**SPETZ INC.**

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023, AND FOR THE THREE AND NINE MONTHS ENDED OCTOBER 31, 2022

(EXPRESSED IN THOUSANDS OF UNITED STATES DOLLARS)

# MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED CONDENSED INTERIM FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of Spetz Inc., ("Spetz" or the "Company") as at and for the three and nine months ended September 30, 2023 (the "September 2023 Financial Statements") are the responsibility of the management and Board of Directors of the Company.

The September 2023 Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in Note 3 to the Company's audited annual consolidated financial statements as at and for the year ended December 31, 2022. In preparing the September 2023 Financial Statements, management has made informed judgments and estimates in accounting for transactions which were not complete at the date of the statement of financial position. In the opinion of management, the September 2023 Financial Statements of the Company have been prepared within acceptable limits of materiality and are in compliance with International Accounting Standard 34, "Interim Financial Reporting".

Management has established processes which are in place to provide it with sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the September 2023 Financial Statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated, or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as at the date of, and for the periods presented by, the September 2023 Financial Statements; and (ii) the September 2023 Financial Statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as at the date of and for the periods presented by the September 2023 Financial Statements.

The Board of Directors is responsible for reviewing and approving the September 2023 Financial Statements, together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibility. The Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee has met with management to review the financial reporting process and other financial information of the Company, including the September 2023 Financial Statements. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the financial disclosure of the Company, including the September 2023 Financial Statements, for issuance to the Company's shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

*"Yossi Nevo"*
Chris Carl
Chief Executive Officer

*"David Bhumgara"*
David Bhumgara
Chief Financial Officer

Toronto, Canada
November 08, 2023

# NOTICE TO READER

The September 2023 Financial Statements have been prepared by and are the responsibility of management.
These financial statements have not been reviewed by the Company's independent external auditor.

## SPETZ INC.

Unaudited Condensed Interim Consolidated Statements of Financial Position
As at September 30, 2023, and December 31, 2022

*(Expressed in thousands of United States dollars)*

| | Notes | September 30, 2023 | December 31, 2022 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | | $ 7 | $ 397 |
| Restricted deposits | | 55 | 54 |
| Accounts receivable, net | 6 | 506 | 435 |
| Other receivables | | 2 | 53 |
| Prepaid expenses | | 10 | 64 |
| Investments | 7 | - | - |
| Digital currencies | 8 | - | - |
| | | 580 | 1,003 |
| **Non-current Assets** | | | |
| Property, plant and equipment, net | 9 | 21 | 33 |
| Right-of-use asset | 10 | 9 | 37 |
| Intangible assets | 5,11 | 2,216 | 2,978 |
| Goodwill | 5,12 | 4,637 | 4,637 |
| Assets held for sale | 7,8 | 500 | 500 |
| | | 7,383 | 8,185 |
| **Total Assets** | | $ 7,963 | $ 9,188 |
| **LIABILITIES** | | | |
| **Current Liabilities** | | | |
| Accounts payable and accrued liabilities | 13 | $ 1,059 | $ 690 |
| Short-term bank credit | 14 | 335 | 238 |
| Other payables | 13 | 644 | 606 |
| Lease liability | 10 | 11 | 41 |
| Related party payables | 22 | 531 | 370 |
| Deferred revenue | 16 | 238 | 349 |
| Promissory note | 15 | 181 | - |
| Convertible debenture | 15 | 340 | - |
| Derivative liability | 15 | 74 | - |
| Liabilties held for sale | 8,25 | - | - |
| | | 3,413 | 2,294 |
| **Non-current Liabilities** | | | |
| Long term loans | 17 | 16 | 32 |
| Employee benefit liabilities | | 23 | 25 |
| **Total Liabilities** | | 3,452 | 2,351 |
| **SHAREHOLDERS' EQUITY** | | | |
| Share capital | 18 | 21,078 | 20,959 |
| Warrants reserve | 19 | 8,112 | 8,112 |
| Share based payments reserve | 20 | 4,677 | 4,561 |
| Accumulated deficit | | (29,307) | (26,849) |
| Accumulated other comprehensive income | | (49) | 54 |
| **Total Shareholders' Equity** | | 4,511 | 6,837 |
| **Total Liabilities and Shareholders' Equity** | | $ 7,963 | $ 9,188 |

**Nature of operations and going concern (Note 1)**
**Commitments (Note 23)**
**Subsequent event (Note 26)**

Approved on behalf of the Board on November 08, 2023:

| | |
|---|---|
| *"Yossi Nevo* | *"Michael Kron"* |
| Director | Director |

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

**SPETZ INC.**

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2023, and the three and nine months ended October 31, 2022

*(Expressed in thousands of United States dollars, except for per share amounts)*

| | | Three months ended | | Nine months ended | |
|---|---|---|---|---|---|
| | **Notes** | **September 30, 2023** | **October 31, 2022** | **September 30, 2023** | **October 31, 2022** |
| **Revenues** | | | | | |
| Referral fees | | $ 534 | $ 532 | $ 1,632 | $ 532 |
| Cost of revenues | | 112 | 11 | 352 | $ 11 |
| **Gross margin** | | **422** | **521** | **1,280** | **521** |
| **Expenses** | | | | | |
| Consulting fees | 22 | 121 | 79 | 349 | 369 |
| Professional fees | | 148 | 9 | 281 | 52 |
| Investor and public company costs | | 23 | 11 | 36 | 30 |
| Sales and marketing expenses | | 295 | 452 | 934 | 458 |
| General and administration | | 54 | 239 | 788 | 325 |
| Depreciation and amortization expenses | 9,10,11 | 223 | 159 | 797 | 184 |
| Share based compensation | 20,22 | 12 | 129 | 235 | 750 |
| Research expenses | | 102 | 181 | 428 | 181 |
| **Total Expenses** | | **(978)** | **(1,259)** | **(3,848)** | **(2,349)** |
| | | **(556)** | **(738)** | **(2,568)** | **(1,828)** |
| **Other income/(expenses)** | | | | | |
| Interest, finance and accretion expense | | (247) | (35) | (425) | (45) |
| Acquisition costs, net | 5 | - | (447) | - | (447) |
| Gain on revaluation of derivative liabilities | | - | - | 312 | - |
| Foreign exchange gain/(loss) | | 64 | 401 | 192 | 390 |
| Interest earned on investments | | - | 1 | 6 | 19 |
| **Net Loss from continuing operations** | | **(739)** | **(818)** | **(2,483)** | **(1,911)** |
| Income from discontinued operations | 24 | - | (759) | 25 | (2,115) |
| Net loss before income tax expense | | **(739)** | **(1,577)** | **(2,458)** | **(4,026)** |
| Income tax recovery | 20 | - | - | - | - |
| **Net loss for the period** | | **(739)** | **(1,577)** | **(2,458)** | **(4,026)** |
| **Other comprehensive income/(loss)** | | | | | |
| Foreign exchange gain/(loss) on translating foreign operations | | 10 | (401) | (103) | (401) |
| Unrealized gain/(loss) on digital currencies in discontinued operations | 8 | - | 161 | - | (596) |
| **Other comprehensive income/(loss) for the period** | | **10** | **(240)** | **(103)** | **(997)** |
| **Comprehensive loss for the period** | | **(729)** | **(1,817)** | **(2,561)** | **(5,023)** |
| **Weighted average shares outstanding** | | | | | |
| - Basic and diluted | | 513,579,895 | 461,186,050 | 511,861,075 | 334,901,273 |
| **Loss per share from continuing operations - basic and diluted** | | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.01) |
| **Loss per share from discontinued operations - basic and diluted** | | $ - | $ (0.00) | $ 0.00 | $ (0.01) |

