UpSnap, Inc.
Unaudited Condensed Interim Consolidated Financial Statements
For the three and six months ended June 30, 2023 and 2022

Contents

Responsibility for the Unaudited Condensed Interim Consolidated Financial Statements

The Company's management is responsible for the integrity and fairness of presentation of these condensed interim consolidated financial statements. The condensed interim consolidated financial statements have been prepared by management, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, for approval by the Board of Directors.

Where necessary, management has made judgements and estimates in preparing the consolidated financial statements and such statements have been prepared within acceptable limits of materiality. Management maintains a system of internal accounting controls to ensure, on a reasonable and cost-effective basis, that the financial information is timely reported and is accurate and reliable in all material respects and that the Company's assets are appropriately accounted for and adequately safeguarded.

These condensed interim consolidated financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the company.

"Signed"

Bruce Howard
Chief Executive Officer

August 21, 2023

UpSnap, Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

(In thousands of Canadian dollars, except share data) (unaudited)

	Notes	Three months ended June 30, 2023	Three months ended June 30, 2022	Six months ended June 30, 2023	Six months ended June 30, 2022
Operating revenue	7,12	**224**	215	**460**	440
Operating expenses					
Network and publisher costs		**90**	72	**181**	143
Other operating costs	13	**274**	258	**540**	512
Gain (loss) on foreign exchange		**3**	(1)	**2**	7
Amortization		**-**	3	**-**	5
Total operating expenses		**367**	332	**723**	667
Operating loss		**(143)**	(117)	**(263)**	(227)
Interest and accretion on debentures	4	**(28)**	(27)	**(56)**	(54)
Loss before income taxes					
Income taxes		**-**	-	**-**	-
Net loss		**(171)**	(144)	**(319)**	(281)
Other comprehensive loss					
Items that may be subsequently reclassified to earnings:					
Exchange differences on translation of foreign operations		**47**	37	**49**	(61)
Comprehensive loss		**(124)**	(107)	**(270)**	(342)
Loss per share					
Basic and diluted loss per share		**(0.00)**	(0.00)	**(0.00)**	(0.00)
Weighted average number of shares outstanding – basic and diluted		**267,640,941**	267,640,941	**267,640,941**	267,640,941

The accompanying notes are an integral part of the consolidated financial statements

(In thousands of Canadian dollars, except share data) (unaudited)
(See Going Concern – Note 1)
(See Commitments and Contingencies – Note 6)

As at	Notes	June 30, 2023	December 31, 2022
Assets			
Current assets:			
Cash and cash equivalents	3	**148**	206
Accounts receivable	7,10	**143**	144
Prepaid expenses and deposits		**79**	12
		370	362
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities		**643**	598
Due to related parties	7	**1,875**	1,696
Debenture	4	**800**	800
Contract liabilities	7	**391**	327
Canada Emergency Business Account (“CEBA”) loan	8	**38**	38
Income taxes payable		**477**	482
		4,224	3,941
Non-current liabilities:			
Other liabilities	14	**210**	215
		4,434	4,156
Shareholders' deficiency:			
Share capital	5	**88,769**	88,769
Contributed surplus	5(b)	**19,790**	19,790
Accumulated other comprehensive loss		**(255)**	(304)
Accumulated deficit		**(112,368)**	(112,049)
		(4,064)	(3,794)
		370	362

These consolidated financial statements are authorized for issue by the Board of Directors on August 21, 2023. They are signed on the Company’s behalf by:

“signed” Director
Daniel Hilton

“signed” Director
Heather Burrer

 The accompanying notes are an integral part of the consolidated financial statements

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(In thousands of Canadian dollars, except share data) (unaudited)

	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Shareholders' deficiency
Balance at December 31, 2021	267,640,941	88,769	19,790	(191)	(111,389)	(3,021)
Net and comprehensive (loss)	-	-	-	(61)	(281)	(342)
Balance at June 30, 2022	**267,640,941**	**88,769**	**19,790**	**(252)**	**(111,670)**	**(3,363)**

	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Shareholders' deficiency
Balance at December 31, 2022	267,640,941	88,769	19,790	(304)	(112,049)	(3,794)
Net and comprehensive (loss)	-	-	-	49	(319)	(270)
Balance at June 30, 2023	**267,640,941**	**88,769**	**19,790**	**(255)**	**(112,368)**	**(4,064)**

