



Condensed Consolidated Interim Financial
Statements for March 31, 2023 and 2022

Notice to Reader

Under National Instrument 51-102 - *Continuous Disclosure Obligations*, subsection 4.3(3)(b), if a reporting issuer engaged an auditor to perform a review of the interim financial statements and the auditor was unable to complete the review, the interim financial statements must be accompanied by a notice indicating that the auditor was unable to complete a review of the interim financial statements and the reasons why the auditor was unable to complete the review. NowVertical Group Inc. (the "**Company**") engaged its auditor to complete an interim review of the accompanying unaudited condensed interim consolidated financial statements of the Company for the three months ended March 31, 2023 however, as a result of time constraints and the receipt of further information from the Company that is potentially relevant to the review, the auditor was not able to complete its review prior to the Company's filing deadline.

NowVertical Group Inc.
Condensed Consolidated Interim Statements of Financial Position
As at March 31, 2023 and March 31, 2022

Unaudited, Expressed in U.S. Dollars

| Assets | Note | March 31, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|------|-------------------------------|--------------------------------|
| Current assets: | | | |
| Cash | | \$ 4,843,712 | \$ 3,809,012 |
| Restricted Cash | | - | 5,148,123 |
| Investments | | 718,334 | 482,610 |
| Trade and other receivables | 6 | 8,966,298 | 3,891,455 |
| Unbilled receivables | | 2,088,626 | 811,855 |
| Taxes receivable | | 341,339 | 215,092 |
| Prepaid expenses and other current assets | | 5,972,894 | 384,430 |
| | | <u>22,931,203</u> | <u>14,742,577</u> |
| Non-current assets: | | | |
| Property and equipment, net | 13 | 347,637 | 214,097 |
| Right of use asset | 15 | 196,049 | 232,319 |
| Intangibles, net | 11 | 12,441,144 | 8,040,185 |
| Goodwill | 12 | 18,700,054 | 10,938,785 |
| | | <u>31,684,884</u> | <u>19,425,386</u> |
| Total assets | | \$ 54,616,087 | \$ 34,167,963 |
| Liabilities and Shareholder's Equity | | | |
| Current liabilities: | | | |
| Accounts payable | | \$ 8,114,626 | \$ 2,959,390 |
| Accrued expenses and other current liabilities | | 7,336,575 | 3,955,272 |
| Short-term lease liability | 15 | 148,051 | 147,054 |
| Loan payable and current portion of long-term debt | 14 | 3,037,426 | 2,127,244 |
| Consideration payable related to acquired companies | 8 | 3,524,243 | 3,889,639 |
| Equity and contingent consideration related to acquired companies | 8 | 2,360,888 | 606,346 |
| Deferred revenue | 9 | 5,782,319 | 2,538,531 |
| | | <u>30,304,128</u> | <u>16,223,476</u> |
| Non-current liabilities: | | | |
| Contingent consideration payable related to acquired companies | 8 | 943,405 | 1,082,525 |
| Other long-term liabilities | | 1,593,959 | 85,919 |
| Long-term debt | 14 | 13,399,734 | 11,248,420 |
| Deferred revenue | 9 | 18,132 | 22,651 |
| Warrants liability | 16 | 389,016 | 334,293 |
| Convertible debenture | 18 | 2,676,301 | 2,584,106 |
| Convertible debenture conversion feature | 18 | 32,146 | 337,235 |
| Deferred tax liability | | 1,699,882 | 433,189 |
| | | <u>20,752,575</u> | <u>16,128,338</u> |
| Total liabilities | | 51,056,703 | 32,351,814 |
| Shareholders' Equity: | | | |
| Common shares | | 27,528,390 | 24,187,024 |
| Contributed surplus | | 4,513,727 | 4,439,960 |
| Foreign currency translation reserve | | (1,428,806) | (1,423,722) |
| Accumulated deficit | | (27,053,927) | (25,387,113) |
| | | <u>3,559,384</u> | <u>1,816,149</u> |
| Total liabilities and shareholders' equity | | \$ 54,616,087 | \$ 34,167,963 |

Going concern (Note 2)

Subsequent events (Note 24)

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

Approved on behalf of the Board of Directors

/s/ Elaine Kunda
Director

/s/ Scott Nirenberski
Director

NowVertical Group Inc.
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
Unaudited, Expressed in U.S. Dollars except for share and per share amounts

| | | Three months ended | |
|--|------|---------------------------|-----------------------|
| | | March 31, 2023 | March 31, 2022 |
| | Note | | |
| Revenue | 9 | \$ 13,622,035 | \$ 2,594,445 |
| Cost of revenue | | 7,579,022 | 1,106,616 |
| Gross profit | | 6,043,013 | 1,487,829 |
| Administrative expenses | 21 | 7,249,018 | 3,633,991 |
| Loss from operations | | (1,206,005) | (2,146,162) |
| Other expense: | | | |
| Contingent compensation related to acquisitions | | (230,698) | (208,343) |
| Revaluation of warrant liability | | 1,098,243 | 731,398 |
| Revaluation of equity consideration | 8 | 85,914 | - |
| Revaluation of contingent and deferred consideration | 8 | (493,464) | - |
| Revaluation of conversion features | 18 | 304,631 | - |
| Inflation effect on the net monetary position | | (2,142) | (108,996) |
| Impairment loss | 12 | (250,000) | - |
| Investing income | | 102,089 | - |
| Interest expense | | (797,073) | (40,280) |
| | | (182,500) | 373,779 |
| Loss before income taxes | | (1,388,505) | (1,772,383) |
| Income tax expense | 19 | 278,309 | 48,086 |
| Net loss | | (1,666,814) | (1,820,469) |
| Foreign currency translation adjustment | | (5,084) | 18,677 |
| Other comprehensive income | | (5,084) | 18,677 |
| Total comprehensive loss | | \$ (1,671,898) | \$ (1,801,792) |
| Net loss per share, basic and diluted | 17 | \$ (0.02) | \$ (0.03) |
| Weighted average number of shares, basic and diluted | 17 | 70,132,629 | 62,047,393 |

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

NowVertical Group Inc.
Condensed Consolidated Interim Statement of Shareholders' Equity
Unaudited, Expressed in U.S. Dollar

| Three months ended March 31, 2023 | | Issued capital Common Shares | | Contributed surplus | Foreign currency translation reserve | Accumulated Deficit | Total | |
|---|--|---------------------------------|------------|------------------------|--|------------------------|-----------------|--------------|
| | | Note | Shares | | | | | Amount |
| Balances at January 1, 2023 | | | 65,078,417 | \$ 24,187,024 | \$ 4,439,960 | \$ (1,423,722) | \$ (25,387,113) | \$ 1,816,149 |
| Net loss | | | | | | | (1,666,814) | (1,666,814) |
| Share-based compensation expense | | 16 | - | - | 73,767 | - | - | 73,767 |
| Shares issued on private placement | | 16 | 9,631,500 | 2,216,971 | - | - | - | 2,216,971 |
| Shares issued on acquisition | | 7 | 1,900,000 | 1,124,395 | - | - | - | 1,124,395 |
| Foreign currency translation adjustment | | | - | - | - | (5,084) | - | (5,084) |
| Balances at March 31, 2023 | | | 76,609,917 | \$ 27,528,390 | \$ 4,513,727 | \$ (1,428,806) | \$ (27,053,927) | \$ 3,559,384 |

| Three months ended March 31, 2022 | | Issued capital Common Shares | | Contributed surplus | Foreign currency translation reserve | Accumulated Deficit | Total | |
|---|--|---------------------------------|------------|------------------------|--|------------------------|-----------------|---------------|
| | | Note | Shares | | | | | Amount |
| Balances at January 1, 2022 | | | 62,042,151 | \$ 22,580,976 | \$ 3,943,943 | \$ 77,164 | \$ (15,839,586) | \$ 10,762,497 |
| Net loss | | | | | | | (1,820,469) | (1,820,469) |
| Share-based compensation expense | | 16 | - | - | 73,330 | - | - | 73,330 |
| Exercise of stock options | | 16 | 5,968 | 11,920 | (11,920) | - | - | - |
| Equity adjustment per IAS 29 | | | - | 74,070 | - | - | - | 74,070 |
| Foreign currency translation adjustment | | | - | - | - | 18,677 | - | 18,677 |
| Balances at March 31, 2022 | | | 62,048,119 | \$ 22,666,966 | \$ 4,005,353 | \$ 95,841 | \$ (17,660,055) | \$ 9,108,105 |

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

NowVertical Group Inc.
Condensed Consolidated Interim Statements of Cash Flows
Unaudited, Expressed in U.S. Dollars

| | | Three months ended | |
|---|-----------|---------------------------|-----------------------|
| | | March 31, 2023 | March 31, 2022 |
| Cash flows from (used in) operating activities: | Notes | | |
| Net loss | | \$ (1,666,814) | \$ (1,820,469) |
| Interest expense | | - | 23,997 |
| Non-cash adjustments | 20 | (1,829,583) | (452,844) |
| Net changes in working capital | 20 | (105,756) | 269,945 |
| | | (3,602,153) | (1,979,371) |
| Cash flows from (used in) investing activities: | | | |
| Acquisitions of subsidiaries, net of cash acquired | 7 | (3,680,955) | (2,337,424) |
| Restricted cash for acquisitions | | 5,148,123 | - |
| Purchase of property and equipment | 13 | (24,609) | (33,719) |
| Investment in intangible assets | 11 | (9,260) | - |
| Proceeds from disposals of investments, net of investments | | 193,017 | - |
| | | 1,626,316 | (2,371,143) |
| Cash flows from (used in) financing activities: | | | |
| Proceeds from borrowings | 14 | 4,500,000 | - |
| Repayment of borrowings | 14 | (4,489,497) | (352,300) |
| Payment of consideration payable related to acquired companies | 8 | (455,261) | - |
| Proceeds from private placement, net of issuance costs | 16 | 3,373,098 | - |
| | | 2,928,340 | (352,300) |
| Effect of exchange rates | | 82,197 | 18,677 |
| Net change in cash | | 1,034,700 | (4,684,137) |
| Cash, beginning of period | | 3,809,012 | 9,102,915 |
| Cash, end of period | | \$ 4,843,712 | \$ 4,418,778 |

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

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited, Expressed in U.S. Dollars, except share information and unless otherwise noted

1. Background and nature of operations

NowVertical Group Inc. and its subsidiaries (together referred to as the "Company") is an Ontario corporation that is listed on the TSX Venture Exchange (the "TSXV") under the symbol "NOW".

