illumin Holdings Inc.

(formerly AcuityAds Holdings Inc.)

Condensed Interim Consolidated Financial Statements
(Unaudited)

Three and six months ended June 30, 2024 and 2023
(Expressed in thousands of Canadian dollars)

illumin Holdings Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited)
(In thousands of Canadian dollars)

	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	$ 51,584	$ 55,455
Accounts receivable	26,707	32,136
Income tax receivable	3,186	3,301
Prepaid expenses and other	3,670	4,123
	85,147	95,015
Non-current assets		
Other assets	65	63
Property and equipment (note 3)	8,230	9,329
Intangible assets (note 4)	8,376	7,618
Goodwill	4,870	4,870
	106,688	116,895
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	22,563	26,488
Income tax payable	571	717
Borrowings (note 15)	113	131
Lease obligations (note 5)	1,636	1,726
	24,883	29,062
Non-current liabilities		
Borrowings (note 15)	-	47
Deferred tax liability	665	1,001
Lease obligations (note 5)	5,205	6,087
	30,753	36,197
Shareholders' equity (note 7)	75,935	80,698
	106,688	116,895

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

illumin Holdings Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss
(Unaudited)
(In thousands of Canadian dollars, except share amounts)
For the three and six months ended June 30, 2024 and 2023

	Three months ended		Six months ended	
	2024	**2023**	**2024**	**2023**
Revenue				
Managed service	$ 14,351	$ 20,127	$ 26,111	$ 37,076
Self-service illumin	8,750	5,429	17,129	7,602
Programmatic	6,103	7,634	10,916	15,007
	29,204	33,190	54,156	59,685
Media-related costs	15,244	17,309	28,571	31,327
Gross profit	13,960	15,881	25,585	28,358
Operating expenses				
Sales and marketing (notes 11 and 16)	5,845	6,566	11,158	12,244
Technology (notes 11 and 16)	4,512	5,539	9,038	10,908
General and administrative (notes 11 and 16)	3,638	3,960	6,012	6,711
Share-based compensation (note 7(b))	1,108	1,671	1,807	3,013
Depreciation and amortization	1,387	1,449	2,752	2,939
	16,490	19,185	30,767	35,815
Loss from operations	(2,530)	(3,304)	(5,182)	(7,457)
Finance income, net (note 8)	(469)	(265)	(975)	(982)
Foreign exchange loss (gain)	(556)	2,403	(1,942)	2,459
	(1,025)	2,138	(2,917)	1,477
Net loss before income taxes	(1,505)	(5,442)	(2,265)	(8,934)
Income tax expense (benefit) (note 17)	(491)	166	(113)	236
Net loss for the period	(1,014)	(5,608)	(2,152)	(9,170)
Basic and diluted net loss per share (note 9)	(0.02)	(0.10)	(0.04)	(0.16)
Other Comprehensive Loss				
Items that may be subsequently reclassified to net loss:				
Exchange (loss) gain on translating foreign operations	(144)	248	(308)	(53)
Comprehensive loss for the period	(1,158)	(5,360)	(2,460)	(9,223)

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

illumin Holdings Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Unaudited)
(In thousands of Canadian dollars, except share amounts)
For the six months ended June 30, 2024 and 2023

2024

	Common shares					
	Number	**$ Amount**	**Contributed surplus**	**Other reserves**	**Deficit**	**Total**
Balance – December 31, 2023	51,350,973	$ 108,766	$ 6,576	$ (2,315)	$ (32,329)	$ 80,698
Repurchase of common shares for cancellation (note 7(e))	(2,490,686)	(5,422)	1,308	-	-	(4,114)
Share-based compensation (note 7(b))	-	-	1,807	-	-	1,807
Shares issued – options exercised (note 7(b))	3,333	7	(3)	-	-	4
Shares issued – DSUs/RSUs exercised (notes 7(c) and 7(d))	2,542,332	7,647	(7,647)	-	-	-
Other comprehensive loss	-	-	-	(308)	-	(308)
Net loss for the period	-	-	-	-	(2,152)	(2,152)
Balance – June 30, 2024	51,405,952	110,998	2,041	(2,623)	(34,481)	75,935