(In thousands of Canadian dollars, except share data) (unaudited)

Six months ended June 30,	Note	**2023**	2022
Cash flows used in operating activities:			
Loss before income taxes for the period		**(319)**	(281)
Adjustments for items not affecting cash:			
Amortization of intangible assets		**-**	5
Interest on debentures		**56**	54
		(263)	(222)
Changes in non-cash working capital balances:			
Accounts receivable		**1**	48
Prepaid expenses and deposits		**(67)**	(67)
Accounts payable and other liabilities		**(16)**	96
Contract liabilities		**64**	168
		(281)	23
Cash flows from financing activities:			
Due to related party		**179**	-
		179	-
Impact of foreign exchange		**44**	(57)
Net increase in cash and cash equivalents		**(102)**	23
Cash and cash equivalents, beginning of period		**206**	212
Cash and cash equivalents, end of period		**148**	178

Refer to Notes 4 and 5(b) for non-cash transactions.

1. Nature of Operations and Going Concern

UpSnap, Inc. (the "Company" or "UpSnap") was incorporated under the laws of Canada on October 17, 2000, and was continued into Alberta on February 5, 2003. The Company is domiciled in Canada and the head office is located at 100 Consilium Place, Toronto, Ontario, Canada. The common shares of UpSnap, Inc. are listed on the Canadian Securities Exchange under the trading symbol "UP".

UpSnap provides targeted advertising services to attract audiences for any brand, with a focus on small businesses. UpSnap tailors its services to align with unique business goals, delivering advertisements to the right customers for more meaningful exposure and better business results.

The consolidated financial statements have been prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The Company began commercial operations on October 17, 2000 and, to June 30, 2023, has accumulated a deficit amounting to $112,368 (2022 – $112,049). The Company also had a working capital deficit of $3,854 at June 30, 2023 (December 31, 2022 – $3,579) and incurred losses of $319 in the six months ended June 30, 2023 (2022 – $281).

The Company's future operations are dependent upon its ability to secure additional funds or secure sales contracts (or both) or achieve profitable operations, which provide the Company with adequate funds to cover the cash flows projected for the next year. If the Company does not secure such contracts, cannot secure additional financing or renegotiate existing financing, the Company will have to consider additional strategic alternatives which may include, among other strategies, modification of planned operating expenditures or sale of the Company. It is not possible to predict whether the Company will be successful in securing new contracts, securing additional financing or renegotiating existing financing.

The Covid-19 pandemic had a large impact on the company's small business clients, which many have yet to recover, resulting in lower advertising revenue.

These factors raise significant doubt as to the Company's ability to continue as a going concern. In the meantime, the Company is reliant on financing and operational support from a shareholder, User Friendly Media, to continue operations (Note 7). These consolidated financial statements do not include adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. Summary of Significant Accounting Policies

(a) Statement of compliance to International Financial Reporting Standards

These interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB") and on a basis consistent with the accounting policies disclosed in the annual audited consolidated financial statements for the year ended December 31, 2022

(In thousands of Canadian dollars, except share data) (unaudited)

2. Summary of Significant Accounting Policies (continued)

(b) Basis of preparation
The Company prepares its financial statements on a historical cost basis.

The accounting policies below have been applied consistently by the Company, and its subsidiaries, unless otherwise stated.

(c) Principles of consolidation
These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Subsidiaries are entities controlled by the Company. Control exists when the Company has power over an entity, when the Company is exposed, or has rights, to variable returns from the entity and when the Company has the ability to affect those returns through its power over the entity. The Company's subsidiaries are included in the consolidated financial results of the Company from the date on which control commences until the date on which control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies with those used by the Company. All intercompany balances, transactions, income and expenses have been eliminated on consolidation. Entities controlled by the Company and included in the consolidated financial statements are as follows:

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: (i) Call Genie (Ontario) Inc., (ii) UpSnap USA Holdings, Inc., (iii) UpSnap USA, Inc., (iv) Call Genie Europe B.V., (v) VoodooVox Limited; and (vi) BTS Logic Europe ApS.