As a matter of emphasis, note that the ultimate public entity, NowVertical Group Inc. does not have a comma (",") in its legal name, whereas the US operating company, NowVertical Group, Inc. does have a comma in its legal name.

The Company is a big data, analytics and vertical intelligence company. The registered office of the Company is located at 333 Bay Street, Suite 3400 Toronto, Ontario M5H 2S7 and its head office is located at 7750 Okeechobee Blvd STE 4-2024, West Palm Beach FL 33411.

2. Basis of Presentation

Statement of compliance

These unaudited condensed consolidated interim financial statements ("Financial Statements") have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board (IASB).

These Financial Statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2022 (Annual Financial Statements). These Financial Statements have been prepared using the same accounting policies that were described in Note 3 to the Annual Financial Statements.

The Board of Directors approved these Financial Statements on May 30, 2023.

Basis of measurement

These consolidated financial statements are presented in U.S. dollars, except otherwise noted and were prepared on a going concern basis.

Going concern

These annual consolidated financial statements have been prepared in accordance with IAS 34, which contemplates continuation of the Company as a going concern. However, during the three months ended March 31, 2023, the Company has incurred a net loss of \$1,666,814 and cash flows used in operating activities of (\$3,602,153). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. Continued operations of the Company depend upon the Company's ability to meet its financing requirements on a continuing basis, to continue to have access to financing, and to generate positive operating results and cash flow. These material uncertainties may raise significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis and, as such, do not include any adjustments that might result from the outcome of this uncertainty or the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue in existence.

Management intends to improve revenue and profitability of existing businesses by leveraging internal sales channels and other cross-entity synergies. In addition, management reduced the costs associated with the Company's global operating model by relocating key service providers and key internal personnel roles from the U.S. to Canada during the year ended December 31, 2022 and the three months ended March 31, 2023 and will seek to continue to reduce the costs associated with its global operating model as it continues with plans to integrate acquired businesses. These internal activities and plans to raise additional funds through financings to support its working capital needs and to fund future cash accretive acquisitions using debt, are aimed at improving cash flows from operations, eliminating its working capital deficit and achieving its acquisition growth strategy. There can be no assurance, however, that the Company can reach profitability, successfully integrate acquired companies, continue to raise working capital financing, or source and fund future accretive acquisitions with debt.

Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating policies of an entity and be exposed to the variable returns from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited, Expressed in U.S. Dollars, except share information and unless otherwise noted

The financial statements of the Company include NowVertical Group Inc. (formerly Good2Go Corp.), an Ontario, Canada company with a Canadian dollar functional currency and its wholly owned subsidiaries. The table below lists the Company's wholly owned subsidiaries:

| Company | Jurisdiction | Functional Currency |
|--|---------------------|----------------------------|
| NowVertical Group, Inc. | USA | U.S. Dollar |
| Signafire Technologies Inc. | USA | U.S. Dollar |
| Seafont Analytics, LLC | USA | U.S. Dollar |
| NOW Guardian Inc. | USA | U.S. Dollar |
| Allegient Defense Inc. | USA | U.S. Dollar |
| NowVertical US Holdings Inc. | USA | U.S. Dollar |
| Resonant Analytics, LLC | USA | U.S. Dollar |
| NowVertical Canada, Inc. | Canada | Canadian Dollar |
| Integra Data and Analytic Solutions Corp. | Canada | Canadian Dollar |
| Affinio Inc. | Canada | U.S. Dollar |
| Affinio Holdings Inc. | Canada | U.S. Dollar |
| NowVertical Canada Holdings Inc. | Canada | Canadian Dollar |
| NowVertical LatAm Holdings Inc.* | Canada | Canadian Dollar |
| Analytics 10 Mx S.A. de C.V.* | Mexico | Mexican Peso |
| INSA Consulting SpA* | Chile | Chilean Peso |
| Inteligencia de Negocios S.A.* | Chile | Chilean Peso |
| NowVertical Brazil Midco Inc.* | Brazil | Brazilian Real |
| Inteligência de Negócios Comércio de Software Ltda* | Brazil | Brazilian Real |
| Inteligência de Negócios, Sistemas e Informatica Ltda* | Brazil | Brazilian Real |
| Inteligência de Negócios, Sistemas e Informatica Ltda* | Brazil | Brazilian Real |
| NowVertical UK Ltd. | United Kingdom | Great British Pound |
| Exonar Ltd. | United Kingdom | Great British Pound |
| NowVertical UK Holdings Ltd.* | United Kingdom | Great British Pound |
| Smartlytics Consultancy Ltd* | United Kingdom | Great British Pound |
| Acrotrend Solutions Ltd* | United Kingdom | Great British Pound |
| Acrotrend Solutions India Ltd* | India | Indian Rupee |
| CoreBI S.A. | Argentina | Argentinian Peso |
| CoreBI S.A.S. | Colombia | Colombian Peso |
| Robert Baratheon Ltd. | Israel | U.S. Dollar |

*New entities added during the three months ended March 31, 2023.

All intercompany transactions, balances, income, and expenses are eliminated on consolidation.

Foreign Currencies

Foreign currency transactions are translated to the respective functional currencies of the Company's entities at the exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the foreign exchange rate applicable at the statement of financial position date. Non-monetary items carried at historical cost denominated in foreign currencies are translated to the functional currency at the date of the transactions. Non-monetary items carried at fair value denominated in foreign currencies are translated to the functional currency at the date when the fair value was determined. Realized and unrealized exchange gains and losses are recognized through income and loss.

On consolidation, the assets and liabilities of foreign operations reported in their functional currencies are translated into U.S. dollars, the Company's presentation currency, at period-end exchange rates. Income and expenses, and cash flows of foreign operations are translated into U.S. dollars using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in other comprehensive income or loss and accumulated in the accumulated other comprehensive income within equity.

Classification of Argentina as a hyper-inflationary economy

The Argentinian economy was designated as hyperinflationary since July 1, 2018. As a result, application of IAS 29, Financial Reporting in Hyperinflationary Economies ("IAS 29") has been applied to CoreBI S.A., whose functional currency is the Argentinian Peso. The application of IAS 29 includes:

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited, Expressed in U.S. Dollars, except share information and unless otherwise noted

- Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
- Adjustment of the statement of operations for inflation during the reporting period;
- Translation of the statement of operations at the period end foreign exchange rate instead of an average rate; and
- Adjustment of the statement of operations to reflect the impact of inflation and exchange rate movement on holding monetary assets and liabilities in local currency.

On the application of IAS 29, the Company used the conversion coefficient derived from the national consumer price index, the IPC Nacional (the "IPC"). The level of the IPC on March 31, 2023 was 1,381. The Company recognized a net monetary loss of \$2,142 (2022: \$108,996) to adjust transactions recorded during the period into the measuring unit currency as of March 31, 2023.

As per IAS 21, The Effects of Changes in Foreign Exchange Rates, all amounts (i.e., assets, liabilities, equity and expenses) are translated at the closing foreign exchange rate at the date of the most recent consolidated statement of financial position, except that comparative amounts are not adjusted for subsequent changes in the price level or subsequent changes in exchange rates.

Equity

Common shares represent the value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from common shares. From time to time the Company may issue units consisting of common shares and common share purchase warrants. The Company estimates the fair value of the warrants using a pricing model and the residual difference between the unit price and the fair value of each warrant represents the fair value attributable to each common share. Any transaction costs associated with the issuance of units are apportioned between the common shares and warrants based on their relative fair values. Professional, consulting, regulatory fees and other costs that are directly attributable to financing transactions are deferred until such time as the transactions are completed. Share issue costs are charged to common shares when the related shares are issued.

3. Adoption of new accounting standards

The Company adopted the following new and amended standards and interpretations that were effective January 1, 2023

- Amendments to IAS 8 – Definition of Accounting Estimates, helping entities distinguish changes in accounting estimates from changes in accounting policies. The adoption of these amendments had no impact on the Company's interim condensed consolidated financial statements.
- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies, providing guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The adoption of these amendments had no impact on the Company's interim condensed consolidated financial statements.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12, Income Taxes, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The adoption of these amendments had no impact on the Company's interim condensed consolidated financial statements

The IASB has issued the following new standards and amendments that are effective January 1, 2024 and have not yet been adopted by the Company and could have an impact on future periods. The Company is currently assessing the potential impact on its consolidated financial statements.

- Amendments to IAS 1, Presentation of Financial Statements, clarifying the requirements for classifying liabilities as current or non-current.