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

**SPETZ INC.**

Unaudited Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2023, and October 31, 2022

*(Expressed in thousands of United States dollars)*

| | Notes | | September 30, 2023 | | October 31, 2022 |
|---|---|---|---|---|---|
| **Cash Flows from Operating Activities** | | | | | |
| Net loss for the period | | $ | (2,458) | $ | (4,026) |
| **Non-cash items:** | | | | | |
| Net loss from discontinued operations for the period | | | (25) | | 2,115 |
| Accretion exepense on Convertible debenture | | | 297 | | - |
| Depreciation and amortization expense | 9,10,11 | | 802 | | 184 |
| Foreign exchange gain | | | (109) | | - |
| Gain on revaluation of derivative liabilities | | | (312) | | - |
| Shares issued for services | 5,17 | | - | | 93 |
| Share based compensation | 20,22 | | 235 | | 750 |
| | | | (1,570) | | (884) |
| **Net change in non-cash working capital items:** | | | | | |
| Accounts receivable | | | (71) | | (153) |
| Other receivables | | | 51 | | (27) |
| Prepaid expense | | | 54 | | (8) |
| Deferred revenue | | | (113) | | (33) |
| Accounts payable and accrued liabilities | | | 407 | | (356) |
| Cash used in continuing operations | | | (1,242) | | (1,461) |
| Cash used in discontinued operations | | | 25 | | (719) |
| **Cash Flows used in operating activities** | | | **(1,217)** | | **(2,180)** |
| **Cash Flows from Financing Activities** | | | | | |
| Repayment of short term credit facility | 5 | | 97 | | (91) |
| Repayment of long term loan | 5 | | (16) | | (9) |
| Repayment of related party loan | 5,22 | | 161 | | (53) |
| Repayment of notes payable | | | - | | (75) |
| Principal payments of lease liability | 10 | | (30) | | (32) |
| Net proceeds from promissory note | 15 | | 181 | | |
| Net proceeds from convertible debenture | | | 435 | | |
| **Cash Flows (used in)/from financing activities** | | | **828** | | **(260)** |
| | | | | | - |
| **Cash Flows from Investing Activities** | | | | | - |
| Acquisition of Spetz, net of cash acquired | 5 | | - | | (1,002) |
| Restricted cash | | | (1) | | 6 |
| Additions to property, plant and equipment | 9 | | - | | (2) |
| **Cash flows provide from investing activities** | | | **(1)** | | **(998)** |
| Cash flows provided from discontinued investing activities | | | - | | 106 |
| **Cash Flows provided from investing activities** | | | **(1)** | | **(892)** |
| **Decrease in cash** | | | **(390)** | | **(3,332)** |
| Cash, beginning of the period | | | 397 | | 4,200 |
| **Cash, end of the period** | | **$** | **7** | **$** | **868** |
| | | | | $ | - |
| **Supplemental disclosure of cash flow information** | | | | | |
| Interest paid | | | - | | 75 |
| Shares issued for service | | | - | | 93 |

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

**SPETZ INC.**

Unaudited Condensed Interim Consolidated Statements of Changes in Equity

For the Nine months ended September 30, 2023, and October 31, 2022

*(Expressed in thousands of United States dollars, except for share amounts)*

| | Share Capital | | | Reserves | | | | |
|---|---|---|---|---|---|---|---|---|
| | Number of shares | Dollar amount | Shares to be issued | Share based Payments | Warrants | Deficit | Accumulated Other Comprehensive Income (loss) | Total |
| **Balance, January 31, 2022 (Restated Note 2)** | **271,065,013** | **$ 15,393** | **$ -** | **$ 3,393** | **$ 8,112** | **$ (16,689)** | **$ 762** | **$ 10,971** |
| Share based payments | | | - | 515 | - | - | - | 515 |
| Shares issued on acquisition of Spetz (Note 18 i)) | 230,146,518 | 5,367 | | 455 | | | | 5,822 |
| Share issue for finders fees (Note 18 i)) | 4,000,000 | 93 | | - | | | | 93 |
| Other comprehensive income | - | - | - | - | - | - | (762) | (762) |
| Net loss and comprehensive loss, continuing operations | - | - | - | - | - | (1,911) | - | (1,911) |
| Net loss, discontinued operations | - | - | - | - | - | (2,115) | - | (2,115) |
| **Balance, October 31, 2022 (Restated Note 2)** | **505,211,531** | **$ 20,853** | **$ -** | **$ 4,363** | **$ 8,112** | **$ (20,715)** | **$ -** | **$ 12,613** |
| Shares issued on RSUs vested (Note 20) | 3,001,897 | 106 | - | (106) | - | - | - | - |
| Share based payments | - | - | - | 304 | - | - | - | 304 |
| Other comprehensive income/(loss) | - | - | - | - | - | - | 54 | 54 |
| Net loss, continuing operations | - | - | - | - | - | (2,017) | - | (2,017) |
| Net loss, discontinued operations | - | - | - | - | - | (4,117) | - | (4,117) |
| **Balance, December 31, 2022** | **508,213,428** | **$ 20,959** | **$ -** | **$ 4,561** | **$ 8,112** | **$ (26,849)** | **$ 54** | **$ 6,837** |
| Share based payments | - | - | - | 235 | - | - | - | 235 |
| Shares issued on RSUs vested (Note 20) | 8,001,583 | 119 | - | (119) | - | - | - | - |
| Other comprehensive income/(loss) | - | - | - | - | - | - | (103) | (103) |
| Net loss, continuing operations | - | - | - | - | - | (2,483) | - | (2,483) |
| Net loss, discontinued operations | - | - | - | - | - | 25 | - | 25 |
| **Balance, September 30, 2023** | **516,215,011** | **$ 21,078** | **$ -** | **$ 4,677** | **$ 8,112** | **$ (29,307)** | **$ (49)** | **$ 4,511** |

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

## 1. NATURE OF BUSINESS AND GOING CONCERN

Spetz Inc.(the "**Company**") was incorporated on December 11, 1998, under the laws of the Province of Ontario, Canada. The registered office and principal place of business of the Company is 40 King Street West Suite 5800, Toronto, ON M5H 3S1.