SUBSIDIARIES	FUNCTIONAL CURRENCY	PRINCIPAL PLACE OF BUSINESS	2023	2022
UpSnap USA Inc.	US Dollar	United States	100%	100%
UpSnap USA Holdings, Inc.	US Dollar	United States - Inactive	100%	100%
Call Genie Europe B.V.	Canadian Dollar	Europe - Inactive	100%	100%
VoodooVox Limited	Canadian Dollar	Canada – Inactive	100%	100%
BTS Logic Europ ApS	Canadian Dollar	Europe – Inactive	100%	100%
Call Genie (Ontario) Inc.	Canadian Dollar	Canada - Inactive	100%	100%

(d) Use of estimates and key judgments
The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates in the future. The most significant judgments and estimates include but are not limited to the following:

(i) Judgments

Functional currency
Judgment is used in the determination of the Company's functional currency and the functional currency of its subsidiaries.

Debt settlement
For debt settlement transactions between the Company and a shareholder, judgement is used to determine whether the shareholder is acting in its capacity as a creditor or a shareholder. For creditor transactions, the debt is recorded at fair value while shareholder transactions are recorded at carrying value. When debt is settled with another debt instrument, judgement is applied in determining the fair value of the new debt instrument.

2. Summary of Significant Accounting Policies (continued)

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

(ii) Estimates

Allowance for doubtful accounts
The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. Credit risks for outstanding customer receivables are regularly assessed and allowances are recorded for estimated losses.

Income taxes
Deferred tax assets and liabilities require management's estimates to determining the amounts to be recognized. In particular, estimates are required when assessing the timing of reversal of temporary differences to which future income tax rates are applied. Further, the amount of deferred tax assets, which is limited to the amount that is probable to be realized, is estimated with consideration given to the timing, sources and amounts of future taxable profit.

In addition, accrual for potential income tax liabilities relating to the Company's subsidiaries require management's estimate to determine the amounts to be recognized.

Impairment of intangible assets
An impairment test requires a calculation to determine the recoverable amount of intangible assets. UpSnap determines the recoverable amount by determining the higher of fair value less costs of disposal and value in use. Determining fair value and value in use requires the use of estimates and assumptions, including the forecasted financial performance of the Company and the discount rate for future earnings. Reasonable changes in key estimates and assumptions have the potential to cause these values to change.

(e) Translation of foreign currencies

Functional currency and change in functional currency
Items included in the consolidated financial statements of the Company and each of its subsidiaries are measured using the currency of the primary economic environment in which the individual entity operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and the following subsidiaries: (i) Call Genie (Ontario) Inc., (ii) Call Genie Europe B.V., (iii) VoodooVox Limited, and (iv) BTS Logic Europe ApS. The functional currency of UpSnap USA Holdings, Inc. and UpSnap USA, Inc. is U.S. dollars.

(In thousands of Canadian dollars, except share data) (unaudited)

2. Summary of Significant Accounting Policies (continued)

Foreign currency transactions are initially recorded in the functional currency at the transaction date exchange rate. At the balance sheet date, monetary assets and liabilities denominated in a foreign currency are translated into the functional currency at the reporting date exchange rate. Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognized in the income statement. Non-monetary items measured at historical cost are translated using the historical exchange rate. Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

Financial statements of subsidiaries for which the functional currency is not the Canadian dollar are translated into Canadian dollar as follows: all asset and liability accounts are translated at the balance sheet exchange rate and all earnings and expense accounts and cash flow statement items are translated at average exchange rates for the period. The resulting translation gains and losses are recorded as foreign currency translation adjustments in other comprehensive income and recorded in the currency translation reserve in equity. On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to the income statement and recognized as part of the gain or loss on disposal.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income (loss).

3. Cash and Cash Equivalents

	June 30, 2023	December 31, 2022
Business and savings accounts	**98**	155
Cashable guaranteed investment certificates (annual interest of 0.02% to 0.85% matures September 24, 2023) and bank deposits	**50**	51
	148	206

The guaranteed investment certificates and bank deposits are held by UpSnap's banks as collateral against its corporate credit cards.

4. Debenture

	Principal Amount	Rate of Interest	**June 30, 2023**	December 31, 2022
Debenture (maturing June 30, 2023)	800	13.5%	**800**	800
			800	800
Debenture, current portion			**800**	800
Debenture, long term portion			**-**	-

4. Debenture

The Company's debentures grant a security interest in and to all of the Company's present and future property as collateral for the debt.