4. Significant accounting estimates, judgements, and assumptions

In preparing these unaudited condensed consolidated interim financial statement, management makes judgements, estimated and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimate uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended December 31, 2022.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

Unaudited, Expressed in U.S. Dollars, except share information and unless otherwise noted

5. Capital management

The Company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders. The Company monitors capital based on the carrying amount of equity plus debt, less cash. Management assesses capital requirements to maintain an efficient financing structure while avoiding excessive debt. The Company monitors its capital structure and adjusts in light of economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may downsize or reduce costs. The capital of the Company is comprised of:

| | March 31, 2023 | December 31, 2022 |
|----------------------|-----------------------|--------------------------|
| Long-term debt | \$ 16,437,160 | \$ 13,375,664 |
| Convertible debt | 2,708,447 | 2,921,341 |
| Warrants liability | 389,016 | 334,293 |
| Shareholders' equity | 3,559,384 | 1,816,149 |
| Cash | (4,843,712) | (3,809,012) |
| Investments | (718,334) | (482,610) |
| Capital | \$ 17,531,961 | \$ 14,155,825 |

The Company is not subject to externally imposed capital restrictions.

6. Trade and other receivables

Trade receivables are non-interest bearing and are generally on terms of 30 to 60 days. The net carrying value of trade receivables is considered a reasonable approximation of fair value due to their short-term nature.

| | March 31, 2023 | December 31, 2022 |
|--|-----------------------|--------------------------|
| Trade receivables | \$ 8,819,437 | \$ 3,817,261 |
| Allowance for doubtful accounts | (26,191) | (38,550) |
| Net trade receivables | 8,793,246 | 3,778,711 |
| Other receivables | 173,052 | 112,744 |
| Total trade and other receivables | \$ 8,966,298 | \$ 3,891,455 |

7. Acquisitions

2023 Acquisitions

Smartlytics Consultancy Ltd.

On January 12, 2023, the Company acquired 100% of the issued and outstanding securities of Smartlytics Consultancy Ltd. ("Smartlytics"), a UK-based data analytics consultancy company that provide a wide range of Data Science and analytics services. The acquisition was made to enhance the Company's data analytics services business. Pursuant to the terms of a stock purchase agreement dated December 10, 2022, the aggregate consideration consisted of (i) a closing cash payment of \$1,000,000 subject to holdbacks, (ii) issuance of 600,000 Subordinate Voting Shares at a deemed issue price of \$1.00 per share subject to contractual lock-up restrictions, and (iii) earn-out consideration paid over three fiscal years based on certain targets, a portion of which may be payable in Company shares at the Company's sole discretion subject to a maximum of 926,413 shares. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of \$140,587 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from Smartlytics with the operations of the Company and is not expected to be deductible for tax purposes. Smartlytics has contributed \$264,088 of revenue and net income of \$68,941 to the Company's revenues and net loss, respectively, from the acquisition date to March 31, 2023.

Acrotrend Solutions Ltd.

On January 12, 2023, the Company acquired 100% of the issued and outstanding securities of Acrotrend Solutions Ltd ("Acrotrend"), a UK-based customer analytics consultancy company in the UK that combines business intelligence and decision-making, helping turn consumer data into smart insights. The acquisition was made to enhance the Company's data analytics services business. Pursuant to the terms of a stock purchase agreement dated December 9, 2022, the aggregate consideration consisted of (i) a closing cash payment of \$4,100,000 subject to holdbacks, (ii) issuance of 750,000 Subordinate Voting Shares

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Unaudited, Expressed in U.S. Dollars, except share information and unless otherwise noted

of the Company at a price of \$1.00 per share, subject to contractual lock-up restrictions, and (iii) earn-out consideration paid over three fiscal years based on certain targets, a portion of which may be payable in Company shares at the Company's sole discretion subject to a maximum of 5,000,000 shares. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of \$46,089 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from Acrotrend with the operations of the Company and is not expected to be deductible for tax purposes. Acrotrend has contributed \$1,287,516 of revenue and net income of \$200,976 to the Company's revenues and net loss, respectively, from the acquisition date to March 31, 2023.

Group Analytics 10

On February 2, 2023, the Company acquired 100% of the issued and outstanding securities of Group Analytics 10 and Inteligencia de Negocios and its affiliate entities ("A10"). The A10 Group provides big data, business intelligence, and advanced analytics solutions. The acquisition was made to enhance the Company's data analytics services business and expand operations in Latin America. Pursuant to the terms of a stock purchase agreement dated December 21, 2022, the aggregate consideration consisted of (i) a closing cash payment of \$2.25 million, subject to holdbacks, (ii) \$550,000 settled by way of an issuance of Subordinate Voting Shares at a deemed price equal to the greater of the Company's 20-day VWAP on closing and \$1.00 per Subordinate Voting Share, subject to customary lock-ups, and (iii) earn-out consideration paid over four fiscal years based on certain targets. This is an arm's length transaction and no finder's fees were paid by the Company in connection with the A10 Group acquisition. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out was valued at fair value using a discounted cash flow model, is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of \$328,414 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from A10 with the operations of the Company. A10 has contributed \$2,976,732 of revenue and net loss of \$151,263 to the Company's revenues and net loss, respectively, from the acquisition date to March 31, 2023.

Intangible assets acquired were as follows:

Smartlytics: Customer Relationships - \$560,976 with a useful life of 15 years, Trade Name - \$48,780 with a useful life of 2 years.

Acrotrend: Customer Relationships - \$2,627,988 with a useful life of 15 years, Trade Name - \$309,175 with a useful life of 2 years.

A10: Customer Relationships - \$715,000 with a useful life of 15 years, Trade Name - \$465,485 with a useful life of 5 years, order backlog - \$150,000 with a useful life 2 years.

NowVertical Group Inc.**Notes to the Condensed Consolidated Interim Financial Statements**

Unaudited, Expressed in U.S. Dollars, except share information and unless otherwise noted

The following table summarizes the consideration paid and the preliminary allocation of the purchase price based on the fair values of the acquired assets and liabilities of Smartlytics, Acrotrend and A10 at their respective dates of acquisition.

| | Smartlytics | Acrotrend | A10 | Total |
|--|---------------------|---------------------|---------------------|---------------------|
| Fair value of consideration transferred: | | | | |
| Amount settled in cash | \$ 900,000 | \$ 3,690,000 | \$ 1,500,000 | \$ 6,090,000 |
| Future amounts to be settled in cash or equity | 100,000 | 410,000 | 750,000 | 1,260,000 |
| Fair value of shares issued for consideration | 361,985 | 452,480 | 309,930 | 1,124,395 |
| Total fair value of consideration transferred | \$ 1,361,985 | \$ 4,552,480 | \$ 2,559,930 | \$ 8,474,395 |
| Fair value of net assets acquired: | | | | |
| Property and equipment, net | \$ 14,540 | \$ 39,650 | \$ 104,437 | \$ 158,627 |
| Investments | - | 91,517 | 235,135 | 326,652 |
| Right of use asset | - | - | - | - |
| Intangibles, net | 609,756 | 2,937,163 | 1,330,458 | 4,877,377 |
| Goodwill | 692,885 | 1,758,582 | 5,515,066 | 7,966,533 |
| Total non-current assets | 1,317,181 | 4,826,912 | 7,185,096 | 13,329,189 |
| Taxes receivable | - | - | 1,243,712 | 1,243,712 |
| Prepaid expenses and other current assets | 29,898 | 432,543 | 5,511,569 | 5,974,010 |
| Unbilled receivables | 5,098 | 211,919 | 1,984,823 | 2,201,840 |
| Trade and other receivables | 203,833 | 744,923 | 2,265,023 | 3,213,779 |
| Cash | 116,044 | 2,024,118 | 268,883 | 2,409,045 |
| Total current assets | 354,873 | 3,413,503 | 11,274,010 | 15,042,386 |
| Deferred tax liability | (152,439) | (734,347) | (1,937,446) | (2,824,232) |
| Tax payable | (22,484) | (1,145,603) | - | (1,168,087) |
| Deferred revenue | (52,938) | (205,581) | (4,875,493) | (5,134,012) |
| Long term debt | - | - | (2,933,613) | (2,933,613) |
| Total non-current liabilities | (227,861) | (2,085,531) | (9,746,552) | (12,059,944) |
| Accounts payable | (26,176) | (419,710) | (4,125,140) | (4,571,026) |
| Accrued expenses and other current liabilities | (56,032) | (1,182,694) | (2,027,484) | (3,266,210) |
| Total current liabilities | (82,208) | (1,602,404) | (6,152,624) | (7,837,236) |
| Total fair value of net assets acquired | \$ 1,361,985 | \$ 4,552,480 | \$ 2,559,930 | \$ 8,474,395 |
| Cash impact of acquisitions: | | | | |
| Consideration transferred settled in cash | \$ 900,000 | \$ 3,690,000 | \$ 1,500,000 | \$ 6,090,000 |
| Cash acquired | (116,044) | (2,024,118) | (268,883) | (2,409,045) |
| Net cash outflow on acquisition | \$ 783,956 | \$ 1,665,882 | \$ 1,231,117 | \$ 3,680,955 |
| Acquisition costs charged to expenses | \$ 140,587 | \$ 46,089 | \$ 328,414 | \$ 515,090 |

2022 Acquisitions*CoreBI S.A. and CoreBI S.A.S.*

On February 16, 2022, the Company acquired 100% of the issued and outstanding securities of CoreBI S.A. and CoreBI S.A.S. (together, "CoreBI"), data science and analytics consulting companies based in Latin America, thereby obtaining control of both companies. The acquisition was made to enhance the Company's data analytics services business. The Company accounted for this transaction as an acquisition of a business in connection with the acquisition, the Company made a cash payment of \$3.0 million on closing of the transaction. The Company has re-negotiated the timing of the \$1.75 million deferred payment, which will now be paid out over multiple installments during FY 2023 and 2024. The deferred cash payment of \$1.75 million is related to continued employment and was recorded to compensation expense over the twelve-month period ending February 28, 2023. Future payments of up to a maximum aggregate of \$3.25 million, payable on the first, second, third, and fourth year anniversaries of closing, are due upon CoreBI achieving certain adjusted EBITDA targets. The future payments represent contingent purchase consideration and have been recorded as a liability measured at fair value that is revalued through profit and loss at each reporting period. In connection with the acquisition, the Company incurred acquisition-related costs of \$98,215 which have been

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recorded in administrative expenses. The goodwill from this acquisition consists largely of the synergies and economies of scale expected from combining the operations of CoreBI with the Company's other services operations and is not expected to be deductible for tax purposes. CoreBI has contributed \$8,514,194 of revenue and a net income of \$690,077 to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Company's revenue for the year would have been \$29,626,453 and the Company's net loss for the 2022 year would have been \$8,296,666. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition would have been the same as if the acquisition had occurred on January 1, 2022. The net loss from acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2022.

