Vertiqal Studios Corp. (formerly, Gamelancer Media Corp.)

Management Discussion and Analysis

For the three and six months ended June 30, 2024 and 2023

Financial information expressed in Canadian dollars unless otherwise noted.

The following Management's Discussion & Analysis ("**MD&A**") provides a review of activities, results of operations and the financial position of Vertiqal Studios Corp. (formerly, Gamelancer Media Corp.) (the "**Company**" or "**Vertiqal**") for the three and six months ended June 30, 2024 and 2023.

This MD&A should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto as at and for the years ended December 31, 2023 and 2022 as well as the condensed consolidated interim financial statements as at June 30, 2024 and for the three and six months then ended (collectively, the "financial statements"). All amounts disclosed in this MD&A are expressed in Canadian dollars, unless otherwise noted.

Management's Responsibility

The Company's management is responsible for the preparation and presentation of the financial statements and this MD&A. The financial statements have been prepared in accordance with International Financial Accounting Standards ("**IFRS**") as issued by the International Accounting Standards Board and as included in Part 1 of the CPA Canada Handbook – Accounting and the interpretations of the International Financial Reporting Interpretations Committee. This MD&A has been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators. This MD&A has been prepared as of August 14, 2024.

Forward-Looking Statements

This MD&A may contain forward-looking statements based on assumptions and judgments of management regarding events or results that may prove to be inaccurate as a result of exploration or other risk factors beyond its control. Actual results may differ materially from the expected results. Except for statements of historical fact, this MD&A contains certain "forward-looking information" within the meaning of applicable securities law. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. In particular, forward-looking information in this MD&A includes, but is not limited to, statements with respect to future events such as the launch of the Company's loyalty platform. Although we believe that the expectations reflected in the forward-looking information are reasonable, there can be no assurance that such expectations will prove to be correct. We cannot guarantee future results, performance or achievements. Consequently, there is no representation that the actual results achieved will be the same, in whole or in part, as those set out in the forward-looking information. Forward-looking information is based on the opinions and estimates of management at the date the statements are made, which are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those anticipated in the forward-looking information. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the United States and globally; industry conditions; the outbreak of an epidemic or a pandemic, including the recent outbreak of the novel coronavirus (COVID-19), or other health crisis and the related global health emergency affecting workforce health and wellbeing; governmental regulation; unanticipated operating events; competition; the availability of capital on acceptable terms; stock market volatility; volatility in market price and the other factors described herein under "Risks and Uncertainties". Readers are cautioned that this list of risk factors should not be considered as exhaustive. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. We undertake no duty to update any of the forward-looking information to conform such information to actual results or to changes in our expectations except as otherwise required by applicable securities legislation. Readers are cautioned not to place undue reliance on forward-looking information.

Description of Business

Vertiqal Studios Corp. was co-founded by Jonathan Dwyer (CEO) and Michael Cotton. The Company is headquartered in Ontario, Canada having a registered office of 120 Carlton Street, Suite 405, Toronto, Ontario, M5A 4K2.

Vertiqal Studios Corp. is a media & entertainment company producing short-form video content for brands, with broadcast on its owned and operated TikTok, Snapchat, and Instagram channels. Vertiqal Media has a strategic partnership with both TikTok North America and Snap Inc. The media company currently works with companies such as Samsung, Belkin, Celsius, and several other notable brands. The Company produces and distributes content across its 138 owned-and-operated channels to over 52 million followers and subscribers, generating over 2 billion monthly video views. The Vertiqal network grows by over 1.5 million new followers monthly. A majority of Vertiqal's audience are located in the USA, Canada, the UK, and Australia.

With advanced user data analytics, Vertiqal provides its audience with content relevant to the Gen Z and Millennial respective communities. Vertiqal owns the largest gaming media inventory on TikTok. Vertiqal also monetizes across its Snapchat Discover channels in partnership with Snapchat.

Vertiqal recently announced a hallmark partnership agreement with TikTok North America, becoming the 68th Global Joint Business Partner of TikTok globally, strengthening its capabilities as a full-service media partner to brands and creators. Boasting a large gaming community on TikTok with over 32 million followers across its 12 TikTok accounts, Vertiqal offers expertise in building loyal and engaging online communities. As a modern media enterprise, the Company provides a unique opportunity for brands to create authentic connections with Vertiqal's extensive GenZ and younger Millennial audiences through ad space on its network of 66 owned-and-operated channels and full production capabilities. Given the vast number of total followers and subscribers across its social media platforms to date, brands have a unique advantage in making authentic connections with their desired demographic through custom branded short-form content that resonates with these audiences. According to Omnicore Agency, TikTok embodies 1.8 billion monthly active users ("**MAUs**"), had 672 million downloads in 2022, generated over $6 billion in consumer spending in Q4.22, has 94.1 million MAUs in the USA, and produced US$11.64 billion in 2022 revenue, an increase of 200% year over year.

The Company also owns an NFT platform (non-fungible token) but announced during the year ended December 31, 2022 that it was exiting the NFT business and no longer pursuing initiatives in this space.

With the acquisitions of JoyBox Media Inc. (rebranded post-acquisition as *Gamelancer Studios*) and Gamelancer Inc. in the first and second quarters of 2022, respectively, the Company has solidified its creative and distribution offerings. Gamelancer Studios is a production studio that creates original programming, including scripting, storyboarding, and shooting original content for brand partners. Gamelancer Inc. focuses on user-generated content to promote partner's products and services through its network.