On October 2, 2018, the Company settled a $200 debenture, accrued interest on the debenture of $7, and a portion of its trade payable balance owed to User Friendly Media, a related party, totalling $593 by issuing a new $800 debenture with a fair value of $729. The debenture bears interest at a rate of 13.5% per annum and was scheduled to mature on September 30, 2020. There have been numerous amendments to extend the maturity date of the debenture. Most recently, on June 30, 2023 the Company amended the terms of the Debenture, to extend the maturity date of the Debenture from June 30, 2023 to September 30, 2023. The Debenture will continue to bear interest at an annual rate of 13.5% to be paid to UFM quarterly. The Debenture continues to bear simple interest at an annual rate of 13.5% to be paid to UFM quarterly.

The extensions were recorded as debt modifications in accordance with IFRS 9 and no gain or loss was recorded in income. No transaction costs were incurred pertaining to the debt modifications. No interest payments have been made to date and accrued interest of $520 (2022 - $464) is included in accounts payable and accrued liabilities.

The Company assessed the fair value of the debenture of $729 on October 2, 2018, on the assumption that the market rate of interest for non-related party debt would be 20%. The effective rate of interest on the debt was 17.9%. The debenture contains an anti-dilution clause which allows User Friendly Media to convert all of the principal with accrued and unpaid interest, or the amount that would maintain the current proportional equity ownership prior to a dilution event. The number of shares will be calculated using the volume weighted average price of common shares for five consecutive trading days immediately preceding the dilution event.

(In thousands of Canadian dollars, except share data) (unaudited)

5. Equity Instruments

(a) Authorized
Unlimited common shares without par value
Unlimited preferred shares without par value, non cumulative, redeemable and non-voting

There are no issued and outstanding preferred shares.

(b) Options
Under the Company's current Stock Option Plan (the "Plan"), the Company's directors may approve the issuance of stock options to directors, officers, employees and consultants of the Company and its affiliates. The aggregate number of shares reserved for issuance under the Plan is up to 10% of the number of outstanding common shares. As at June 30, 2023, 2,250,000 stock options remain outstanding and exercisable, at $0.05 per share, with a weighted average remaining contractual life of 3.05 years. Options for the Company's directors vest immediately, while options for employees generally vest rateably over a period of three years. All options have a life of five years and have expiry dates of April 2026.

The Company measures compensation costs associated with stock-based compensation using the fair value method and the cost is recognized over the vesting period of the underlying security. Expected volatilities are based on the historical volatility of UpSnap's share price. The fair value of each option is determined at the grant date using the Black-Scholes option valuation model.

The following table sets out information concerning stock options issued to employees, consultants, directors and officers that were outstanding at June 30, 2023 and December 31, 2022:

	Weighted Average Exercise Price ($)	Number of Options
Outstanding, December 31, 2021	**0.05**	**8,150,000**
Expired	0.05	(5,900,000)
Outstanding, December 31, 2022 and June 30, 2023	**0.05**	**2,250,000**

(In thousands of Canadian dollars, except share data) (unaudited)

6. Commitments and Contingencies

In the ordinary course of business activities, the Company may be contingently liable for litigation and claims from customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses. A determination of the provision required, if any, for these contingencies is made after analysis of each individual matter. The required provision may change in the future due to new developments in each matter or changes in approach, such as a change in settlement strategy in dealing with these matters.

Management believes that adequate provisions have been recorded in the accounts, where required. Although it is not possible to estimate the extent of potential costs and losses, if any, management believes, but can provide no assurances, that the ultimate resolution of such contingencies would not have a material adverse effect on the financial position or results of operations of the Company.

7. Related Party Balances and Transactions

User Friendly Media ("UFM"), a private media company, owns approximately 49% of UpSnap's issued and outstanding common shares. UpSnap bills UFM under a reseller agreement for small business advertising subscriptions. For the six months ended June 30, 2023, UpSnap recorded $225 (2022 – $207) in revenue under this agreement. Included in accounts receivable at June 30, 2023 are $35 (December 31, 2022 – $28) in receivables from UFM. Included in contract liabilities at June 30, 2023 are $276 (2022 – $226) in deposits from UFM for future advertising services.

UFM bills UpSnap under a shared services agreement for management and support services, which include shared office space and key management roles including the Chief Executive Officer, Vice President of Operations and Vice President of Product and Technology. For the six months ended June 30, 2023, total amounts billed under this agreement, excluding disbursements, totalled $16 (2022 – $16). Due to related parties at June 30, 2023 represents $1,354 (December 31, 2022 – $1,232) in payables to UFM for fees and disbursements and $520 (2022 – $464) for accrued interest on a debenture (Note 4).