Exonar Ltd.

On March 25, 2022, the Company acquired 100% of the issued and outstanding securities of Exonar Ltd. ("Exonar"), a UK-based software solutions firm, through its subsidiary NowVertical UK Limited, thereby obtaining control. The acquisition was made to enhance the Company's data compliance software business. The Company accounted for this transaction as an acquisition of a business. In connection with the acquisition, the Company made a cash payment of \$149,999 and agreed to issue Subordinate Voting Shares on March 25, 2023 valued at \$500,000 at the greater of (A) the Canadian dollar equivalent of US\$1 per share and (B) the Company's 20-day volume weighted average trading price on the day prior to issuance, less the maximum discount permitted under the rules of the TSXV. The Company has the option to pay the \$500,000 in cash. The shares to be issued in the future have been valued at fair value using a Monte Carlo simulation model and are revalued at each reporting period through profit and loss. In connection with the acquisition, the Company incurred acquisition-related costs of \$90,073 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from Exonar with the other technology and services operations of the Company and is not expected to be deductible for tax purposes. Exonar has contributed \$862,294 and \$949,384 to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Company's revenue for the 2022 year would have been \$27,254,905 and the Company's net loss for the year would have been \$10,802,150. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition would have been the same as if the acquisition had occurred on January 1, 2022. The net loss from acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2022.

Allegient Defense Inc.

On April 6, 2022, the Company acquired 100% of the issued and outstanding securities of Allegient Defense Inc. ("Allegient"), a U.S.-based systems engineering and technical assistance support firm, through its subsidiary NOW Guardian Inc., thereby obtaining control. Allegient Defense Inc. is a U.S.-based government defense contractor providing systems engineering and technical assistance support to the Department of Defense and other governmental agencies through data analysis and assessment of cutting-edge technologies. The Company accounted for this transaction as an acquisition of a business. In connection with the acquisition, the Company made cash payments of \$2,000,000 (in May 2022) and issued 600,000 Subordinate Voting Shares on April 6, 2022 with a fair value of \$383,000. Future payments of up to a maximum aggregate of US\$4 million, payable on the first, second, and third year anniversaries of closing, are due upon Allegient achieving certain adjusted EBITDA targets. Future payments are to be settled in either 100% of the Company's shares or up to 50% in cash and the balance in the Company's shares. The earn-out was valued at fair value using a Monte Carlo simulation model and is revalued at each reporting period through profit and loss. In connection with the acquisition, the Company incurred acquisition-related costs of \$419,010 which have been recorded in administrative expenses. The goodwill from the acquisition consists largely of the acquired assembled workforce and synergies expected from combining the operations of Allegient with the Company's other service operations and is not expected to be deductible for tax purposes. Allegient has contributed \$11,079,807 of revenue and a net income of \$690,077 to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Company's revenue for the 2022 year would have been \$30,198,230 and the Company's net loss for the year would have been \$8,792,073. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition would have been the same as if the acquisition had occurred on January 1, 2022. The net loss from acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2022.

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Resonant Analytics, LLC

On July 20, 2022, the Company acquired 100% of the issued and outstanding securities of Resonant Analytics LLC ("Resonant"), a USA-based guided solutions analytics firm providing CRM program strategy, database marketing and business intelligence solutions to Fortune 500 companies. The acquisition was made to enhance the Company's data analytics services business.. Pursuant to the terms of a stock purchase agreement dated July 5, 2022, the aggregate consideration consisted of (i) a cash payment of \$1,500,000 (subject to holdbacks) paid on closing, (ii) 900,000 Subordinate Voting Shares (subject to a holdback) issued on closing, and (iii) earn-out consideration paid over three fiscal years based on certain adjusted EBITDA targets, and paid annually in two-thirds cash and one-third Subordinate Voting Shares priced at the greater of the 20-day VWAP prior to each annual issuance and \$1.00 USD per share. The closing cash consideration was funded with term debt with a U.S. banking partner. In connection with the acquisition, Resonant secured a revolving line of credit of up to \$250,000. The earn-out was valued at fair value using a discounted cash flow model, is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of \$113,223 which have been recorded in administrative expenses. Goodwill has been allocated to the Solutions operating segment and is not expected to be deductible for tax purposes. Resonant has contributed \$866,043 of revenue and net income of \$82,670 to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Company's revenue for the 2022 year would have been \$28,160,456 and the Company's net loss for the year would have been \$8,736,015. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition would have been the same as if the acquisition had occurred on January 1, 2022. The net loss from acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2022.

Intangible assets acquired were as follows:

CoreBI: Customer Relationships - \$1,164,000 with a useful life of 12.5 years, Trade Name - \$83,000 with a useful life of 2 years; and Non-compete Agreements - \$45,000 with a useful life of 4 years, Developed Technology - \$47,045 with a useful life of 4 years

Exonar: Customer Relationships - \$89,000 with a useful life of 4.7 years; Trade Name - \$31,000 with a useful life of 2 years and Developed Technology - \$305,000 with a useful life of 4 years.

Allegient: Customer Relationships - \$401,000 with a useful life of 15 years; Trade Name - \$279,000 with a useful life of 2 years; Order Backlog - \$2,553,000 with a useful life of 6 years; and Non-compete Agreements - \$10,000 with a useful life of 4 years.

Resonant: Customer Relationships - \$1,125,000 with a useful life of 15 years; Trade Name - \$35,000 with a useful life of 2 years; Order Backlog - \$43,000 with a useful life of 5 months; and Non-compete Agreements - \$3,000 with a useful life of 4 years.

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The following table summarizes the consideration paid and the preliminary allocation of the purchase price based on the fair values of the acquired assets and liabilities of CoreBI, Exonar, Allegient, and Resonant at their respective dates of acquisition. The purchase price allocations for Exonar and CoreBI are final and there were no measurement adjustments during the period ended March 31, 2023.

| | CoreBI | Exonar | Allegient | Resonant | Total |
|--|---------------------|--------------------|---------------------|---------------------|---------------------|
| Fair value of consideration transferred: | | | | | |
| Amount settled in cash | \$ 3,102,631 | \$ 149,999 | \$ 2,301,789 | \$ 1,192,667 | \$ 6,747,086 |
| Future amounts to be settled in cash or equity | 1,026,261 | 284,000 | - | 304,583 | 1,614,844 |
| Fair value of shares issued for consideration | - | - | 451,000 | 265,417 | 716,417 |
| Total fair value of consideration transferred | \$ 4,128,892 | \$ 433,999 | \$ 2,752,789 | \$ 1,762,667 | \$ 9,078,347 |
| Fair value of net assets acquired: | | | | | |
| Property and equipment, net | \$ 142,167 | \$ 46,476 | \$ 3,578 | \$ 26,788 | \$ 219,009 |
| Deposits | - | - | 12,648 | 19,301 | 31,949 |
| Goodwill | 1,593,034 | 792,351 | 3,136,949 | 52,572 | 5,574,906 |
| Right of use asset | - | - | 328,158 | - | 328,158 |
| Intangible assets | 1,339,045 | 425,000 | 3,243,000 | 1,206,000 | 6,213,045 |
| Total non-current assets | 3,074,246 | 1,263,827 | 6,724,333 | 1,304,661 | 12,367,067 |
| Prepaid expenses and other current assets | - | - | 12,317 | 49,974 | 62,291 |
| Unbilled revenue | 559,286 | - | 331,181 | - | 890,467 |
| Investments | 372,385 | - | - | - | 372,385 |
| Receivables | 928,603 | 981,401 | 1,451,489 | 465,237 | 3,826,730 |
| Cash | 355,836 | 84,354 | 399,151 | 217,657 | 1,056,998 |
| Total current assets | 2,216,110 | 1,065,755 | 2,194,138 | 732,868 | 6,208,871 |
| Deferred tax liability | (452,200) | - | (832,410) | - | (1,284,610) |
| Lease liability | - | - | (331,137) | - | (331,137) |
| Deferred revenue | - | (296,000) | - | (101,964) | (397,964) |
| Long term debt | - | - | (3,800,000) | - | (3,800,000) |
| Total non-current liabilities | (452,200) | (296,000) | (4,963,547) | (101,964) | (5,813,711) |
| Accounts payable and accrued expenses | (709,264) | (1,599,583) | (1,202,136) | (172,898) | (3,683,881) |
| Total current liabilities | (709,264) | (1,599,583) | (1,202,136) | (172,898) | (3,683,881) |
| Total fair value of net assets acquired | \$ 4,128,892 | \$ 433,999 | \$ 2,752,789 | \$ 1,762,667 | \$ 9,078,347 |
| Cash impact of acquisitions: | | | | | |
| Consideration transferred settled in cash | \$ 3,102,631 | \$ 149,999 | \$ 2,301,789 | \$ 1,192,667 | \$ 6,747,086 |
| Cash acquired | (355,836) | (84,354) | (399,151) | (217,657) | (1,056,998) |
| Net cash outflow on acquisition | \$ 2,746,795 | \$ 65,645 | \$ 1,902,638 | \$ 975,010 | \$ 5,690,088 |
| Acquisition costs charged to expenses | \$ 98,215 | \$ 90,073 | \$ 419,010 | \$ 113,223 | \$ 720,521 |