The Company formerly traded on the Canadian Securities Exchange ("**CSE**") under the symbols GMNG and GMNG.WT; on the OTCQB Venture market in the United States effective January 26, 2022 under the symbol WDRGF; and on the Frankfurt Exchange under the symbol 64Q. Effective during the third quarter of 2022, the Company changed its name to Gamelancer Media Corp. to reflect the Company's media focus.

Effective July 19 , 2023, the Company began trading on the TMX under the symbol GMNG. On September 28, 2023, the Company registered a new business name to operated under, Vertiqal Studios, to reflect the Company's focus into all genres. Therefore, the symbol under TSX changed to VRTS.

Industry Outlook *(source: Haywood Capital – April 24, 2023)*

Global Digital Advertising

Ad spending in the digital advertising market is projected to reach US$680 billion in 2023 (+10.6% year over year). Ad spending on social media is expected to reach US$207.1 billion in 2023 (+9.3% year over year). Digital advertising on mobile is projected to continue eating into desktop ad spending share as the proliferation of devices and total cost of ownership and connectivity continues to decrease globally.

Social Media Advertising

Social media advertising is a whole different beast from traditional social media. According to HootSuite, more than 4.7 billion people globally use social media and in 2022, the number of social media users grew by 4.2%. Statista projects social media ad spending to hit US$207.1 billion in 2023 with HootSuite expecting social video advertising to reach US$79.3 billion in 2024 – social media accounted for 33% of all digital advertising spend in 2022. By the end of 2022, the volume of social media ad impressions was more than 30% higher than the previous year.

Gaming and Streaming

Gaming revenues are growing with the catalyst of mobile gaming being a major factor for accessibility in emerging markets. Smartphone penetration and 5G rollouts across the globe are making it easier for gamers to access content and join the gaming and esports communities with lower latency and increased speeds. The global esports audience is forecasted to reach 641 million people by 2025 made up of roughly 50% occasional viewers and 50% enthusiasts – gamers who watch professional esports content more than once a month. The North American audience is growing steadily driven by exposure to the industry and the interest of younger generations with esports audiences consisting largely of hard-to-reach demographics under the age of 35. Traditional marketing formats are proving to be less effective in these demographics and brands are shifting their strategies to target the esports audience to promote their products.

Influencer Marketing

Influencer marketing is becoming more frequently utilized by brands to attracts a difficult to reach demographic segments of the population. Gaming is the fourth most popular vertical in influencer marketing and is continuing to grow as gaming and influencers become more ingrained in mainstream society.

Global Gaming Growth

The gaming industry has quickly eclipsed media types like movies, music and books to become the second most prominent form of entertainment globally, only behind television. The esports industry made up a small portion of the global gaming revenue in 2021 but is amongst the fastest growing segments in today's entertainment industry. In 2021, 83% of esports revenue was made up of

Sponsorships (61%), Media Rights (15%), Digital (4%) and Streaming (3%). The Gaming live streaming audience reached nearly 810 million in 2021 and is expected to reach approximately 1.4 billion by 2025, indicating a compounded annual growth rate of 16.3% from 2020 to 2025.

Influencer Marketing

Influencer marketing is gaining traction as a key tool for brands to attract younger audiences, a typically hard-to-reach but highly profitable demographic. According to Esports iQ Analytics, 78% of esports fans in North America are not likely to be influenced by online ads and must be targeted using creative methods like influencer marketing. While sponsorship is an attractive way to reach the broader gaming market, esports fans seem to crave a more personal approach. Influencers attract audiences on a human level allowing them to relate to a personality rather than a logo. Gaming represents the 4th most popular influencer marketing segment with roughly 11% of the market share behind Fashion & Beauty, Health & Fitness and Travel.

Highlights

Trading on the TMX

On July 19, 2023, the Company began trading on the TMX under the symbol GMNG.

Private Placement of Common Shares and Warrants – July 2023

During the second quarter of 2023, the Company closed two brokered private placement offerings, issuing 100,038,500 units of the Company for aggregate gross proceeds of $10,003,500, resulting in an issue price of $0.10 per unit. Each unit consists of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one share at an exercise price of $0.15 per share for a period for 36 months following the closing date of the offerings. In connection with the closing of the private placement, the Company incurred cash transaction costs of $524,238 and issued 2,008,195 broker warrants to agents as compensation for the private placement.

Asset Acquisition of Offbeat Media Group

On December 19, 2023, Vertiqal entered into an Asset Purchase Agreement ("APA" or the "Agreement") with Offbeat Media Group Inc., a Delaware corporation ("Offbeat"), Offbeat Studios LLC, a Georgia limited liability company ("Offbeat Studios"), Creator Labs LLC, a Georgia limited liability company ("Creator Labs" and together with Offbeat and Offbeat Studios, each a "Seller" and collectively the "Sellers") to purchase 68 Snapchat social media channels owned and operated by the Sellers.

Offbeat Studios and Creator Labs are wholly owned subsidiaries of Offbeat.

The Agreement outlines that Vertiqal has acquired 68 Snapchat channels (the "Snapchat Channels") and all related rights, licenses, permits, certifications and accreditations relating to those channels owned by the Sellers in exchange for:

Purchase price of USD$2,000,000, which consists of:

1. USD$1,000,000 of cash consideration due on closing; and
2. USD$1,000,000 payable in equal monthly instalments over the following 18 months and interest at a rate of 5% per annum payable monthly on the outstanding balance.