In prior years, the Company was focused on utilizing advanced financial technologies, together with predictive analytics derived from artificial intelligence-based machine learning, to provide its customers with products and services in multiple market sectors. With the acquisition of Spetz Tech Ltd. ("Spetz") the Company has a global online, AI-powered marketplace platform that dynamically connects consumers to nearby rated service providers within 30 seconds.

The Company is listed on the Canadian Securities Exchange ("CSE") and trades under the symbol "SPTZ".

All financial information in this document is presented in United States dollars ("$" or "US$" or "USD") unless otherwise indicated.

*Going Concern*

As at September 30, 2023, the Company had a working capital deficiency of $2,833,000 (December 31, 2022 – $1,291,000 positive) had not yet achieved profitable operations, had accumulated losses of $29,307,000 (December 31, 2022 - $26,849,000), and currently expects to incur further losses in the development of its business.

The Company has $7,000 of cash at September 30, 2023, the Company has yet achieved positive cashflow from operations, therefore there is no assurance that the operations of the Company and any future operations will be successful and profitable. These conditions raise material uncertainties which casts significant doubt as to the use of the going concern assumption in these financial statements.

These unaudited 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 continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

(Expressed in thousands of United States Dollars)

## 2. BASIS OF PRESENTATION

(a) Basis of presentation and statement of compliance

The Company's unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting". These unaudited condensed interim consolidated financial statements do not include all notes of the type normally included within the annual consolidated financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2022, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim consolidated financial statements were approved and authorized by the Company's Board of Directors on November 08, 2023.

(b) Basis of measurement

These condensed interim consolidated financial statements have been prepared on the going concern basis, under the historical cost convention, except for certain financial instruments that are measured at fair value, as explained in the accounting policies described herein.

(c) Basis of consolidation

These condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries. All intercompany balances and transactions were eliminated on consolidation. Subsidiaries are entities the Company controls when it has the power, directly or indirectly to govern the financial and operating policies of an entity, and it is exposed, or has rights, to variable returns from its involvement with the entity.

| Subsidiaries | Jurisdiction of incorporation | Status | Functional Currency | Ownership interest |
|---|---|---|---|---|
| Spetz Tech Ltd. | Israel | Active | ISL | 100% |
| Spetz Ltd. | United Kingdom | Active | GBP | 100% |
| Spetz Pty Ltd. | Australia | Active | AUD | 100% |
| Spetz Inc | USA | Active | USD | 100% |
| 2618249 Ontario Corp. | Ontario, Canada | Active | CAD | 100% |
| DataNavee Corporation | Ontario, Canada | Inactive | CAD | 100% |
| Digimax Fund SPC | Cayman Islands | Inactive | CAD | 80% |
| Digimax Global BVI inc. | Cayman Islands | Inactive | CAD | 100% |
| Delphi Crypto AiCi | USA | Inactive | USD | 100% |

(d) Functional and presentation currency

All figures presented in the unaudited consolidated financial statements are reflected in United States dollars. Foreign currency transactions are translated into United States dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to United States dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains or losses are recognized through profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction unless it is measured at fair value in which case it is translated using the exchange rate at the date when the fair value was measured.

As a result of the acquisition of Spetz Tech Ltd. as outlined in Note 5 below, the Company has elected to change its presentation currency from Canadian dollars to United States dollars. The change in presentation currency is a voluntary change which is accounted for retrospectively. In addition, the Company changed its year end from January to December to better align with its Spetz Tech Ltd. operations.

(e) Significant judgments, estimates and assumptions

The preparation of these unaudited condensed interim consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The Significant estimates and judgements are consistently applied as those used for the audited consolidated financial statements of the Company for the year ended December 31, 2022 with the exception of following:

i. Debenture payable Fair value measurement of derivative components

Estimating Convertible debentures are financial instruments which are accounted for separately dependent on the nature of their components: a financial liability and an equity instrument. The identification of such components embedded within a convertible debenture requires significant judgment given that it is based on the interpretation of the substance of the contractual arrangement. Where the conversion option has a fixed conversion rate, the financial liability, which represents the obligation to pay coupon interest on the convertible debentures in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance.

Where the conversion option has a variable conversion rate, the conversion option is recognized as a derivative liability measured at fair value through profit and loss. The residual amount is recognized as a financial liability and subsequently measured at amortized cost using the effective interest method.

Any directly attributable transaction costs are apportioned to the debt liability and equity components in proportion to the allocation of proceeds. Any transaction costs appropriated to the derivative liability are expensed in the period.

Given that it is subject to various inputs, assumptions and estimates including contractual future cash flows, discount rates, credit spreads and volatility, the determination of the fair value is also an area of significant judgment.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited financial statements of the Company for the year ended December 31, 2022.

**Financial instruments**

The following table summarized those assets and liabilities that are included at their fair value in the Company's financial statements of financial position as at September 30, 2023. These asset and liabilities have been categorized into hierarchical levels, according to the significance of the inputs used in determining fair value measurements.

(Expressed in thousands of United States Dollars)

| | | Fair Value Hierarchy | | | |
|---|---|---|---|---|---|
| **Financial Instrument** | **Classification** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets** | | | | | |
| Cash and cash equivalents | FVTPL | $ 7 | $ - | $ - | $ 7 |
| Restricted cash | FVTPL | 55 | - | - | 55 |
| Accounts receivable, net | Amortized cost | 506 | | | |
| Other receivables | Amortized cost | 2 | | | |
| Assets held for sale | FVTPL | - | - | 500 | 500 |
| | | | | | |
| **Financial Liabilities** | | | | | |
| Accounts payable and accrued liabilities | Amortized cost | - | - | 1,059 | 1,059 |
| Short-term bank credit | FVTPL | 335 | - | - | 335 |
| Other payables | Amortized cost | - | - | 644 | 644 |
| Related party payables | Amortized cost | - | - | 531 | 531 |
| Promissory note | Amortized cost | - | - | 181 | 181 |
| Convertible debenture | Amortized cost | - | - | 340 | 340 |
| Derivative liabiity | FVTPL | - | - | 74 | 74 |
| Long term loans | Amortized cost | $ - | $ - | $ 16 | $ 16 |

**New standards and interpretations**

*New standards not yet adopted, and interpretations issued but not yet effective*

At the date of authorization of these condensed interim consolidated Financial Statements, the IASB and the IFRS Interpretations Committee have issued certain new and revised Standards and Interpretations which are not yet effective. Many are not applicable or do not have a significant impact to the Company and have been excluded from these consolidated financial statements. The Company has not early adopted and is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

## 4. CAPITAL MANAGEMENT

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company considers its capital to be shareholders' equity (deficiency), which is comprised of share capital, reserves, and accumulated deficit.