8. Consideration payable related to acquired companies

| | March 31, 2023 | December 31, 2022 |
|-----------------------------------|---------------------|---------------------|
| Current liabilities: | | |
| Consideration payable | \$ 3,524,243 | \$ 3,889,638 |
| Equity consideration payable | 129,642 | 219,000 |
| Contingent consideration payable | 2,231,246 | 387,347 |
| | \$ 5,885,131 | \$ 4,495,985 |
| Long-term liabilities: | | |
| Contingent consideration payable | \$ 943,405 | \$ 1,082,525 |
| | \$ 943,405 | \$ 1,082,525 |
| Total considerable payable | \$ 6,828,536 | \$ 5,578,510 |

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The following table provides information about consideration payable.

| | Three months ended March 31, 2023 | Year ended December 31, 2022 |
|--|--|---|
| Balance, January 1 | 5,578,510 | \$ 3,340,630 |
| Acquisition consideration | 1,260,000 | 1,614,844 |
| Contingent compensation related to acquisitions | 230,698 | 1,576,860 |
| Payments | (455,261) | (764,850) |
| Shares issued | - | (814,937) |
| Revaluation of equity consideration | (85,914) | (64,228) |
| Revaluation of contingent and deferred consideration | 493,464 | 689,110 |
| Interest expense | 9,250 | 55,500 |
| Foreign exchange differences | (202,211) | (54,419) |
| Ending balance | \$ 6,828,536 | \$ 5,578,510 |

Consideration amounts payable are in relation to acquired companies and are comprised of cash consideration, equity consideration and contingent consideration. Consideration payable represents deferred cash payments and holdbacks; Equity consideration payable represents the fair value of obligations to issue shares in the future; and contingent consideration payable represents the fair value of potential future performance-based earn-out payments.

9. Revenues

The following table summarizes revenue by type of service.

| | Three months ended | |
|---|---------------------------|-----------------------|
| | March 31, 2023 | March 31, 2022 |
| Data analytics services | | |
| Cost plus fixed fee | \$ 2,573,015 | \$ 74,978 |
| Fixed firm price | 1,782,213 | 253,308 |
| Time and materials | 5,595,333 | 968,394 |
| Total data analytics services | 9,950,561 | 1,296,680 |
| Maintenance and support | 1,289,826 | 750,000 |
| Software-as-a-service and other recurring | 2,260,400 | 547,765 |
| Hardware | 121,248 | - |
| Total revenue | \$ 13,622,035 | \$ 2,594,445 |

The following table summarizes revenue by the country of the customer's domicile.

| | Three months ended | |
|----------------------|---------------------------|-----------------------|
| | March 31, 2023 | March 31, 2022 |
| USA | \$ 5,922,880 | \$ 1,193,235 |
| Argentina | 2,586,369 | 1,209,611 |
| Brazil | 2,004,150 | - |
| Chile | 844,780 | - |
| United Kingdom | 2,021,661 | 157,432 |
| Other countries | 242,195 | 34,167 |
| Total revenue | \$ 13,622,035 | \$ 2,594,445 |

The following table provides information about deferred revenue.

| | Three months ended March 31, 2023 | Year ended December 31, 2022 |
|--|--|---|
| Balance, January 1 | \$ 2,561,182 | \$ 1,323,710 |
| Increase from business acquisitions | 5,134,012 | 397,964 |
| Increase from cash received and amounts billed | 1,957,322 | 6,779,491 |
| Revenue recognized | (3,852,065) | (5,939,983) |
| Ending balance | \$ 5,800,451 | \$ 2,561,182 |
| Deferred revenue classified as a current liability | \$ 5,782,319 | \$ 2,538,531 |
| Deferred revenue classified as a non-current liability | \$ 18,132 | \$ 22,651 |

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10. Segment reporting

Given the change in the consolidated revenue profile created by the Smartlytics, Acrotrend and A10 acquisitions during the three months ended March 31, 2023, management has consolidated the two operating segments that existed at December 31, 2022. For the three months ended March 31, 2023 the company has reported under one operating segment, NOW Operations. As at December 31, 2022 the Company had two operating segments: Solutions and Technology. The March 31, 2022 prior comparative segment financial information has been recast to conform to the new segment Operations.

For segment reporting purposes, the CEO is the Chief Operating Decision Maker ("CODM"). The determination of the Company's reportable segments is based on its organization structure and how the information is reported to the CODM on a regular basis. The accounting policies of the reportable segments are the same as the Company's accounting policies.

Information related to each reportable segment is set out below. Segment income (loss) from operations is used to measure performance because management believes this information is the most relevant in evaluating the results of the Company.

The adjustments to reconcile from segment income (loss) from operations to the financial statements consist of depreciation of property and equipment, amortization of intangible assets, transaction expenses related to acquisitions and foreign exchange gains.

| | Three months ended March 31, 2023 | | | | Total |
|-----------------------------------|-----------------------------------|----------------|----------------|----|-------------|
| | NOW Operations | Corporate | Adjustments | | |
| Revenue | \$ 13,622,035 | \$ - | \$ - | \$ | 13,622,035 |
| Cost of revenue | (7,486,122) | - | (92,900) | | (7,579,022) |
| Gross Profit | 6,135,913 | - | (92,900) | | 6,043,013 |
| Administrative expenses | (4,324,102) | (1,891,658) | (1,033,258) | | (7,249,018) |
| Income (loss) from operations | \$ 1,811,811 | \$ (1,891,658) | \$ (1,126,158) | \$ | (1,206,005) |
| Other expenses | | | | | (182,500) |
| Income (Loss) before income taxes | \$ 1,811,811 | \$ (1,891,658) | \$ (1,126,158) | \$ | (1,388,505) |

| | Three months ended March 31, 2022 | | | | Total |
|-----------------------------------|-----------------------------------|----------------|----------------|----|-------------|
| | NOW Operations | Corporate | Adjustments | | |
| Revenue | \$ 2,594,445 | \$ - | \$ - | \$ | 2,594,445 |
| Cost of revenue | (1,003,308) | - | (103,308) | | (1,106,616) |
| Gross Profit | 1,591,137 | - | (103,308) | | 1,487,829 |
| Administrative expenses | (1,460,284) | (1,253,685) | (920,022) | | (3,633,991) |
| Income (loss) from operations | \$ 130,853 | \$ (1,253,685) | \$ (1,023,330) | \$ | (2,146,162) |
| Other expenses | | | | | 373,779 |
| Income (Loss) before income taxes | \$ 130,853 | \$ (1,253,685) | \$ (1,023,330) | \$ | (1,772,383) |

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11. Intangible assets

Details of the Company's intangible assets and their carrying amounts are as follows:

| | Trade Names | Customer Relationships | Developed Technology | Non-Compete Agreements | Order Backlog | Licensed Technology | Total |
|----------------------------------|--------------|------------------------|----------------------|------------------------|---------------|---------------------|---------------|
| Cost: | | | | | | | |
| Opening at January 1, 2023 | \$ 1,207,986 | \$ 3,607,266 | \$ 2,752,398 | \$ 318,164 | \$ 2,596,000 | \$ 323,000 | \$ 10,804,814 |
| Acquisitions | 823,414 | 3,903,963 | | | 150,000 | - | 4,877,377 |
| Hyperinflation adjustment | 11,008 | 154,383 | (5,559) | 5,969 | - | - | 165,801 |
| Foreign exchange revaluation | (8,678) | (121,695) | - | (4,705) | - | - | (135,078) |
| Additions | - | - | 9,260 | - | - | - | 9,260 |
| Closing at March 31, 2023 | 2,033,730 | 7,543,917 | 2,756,099 | 319,428 | 2,746,000 | 323,000 | 15,722,173 |
| Accumulated Amortization: | | | | | | | |
| Opening at January 1, 2023 | 356,542 | 418,520 | 1,438,368 | 113,458 | 356,991 | 80,750 | 2,764,629 |
| Acquisitions | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - |
| Amortization Expense | 139,055 | 140,451 | 76,771 | 24,854 | 119,119 | 16,150 | 516,400 |
| Closing at March 31, 2023 | 495,597 | 558,971 | 1,515,139 | 138,312 | 476,110 | 96,900 | 3,281,029 |
| Net book value at March 31, 2023 | \$ 1,538,133 | \$ 6,984,946 | \$ 1,240,960 | \$ 181,115 | \$ 2,269,890 | \$ 226,100 | \$ 12,441,144 |

| | Trade Names | Customer Relationships | Developed Technology | Non-Compete Agreements | Order Backlog | Licensed Technology | Total |
|------------------------------------|-------------|------------------------|----------------------|------------------------|---------------|---------------------|--------------|
| Cost: | | | | | | | |
| Opening at January 1, 2022 | \$ 768,614 | \$ 668,787 | \$ 2,348,000 | \$ 254,000 | \$ - | \$ 323,000 | \$ 4,362,401 |
| Acquisitions | 428,000 | 2,779,000 | 363,663 | 58,000 | 2,596,000 | - | 6,224,663 |
| Hyperinflation adjustment | 41,526 | 582,359 | - | 22,513 | - | - | 646,398 |
| Foreign exchange revaluation | (30,154) | (422,880) | - | (16,349) | - | - | (469,383) |
| Additions | - | - | 40,735 | - | - | - | 40,735 |
| Closing at December 31, 2022 | 1,207,986 | 3,607,266 | 2,752,398 | 318,164 | 2,596,000 | 323,000 | 10,804,814 |
| Accumulated Amortization: | | | | | | | |
| Opening at January 1, 2022 | 94,802 | 139,769 | 135,417 | 13,694 | - | 16,150 | 399,832 |
| Acquisitions | - | - | 11,618 | - | - | - | 11,618 |
| Impairment | - | - | 836,667 | - | - | - | 836,667 |
| Amortization Expense | 261,740 | 278,751 | 454,666 | 99,764 | 356,991 | 64,600 | 1,516,512 |
| Closing at December 31, 2022 | 356,542 | 418,520 | 1,438,368 | 113,458 | 356,991 | 80,750 | 2,764,629 |
| Net book value at December 31 2022 | \$ 851,444 | \$ 3,188,746 | \$ 1,314,030 | \$ 204,706 | \$ 2,239,009 | \$ 242,250 | \$ 8,040,185 |

In the three months ended March 31, 2023, \$92,900 amortization expense is included in cost of revenue and \$423,500 is included in administrative expenses in the consolidated statements of loss. In the three months ended March 31, 2022, \$107,308 amortization expense is included in cost of revenue and \$103,308 is included in administrative expenses in the consolidated statements of loss.

