rate of 12% per annum. The Loan was used to refinance the Company’s existing loans.

Under the terms of the loan agreement, the Lender may convert, at its option, all or any portion of the principal to common shares of the Company at a price of \$0.25 per share. The Company will have the right to cause a forced conversion of 50% of the outstanding principal amount into common shares if the weighted average price of the common shares is equal to or greater than \$0.50 per share over twenty consecutive trading days.

The Company will have the right to prepay all or any portion of the principal at any time. If the Company elects to repay any portion of the Loan, the Lender will be entitled to a fee equal to one year of interest on the principal amount repaid by the Company. The Lender has been granted certain security interests in the business of the Company.

During the six months ended June 30, 2022, the Company recorded interest expense of \$232,076 (December 31, 2021 - \$93,600) on the Loan.

The changes in the value of the convertible debenture during the six months ended June 30, 2022 and year ended December 31, 2021 are as follows:

	Liability Component (\$)	Equity Component (\$)
Balance, December 31, 2020	-	-
Proceeds	3,314,571	585,429
Transaction costs	(109,402)	(19,323)
Accretion	44,024	-
Balance, December 31, 2021	3,249,193	566,106
Accretion	107,991	-
Balance, June 30, 2022	3,357,184	566,106

13. SHARE CAPITAL

(a) Authorized

Unlimited number of common shares without par value.

Unlimited number of preferred shares without par value.

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(b) Issued

On February 23, 2022, the Company announced its intention to initiate a normal course issuer bid (“NCIB”) through the facilities of the CSE. Under the NCIB, the Company intends to acquire up to 4,500,000 common shares of the Issuer, representing approximately 4.85% of its issued and outstanding common shares. The NCIB commenced on March 2, 2022 and will end no later than March 2, 2023. The Company may terminate the NCIB earlier if it feels it is appropriate to do so and has appointed Canaccord Genuity Corp. to conduct the NCIB. All shares acquired will be returned to treasury and cancelled. During the six months ended June 30, 2022, the Company repurchased 211,000 common shares at a price of \$0.14 per share. However, the 211,000 common shares have not been canceled yet as of June 30, 2022.

During the year ended December 31, 2021 no shares were issued.

(c) Stock options

The Company has a stock option plan in accordance with the policies on the Canadian Securities Exchange whereby, from time to time at the discretion of the Board of Directors, stock options are granted to directors, officers and certain consultants.

Under the plan up to 10% of the total number of issued common shares of the Company, calculated on a non-diluted basis, at the time an option is granted are available for the issuance of stock options. The exercise price of each option is based on the market price of the Company’s common stock at the date of the grant less an applicable discount. The options can be granted for a maximum term of 10 years. The maximum number of options that may be granted to any one person must not exceed 5% of the common shares issued and outstanding at the time of grant unless disinterested shareholder approval is obtained. Any options granted to consultants or persons performing Investor Relations under the Amended Stock Option Plan shall vest to the optionee as follows: 25% at date of grant, 25% six months from date of grant, 25% nine months from date of grant and the remaining 25% twelve months from the date of grant. All other options granted under the Amended Stock Option Plan shall have vesting terms set at the discretion of the Board of Directors.

A summary of the stock option activity is as follows:

	June 30, 2022		December 31, 2021	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period / year	5,625,000	\$0.28	3,475,000	\$0.30
Granted	-	-	2,750,000	0.22
Expired	-	-	(600,000)	0.16
Balance, end of period / year	5,625,000	\$0.28	5,625,000	\$0.28

As at June 30, 2022, the Company has outstanding directors’ and employees’ incentive stock options enabling the holders to acquire additional common shares as follows:

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Number of options outstanding	Number of options exercisable	Exercise Price	Expiry Date
1,000,000	1,000,000	\$0.23	December 20, 2022
1,300,000	1,300,000	\$0.35	August 8, 2023
250,000	250,000	\$0.45	March 22, 2024
325,000	325,000	\$0.42	September 16, 2024
2,750,000	2,750,000	\$0.22	September 17, 2027
5,625,000	5,625,000		2.61 years remaining

In September 2021, the Company granted a total of 2,750,000 stock options to its officers, directors and consultants. The options are exercisable at a price of \$0.22 per share for a period of five years from the date of grant. The fair value of the options granted was estimated on the grant date using the Black-Scholes option pricing model with the following weighted average assumptions: share price at the time of issuance \$0.22; risk-free interest rate of 0.80%; expected life of 5 years; dividend yield of 0%; forfeiture rate of 0% and annualized volatility of 65%.

For the three and six months ended June 30, 2022, \$nil and \$nil (2021 - \$nil and \$3,763) has been recorded as share-based payment relating to options granted during the period.