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure. Funds are primarily secured through equity capital raised by way of private placements and issuance of convertible debentures. There can be no assurance that the Company will be able to continue raising equity capital in this manner.

(Expressed in thousands of United States Dollars)

### 5. ACQUISITION OF SPETZ TECH LTD.

On August 16, 2022, the Company announced the completion of the previously announced acquisition of Spetz Tech Ltd. and wholly owned subsidiaries (collectively referred “Spetz”) via a definitive agreement to acquire all of the issued and outstanding shares of Israel-based Spetz, a technology company which has developed artificial intelligence (“AI”) software to operate a revolutionary and fast-growing mobile application that connects consumers to available, top-rated tradespeople, service providers and professionals in their area immediately or at any scheduled time (the “Transaction”).

The Transaction, which is an arm’s length transaction, involved the Company issuing 230,146,518 common shares in consideration for all of the issued and outstanding shares of Spetz. In addition, the Company issued 19,531,771 in restricted stock units, which will amount to approximately 47% of the outstanding shares of the Company upon the closing of the Transaction (the “Closing”).

In connection with the Transaction, the Company and Spetz have agreed to pay a finder’s fee to a certain arm’s length party (the “Finder’s Fee”). The Finder’s Fee is comprised of 4 million common shares of the Company with a fair value of $93,000.

Below is the final breakdown of the purchase price allocated to the assets acquired for the period ended December 31, 2022.

| | | |
|---|---|---|
| Cash and cash equivalents | $ | 8 |
| Other Receivables | | 27 |
| Restricted deposits | | 60 |
| Receivables | | 383 |
| Property,plant and equipment | | 39 |
| Intangible assets | | |
| Customer relationships | | 732 |
| Brands | | 339 |
| Technology | | 2,173 |
| Non-Complete | | 100 |
| Goodwill | | 6,079 |
| Short term bank credit | | (298) |
| Other payables | | (523) |
| Trade Payable | | (558) |
| Deferred revenue | | (335) |
| Related party loan | | (424) |
| Long term loans | | (43) |
| Employee benefit liabilities | | (41) |
| Deferred income tax liability | | (886) |
| **Fair value of net assets acquired** | **$** | **6,832** |

| | | |
|---|---|---|
| **Fair value of consideration paid:** | | |
| Cash | $ | 1,010 |
| Common shares | | 5,367 |
| RSUs | | 455 |
| | $ | 6,832 |

(Expressed in thousands of United States Dollars)

The cash portion of the acquisition of Spetz represents the cash advanced in the form of a convertible loan to Spetz prior to closing of $1,010,000 (CAD$1,300,000). On closing the convertible loan was converted to shares of Spetz.

Goodwill recognized on the acquisition of Spetz represents the excess purchase price paid by the Company over the fair value of net tangible and intangible assts identified. Goodwill is primarily related to the opportunities to grow the Company's AI strategy and the synergies from the acquisition of Spetz. Further, the Company obtains access to Spetz ongoing operations in Israel, Australia and United Kingdom.

The Company expensed $253,000 in connection with the acquisition of Spetz, which represents $160,000 in legal costs and $93,000 representing the fair value of the 4,000,000 shares issued as a finder's fee.

## 6. ACCOUNTS RECEIVABLE

| As at | | September 30, 2023 | | December 31, 2022 |
|---|---|---|---|---|
| Current | $ | - | $ | - |
| 30- 60 days | | 14 | | 25 |
| 61-90 days | | 126 | | 18 |
| Over 90 days | | 847 | | 906 |
| | | 987 | | 949 |
| Provision for doubtful accounts | | (481) | | (514) |
| **Net Accounts Receivable** | **$** | **506** | **$** | **435** |

The Company has net accounts receivable of $506,000 and the Company has a provision for doubtful accounts of $481,000.

## 7. INVESTMENTS

The Company has classified its investments under assets held for sale, as it's the intention of the Company to focus its resources on the Spetz operations and dispose of these investments over time.

On May 3, 2021, the Company completed its strategic investment of $5,000,000 of Kirobo Ltd. ("Kirobo") a cryptocurrency solutions developer. In exchange the Company received 22,104,332 shares at a share price of US$0.2262 per common share for 15% of Kirobo. The Company incurred acquisition costs of $65,000 in connection with its investment in Kirobo. Tel Aviv based Kirobo is a blockchain technology company that provides state-of-the-art tools to crypto users and companies, helping them gain better control of their funds. The Company has determined that it does not hold significant influence or control of Kirobo as defined under IAS 28. The Company therefore has designated this investment as a portfolio investment and measures it at fair value through profit or loss ("FVTPL") as defined under IFRS 9. For private companies like Kirobo, the Company determines fair value using valuation methodology such as discounted cash flow, loan to value, recent material transactions in the investment, and comparable company analysis.

The Company used Kirobo's token price at December 31, 2022 and amount of KIRO in circulation to determine the market capitalization of Kirobo, and thereby the Company determined the fair value of the Company's investment in Kirobo to be $500,000. At September 30, 2023, the Company maintained its investment in Kirobo at $500,000 and disclosed as assets held for sale.

(Expressed in thousands of United States Dollars)

## 8. DIGITAL CURRENCIES

The Company holds digital currencies, classified as discontinued assets, as follows:

| | | Ethereum | USDC | Kirobo Coins |
|---|---|---|---|---|
| Balance at January 1, 2023 | $ - | 1 | 382 | 5,350,000 |
| Digital currencies purchased for the period | - | - | - | - |
| Traded for cash for the period | - | (0) | - | - |
| Gain on sale of digital currencies | - | - | - | - |
| Revaluation of digital currencies | - | - | - | - |
| **Balance at September 30, 2023** | **$ -** | **1** | **382** | **5,350,000** |
| | | | | |
| **Fair value at September 30, 2023** | **$ -** | **$ -** | **$ -** | **$ -** |

i) The Company holds 1 Ethereum token, 382 USDC and 5,350,000 Kirobo Tokens.

ii) Digital currencies held are revalued each reporting period based on the fair market value of the price of the digital currencies on the reporting date. As at December 31, 2022, a revaluation loss of $1,033,000 was incurred writing down its Kirobo tokens to zero due to the Company's inability to dispose of them through Crypto-markets due to lack of liquidity.

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Computer and Electronic equipment | Furniture and equipment | Leasehold Improvements | Total |
|---|---|---|---|---|
| Balance at January 1, 2023 | $ 16 | $ 13 | $ 4 | $ 33 |
| Additions | 1 | - | - | 1 |
| Less: Depreciation expense | (9) | (3) | (1) | (13) |
| **Balance at September 30, 2023** | **$ 8** | **$ 10** | **$ 3** | **$ 21** |
| | | | | |
| Cost | $ 28 | $ 15 | $ 5 | $ 48 |
| Accumulated depreciation | (20) | (5) | (2) | (27) |
| **Net book value** | **$ 8** | **$ 10** | **$ 3** | **$ 21** |

The Company recorded a depreciation of $13,000 on property, plant and equipment during the nine months ended September 30, 2023.