12. Goodwill

The following table provides information about the changes in goodwill.

| | Three months ended March 31, 2023 | Year ended December 31, 2022 |
|--|--------------------------------------|---------------------------------|
| Balance, January 1 | \$ 10,938,785 | \$ 6,908,953 |
| Acquired through business combinations | 7,966,533 | 5,574,906 |
| Hyperinflation adjustment | 211,286 | 797,007 |
| Foreign exchange revaluation | (166,550) | (578,748) |
| Impairment | (250,000) | (1,763,333) |
| Ending Balance | \$ 18,700,054 | \$ 10,938,785 |

The Company performs an annual goodwill impairment test or when there are indications of impairment.

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Based on the sale of the Affinio cash generating unit ("CGU") (Note 24) management has performed a calculation at March 31, 2023 to determine whether the goodwill related to this CGU was impaired. The Affinio CGU was valued at its estimated fair value less potential costs of disposal. Based on the projections of the estimated fair value, management determined that the goodwill related to this CGU required a \$250,000 impairment with was recorded in the statement of loss during the three months ended March 31, 2023.

13. Property and equipment

Details of the Company's property and equipment and their carrying amounts are as follows:

| | Computer Equipment | Software | Furniture and Fixtures | Vehicles | Other | Total |
|----------------------------|-----------------------|-----------|---------------------------|-----------|----------|------------|
| Opening at January 1, 2023 | \$ 191,964 | \$ - | \$ 20,704 | \$ - | \$ 1,429 | \$ 214,097 |
| Acquisitions | 94,103 | 31,878 | 10,928 | 21,453 | 265 | 158,627 |
| Amortization | (36,713) | (8,868) | (2,155) | (1,101) | (859) | (49,696) |
| Additions | 24,609 | - | - | - | - | 24,609 |
| Closing at March 31, 2023 | \$ 273,963 | \$ 23,010 | \$ 29,477 | \$ 20,352 | \$ 835 | \$ 347,637 |

| | Computer Equipment | Software | Furniture and Fixtures | Vehicles | Other | Total |
|------------------------------|-----------------------|----------|---------------------------|----------|----------|------------|
| Opening at January 1, 2022 | \$ 15,924 | \$ - | \$ - | \$ - | \$ - | \$ 15,924 |
| Acquisitions | 198,837 | - | 15,587 | - | 4,585 | 219,009 |
| Amortization | (171,034) | - | (8,820) | - | (3,156) | (183,010) |
| Additions | 148,237 | - | 13,937 | - | - | 162,174 |
| Closing at December 31, 2022 | \$ 191,964 | \$ - | \$ 20,704 | \$ - | \$ 1,429 | \$ 214,097 |

14. Long-term debt

| | Three months ended | | Year ended | |
|------------------------------|--------------------|-------------|-------------------|------------|
| | March 31, 2023 | | December 31, 2022 | |
| Balance, January 1 | \$ | 13,375,664 | \$ | 1,418,751 |
| Additions | | 4,500,000 | | 9,009,008 |
| Debt acquired on acquisition | | 2,933,613 | | 3,800,000 |
| Interest accrued | | 145,448 | | 10,774 |
| Repayments | | (4,489,497) | | (816,262) |
| Foreign exchange revaluation | | (28,068) | | (46,607) |
| Ending Balance | \$ | 16,437,160 | \$ | 13,375,664 |
| Current portion | \$ | 3,037,426 | \$ | 2,127,244 |
| Long-term portion | \$ | 13,399,734 | \$ | 11,248,420 |

Long-term debt consists of:

- \$116,023 (December 31, 2022: \$116,023) related to a loan assumed upon acquisition of Signafire, which is collateralized by substantially all the assets and equity of Signafire and bears interest at 8%.
- \$638,878 (December 31, 2022: \$659,938) related to four unsecured, non-interest-bearing loans to Affinio, denominated in Canadian dollars. The debt was initially recorded at fair value, estimated using future payments discounted at a market rate of interest, with the adjustment amortized into profit and loss over the term of the debt as interest expense. The contractual principal owing at March 31, 2022 was \$784,301 (December 31, 2022: \$815,772).
- \$3,447,646 (December 31, 2022: \$3,583,713) related to a term loan to Allegient on April 6, 2022 bearing interest at 6.2%, with interest-only payments for three months and repayable over the following six years. The loan is secured by the assets of Allegient and NOW Guardian Inc. and is subject to standard financial covenants measured quarterly beginning on September 30, 2022.
- \$7,102,418 (December 31, 2022: 2,503,753) related to a \$7,000,000 term loan to NowVertical Group Inc. on December 23, 2022 bearing interest at the US prime rate plus 3.0% per annum. The \$1,350,000 term loan to Resonant was repaid with the proceeds from the \$4,500,000 draw made In January 2023.

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- e) \$4,931,343 (December 31, 2022: \$5,160,237) related to a C\$7,000,000 term loan to NowVertical Canada Holdings Inc. on December 30, 2022 bearing interest at 5.9% per annum. The loan is secured by the assets of NowVertical UK Holdings Ltd and is subject to standard financial covenants measured quarterly beginning on March 31, 2023.
- f) \$200,851 related to a term loan to A10 bearing interest at 0.29% per month.

Estimated principal repayments over the next five years are as follows:

| | |
|------------|-------------|
| 2023 | \$2,273,917 |
| 2024 | \$2,764,916 |
| 2025 | \$2,968,829 |
| 2026 | \$3,211,633 |
| 2027 | \$3,188,518 |
| Thereafter | \$2,133,655 |

The Company is in compliance with all debt covenants as of March 31, 2023.

15. Right of use asset

Details of the Company's right of use asset carrying amounts are as follows:

| | | |
|------------------------------|----|----------|
| Opening at January 1, 2023 | \$ | 232,319 |
| Acquisitions | | - |
| Amortization | | (36,270) |
| Closing at March 31, 2023 | \$ | 196,049 |
| Opening at January 1, 2022 | \$ | - |
| Acquisitions | | 328,158 |
| Amortization | | (95,839) |
| Closing at December 31, 2022 | \$ | 232,319 |

16. Share capital

- a) Authorized

Unlimited number of Class A Subordinate Voting Shares ("SVS"), and unlimited number of Class B Proportionate Voting Shares ("PVS") without par value.

- b) Issued and fully paid

| | | |
|------------------------------------|------|-------------------|
| | Note | |
| January 1, 2022 | | 65,078,417 |
| Shares issued on private placement | 16e | 9,631,500 |
| Shares issued on acquisition | 16d | 1,900,000 |
| March 31, 2023 | | 76,609,917 |
| January 1, 2021 | | 62,042,153 |
| Exercise of stock options | 16c | 5,968 |
| March 31, 2022 | | 62,048,121 |

- c) Exercise of stock options – During the three months ending March 31, 2022, 5,968 stock options were exercised as a cashless exercise for a value of \$11,920.
- d) Shares issued related to acquisitions – On January 12, 2023, the Company issued 600,000 SVS in connection with the purchase of Smartlytics and 750,000 in connection with the purchase of Acrotrend. On February 2, 2023, the Company issued 550,000 SVS in connection with the purchase of A10.