Private Placement

In December 2023, the Company issued 42,500,000 common shares at a price per share of $0.04. The company initiated the private placement to raise funds to finance the acquisition of Snapchat channels from Offbeat Media. The Company raised $1.7M CAD through the issuance of these shares, and therefore incurred $152,713 of transaction costs which consisted of TSX listing fee and legal fees, as well as commissions paid on gross proceeds. As part of the second tranche of the private placement that was raised in December 2023, there is an additional $513,074 worth of common shares to be issued, comprised of $340,000 held in trust with Irwin Lowry and the remaining received directly to the Company. These shares are issued as at March 31, 2024.

Various Strategic Partnerships and Agreements

On February 21, 2023, the Company announced that it had finalized its partnership with TikTok North America.

On February 22, 2023, the Company announced that it had secured an agreement to broaden the scope of its current media partnership with Snap Inc.

On April 20, 2023, the Company announced a partnership with Dubit Sign media, which is a global studio that builds games, experiences and events for brands.

On May 3, 2023, the Company announced a six-figure advertising deal with Australian Schedule-1 Bank.

On May 4, 2023, the Company announced a partnership with Top-5 Global Electronics Manufacturer, specifically a six-figure campaign.

On May 23, 2023, the Company announced a Creative + Distribution partnership with Tel Aviv Gaming App Ovio, designed to generate downloads.

On June 20, 2023, the Company announced a campaign with Samsung Canada.

Business Objective and Milestones

The Company continues to expand its content production and distribution across its owned and operated TikTok, Snapchat and Instagram channels. The Company began to generate revenues in the fourth quarter of 2021 and has continued to do so at an increasing pace throughout 2022 and into 2023. With the acquisition of JoyBox Media Inc. in the first quarter of 2022 and Gamelancer, Inc. in the second quarter of 2022, the Company's offerings as it relates to being a creative video and distribution partner has found significant success. Schedule A banks such as RBC, multi-national conglomerates such as Samsung, and linear television broadcasters such as ESPN have utilized Gamelancer's creative and distribution services.

Other Matters

On January 17, 2023, the Company announced that it had granted an aggregate of 9,550,000 options to purchase common shares of the Company exercisable at a price of $0.155 per common share for a period of three years to officers, directors and employees of the Company.

In January 2023, an officer and shareholder of the Company provided the Company with a non-interest bearing loan of US$135,000.

On January 9, 2023, the Company announced the appointment of Rob Segal as Independent Director and Pooja Sharma as Chief Financial Officer.

On April 6, 2023, announced that it has continued from the Province of British Columbia under The Business Corporations Act (British Columbia) into Province of Ontario under the Business Corporations Act Ontario as of April 5, 2023.

In April 2023, an officer and a shareholder of the Company provided the Company with a non-interest bearing loan of US$500,000.

In May 2023, the Company agreed to settle the lawsuit with D&H Group LLP for $15,000. Refer to the *Contingencies* section herein for more information.

On May 8, 2023 the Company announced a $10M brokered private placement of units led by the Chretien-Desmarais Family Office.

On May 18, 2023, the Company appointed Gopal patel as Vice President of Operations.

On June 14, 2023 the Company appointed JF Cote as lead director to Board of Directors.

On June 15, 2023 Paul Coffey resigned as a director of the Company.

On July 5, 2023, the Company announced the appointment of Max Desmarais as President.

On July 6, 2023, the Company made the final purchase price payment of an aggregate $4,840,282.44 USD to the former Gamelancer Shareholders, of which also included issuance of common shares. The Company also made the final contingent consideration payment to Joybox Shareholders, of which also included the issuance of common shares.

On July 18, 2023, the Company announced the appointment of JF Cote as Lead Director of the Board.

On July 19, 2023, the Company announced its debut on the Toronto Stock Exchange.

On July 24, 2023, the Company announced a partnership with 10PM curfew.

On September 5, 2023, the Company announced its formation of US advisory board and its plans to expand into the US.

On October 2, 2023, the Company announced a rebrand to Vertical studios as well as leadership changes. These leadership changes includes Razvan Romanescu and Darren Lopes to continue their roles as members of the Board of Directors while resigned from their current positions as Chief Strategy Officer and Chief Product Officer, respectively. Furthermore, there was also the departure of Sam Parks as the Chief Marketing Officer.

On October 4, 2023 the Company named Rifle its Australian Agency of Record.

On October 10, 2023, the Company entered into a partnership with Mean Girl Podcast Parent Co, Just Media Group.

On October 16, 2023, the Company announced its integration of Revmo platform algorithm to enhance the company's business development strategy.

On November 1, 2023, the Company announced Tyler Wells joining as Chief Operation Officer.

On January 26, 2024, the Company announced the second tranche of the private placement of common shares as a follow-on to the Company's recent private placement which allowed for the acquisition of assets from Offbeat Media Group Inc. at an issue price of $0.025 per common share for gross proceeds of $653,074.

On February 13, 2024, the company partnered with BaD Mktg for enhanced branded content creation. The collaboration aims to elevate the Company's branded content distribution, leveraging BaD Mktg's expertise.

On February 20, 2024, the Company appointed Pamela Glassman as Chief Revenue Officer to drive business growth and US expansion.

On February 29, 2024, the Company welcomes Aaron Reitkopf and Kevin Moriarty to its Board of Directions, with Kevin serving as Chair of Audit Committee.

On April 18, 2024, the Company announced the appointment of Kevin Cooper to its Board of Directors as well as Kevin Lee as Vice President of Marketing and Planning. Furthermore, JF Cote and Darren Lopes stepped down as Directors of the Company.

On May 1, 2024, the Company announced Ali Plonchak to its Board of Directors.