All related party transactions are measured at the amounts agreed upon between the related parties.

Key management compensation for the six months ended June 30,	**2023**	2022
Professional fees and salaries	**18**	18
Stock-based compensation	**-**	-
	18	18

Key management includes the senior officers of the Company and directors.

(In thousands of Canadian dollars, except share data) (unaudited)

8. CEBA Loan

In 2020, the Company received an interest free government loan of $40,000, and an additional $20,000 In 2021 (collectively "CEBA loans"). On January 1, 2021, the outstanding balance of the CEBA loans automatically converted to a two-year interest free term loan. The loan can be repaid at any time without penalty. On January 12, 2022, the Department of Finance extended the repayment deadline from December 31, 2022 to December 31, 2023.

9. Financial Instruments

Classification of financial instruments

The Company holds various forms of financial instruments as follows:

	Designation	**June 30, 2023**	December 31, 2022
Cash and cash equivalents	Amortized cost	**148**	206
Accounts receivable	Amortized cost	**143**	144
Accounts payable and accrued liabilities	Amortized cost	**643**	598
Due to related party	Amortized cost	**1,875**	1,696
CEBA loan	Amortized cost	**38**	38
Other liabilities	Amortized cost	**210**	215
Debenture	Amortized cost	**800**	800

Fair values of financial instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and CEBA loan approximate their fair values due to the immediate or short-term maturity of these financial instruments. The carrying value of the debenture approximates its fair value given that the discount rate used to recognize the liability and the estimated market rate are not materially different and the term is short.

The fair values of financial assets and liabilities are measured using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy of inputs is summarized below.

Level 1 – Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Fair value is based on 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).

Level 3 – Fair value is based on inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no financial instruments categorized in Level 3 as at June 30, 2023 and 2022 and there were no transfers between Level 1, Level 2, or Level 3 during the respective periods.

(In thousands of Canadian dollars, except share data) (unaudited)

10. Financial Risk Management

Objectives and policies concerning financial risk management The Company is exposed to different financial risks resulting from its operations as well as investing and financing activities. The following analysis enables users to evaluate the nature and extent of the risks at the end of the period.

Financial risks

The principal financial risks to which the Company is exposed as well as its policies concerning the management of the financial risks are detailed as follow:

Credit and concentration risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial assets that are exposed to credit risk consist primarily of cash and cash equivalents and accounts receivable.

At June 30, 2023 all of the Company’s cash and cash equivalents were held at one major Canadian bank (with an AA- credit rating) and one major U.S. bank (with a credit rating of D). As at June 30, 2023, the Company had deposit accounts at Silicon Valley Bank amounting to $40k representing a security deposit against the Company credit card.

In the normal course of business, the Company continuously monitors the financial condition of its customers and reviews the credit history of each new customer. As of June 30, 2023, three customers represented 89% (2022 three customers represented 76%) of the Company’s consolidated trade receivables. The Company is using the simplified expected credit losses method to estimate its provision for credit losses, which considers the specific credit risk of its customers, the expected lifetime of its financial assets, historical trends and economic conditions.

The following table provides the details of the aged receivables (excluding commodity tax - $15, 2022 - $46) and the related allowance for doubtful accounts:

	June 30, 2023	December 31, 2022
Current	**118**	86
Past due but not impaired		
31 to 60 days	**19**	3
61 to 90 days	**-**	2
Over 90 days	**-**	3
Past due and impaired		
Over 180 days	**15**	10
Less: allowance for doubtful accounts	**(24)**	(6)
Total accounts receivable, net	**128**	98

(In thousands of Canadian dollars, except share data) (unaudited)

10. Financial Risk Management (continued)

Interest rate risk

The Company is exposed to insignificant 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. 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 does not have any debt that bears variable interest rates

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its financial obligations as they become due. The Company manages liquidity risk through cash flow forecasting including anticipated investing and financing activities. Further discussion with regard to the Company's liquidity management is described in Note 1 to the consolidated financial statements.