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e) Shares issued on private placement - On February 28, 2023, the Company closed a marketed public offering (the "Offering") of 9,631,500 units (the "Units") of the Company at a price of C\$0.52 per Unit for gross proceeds of \$3,690,964 (C\$5,008,380), which includes partial exercise of the over-allotment option. Each Unit consists of one subordinate voting share in the capital of the Company (a "Subordinate Voting Share") and one Subordinate Voting Share purchase warrant (a "Warrant") of the Company. Each Warrant is exercisable to acquire one Subordinate Voting Share at a price per Share of C\$0.80 for a period of 36 months following the closing of the Offering. In connection with the Offering, the Company paid the Agents a cash commission of C\$300,503, C\$131,001 in Agent fees and issued to the Agents 577,890 broker warrants, with each broker warrant entitling the holder thereof to purchase one Subordinate Voting Share at a price of C\$0.52 per Subordinate Voting Share for a period 36 months following February 28, 2023. The net proceeds raised amounted to \$3,373.098 (C\$4,576,876). The value of the warrants issued was \$1,156,127 and was estimated using the Black-Scholes option pricing model on the date of grant using the following assumptions: risk free rate of 4.17%, expected life 3 years, expected volatility 70% based on comparable companies, forfeiture rate 0%, and dividend yield 0% and was recorded to warrants liability. The fair value of the warrants liability at March 31, 2023 was \$355,529 based on the closing price of C\$0.05 per Unit Warrant, and the difference of \$797,885 was recorded to the statement of loss including \$2,713 of exchange differences. The Company incurred \$164,963 in transaction expenses related to the Offering which were recorded in the statement of loss during the three months ended March 31, 2023.

f) Stock Options:

The Company has an omnibus equity incentive plan (the "Omnibus Plan") which provides that the Board of Directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants of the Company non-transferable equity-based awards, including stock options, to purchase Subordinate Voting Shares, restricted stock units, deferred stock units, and performance stock units (collectively "Awards"). The Company is authorized to grant up to 6,965,646 Subordinate Voting Shares as Awards pursuant to the Omnibus Plan. The Board of Directors determines the price per Award which may be allocated to each director, officer, employee and consultant and all other terms and conditions of the Award. Stock options typically vest over four years and become partially exercisable on the first anniversary date the options were granted, and Awards vest pursuant to the Omnibus Plan. The Company also has a legacy equity incentive plan which it has granted stock options to certain employees and contractors previously, and which such plan is no longer being used for new grants.

During the three months ended March 31, 2023 and 2022 the Company recognized \$73,767 and \$73,330 respectively, in share-based compensation expense. The fair value of the options granted were estimated using the Black-Scholes option pricing model on the date of grant using the following assumptions: risk free rate of 1.59% to 3.59%, expected life 4 years, expected volatility 82% based on comparable companies, forfeiture rate 12%, and dividend yield 0%.

The following table shows the stock options activity during the period:

| | Three months ended | | | |
|------------------------|--------------------|---------------------------------|-------------------|---------------------------------|
| | March 31, 2023 | | March 31, 2022 | |
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, January 1 | 4,560,426 | \$ 0.89 | 4,038,738 | \$ 0.89 |
| Granted | - | - | 485,000 | 0.92 |
| Forfeited | (124,700) | 1.03 | - | - |
| Exercised | - | - | (5,968) | 0.82 |
| Outstanding, March 31 | 4,435,726 | \$ 0.90 | 4,517,770 | \$ 0.90 |
| Exercisable, March 31 | 3,046,643 | \$ 0.84 | 2,739,826 | \$ 0.82 |

The weighted average remaining life of the options outstanding as of March 31, 2023, is 8.07 years (2022: 9.04 years).

g) Warrants

In connection with the Unit offering on December 15, 2021, each of the 10,894,756 Units included one half of one purchase warrant (the Unit Warrants). Each of the 5,447,378 full Unit Warrants is exercisable at a price of C\$1.25 per warrant for a period of two years ending December 15, 2023 and entitles the holder to purchase one SVS. The Unit Warrants are freely traded. The fair value of the Unit Warrants of \$168,999 upon issuance was determined using the closing price of C\$0.04 per Unit Warrant on the date of issue. The fair value of the Unit Warrants was recorded to warrants liability and the balance of the proceeds was recorded to equity. Share issuance costs of \$19,159 were allocated to the warrants and expensed though

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profit and loss in the year ended December 31, 2021. The warrants liability is revalued at each reporting period using the closing price of the Unit Warrants on the reporting date. The fair value of the warrants liability at March 31, 2023 was \$20,337 (December 31, 2022: \$200,736), based on the closing price of C\$0.01 (December 31, 2022: C\$0.05) per Unit Warrant, and the difference of \$180,399 (2022: \$731,398) was recorded to the statement of loss.

In connection with the Debenture Unit offering on October 5, 2022 (Note 18), each of the 5,069 Units included 715 purchase warrants (the Unit Warrants). Each of the 3,624,335 full Unit Warrants is exercisable at a price of C\$1.05 per warrant for a period of 36 months following the closing date and entitles the holder to purchase one SVS. The Unit Warrants are freely traded. The fair value of the Unit Warrants of \$320,537 upon issuance was determined using the closing price of C\$0.12 per Unit Warrant on the date of issue. The fair value of the Unit Warrants was recorded to warrants liability and the balance of the proceeds was recorded to convertible debt. The warrants liability is revalued at each reporting period using the closing price of the Unit Warrants on the reporting date. The fair value of the warrants liability at March 31, 2023 was \$13,150 (December 31, 2022: \$133,557) based on the closing price of C\$0.01 (December 31, 2022: C\$0.05) per Unit Warrant, and the difference of \$119,959 was recorded to the statement of loss including \$448 of exchange differences.

In connection with the Offering on February 28, 2023, each of the 9,631,500 units included one Subordinate Voting Share purchase warrant (a "Warrant") of the Company. Each Warrant is exercisable to acquire one Subordinate Voting Share at a price per Share of C\$0.80 for a period of 36 months following the closing of the Offering. The value of the warrants issued was \$1,156,127 and was estimated using the Black-Scholes option pricing model on the date of grant using the following assumptions: risk free rate of 4.17%, expected life 3 years, expected volatility 70% based on comparable companies, forfeiture rate 0%, and dividend yield 0% and was recorded to warrants liability. The fair value of the warrant liability at March 31, 2023 was \$355,529 based on the closing price of C\$0.05 per Unit Warrant, and the difference of \$797,885 was recorded to the statement of loss including \$2,713 of exchange differences.

17. Loss per share

Basic loss per share is calculated by dividing net loss for the period by the weighted average number of shares outstanding during the period.

Diluted loss per share is calculated by dividing net loss for the period attributable to shareholders by the weighted average number of shares outstanding during the period plus the weighted average number of shares, if any, that would be issued on a conversion of all the dilutive potential effects. All stock options, warrants and shares resulting from convertible debt were excluded from the diluted weighted average number of shares calculation as their impact would have been anti-dilutive.

The PVS and SVS shares are economically equivalent and entitled to the same earnings, as such, the basic and diluted net loss per share for the Company for the period is calculated using the following numerators and denominators:

| | Three months ended | |
|--|--------------------|----------------|
| | March 31, 2023 | March 31, 2022 |
| Net loss | \$ (1,666,814) | \$ (1,820,469) |
| Weighted average shares outstanding, basic and diluted | 70,132,629 | 62,047,393 |
| Loss per share, basic and diluted | \$ (0.02) | \$ (0.03) |

18. Convertible Debt

On October 5, 2022 the Company closed a marketed public offering of 5,069 Convertible Debenture Units ("Debenture Units") at a price of \$1,000 per Debenture Unit for total gross proceeds of C\$5,069,000 (net proceeds of USD \$3.3 million) with a maturity date of October 5, 2025. Each Debenture Unit consists of one 10% senior unsecured Convertible Debenture of the Company with a face value of C\$1,000 and 715 Class A subordinate voting share purchase warrants of the Company, representing 75% warrant coverage. Each Warrant is exercisable for one Subordinate Voting Share at a price of C\$1.25 per Subordinate Voting Share for a period of 36 months following the closing date. The Warrants are listed under the symbol "NOW.WT.A". The warrants have been classified as a liability and are revalued to fair value each quarter (note 16). The Debenture Units include a conversion feature whereby the Principal Amount shall be convertible, for no additional consideration, into Class A Subordinate Voting Shares of the Company at the option of the holder (with the exception of the Company Conversion asset out below) in whole or in part at any time and from time to time prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the Convertible Debentures upon a change of control at a conversion price per share equal to C\$1.05 subject to adjustment in certain events (the "Conversion Price"). The Company will be entitled to force the conversion (the "Company Conversion") of the Principal Amount of the then outstanding Convertible

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Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice (i) in the event that the daily volume weighted average trading price of the Subordinate Voting Shares on the TSXV is greater than C\$1.60 per share for 10 consecutive trading days of the Subordinate Voting Shares on the TSXV preceding such notice, or (ii) in connection with an equity or similar financing (either qualified by a prospectus or by way of private placement) involving Subordinate Voting Shares, or warrants exercisable for Subordinate Voting Shares, resulting in aggregate gross proceeds to the Company of not less than C\$12,500,000 (the "Qualified Financing"), in each case subject to the Company Conversion being permitted under the policies of the TSXV for any trading of the Subordinate Voting Shares at that time. If a Qualified Financing is completed at a price per security that is lower than the Conversion Price (with such Conversion Price being calculated, in the case of warrants, by adding the issue and exercise price), the Conversion Price will be reduced to equal the greater of \$0.10 and the closing price of the Subordinate Voting Shares on the TSXV on the day before the press release announcing the Qualified Financing is disseminated, provided that, amount other things, the conditional approval of the TSXV is obtained. The conversion features was revalued at March 31, 2023 with a fair value of \$32,146 (December 31, 2022: \$337,235) and a gain of \$304,631 during the three months ended March 31, 2023 including \$458 of exchange differences.

19. Income tax provision

Income tax expense is recognized at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

For the three months ended March 31, 2023, the Company recorded an income tax expense of \$278,309 on pre-tax book loss of \$1,666,814. The Company's effective tax rate for the three-months ended March 31, 2023 was 10.1% which differs from the Canadian statutory rate of 26.5% primarily due to certain pre-tax losses for which no benefit was recorded.