(Expressed in thousands of United States Dollars)

### 10. RIGHT OF USE ASSET AND LEASE LIABILITY

The Company entered into a sub-lease of office space and adopted IFRS 16 which resulted in the recording of a right-of-use asset and associated lease liability. The lease liability was measured at the present value of lease payments and discounted using the Company's incremental borrowing rate of 10.5%.

Below is a summary of the right-of-use asset and associated lease liability.

| | Right-of-use asset | lease Liability |
|---|---|---|
| Balance at February 1, 2022 | $ 75 | $ 79 |
| Additions | - | - |
| Interest | - | 6 |
| Repayments | - | (44) |
| Amortization | (38) | - |
| Balance at December 31, 2022 | $ 37 | $ 41 |
| Interest | - | 2 |
| Repayments | - | (32) |
| Amortization | (28) | - |
| **Balance at September 30, 2023** | **$ 9** | **$ 11** |
| | | |
| Current | 9 | 11 |
| Non-current | - | - |

| | |
|---|---|
| **Undiscounted cash flows** | |
| Less than one year | $ 11 |
| One to five years | - |
| **Total undiscounted lease liability at September 30, 2023** | **$ 11** |

The sub-lease expires December 31, 2023, with no option for renewal.

(Expressed in thousands of United States Dollars)

## 11. INTANGIBLE ASSETS

As at September 30, 2023, intangible assets consisted of:

| | Customer Relationships | Brand | Technology | Non-Compete | Total |
|---|---|---|---|---|---|
| Balance at February 1, 2022 | $ - | $ - | $ - | $ - | $ - |
| Acquisition of Spetz | 732 | 339 | 2,173 | 100 | 3,344 |
| Less: Amortization expense | (244) | (8) | (103) | (11) | (366) |
| **Balance at December 31, 2022** | **488** | **331** | **2,070** | **89** | **2,978** |
| Less: Amortization expense | (488) | (16) | (233) | (25) | (762) |
| **Balance at September 30, 2023** | **$ -** | **$ 315** | **$ 1,837** | **$ 64** | **$ 2,216** |

All intangible assets were acquired in connection with the acquisition of Spetz (see Note 5).

Amortization of intangible assets for the nine months ended September 30, 2023 was $762,000 and is included in amortization expense in the consolidated statement of loss and comprehensive loss.

## 12. GOODWILL

As of September 30, 2023, goodwill represents the excess purchase price paid for the acquisition of Spetz Tech Ltd. over the fair value of the net tangible and intangible assets acquired. (Note 5)

The Company tests the recoverability of its goodwill annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Goodwill recoverability is tested based on the higher of fair value less costs to sell and the value in use model. The value in use model applies a present value of expected future cashflows of the assets.

### Impairment of Intangible assets and goodwill for year ended December 31, 2022

Goodwill and indefinite life intangible assets are tested for impairment annually, and whenever events or circumstances that make it more likely than not that an impairment may have occurred, such as a significant adverse change in the business climate or a decision to sell or dispose all or a portion of a reporting unit. Finite life intangible assets are tested whenever there is an indication of impairment.

For the purpose of impairment testing, goodwill and indefinite life intangible assets have been allocated to CGUs representing the lowest level within the entity at which the goodwill is monitored for internal reporting purposes. CGUs are determined based on the smallest identifiable group of assets that generate cash inflows that are largely independent of cash inflows from other assets or group of assets.

Annual impairment testing involves determining the recoverable amount of the CGU group to which goodwill and indefinite life license intangibles are allocated and comparing this to the carrying value of the CGU groups. The measurement of the recoverable amount of the CGU groups was calculated based on the higher of the CGUs fair value less costs of disposal or value in use, which are Level 3 measurements within the fair value hierarchy.

(Expressed in thousands of United States Dollars)

The Company has allocated as follows its indefinite life intangible assets based on their value in use and goodwill based on the CGUs expected to benefit from synergies of the business combinations:

| | Israel | United Kingdom | Australia | Total |
|---|---|---|---|---|
| Goodwill | $ 4,056 | $ 1,340 | $ 683 | $ 6,079 |
| Impairment | (146) | (1,022) | (274) | (1,442) |
| **Balance at December 31, 2022, and September 30, 2023** | **$ 3,910** | **$ 318** | **$ 409** | **$ 4,637** |

**Key assumptions**

i) Projected EBITDA: The Company's business plan contains forecasts based on past experience of actual operating results in conjunction with anticipated future growth opportunities. The forecast does assume some base business expansion into the United States. The primary engine of growth is strategic in nature and is consistent with the projections and expectations as articulated in the Company's strategic plan. The forecast period for Israel and Australia CGU covers a period from January 2023 to December 2027 (with a terminal year thereafter); the forecast period for the United Kingdom covers a period from January 2023 to December 2028 (with a terminal year thereafter).

ii) Terminal value of growth rate: The terminal growth rate of 2% was based on historical and projected consumer price inflation, historical and projected economic indicators, and projected industry growth; and

iii) Discount rates: Discount rates applied in determining the recoverable amount of the CGU groups were approximately 25% to 30% based on the pre-tax weighted average cost of capital of each CGU group.

The values assigned to the key assumptions represent management's assessment of future trends in the industries in which the CGU groups operate and are based on internal sources and historical trend data.

At December 31, 2022, the Company determined an impairment of $1,442,000 on goodwill allocated to goodwill allocated to Israel, United Kingdom and Australian CGUs.

## 13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| As at | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Accounts payable | $ 717 | $ 574 |
| Accrued Liabilities | 342 | 116 |
| | **$ 1,059** | **$ 690** |

Accounts payable of the Company principally comprise of amounts outstanding for trade purchases relating to regular business activities and amounts payable for financing activities. The usual credit period taken for purchases is between 30 to 90 days.

(Expressed in thousands of United States Dollars)

**Other payables of the Company are as follows:**

| As at | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Employee and related institutions | $ 106 | $ 247 |
| Accrued expenses | 252 | 170 |
| Government institutions | 286 | 100 |
| Other payables | - | 89 |
| | **$ 644** | **$ 606** |

## 14. SHORT-TERM BANK CREDIT FACILITY

Through the acquisition of Spetz, the Company has a revolving on demand, non-interest bearing short term credit facility with a bank in Israel. The facility is for a total of $335,000 (1,280,000 NIS) (December 31, 2022 $238,000).

## 15. DEBENTURE PAYABLE, PROMISSORY NOTE AND DERIVATIVE LIABILITIES

***Debenture payable and Derivative liabilities***

The Company closed on February 1, 2023, a private placement of $450,000 (CAD$600,000) of secured debentures, issued at a price of CAD$1,000 per debenture with a term of nine months and due by October 31, 2023.