On June 27, 2024, the Company announced the closing of a non-brokered private placement through the issuance of 1,000 unsecured convertible debentures at a price of $1,000 per debenture for gross proceeds of $1,000,000 CAD.

Events Subsequent to June 30, 2024

On July 2, 2024 the Company entered into a debt settlement agreement with Carriage House Capital Corp., where the Company issued 8,666,666 common shares to settle an aggregate of $260,000 of indebtedness.

On July 23, 2024 the Company announced Lance Klima and Trevor Tune to its Board of Directors.

On August 2, 2024, the Company announced its name change to Vertiqal Studios Corp.

Financial Position, Results of Operations and Cashflows

Results of Operations

The following summarizes the results of operations of the Company for the three and six months ended June 30, 2024 and 2023:

		Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenues:					
Advertising revenue		$ 1,104,170	$ 1,420,830	$ 1,947,079	$ 2,143,039
Cost of sales		236,024	438,217	424,088	982,471
Gross margin		868,146	982,613	1,522,991	1,160,568
Expenses:					
Consultants and subcontractors		603,953	434,294	1,049,437	878,618
Share-based payments		-	650,821	-	1,419,006
Professional fees		251,831	463,760	236,630	605,683
General and administrative		223,109	394,606	452,469	864,803
Advertising and promotion		54,900	275,740	43,946	470,452
Salaries, wages and benefits		217,195	163,921	415,211	375,595
Depreciation and amortization		193,080	500,114	378,113	1,052,556
Foreign exchange (gain) loss		5,311	22,921	24,923	29,190
Finance costs, net		199,711	156,897	398,451	319,228
Penalty on repayment of deferred consideration		-	2,672,707	-	2,672,707
Loss on revaluation of contingent consideration		-	16,549	-	64,129
		1,749,090	5,752,330	2,999,180	8,751,967
Net loss before income taxes		**(880,944)**	(4,769,717)	**(1,476,189)**	(7,591,399)
Income taxes - current		(69,221)	(63,541)	(86,945)	(83,523)
Income taxes - deferred		36,488	164,642	136,410	415,381

Net loss		**(913,677)**	(4,668,616)	**(1,426,724)**	(7,259,541)
OCI – Exchange difference on translating foreign operations		6,556	(775,246)	31,406	(833,117)
Deferred tax		(46,778)	-	(190,834)	-
Total comprehensive loss		**$(953,899)**	$(5,443,862)	**$(1,586,152)**	$(8,092,658)

Revenues of $1,104,170 and $1,947,079 for the three and six months ended June 30, 2024 (2023 - $1,420,830 and $2,143,039) were recognized. These revenues reflect both direct advertising revenues as well as programmatic advertising revenues. Revenues are derived from both Canadian and US sources with US-source revenues comprising the majority. The Company's customers are varied and established companies. The Company has shown significant revenue growth in each of the last five quarters.

Cost of sales for the three and six months ended June 30, 2024 of $236,024 and $424,088 (2023 - $438,217 and $982,471). Cost of sales reflects the cost of consultants and contractors providing video content, editing and other production services directly related to the generation of revenues.

Consultants and subcontractor costs for the three and six months ended June 30, 2024 of $603,953 and $1,049,437 and (2023 - $434,294 and $878,618) consist primarily of contractor payments to the Chief Operating Officer, Chief Revenue Officer, Chief Strategy Officer and sales personnel of the Company for executive management services provided as well as amounts due to firms providing investor relations services.

Share-based compensation for the three and six months ended June 30, 2024 of $nil (2023 - $650,821 and $1,419,006) represents the vesting of the options issued to members of management as well as certain consultants providing services to the Company.

Professional fees for the three and six months ended June 30, 2024 of $251,831 and $236,630 (2023 - $463,760 and $605,683) include legal fees paid for general corporate matters and financings, legal fees related to three lawsuits (see *Contingencies* section), as well as fees due to auditors and accountants for audit and tax services.

General and administrative expenses for the three and six months ended June 30, 2024 of $223,109 and $452,469 (2023 - $394,606 and $864,803) consist of insurance costs, various travel and entertainment expenses related to investor presentations and meetings as well as supplies and other miscellaneous administrative expenses.

Advertising and promotion expenses for the three and six months ended June 30, 2024 of $54,900 and $43,946 (2023 - $275,740 and $470,452) includes numerous payments to firms marketing the company and its stock as well as firms providing data to the Company on the gaming and digital media industry.

Salaries, wages and benefits for the three and six months ended June 30, 2024 of $217,195 and $415,211 (2023 - $163,921 and $375,595) are for compensation related to a member of the executive management team, the CEO, and the additions of the Gamelancer, Inc. staff starting in April 2022.

Depreciation and amortization for the three and six months ended June 30, 2024 of $193,080 and $378,113 (2023 - $500,114 and $1,052,556) reflects that of the intangible assets acquired as part of the acquisitions of JoyBox Media Inc., Gamelancer, Inc. in April 2022 and Offbeat Media in December 2023.

These intangibles included both the value of the brand names acquired as well as the customer relationships acquired and are being amortized over their expected useful lives of ten years and four years, respectively.

The foreign exchange loss (gain) for the three and six months ended June 30, 2024 of $5,311 and $24,923 (2023 – $22,921 and $29,190) represents the variances in the US/Canadian dollar foreign exchange rate on US dollar denominated payable amounts with most significance being that of the foreign exchange variance on the deferred compensation and contingent consideration related to the Gamelancer, Inc. acquisition.