20. Cash flow adjustments and changes in working capital

The following non-cash adjustments for changes in working capital have been made to net loss to arrive at operating cash flow:

| | Three months ended | |
|--|-----------------------|---------------------|
| | March 31, 2023 | March 31, 2022 |
| Non-cash adjustments in operating activities: | | |
| Depreciation of property and equipment | \$ 49,696 | \$ 14,371 |
| Amortization of intangible assets | 516,400 | 216,245 |
| Deferred income tax expense (benefit) | 278,309 | (122,087) |
| Share-based compensation expense | 73,767 | 73,330 |
| Revaluation of equity consideration | (85,914) | - |
| Revaluation of contingent consideration | 493,464 | - |
| Revaluation of warrant liability | (1,098,243) | (731,398) |
| Revaluation of conversion features | (304,631) | - |
| Contingent compensation related to acquisitions | 230,698 | - |
| Interest expense | 96,723 | - |
| Investing income | (102,089) | - |
| Foreign exchange differences | (1,977,763) | 11,576 |
| Revaluation of debt | - | 11,049 |
| Equity adjustment per IAS 29 | - | 74,070 |
| | <u>\$ (1,829,583)</u> | <u>\$ (452,844)</u> |
| Net changes in working capital: | | |
| Change in deferred revenue | \$ (1,894,743) | \$ (167,186) |
| Change in trade and other receivables | (1,861,064) | 474,969 |
| Change in unbilled revenue | 925,069 | (394,622) |
| Change in prepaid expenses and other current assets | 385,546 | 40,206 |
| Change in accounts payable | 584,210 | 605,682 |
| Change in accrued expenses and other liabilities | 1,755,226 | (289,104) |
| | <u>\$ (105,756)</u> | <u>\$ 269,945</u> |
| Non-cash disclosures in investment and financing activities: | | |
| Shares issued on acquisition | \$ 1,124,395 | \$ - |
| | <u>\$ 1,124,395</u> | <u>\$ -</u> |

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21. Administrative Expenses and Cost of Revenue

| | Three months ended | |
|--------------------------------------|---------------------|------------------|
| | March 31, 2023 | March 31, 2022 |
| Compensation and benefits | \$ 4,004,455 | \$ 1,626,380 |
| Professional fees | 1,656,931 | 1,052,859 |
| Marketing and advertising | 224,751 | 189,057 |
| Investor relations and filing fees | 87,544 | 192,445 |
| Product development | - | 154,844 |
| Office and other expenses | 621,377 | 202,520 |
| Travel expense | 176,593 | 66,880 |
| Depreciation | 49,696 | 14,371 |
| Amortization of intangible assets | 423,500 | 103,308 |
| Exchange (gain) / loss | (69,596) | (42,003) |
| Share-based compensation expense | 73,767 | 73,330 |
| Total administrative expenses | \$ 7,249,018 | 3,633,991 |

| | Three months ended | |
|-----------------------------------|---------------------|------------------|
| | March 31, 2023 | March 31, 2022 |
| Compensation and benefits | \$ 3,806,431 | \$ 835,541 |
| Subcontractor costs | 2,631,326 | 77,727 |
| Software and data expense | 1,048,365 | 193,348 |
| Amortization of intangible assets | 92,900 | - |
| Total cost of revenue | \$ 7,579,022 | 1,106,616 |

22. Financial Instruments and Risk Management

Fair value

Fair value represents the price at which a financial instrument could be exchanged in an orderly market, in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. The Company classifies the fair value of financial instruments according to the following hierarchy based on the amount of observable inputs used to value the instrument.

Level 1: Fair value measurements are those derived from quoted prices (unadjusted) in the active market for identical assets or liabilities.

Level 2: Fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (derived from prices).

Level 3: Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

The carrying amount of cash, accounts receivable, unbilled revenue, taxes receivable, other current assets, accounts payable, accrued expenses and other current liabilities, loan payable, and consideration payable related to acquired companies approximates their fair value due to the short-term maturities of these items. The fair value of the warrants liability is determined using Level 2 valuation techniques. The fair values of equity consideration related to acquired companies and contingent consideration related to acquired companies are determined using Level 3 valuation techniques.

The Company's activities expose it to financial risks including credit risk, liquidity risk, currency risk, and interest rate risk.

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. The Company is exposed to the risk of non-payment of trade and other receivables balances. The Company's exposure to credit risk was \$11,054,924 at March 31, 2023 (December 31, 2022: \$4,703,310). The Company is also exposed to credit risk from cash held with banks and financial institutions. The maximum exposure is equal to the carrying value of the financial assets.

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Liquidity risk

Liquidity risk is the risk that the Company might not be able to generate sufficient cash resources to settle its obligations in full as they fall due, or it can only do so on terms that are materially disadvantageous. The Company is exposed to liquidity risk through non-payment of its accounts payable, accrued expenses, other current liabilities, loans payable, and payables to previous shareholders. The Company's exposure to liquidity risk was \$39,032,310 at March 31, 2023 (December 31, 2022: \$27,846,595).

The table below summarizes the Company's contractual obligations into relevant maturity groups at the balance sheet date based on the expected contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows of principal amounts.

| | Contractual Cash | | | | | | |
|--|------------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | Carrying Value | Flow | Year 1 | Years 2 and 3 | Years 4 and 5 | Thereafter | Total |
| Long-term debt | \$ 16,437,160 | \$ 16,541,468 | \$ 2,273,917 | \$ 5,733,745 | \$ 6,400,151 | \$ 2,133,655 | \$ 16,541,468 |
| Lease liability | 196,049 | 196,049 | 147,054 | 48,995 | - | - | 196,049 |
| Convertible debt | 2,676,301 | 2,676,301 | - | 2,676,301 | - | - | 2,676,301 |
| Consideration payable to acquired companies | 5,885,131 | 5,885,131 | 5,885,131 | - | - | - | 5,885,131 |
| Contingent consideration related to acquired companies | 943,405 | 943,405 | - | 943,405 | - | - | 943,405 |
| Total | \$ 26,138,046 | \$ 26,242,354 | \$ 8,306,102 | \$ 9,402,446 | \$ 6,400,151 | \$ 2,133,655 | \$ 26,242,354 |

The Company manages its capital structure on a consolidated level based on the funds available to it to support the continuation and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company defines capital to include share capital and its borrowings. Management intends to improve revenue and profitability of existing businesses by leveraging internal sales channels and other cross-entity synergies. In addition, management reduced the costs associated with the Company's global operating model by re-locating key service providers and key internal personnel roles from the U.S. to Canada during the year ended December 31, 2022 and the three months ended March 31, 2023 and will seek to continue to reduce the costs associated with its global operating model as it continues with plans to integrate acquired businesses. These internal activities and plans to raise additional funds through financings to support its working capital needs and to fund future cash accretive acquisitions using debt, are aimed at improving cash flows from operations, eliminating its working capital deficit and achieving its acquisition growth strategy. There can be no assurance, however, that the Company can reach profitability, successfully integrate acquired companies, continue to raise working capital financing, or source and fund future accretive acquisitions with debt.

The primary sources of the Company's cash flow are revenue collected from transactions completed for customers, debt financing and the net cash proceeds from public offerings. The Company always intends to maintain sufficient liquidity to meet its liabilities as they come due. This is achieved by continuously monitoring cash flows and reviewing actual operating expenditures and revenue to budget.

Market risk

Market risk is the risk that changes in the market prices – such as interest rates, foreign exchange rates, equity prices, and credit spreads – will affect the Company's income or the fair value of its holdings of financial instruments. The Company is exposed to market risk through currency risk, which results from both its operating and investing activities.

Currency risk

Currency risk is the possibility of financial loss due to unfavorable moves in exchange rates. The Company is exposed to currency risk, as its equity capital is raised in Canadian dollars and a significant portion of its operating costs and obligations, and its acquisition prices, are denominated in US dollars. A portion of the Company's operating costs are denominated in Argentinian pesos, Great British pounds and Colombian pesos but are significantly hedged by offsetting revenue. To mitigate exposure to foreign currency risk, exchange rates and cash requirements in various currencies are monitored, and funds are converted based on short-term rate forecasts.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument (ex. loans and borrowings) will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations. The objective of the Company's interest rate management is to minimize the volatility of the income. The Company monitors its exposure to interest rates and has not entered into any derivative contracts to manage this risk at this time. Please refer to Note 14 Long term debt for interest rates on outstanding debt.

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Price risk

Price risk is the risk that the value of a security or investment will decrease. The Company is not exposed to significant price risk as the Company does not have securities or investments

23. Related party transactions

The Company considers a related party a person or entity that is related to the Company and has control, joint control, or significant influence over the Company, or is a member of key management personnel. Key management personnel of the Company are its chief officers, executive members of the board of directors, and non-executive directors. Key management personnel remuneration includes the following expenses:

| | Three months ended | |
|---|--------------------|-------------------|
| | March 31, 2023 | March 31, 2022 |
| Salaries and bonuses | \$ 328,137 | \$ 272,500 |
| Share-based payments | 51,192 | 33,028 |
| Total related party transactions | \$ 379,329 | \$ 305,528 |

24. Subsequent events

On May 10, 2023, the Company completed the sale of Affinio to a private UK based intelligence platform provided Audiense Ltd. ("Audiense"). Under the terms of the deal, the Company will receive an earnout consideration based on the revenues collected (net of taxes) on sales of the Affinio Social product and Audiense products sold by the Company. Audiense will become an official reseller of the Company's vertical intelligence products and solutions. In addition, Audiense will pay \$2.2 million of deferred payments in cash to the Company within 24 months of May 10, 2023, with acceleration events included. The Company will also receive an equity stake in Audiense equivalent to 2% of Audiense's share capital on a fully diluted basis as of the date May 10, 2023. As part of the transaction, Audiense is purchasing certain assets comprised primarily of IP and patents. The Company will receive a perpetual, royalty free license to use the transferred IP and patents, which the Company utilizes within its Snowflake product offering.

On May 11, 2023, the Company issued 500,000 Subordinate Voting Shares related to the equity consideration payable.