The major terms of the debentures are as follows:

I. The principal amount bears interest at a rate of 12% per annum. Interest was calculated from the issue date and accrued quarterly in cash on the last business day of each calendar quarter.

II. The debentures are convertible into common shares of the Company at a conversion price, subject to adjustments, of $0.05 per share, and will mature nine months from the date of issuance. The Company will have the right to prepay or redeem a part or the entire principal amount of the convertible debentures plus any accrued and unpaid interest.

III. The Company also has the right to force the conversion of all of the principal amount of the then outstanding convertible debentures at the conversion price upon giving the debenture holders not less than 30 days advance written notice, should the volume weighted average trading price of the shares be greater than $0.12 per share for the preceding 15 consecutive trading days.

IV. The convertible debentures are secured by way of a general security agreement made in favor of a collateral agent acting as agent for all of the holders of the debentures, granting a security interest in substantially all of the Company's assets. The Company will have the right to prepay any or part of the convertible debentures at any time prior to the maturity date by paying the principal amount of the convertible debentures.

V. On closing, the Company issued to the purchasers of the convertible debentures 33,333.333 share purchase warrant for each Debenture unit purchased, or 20,000,000 warrants in total (see note 19). The warrants are exercisable for a period of three years from issuance into shares of the Company with each warrant entitling the holder thereof to acquire one share at an exercise price of $0.05 per share.

(Expressed in thousands of United States Dollars)

As a result of the contractual terms that may result in a potential adjustment to the debenture conversion price as the Company's functional and reporting currency is United States dollars and the conversion option noted above is in Canadian dollars, the conversion feature did not meet the equity classification. In failing the equity classification, the conversion feature has been accounted for as derivative liabilities. The effect is that the convertible debenture host debt instrument has been accounted for at amortized cost, with the derivative liabilities being measured at fair value with changes in value being recorded in profit or loss. In addition to the above, the prepayment option represents an embedded derivative liability. The prepayment option had a fair value of zero due to probability of the meeting the price hurdle of $0.12 before maturity of the convertible debenture.

As a result of the above, the Company was required to first fair value the conversion feature at fair value as at February 1, 2023 and the residual was allocated to the host debt instrument. At each reporting date, the debenture portion gets accreted towards its face value and derivative liabilities are revalued.

The following table reflects the continuity of the components of the convertible debentures and derivative liabilities as at September 30, 2023:

| | Convertible debenture | Derivative liabilty: Conversion feature | Derivative liability: Share purchase warrants | Derivative liability: Total | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2023 | $ - | $ - | $ - | $ - | $ - |
| Fair value on issuance on February 1, 2023 | 60 | - | 390 | 390 | 450 |
| Transaction costs | (12) | - | - | - | (12) |
| Interest and accretion | 297 | - | - | - | 297 |
| Foreign exchange adjustment | (5) | - | (5) | (5) | (10) |
| Revaluation | - | - | (311) | (311) | (311) |
| **Balance at September 30, 2023** | **340** | **-** | **74** | **74** | **414** |

Management used a barrier option pricing model to value the conversion feature – derivative liability and a Monte Carlo simulation model to value the share purchase warrant at inception and as at February 1, 2023. Both derivatives were valued using a barrier option pricing model September 30, 2023. The following assumptions were used in the valuation models:

| | **Derivative liability: Share purchase warrants** | | | |
|---|---|---|---|---|
| | **February 1, 2023** | **March 31, 2023** | **June 30, 2023** | **September 30, 2023** |
| Risk free rate | 4.25% | 3.79% | 4.47% | 4.92% |
| Volatility | 181% | 211% | 291% | 268% |
| Share price | $ 0.03 | $ 0.015 | $ 0.005 | $ 0.005 |

Subsequent to September 30, 2023, on November 01, 2023, the Company announced it had extended the secured convertible debentures from a maturity of October 31, 2023 to October 31, 2024. The full amount of $450,000 plus the accrued interest now has a maturity of October 31, 2024. In addition, the Company granted 400,000 warrants with an exercise price of $0.24 per warrant with a three year expiry. All other terms remain unchanged. The debentures are convertible into common shares of the Company at a conversion price, subject to adjustments, of $0.24 per share (Note 26).

***Promissory note***

On May 1, 2023, the Company announced it had entered into a secured, non-convertible promissory note for gross proceeds of $80,000 (CAD$100,000) expiring in 90 days bears interest at a rate of 12% per annum from the date of issuance. The Company has negotiated an extension on the expiry of the promissory note to October 31, 2023.

On May 29, 2023, the Company announced it had entered into a secured, non-convertible promissory note for gross proceeds of $100,000 expiring in 90 days bears interest at a rate of 12% per annum from the date of issuance.

Subsequent to September 30, 2023, on November 01, 2023, the Company announced it had converted the two promissory notes plus accrued interest to the secured convertible debentures as noted above with a maturity of October 31, 2024. In addition, the Company granted 50,000 warrants with an exercise price of $0.24 per warrant with a three year expiry (Note 26).

## 16. DEFERRED REVENUE

The Company recognizes revenue from providing its referral services over time. The Company's revenue from referral services is recognized over time using an output method, based on the units delivered output, which is the number of used service calls, in relation to the total number of service calls purchased. Deferred revenue represents those advances from customers for services calls yet to be used. At September 30, 2023, the Company had deferred revenue of $238,000 (December 31, 2022 - $349,000).

## 17. LONG-TERM LOANS

Through the acquisition of Spetz, the Company has a long-term loan facility. The long-term loan was originally in the amount of $85,000 (300,000 NIS) from a bank in Israel and matures in May 2025. The loan was received in NIS. It bears interest at 3.1% per annum. The balance owing at September 30, 2023 was $16,000 (December 31, 2022 is $32,000).

## 18. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common shares without par value.

As at September 30, 2023, there are 516,215,011 (December 31, 2022 – 508,213,428) shares outstanding.

(i) On August 16, 2022, the Company completed the acquisition of Spetz (See Note 5) by issuing 230,146,518 common shares in exchange of for 100% of the issued and outstanding shares of Spetz. The fair value on the common shares issued was $5,367,000. In connection with this transaction, the Company and Spetz have agreed to pay a finder's fee to a certain arm's length party (the "Finder's Fee"). The Finder's Fee is comprised of 4 million common shares of the Company with fair value of $93,000.

(ii) During the nine months ended September 30, 2023, the Company issued 8,001,583 common shares on the vesting of RSUs (see note 20).

(Expressed in thousands of United States Dollars)

(iii) Subsequent to September 30, 2023, the Company completed on October 5, 2023, with an effective date of October 10, 2023, a share consolidation of its issued and outstanding common shares on a basis of one post-consolidation common share for every 100 pre-consolidation common shares. At the time of consolidation, the Company had 516,215,000 issued and outstanding common shares. Following the consolidation the issued and outstanding common shares of the company was reduced to approximately 5,162,150 common shares (note 26).