Finance costs, net, for the three and six months ended June 30, 2024 of $199,711 and $398,451 (2023 – $156,897 and $319,228) largely consist of accretion on the debenture units and promissory note that did not exist in the prior year.

The penalty on repayment of deferred consideration for the three and six months ended June 30, 2024 of nil (2023 - $2,672,707) represents the penalty paid to Gamelancer Inc. shareholders.

The gain (loss) on revaluation of the contingent consideration for the three and six months ended June 30, 2024 of nil (2023 - $16,549 and $64,129) represents the increase in the fair value of the contingent consideration liability related to the Gamelancer Inc. acquisition from December 31, 2022 to December 31, 2023 . This liability will be re-measured at fair value on each reporting period end (i.e. quarterly) should it be determined to be significant.

The exchange difference on translating foreign operations included within ‘other comprehensive income’ of $6,556 and $31,406 for the three and six months ended June 30, 2024 (2023 - $(775,246) and $(833,117)) , represents an unrealized foreign exchange translation loss on consolidating the net investment in the subsidiaries Gamelancer Inc. and Wondr Gaming USA Corp., with a functional currency in US dollars, into Canadian dollars at the financial reporting date of June 30, 2024 .

The following table reconciles the Company’s net income to a **non-GAAP** adjusted earnings figure. This measure is intended to show a calculation of the Company’s net loss adjusted for non-cash expenses:

	For the six months ended June 30, 2024	**For the six months ended June 30, 2023**
	$	**$**
Net loss before income taxes	(1,476,189)	(7,591,399)
Share-based payments	-	1,419,006
Depreciation and amortization	378,113	1,052,556
Gain (loss) on revaluation of contingent consideration	-	64,129
Penalty on repayment of deferred consideration	-	1,347,700
Accretion expense on debenture units and promissory note	393,210	314,324

Adjusted loss	(704,866)	(3,393,684)

Non-GAAP measurements are not reflective of guidance provided by International Financial Reporting Standards. Management presents such figures because it believes it assists the reader in evaluating the overall financial operating results of the Company. Management is required to detail, as it has done in the table above, how the non-GAAP measure, in this case 'adjusted loss' is derived from the GAAP measures in the Company's Condensed Consolidated Interim Income Statements.

Financial Position and Cashflows

The following summarizes the financial position of the Company as at June 30, 2024 and December 31, 2023:

	As at June 30, 2024	As at December 31, 2023
Assets:	**$**	**$**
Current assets	3,313,101	3,876,796
Restricted cash	-	340,000
Deposits	4,425	4,425
Property and equipment	10,057	10,527
Intangible assets	2,789,305	3,181,756
Liabilities:		
Current liabilities	2,778,558	3,540,010
Promissory Note	790,557	1,204,917
Debenture units	5,822,489	4,579,822
Deferred tax liability	212,373	157,951
Shareholders' equity:		
Common shares	59,469,918	58,788,585
Shares to be issued	-	513,074
Warrant reserve	5,798,148	5,798,148
Share-based benefits reserve	3,137,310	3,137,310
Accumulated other comprehensive loss	1,056,462	1,215,890
Deficit	(72,948,927)	(71,522,203)

Current assets consist of cash of $1,281,019 (2023 - $1,163,239), receivables of $1,827,849 (2023 - $2,325,781) and prepaid expenses and deposits of $204,233 (2023 - $387,776).

Including revenues of $1,104,170 and $1,947,079 for the three and six months ended June 30, 2024, cash flows used in operations for the six months ended June 30, 2024 were ($851,014) (2023 – ($2,400,844)).

Cash flows from investing activities for the six months ended June 30, 2024 was $340,000 (2023 - $5,077,094) and relates to restricted cash.

Cash flows provided from financing activities for the six months ended June 30, 2024 were $(669,005) (2023 - $9,164,500) representing the proceeds from the private placement of common shares and warrants, net of transaction costs. The cash flow in the comparative period also consisted largely of the proceeds from the private placement of common shares and warrants, net of transaction costs.

The receivables balance of $1,827,849 (2023 - $2,325,781) consists largely of a HST receivable of $779,024 (2023 - $651,074) with $1,048,824 (2023 - $1,674,707) related to trade receivables. Prepaid expenses of $204,233 (2023 - $387,776) consist of prepaid fees related to the Company's customer relationship management platform as well as a company providing market data information.

Restricted cash of $nil (2023 - $340,000) consisted of funds held in trust in relation to the second tranche of private placement funds raised in fourth quarter of 2023.

Deposits of $4,425 (2023 - $4,425) consists of the rental deposit on the Company's office location paid to a company owned by a shareholder of the Company. Property and equipment of $10,057 (2023 - $10,527) relates to computer equipment.

Intangible assets of $2,789,305 (2023 - $3,181,756) consist of $nil (2023 - $nil) in the value of the NFT platform acquired with the acquisition of EGCI as well as domain names of $nil (2023 - $147,752). The balances at December 31, 2023 and December 31, 2022 reflect the write-off of the NFT platform and domain name as the Company has exited the NFT business. With the acquisition of Gamelancer, Inc. in April 2022, the intangible asset balance also includes $18,267 (2023 - $18,267) in technology assets, net of amortization, largely comprised of the gaming.io mobile app. The most significant items comprising intangible assets includes $363,000 (2023 - $378,282) assigned to the Gamelancer and JoyBox trade name as part of their acquisitions as well as $2,408,038 (2023 - $2,785,207) assigned to Customer Relationships. Majority of intangible assets were written down and the Company incurred an impairment loss on intangible assets for its CGUs of Direct Media and Snapchat. Refer to earlier note on impairment loss on intangibles.