The undiscounted contractual cash flows of the Company's financial liabilities as at June 30, 2023 are due as follows:

Payable in:	**2023**	**2024**
Accounts payable and accrued liabilities	**643**	-
Due to related party	**1,875**	-
CEBA loan	**38**	-
Debenture	**800**	-
	3,356	-

Foreign currency risk

The Company operates internationally and is exposed to risk from changes in foreign currency rates. Foreign currency risk arises from the fluctuation of foreign exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The Company sells software and advertising services in both Canadian and foreign currencies. The sale of software and services in foreign currencies gives rise to the risk that the Company's income and cash flows may be adversely impacted by fluctuations in foreign exchange rates. Certain purchases of services and equipment are also made in non-Canadian currencies. The Company does not actively manage this risk and uses its natural hedge to mitigate, to the extent possible, the impact of foreign exchange fluctuations. 81% (2022 – 78%) of revenue, 69% (2022 – 49%) of accounts receivable and 2% (2022 – 4%) of accounts payable are denominated in foreign currencies.

The Company is exposed to foreign exchange risk from transactions in U.S. dollars and Danish kroner. The sensitivity analysis of its exposure to currency risk has been determined based on a hypothetical change in the foreign exchange rates taking place at the reporting date. Fluctuations of 10% in the exchange rates for these currencies, when compared to the Canadian dollar, are not expected to individually have a material effect on the Company's results of financial performance.

(In thousands of Canadian dollars, except share data) (unaudited)

11. Capital Management

The Company's objective when managing capital is to ensure that it has adequate financial resources to maintain liquidity necessary to fund its operations and provide returns for shareholders and benefits to other stakeholders. The capital structure of the Company consists of share capital and debentures. At June 30, 2023, the Company has share capital of $88,769 (2022 – $88,769) and debentures of $800 (2022 – $800).

The Company manages its capital structure and adjusts it based on the level of funds available to manage its operations. Upon approval of the Board of Directors, the Company balances its overall capital through new share, and warrant issuances or by undertaking other activities as deemed appropriate in the circumstances. The Company is not subject to externally imposed capital requirements.

There have been no changes in the Company's approach to capital management during the year.

12. Segmented Information

Product category information

The Company earned revenue attributed to the following product categories based on the main product or service sold to the customer for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Advertising Services				
Mobile Advertising	$ 140	$ 131	$ 288	$ 267
Direct Mail Advertising	39	42	82	87
Software Licensing, Updates and Support	45	42	90	86
Total	$ 224	$ 215	$ 460	$ 440

For the six months ended June 30, 2023, the Company earned 47% (2022: 47%) of its revenue from a related party (Note 7).

Geographic information

The Company earned revenue attributed to the following regions based on the geographical location of the customer for the six months ended June 30, 2023 and 2022:

	2023	2022
United States	$ 370	$ 354
Rest of world	90	86
Total	$ 460	$ 440

(In thousands of Canadian dollars, except share data) (unaudited)

13. Other Operating Costs

The following table provides a breakdown of other operating costs for the three and six months ended June 30, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
			2023	2022
Consultants (including development costs)	121	119	243	227
Professional fees	25	33	59	75
Marketing and travel	50	42	102	93
Insurance, interest and bank fees	45	41	89	88
Shareholder and public company costs	6	5	10	10
Rent, supplies and postage	9	12	12	6
Other expenses including	18	6	25	13
Total	274	258	540	512

14. Other Liabilities

During fiscal 2020, the Company transferred $204 of accounts payable and provisions (the “Statute-Barred Claims”) to non-current liabilities on the basis that any claims in respect of the Statute-Barred Claims were statute barred under the Limitations Act (Ontario). For accounting purposes under IFRS, a debt can only be removed from the Company’s Statement of Financial Position when it is extinguished, meaning only when the contract is discharged, cancelled or expires. The effect of the Limitations Act is to prevent a creditor from enforcing an obligation, but it does not formally extinguish the debt for accounting purposes. It is the position of the Company’s management that the Statute-Barred Claims cannot be enforced by the creditors, do not create any obligation for the Company to pay out any cash and do not affect the financial or working capital position of the Company. The Statute-Barred Claims are required to be reflected on the Company’s Statement of Financial Position as a result of the current interpretation of IFRS, but they are classified as long-term liabilities since the Company has no intention to pay these Statute-Barred Claims and the creditors cannot enforce their payment. While inclusion of these items is intended solely to comply with the IFRS requirements, the Company in no way acknowledges any of the Statute-Barred Claims.