## 19. WARRANTS

Share purchase warrant transactions for the period ended September 30, 2023, and the year ended December 31, 2022, are as follows:

| | Number of Warrants | | Weighted Average Exercise Price (CAD) | | Fair Value (restated Note 2) |
|---|---|---|---|---|---|
| **Balance outstanding, February 1, 2022** | **72,954,249** | **$** | **0.305** | **$** | **8,112** |
| Warrants expired(i) | (12,564,000) | | (0.060) | | - |
| **Balance outstanding, December 31, 2022** | **60,390,249** | **$** | **0.362** | | **8,112** |
| Warrants expired(i) | (19,573,037) | | (0.365) | | - |
| Warrants issued(ii) | 20,000,000 | | 0.050 | | - |
| **Balance outstanding, September 30, 2023** | **60,817,212** | **$** | **0.265** | | **8,112** |

| | | September 30, 2023 | | Fiscal January 31, 2022 |
|---|---|---|---|---|
| Average exercise price (CAD$) | | $0.35-0.44 | | $0.35-0.44 |
| Fair value of the award | $ | - | $ | 7,798 |
| Risk free interest rate | | 0.23%-0.53% | | 0.23%-0.53% |
| Expected dividend yield | | 0.00% | | 0.00% |
| Expected volatility | | 233%-258% | | 233%-258% |
| Expected life of the warrants | | 2-3.5 years | | 2-3.5 years |

**The following table reflects the actual Warrants units outstanding as of September 30, 2023:**

| Warrant price (CAD$) | Outstanding | Expiry date |
|---|---|---|
| At $0.05 | 20,000,000 | January 31, 2026 |
| At $0.365 | 37,793,715 | September 17, 2024 |
| At $0.44 | 3,023,497 | September 17, 2024 |
| Total | 60,817,212 | |

i. See note 15 in connection with the 20,000,000 warrants issued in connection with convertible debenture financing closed on February 1, 2023.

ii. Subsequent to September 30, 2023, on November 01, 2023, the Company granted 450,000 warrants with an exercise price of $0.24 per warrant with a three-year expiry in relation to the promissory notes and the convertible debentures maturity extension (Note 26).

(Expressed in thousands of United States Dollars)

## 20. STOCK OPTIONS AND RESTRICTED SHARE UNITS

The Company has a Share Option Plan (the "Plan") under which it is authorized to grant options and restricted share units to purchase common shares of the Company to directors, senior officers, employees and/or consultants of the Company. The aggregate number of shares of the Company which may be issued and sold under the Plan will not exceed 10% of the total number of common shares issued and outstanding from time to time. Share options are granted with a maximum term of ten years with vesting requirements at the discretion of the Board of Directors.

Company records a charge to the statement of loss and comprehensive loss using the Black-Scholes fair valuation option pricing model with respect to a share option grant. The valuation is dependent on a number of estimates, including the risk-free interest rate, the level of share volatility, together with an estimate of the level of forfeiture. The level of share volatility is calculated with reference to the historic traded daily closing share price at the date of issue. Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable measure of the fair value of the Company's share purchase options.

| | Stock Options | | Weighted Average Exercise Price (CAD) |
|---|---|---|---|
| **Options outstanding, February 1, 2022** | **21,600,000** | **$** | **0.232** |
| Issued | 9,350,000 | | 0.050 |
| Exercised | - | | - |
| Forfeited | (14,250,000) | | (0.213) |
| **Options outstanding, December 31, 2022** | **16,700,000** | **$** | **0.145** |
| Issued | - | | - |
| Exercised | - | | - |
| Forfeited/Expired | (10,450,000) | | (0.200) |
| **Options outstanding, September 30, 2023** | **6,250,000** | **$** | **0.050** |
| Exercisable options | 6,250,000 | $ | 0.050 |

| | Fiscal ended December 31, 2022 | Fiscal January 31, 2022 |
|---|---|---|
| Number of options granted | 9,350,000 | 15,750,000 |
| Exercise price (CAD$) | $0.05 to $0.10 | $0.10 to $0.39 |
| Risk free interest rate | 2.63%-3.15% | 0.20%-1.26% |
| Expected dividend yield | 0.00% | 0.00% |
| Expected volatility | 115%-165% | 134%-262% |
| Expected life of the options | 5 years | 2 years |

**The following table reflects the actual stock options outstanding as of September 30, 2023:**

| Option price (CAD$) | Options Outstanding | | Weighted Average Exercise Price (CAD$) | Weighted Ang Remaining Contractual Life (Yrs.) | Options Exercisable |
|---|---|---|---|---|---|
| At $0.05 | 6,250,000 | $ | 0.050 | 3.90 | 6,250,000 |

| **Vesting Schedule** | |
|---|---|
| Immediate | 6,250,000 |
| 1 year | - |

(Expressed in thousands of United States Dollars)

**Restricted share units**

The Company issued 37,558,215 RSU under the equity incentive plan. Each RSU entitles the recipients to receive one common share of the Company on vesting. The outstanding RSUs vest according to the underlying agreements and range from quarterly basis or over 3 year period and are subject to certain performance criteria in order to vest to the holders. These RSUs are held by certain officers and directors of the Company.

In connection with the Spetz acquisition (see Note 5) the Company issued 19,531,771 RSUs with a fair value of $455,000 as part of the total consideration.

All other terms and conditions of the RSUs are in accordance with the Company's equity incentive plan. The fair value of RSU was determined by the Company's share price on the date of the award.

**Below is a summary of the status of the RSUs at September 30, 2023.**

| | RSUs | Weighted Average Exercise Price (CAD) |
|---|---|---|
| **RSUs outstanding, February 1, 2022** | **2,150,000** | **$ 0.080** |
| Issued | 33,869,674 | 0.040 |
| Exercised | (3,001,897) | (0.050) |
| Forfeited | (3,128,438) | (0.040) |
| RSUs outstanding, December 31, 2022 | 29,889,339 | $ 0.050 |
| Issued | 20,898,301 | 0.020 |
| Exercised | (8,001,583) | (0.020) |
| Forfeited | (5,227,842) | (0.140) |
| **RSUs outstanding, September 30, 2023** | **37,558,215** | **$ (0.030)** |

| **Vesting Schedule** | |
|---|---|
| Immediate | 19,848,766 |
| over 1 year | 17,709,449 |

**The following table reflects the actual restricted share units outstanding as of September 30, 2023:**

| RSU price (CAD$) | RSUs Outstanding | Weighted Average Exercise Price (CAD) | Weighted Ang Remaining Contractual Life (Yrs.) | RSUs Exerciseable |
|---|---|---|---|---|
| At $0.05 | 36,522,501 | $ 0.050 | 3.94 | 18,813,052 |
| At $0.07 | 1,035,714 | $ 0.070 | 1.34 | 1,035,714 |

## 21. FINANCIAL INSTRUMENTS

**Fair value**

Financial instruments of the Company consist of cash, investments, receivables, other receivables, accounts payable and accrued liabilities, short term bank credit facility, other payables, related party payables, convertible debentures, derivative liabilities, and long term loans. There are no significant differences between the carrying amounts of the items reported on the statements of financial position and their estimated fair values.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. Where quoted market values are not readily available, the Company may use considerable judgment to develop estimates of fair value. Accordingly, any estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange and could be materially affected by the use of different assumptions or methodologies.