Current liabilities are $2,778,558 (2023 $3,540,010). Current liabilities consist of accounts payable and accrued liabilities of $2,284,647 (2023 $3,102,857), income taxes payable of $318,565 (2023 $254,740) deferred revenue of $47,094 (2023 $58,310), due to related parties of $5,069 (2023 $5,069) which includes an amount due to a former shareholder of JBM and current shareholder of the Company. Current liabilities also include contingent consideration of $123,183 (2023 $119,034) related to a legal claim. In addition to certain foreign exchange effects and the $nil (2023 $47,580) gain on revaluation of the contingent consideration at each period end when compared to the last.

Accounts payable and accrued liabilities is comprised of miscellaneous vendor payables, audit accrual, advisory fee payable, legal fee payables, and accruals to various consultants providing services to the Company.

The promissory note of $790,557 (2023 - $1,204,917) reflects the remaining balance to be paid to Offbeat media in connection to the asset acquisition in December 2023. This reflects the remaining balance at its fair value and is being accreted up to its face value over the eighteen months.

The debenture units of $5,822,489 (2023 $4,579,822) reflect the issuance of the 4,550 Units ($1,000 principal) amount issued in November 2022 for proceeds of $4,550,000. The balance is reflected at its fair value and is being accreted up to its face value over the five years until maturity. The balance also reflects an additional issuance of unsecured debenture units issued in the amount of $1,000,000 CAD.

The deferred tax liability of $212,373 (2023 $157,951) reflects the difference in the carrying value of the intangible assets (Trade Name and Customer Relationships) acquired as part of the JoyBox and Gamelancer acquisitions and the $nil tax basis calculated at the applicable tax rate. This balance does not reflect cash taxes owing at this time and will be drawn down over time as the assets are amortized for accounting purposes.

The warrant reserve in shareholders' equity of $5,798,148 (2023 $5,798,148) represents the fair value of 446,674 common share purchase warrants issued in 2020 to consultants for services in connection with the private placement of common shares; the issue of 3,275,820 common share purchase warrants in connection with the private placement of the subscription receipts (i.e. Concurrent Financing); the issue of 2,320,000 warrants in connection with the Convertible Debentures, the issuance of 22,045,750 warrants in connection with the conversion of the subscription receipts and 4,000,000 warrants issued to Blue Deer Capital compensation for their advisory agreement. The balance also includes the 24,999,999 warrants issued and 1,633,229 broker warrants as part of the private placement of Units as well as the 455,000 warrants and 742,259 broker warrants issued as part of the Debenture Unit issuance during the year ended December 31, 2022. The balance also includes the issuance of 100,038,500 warrants in connection with the private placement in Q2 2023, as well as the issuance of 2,008,195 broker warrants in connection with the private placement. The balance also includes the expiration of 27,641,620 warrants. In the six months ended June 30, 2024, this balance includes the expiration of 30,633,228 warrants.

The share-based benefits reserve of $3,137,310 (2023 - $3,137,310) represents the fair value of the options issued to executive officers and various consultants as at June 30, 2024.

Selected Quarterly Information

Quarter Ended	**June 30, 2024**	**March 31, 2024**	**December 31, 2023**	**September 30, 2023**
Revenue	$1,104,170	$842,909	$1,066,812	$1,636,075
Net loss from continuing operations	$913,677	$595,245	$44,693,810	$1,069,936
Net loss on per share basis	$0.00	$0.00	$ 0.07	$ 0.00
Quarter Ended	**June 30, 2023**	**March 31, 2023**	**December 31, 2022**	**September 30, 2022**
Revenue	$1,420,830	$722,209	$1,643,288	$1,330,556

Net loss from continuing operations	$4,668,616	$2,821,682	$2,149,890	$3,466,725
Net loss on per share basis	$ 0.01	$0.01	$0.01	$0.03

Liquidity and Capital Resources

During the year ended December 31, 2022, the Company completed a non-brokered private placement of 50,000,000 Units at a price of $0.20 per Unit for aggregate gross proceeds of $10,000,000. After transaction costs, the net proceeds received by the Company was $9,611,022.

As noted above under Debenture Units, in November 2022, the Company raised $4,550,000 from the issuance of Debenture Units which it used to fund the first US$2,500,000 deferred consideration amount related to the Gamelancer, Inc. acquisition as well as for working capital purposes. The Debenture Units are reflected in the balance sheet at their fair value and are accreted up to the face amount through their maturity date.

During Q2 2023, the Company completed a private placement of 100,038,500 units at a price of $0.10 per unit for aggregate gross proceeds of $10,038,500. After transactions costs, the net proceeds received by the Company was $9,390,480.

During Q4 2023, the Company completed a private placement of 42,500,000 units at a price of $0.04 per unit for an aggregate gross proceeds of $1,700,000. There was a second tranche of this private placement that occurred subsequent to December 31, 2023. As at year end, there was $340,000 in trust in relation to the second tranche and a total of $513,074 worth of common shares to be issued. As at March 31, 2024, the funds in trust were received and remaining common shares were issued.

With the funds raised to date, the Company expects to be able to fund its internal growth strategies as well as evaluate acquisition opportunities. The Company does not currently have a bank credit facility but may consider one in the future should management feel it will assist in achieving its strategic and operational objectives. As noted above under *Acquisition of Gamelancer, Inc.,* the Company used US$7,000,000 of the funds raised during the Q1.22 private placement to acquire Gamelancer Inc. With additional funds raised in the fourth quarter of 2022 the Company paid the first of two US$2,500,000 due as part of the consideration for the acquisition of Gamelancer, Inc. The second payment of US$2,500,000 was also paid in Q2 2023.. There is an additional obligation of US$125,000 as part of the Gamelancer, Inc. transaction that had also been paid in Q2 2023.