(d) Warrants

	June 30, 2022		December 31, 2021	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Balance, beginning of period / year	16,107,475	\$0.30	16,107,475	\$0.30
Balance, end of period / year	16,107,475	\$0.30	16,107,475	\$0.30

As at June 30, 2022, the Company has outstanding share purchase warrants enabling the holders to acquire additional common shares as follows:

Number of warrants outstanding	Exercise Price	Expiry Date
5,272,560	\$0.30	September 25, 2022
5,202,960	\$0.30	September 28, 2022
5,631,955	\$0.30	October 6, 2022
16,107,475		0.25 year remaining

14. DISTRIBUTIONS FROM NAMESILO LLC

In March, May, July, August, October and December 2021, NameSilo LLC made cash distributions to all its members. The total amount of distributions made to the 18.5% non-controlling interest were \$838,634 (US\$669,035) during the year ended December 31, 2021.

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In February and March 2022, NameSilo LLC made cash distributions to all its members. The total amount of distributions made to the 18.5% non-controlling interest were \$220,265 (US\$173,232) during the six months ended June 30, 2022.

15. RELATED PARTY TRANSACTIONS

The aggregate amount of expenditures made to parties not at arm's length to the Company for the three and six months ended June 30, 2022 and 2021 are:

	Three months ended		Six months ended	
	2022	June 30, 2021	2022	June 30, 2021
	\$	\$	\$	\$
Professional fees	34,417	28,484	60,911	69,244
Management fees	90,000	48,000	180,000	84,000
	124,417	76,484	240,911	153,244

During the three and six months ended June 30, 2022, Paul Andreola, President and Director was paid or accrued management fees of \$45,000 and \$90,000 (2021 - \$24,000 and \$42,000), Colin Bowkett, Director was paid or accrued management fees of \$45,000 and \$90,000 (2021 - \$24,000 and \$42,000), Daniel Nanson, Director was paid or accrued professional fees of \$nil and \$nil (2021 - \$6,300 and \$15,750), and Malaspina Consultants Inc., a company in which Natasha Tsai, Chief Financial Officer is a shareholder, was paid or accrued professional fees of \$34,417 and \$60,911 (2021 - \$22,184 and \$53,494).

Included in accounts payable and accrued liabilities at June 30, 2022 is \$1,459 (December 31, 2021 - \$9,384) due to officers and directors for unpaid management fees.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties, unless otherwise noted.

There were no post-employment benefits, termination benefits or other long-term benefits paid to key management personnel for the six months ended June 30, 2022 and 2021.

16. DETERMINATION OF FAIR VALUES

The Company's financial assets were classified into the following categories:

- FVTPL – Cash and cash equivalents, and investments
- FVOCI – None
- Amortized Cost – Receivables

Estimates of the fair value of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

At June 30, 2022, the Company's financial instruments include cash and cash equivalents, receivables, registry deposits, investments, accounts payable and accrued liabilities, customer deposits, and convertible debenture. Receivables, registry deposits, accounts payable and accrued

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liabilities, and customer deposits, convertible debenture are recognized on the consolidated statement of financial position at their carrying values which approximated their fair value.

All financial instruments measured at fair value are categorized into a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy are described below:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table sets forth the Company's financial assets measured at fair value by level within the fair value hierarchy.

June 30, 2022	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 1,605,889	\$ -	\$ -	\$ 1,605,889
Investment - shares	\$ 3,392,686	\$ -	\$ 78,500	\$ 3,471,186
Investment – SAFE	\$ -	\$ -	\$ 63,390	\$ 63,390
December 31, 2021	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	\$ 1,416,552	\$ -	\$ -	\$ 1,416,552
Investment - shares	\$ 4,805,431	\$ -	\$ 78,500	\$ 4,883,931
Investment – SAFE	\$ -	\$ -	\$ 63,390	\$ 63,390

17. SUPPLEMENTAL CASH FLOW INFORMATION

The following changes in liabilities arose from financing activities:

	December 31, 2021	Cash Flows	Bifurcation to Equity	Accretion	Foreign exchange movements	June 30, 2022
	\$	\$	\$	\$	\$	\$
Convertible debenture	3,249,193	-	-	107,991	-	3,357,184

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	December 31, 2020	Cash Flows	Bifurcation to Equity	Accretion	Foreign exchange movements	December 31, 2021
	\$	\$	\$	\$	\$	\$
Loans payable	5,793,818	(5,709,217)	-	-	(84,601)	-
Convertible debenture	-	3,771,275	(566,106)	44,024	-	3,249,193
Total	5,793,818	(1,937,942)	(566,106)	44,024	(84,601)	3,249,193