(Expressed in thousands of United States Dollars)

The Company's risk exposures and their impact on the Company's financial instruments are summarized below:

**Credit risk**

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the balance sheet date. The Company closely monitors the activities of its counterparties and controls the access to its intellectual property which enables it to ensure the prompt collection of customers' balances. The Company's main financial assets are cash and cash equivalents as well as other receivables.

Wherever possible and commercially practical the Company holds cash with major financial institutions in Canada and Israel.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

| Financial Instrument | September 30, 2023 | December 31, 2022 |
|---|---|---|
| Cash and cash equivalents | $ 7 | $ 397 |
| Restricted deposits | 55 | 54 |
| Accounts receivable | 506 | 435 |
| Other receivables | 2 | 53 |
| **Total** | **$ 570** | **$ 939** |

(Expressed in thousands of United States Dollars)

### Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Canadian dollar, New Israeli Shekel, AUD, and GBP. The Company's policy is not to enter into any currency hedging transactions.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

| | USD | CAD | NIS | AUD | GBP | Total |
|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | |
| Cash and cash equivalents | $ - | $ 3 | $ - | $ 3 | $ 2 | $ 8 |
| Restricted cash | - | - | 55 | - | - | 55 |
| Accounts receivables | 14 | - | 376.8 | 34 | 81 | 506 |
| Other receivables | - | - | 1.9 | - | - | 2 |
| | 14 | 3 | 434 | 37 | 83 | 571 |
| **Financial Liabilities** | | | | | | |
| Accounts payable and accrued liabilities | - | 503 | 475.8 | 43.3 | 35.3 | 1057.4 |
| Short-term bank credit | - | - | 335.4 | - | - | 335 |
| Other payables | - | - | 584.2 | 25 | 34 | 644 |
| Related party payables | - | - | 531.2 | - | - | 531 |
| Convertible debenture | - | 450 | - | - | - | 450 |
| Long term loans | - | - | 16 | - | - | 16 |
| | - | 953 | 1,943 | 69 | 69 | 3,034 |
| Net | $ 14 | $ (950) | $ (1,509) | $ (32) | $ 14 | $ (2,463) |

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, foreign exchange risk, commodity price risk and other price risk, such as equity risk. Financial instruments affected by market risk include investments, digital currencies and short and long term borrowings.

### Interest rate risk

The Company is exposed to interest rate risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash balance. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short-term nature of interest-bearing cash.

The Company also has interest bearing convertible debentures and long-term loans which have fixed rate interest rates until maturity and are therefore not subject to fluctuations in market interest rates until maturity.

#### Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability, but can also increase the risk of loss. The Company has procedures with the object of minimizing such losses by maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

| Financial Instrument | Up to 1 year | Between 1 and 2 year |
|---|---|---|
| Accounts payable and accrued liabilities | $ 1,059 | $ - |
| Short-term bank credit | 335 | - |
| Other payables | 644 | - |
| Related party payables | 531 | - |
| Long term loans | - | 16 |
| Convertible debenture: principal and interest | 491 | - |
| Lease liabilities | 11 | - |
| **Total** | **$ 3,071** | **$ 16** |

(Expressed in thousands of United States Dollars)

## 22. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

*Key management compensation*

Key management includes members of the board of directors, the Chief Executive Officer and the Chief Financial Officer. The aggregate value of transactions relating to key management personnel and entities over which they have control or significant influence were as follows for the nine months ended September 30, 2023 and the comparable period October 31, 2022:

| | September 30, 2023 | October 31, 2022 |
|---|---|---|
| **CEO** | | |
| Short term compensation | $ 98 | $ 140 |
| Share based payments | 75 | 124 |
| **Total CEO compensation** | **173** | **264** |
| **CFO** | | |
| Short term compensation | 38 | 65 |
| Share based payments | - | 3 |
| **Total CFO compensation** | **38** | **68** |
| **Directors** | | |
| Short term compensation | 167 | 121 |
| Share based payments | - | 259 |
| **Total Directors compensation** | **167** | **380** |
| | **$ 378** | **$ 712** |

*Related party loans*

The Company has non-interest bearing on demand loan from the Company's CEO and Director, Yossi Nevo of $531,000 (December 31, 2022 - $370,000).

## 23. COMMITMENTS

The Company has no other commitments as at September 30, 2023.

## 24. DISCONTINUED OPERATIONS

On March 28, 2023, the Company entered into an amending agreement (the "Amendment") with respect to an unsecured, convertible note, dated December 29, 2021 (the "Note"), through which the Company had invested $250,000 (the "Principal Amount") into MADA Analytics Ltd. ("MADA"). As per the terms of the Note, MADA had agreed to pay interest on the Principal Amount at a rate of 5% per annum to the Company. The Principal Amount, including any interest accrued thereon, was due and had become mature on December 29, 2022. Pursuant to the Amendment, the Company and MADA have agreed to an extension of the maturity date, to allow for the repayment of the Principal Amount by MADA in ten (10) quarterly installments to the Company, in amounts ranging from $20,000 to $30,000. In addition to the foregoing, as per the terms of the Amendment, interest shall accrue on the Principal Amount at a rate of 8% per annum from the date of the Amendment. At September 30, 2023, the Company recognized a $25,000 gain on repayment of its investment in MADA as discontinued which was previously written off at December 31, 2022. The Company received $25,000 on April 2, 2023.

## 25. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

## 26. Subsequent event

a. The Company completed on October 5, 2023, with an effective date of October 10, 2023, a share consolidation of its issued and outstanding common shares on a basis of one post-consolidation common share for every 100 pre-consolidation common shares. At the time of consolidation, the Company had 516,215,000 issued and outstanding common shares. Following the consolidation, the issued and outstanding common shares of the Company was reduced to approximately 5,162,150 common shares.

b. On November 01, 2023, the Company announced it had extended the secured convertible debentures from a maturity of October 31, 2023 to October 31, 2024. The full amount of $450,000 plus the accrued interest now has a maturity of October 31, 2024. In addition, the Company granted 400,000 warrants with an exercise price of $0.24 per warrant with a three year expiry. All other terms remain unchanged. The debentures are convertible into common shares of the Company at a conversion price, subject to adjustments, of $0.24 per share.

c. On November 01, 2023, the Company announced it had converted the two promissory notes plus accrued interest to the secured convertible debentures as noted above with a maturity of October 31, 2024. In addition, the Company granted 50,000 warrants with an exercise price of $0.24 per warrant with a three year expiry.