The Company is not economically dependent on any parties, has no off-balance sheet financing nor are there any restrictions on the use of its cash other than the GIC held as security for corporate credit cards.

At this time, although the Company is now generating revenues and showing healthy revenue growth, the Company is not anticipating an ongoing profit from operations in the immediate term, therefore it will be dependent on its ability to obtain equity or debt financing for growth. The Company may need additional capital, and may raise additional funds should the board of directors of the Company (the "**Board of Directors**") deem it advisable.

During the six months ended June 30, 2024, the Company had minimal or negative operating cash flow because it had modest revenues and significant operating expenses. In addition, as a result of the Company's business plans for the development of its products, the Company expects cash flow from operations to be negative until revenues grow to a point of offsetting its operating expenditures. While continuing to focus on continued revenue growth, the Company is also actively looking at any operating efficiencies to reduce expenditures. The Company's cash flow from operations may be affected in the future by expenditures incurred by the Company to continue to develop its products and services. The amounts set out above for use as working capital may be used to offset this anticipated negative operating cash flow.

Critical Accounting Estimates

Application of the Company's accounting policies in compliance with International Financial Reporting Standards ("**IFRS**") requires the Company's management to make certain judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, an effect on the results of operations or financial condition of the Company.

Financial Instruments

Recognition and Classification

Financial Assets

All financial assets are initially recognized at fair value, adjusted by, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, financial assets are subsequently classified and measured at either fair value through profit or loss ("**FVTPL**"), fair value through other comprehensive income ("**FVTOCI**") or amortized cost based on the Company's assessment of the business model within which the financial asset is managed and the financial asset's contractual cash flow characteristics.

The Company measures cash at FVTPL as at June 30, 2024 and December 31, 2023.

Financial assets measured at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method less impairment. Accounts receivable and short-term investments are classified as measured at amortized cost.

Financial Liabilities

The Company classifies its financial liabilities into one of the following two categories; measured at amortized cost and measured at FVTPL. The Company has designated the derivative conversion option related to the Convertible Debentures as being measured at FVTPL.

Financial liabilities measured at amortized cost are initially recognized at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortized cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

Accounts payable and accrued liabilities, due to related party, lease liabilities and long-term debt are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Derecognition

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled, or they expire.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company has a legal right to offset the recognized amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Fair Value and Market Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted market prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1), and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are as follows:

> Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
> Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly;
> Level 3: Inputs that are not based on observable market data.

Impairment of Financial Assets

At each reporting date, the Company assess whether there is objective evidence that financial assets not carried at FVTPL are impaired. A financial asset or a group of financial assets are impaired based upon the expected credit loss ("**ECL**") model.

Financial Risk Factors

The Company's business is subject to certain risks, including but not restricted to risks related to: market risk for securities, future financing risks; going-concern risks; global economy risks; use of proceeds risks; volatility of the Company's share price following a listing on a public exchange and the lack of trading history for the Common Shares; increased costs of being a publicly traded company; limited operating history in an evolving industry and history of losses; lack of brand development; expectations with respect to advancement in technologies; currency fluctuations; interest rates; taxes on the Company and its products; liabilities that are uninsured or uninsurable; economic conditions, dependence on management and conflicts of interest; intellectual property rights; attracting and retaining quality employees; key personnel risk; management of growth; product and services development; expansion risk; breach of confidential information; competition within the technology industry; corporate matters; issuance of debt; third party credit; short term investments; shares reserved for issuance; credit risk; liquidity risk; interest rate risk; and described from time to time in the Company's documents filed with Canadian securities regulatory authorities; and other factors beyond the Company's control.

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk, and market risk (including interest rate risk, and foreign exchange rate risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash and accounts receivable. The Company has no significant concentration of credit risk arising from operations. Cash consists of cash at banks and on hand. The cash has been invested and held with reputable financial institutions, from which management believes the risk of loss to be remote. The Company`s customer base is diversified with no reliance on any one client.

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they become due, or can only do so at excessive cost. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, or as a result of conditions specific to the Company. As at June 30, 2024 , the Company had a cash balance of $1,281,019 (2023 - $1,163,239) to settle current liabilities of $2,778,558 (2023 - $3,540,010). As described previously, the Company used US$7,000,000 of this cash balance to fund the cash consideration due on closing as part of the acquisition of Gamelancer on April 14, 2022. As described above under *Liquidity and Capital Resources*, there are additional cash consideration obligations as part of both the Gamelancer and

JoyBox acquisitions with a total of US$5,000,000 related to the Gamelancer acquisition due within twelve months from the April 14, 2022 closing date. The Company paid US$2,500,000 of the US$5,000,000 owing on the Gamelancer Inc. acquisition on November 7, 2022. In addition, the Company paid an additional US$3,500,000 for the remaining portion of the Gamelancer Inc. acquisition. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity. As the Company does not generate significant revenue, managing liquidity risk is dependent upon the ability to secure additional financing, controlling expenses, and preserving cash.

With the exception of the deferred considerations and contingent consideration liabilities, most of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Interest Rate Risk

The Company's long-term debt consists of both a fixed and market driven variable interest rate. The Company has assessed the associated interest rate risk as minimal.

Capital Management

The Company manages its capital with the following objectives:

(i) To ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
(ii) To maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on a regular basis.

The Company considers its capital to be equity, comprising share capital and deficit, which at June 30, 2024 totalled shareholders' equity of ($3,487,089) (December 31, 2023 – shareholders' equity of ($2,069,196)). The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. Information is provided to the Board of Directors of the Company. The Company is not constrained by externally imposed capital requirements. The Company's capital management objectives, policies and processes have remained unchanged during the six months ended June 30, 2024.

Related Party Transactions

The remuneration of key management personnel, including directors and officers, during the period was as follows:

		Six months ended June 30, 2024	Six months ended June 30, 2023
		$	$
Short-term benefits		928,990	828,424
Share-based compensation		Nil	9,160,000
		928,990	**9,988,424**

Short-term benefits for the six months ended June 30, 2024 include salaries of $328,702 (2023 - $265,002) and consulting fees of $600,287 (2023 - $401,066). Consulting fees, either paid to the individual or to a company controlled by key management personnel, were recognized in the financial statements in the line item 'consultants and sub-contractors'.

During the three months ended March 31, 2023, an officer and a shareholder of the Company provided the Company with a non-interest bearing loan of US$135,000.

In April 2023, this same officer and shareholder provided the Company with an additional non-interest bearing loan of US$500,000.

During the three months ended March 31, 2023, rent payments of $12,882, on a month-to-month office rental, were made to a company owned by a shareholder of the Company.

During the private placement, specific directors and officers participated within the private placement and therefore were granted common shares, warrants and options.

During the year ended December 31, 2023, the company entered into a revenue transaction with a related party. These transactions amounted to USD $80,545 and was primarily related to Advertising Spend. The terms of these transactions were determined on an arm's length basis and were consistent with those entered with unrelated third parties. The related party whom revenue transaction occurred with was a prior management personnel and continues to be a shareholder of the Company.

Contingencies

No contingencies were present during the three months ended June 30, 2024.

Risks and Uncertainties

The success of the Company is dependent, among other things, on obtaining sufficient funding to enable the Company to develop its business including the remaining obligations related to the acquisitions of Gamelancer and JoyBox as previously described herein. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. Failure to obtain such additional financing could result in delay in executing the Company's business plan. The Company will require new capital to continue to operate its business, and there is no assurance that capital will be available when needed, if at all. It is likely such additional capital will be raised through the issuance of additional equity, which will result in dilution to the Company's shareholders.

The operations of the Company may require licenses and permits from various local, provincial and federal governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out development of its business or operations.

Certain directors or proposed directors of the Company are also directors, officers or shareholders of other companies. Such associations may give rise to conflicts of interest from time to time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest, which they may have in any project opportunity of the Company. If a conflict of interest arises at a meeting of the board of directors, any director in a conflict will disclose his interest and abstain from voting on such matter. In determining whether or not the Company will participate in any project or opportunity, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

The Company does not have a historical track record of operating upon which investors may rely. Consequently, investors will have to rely on the expertise of the Company's management. The Company does not have a history of earnings or the provision of return on investment, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.

Dependence on Key Employees

The Company's business and operations are dependent on retaining the services of a small number of key employees. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of these employees. The loss of one or more of these employees could have a materially adverse effect on the Company. The Company does not maintain insurance on any of its key employees.

Accountability and oversight of the Company rests with the Board. The Company will continue to evaluate and potentially expanded its management team to oversee the business development activities of the Company and perform all core functions.

Competitive Conditions

The markets for the Company's products are competitive and rapidly changing, and a number of companies offer products similar to the Company's products and target similar customers. The Company believes its ability to compete depends upon many factors within and outside its control, including the timely development and introduction of new products and product enhancements; product functionality, performance, price and reliability; customer service and support; sales and marketing efforts; and the introduction of new products and services by competitors.

Potential Dilution

The issue of common shares of the Company upon the exercise of the options and warrants will dilute the ownership interest of the Company's current shareholders. The Company may also issue additional option and warrants or additional common shares from time to time in the future. If it does so, the ownership interest of the Company's then current shareholders could also be diluted.

Fraud

The Company operates as a technology and services provider in a dynamic ecosystem where fraud exists. Typical forms of fraud include robotic traffic, where robots mimic the behaviour of users in order to inflate the number of impressions, clicks, post clicks actions or other metrics associated with the ad.

Current Global Financial Conditions and Trends

Securities of technology companies in public markets have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of Companies in the technology sector are also significantly affected by proposed and newly enacted laws and regulations, currency exchange fluctuation and the political environment in the local, provincial and federal jurisdictions in which the Company does business. The economy remains in a period of volatility, although there have been signs of positive economic growth in North American and European markets. Continued volatility is expected in the near term.

Additionally, the impact of COVID 19 has had adverse financial impacts on the global economy and financial markets. The conflict in the Ukraine as well as the transition to higher inflationary environments have contributed to increased global economic and financial volatility.

Share Data

As at June 30, 2024 there were 631,113,354 common shares outstanding; 103,243,954 warrants convertible into 103,243,954 common shares; 32,707,600 options to purchase common shares outstanding.

As at the date of this report, there were 631,113,354 common shares outstanding; 103,243,954 warrants convertible into 103,243,954 common shares; and 32,707,600 options to purchase common shares outstanding.

Additional Information

Additional information relating to the Company, including additional risk factors, are available in the listing statement of the Company filed on the Company's SEDAR profile at www.sedar.com under 'Vertiqal Studios Corp.'