2023

	Common shares					
	Number	**$ Amount**	**Contributed surplus**	**Other reserves**	**Deficit**	**Total**
Balance – December 31, 2022	56,808,921	$ 119,933	$ 4,990	$ (455)	$ (21,342)	$ 103,126
Repurchase of common shares for cancellation (note 7(e))	(701,114)	(1,481)	(19)	-	-	(1,500)
Share-based compensation (note 7(b))	-	-	3,013	-	-	3,013
Shares issued – DSUs/RSUs exercised (notes 7(c) and 7(d))	77,824	241	(241)	-	-	-
Other comprehensive loss	-	-	-	(53)	-	(53)
Net loss for the period	-	-	-	-	(9,170)	(9,170)
Balance – June 30, 2023	56,185,631	118,693	7,743	(508)	(30,512)	95,416

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

illumin Holdings Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)
(In thousands of Canadian dollars)
For the six months ended June 30, 2024 and 2023

	2024	2023
Cash provided by (used in)		
Operating activities		
Net loss for the period	$ (2,152)	$ (9,170)
Adjustments to reconcile net loss to net cash flows		
Depreciation and amortization	2,752	2,939
Finance income, net (note 8)	(975)	(982)
Share-based compensation (note 7(b))	1,807	3,013
Foreign exchange loss (gain)	(1,942)	2,459
Income tax expense (benefit)	(113)	236
Change in non-cash operating working capital		
Accounts receivable	5,740	(1,190)
Prepaid expenses and other	1,032	(1,164)
Other assets	(2)	(24)
Accounts payable and accrued liabilities	(893)	(5,437)
Income taxes paid, net	(166)	(121)
Interest received, net	1,068	1,318
	6,156	(8,123)
Investing activities		
Additions to property and equipment (note 3)	(1,042)	(421)
Additions to intangible assets (note 4)	(2,465)	(2,824)
	(3,507)	(3,245)
Financing activities		
Repayment of term loans (note 15)	-	(4,411)
Proceeds from international loans (note 15)	-	304
Repayment of international loans (note 15)	(65)	(411)
Payment of leases	(1,129)	(1,691)
Repurchase of common shares for cancellation (note 7(e))	(4,033)	(1,500)
Proceeds from the exercise of stock options (note 7(b))	4	-
	(5,223)	(7,709)
Decrease in cash and cash equivalents	(2,574)	(19,077)
Impact of foreign exchange on cash and cash equivalents	(1,297)	(1,197)
Cash and cash equivalents – beginning of period	55,455	85,941
Cash and cash equivalents – end of period	51,584	65,667
Supplemental disclosure of non-cash transactions		
Adjustments to property and equipment under leases (note 3)	(23)	56
Unpaid additions (reversals) to property and equipment, net (note 3)	(561)	-
Unpaid taxes on share repurchases (note 7(e))	(81)	-

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

1 Corporate information

illumin Holdings Inc. (formerly AcuityAds Holdings Inc.) ("illumin" or the "Company"), and its wholly owned subsidiaries illumin Inc. (formerly AcuityAds Inc.), illumin Capital Inc., illumin US Inc. (formerly AcuityAds US Inc.), 140 Proof Inc., Visible Measures LLC, and ADman Interactive S.L.U. ("ADman"), a company that holds certain technology assets, is a leading provider of targeted digital media solutions, enabling advertisers to connect intelligently with their audiences across online display, video, social and mobile campaigns. illumin is a publicly traded company, incorporated in Canada, with its head office located at 70 University Ave, Suite 1200, Toronto, Ontario M5J 2M4.

2 Material accounting policy information

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. The date the board of directors of the Company (the "Board") authorized the condensed interim consolidated financial statements for issue was August 7, 2024.

Basis of presentation

These condensed interim consolidated financial statements are prepared in Canadian dollars ("CAD"), which is the Company's functional and reporting currency, and have been prepared mainly under the historical cost basis. Other measurement bases used are described in the applicable notes.

Effective January 1, 2024, the Company changed its presentation of Self-service revenue to disaggregate it into "Self-service illumin" and "Programmatic" revenue. As the legacy self-service platform phased out, revenues earned from the self-service illumin platform are reported under Self-service illumin revenue. All revenue transactions generated from buying and selling of ad inventory through other bidding systems are reported under Programmatic revenue. Also effective January 1, 2024, the Company changed its operating expense presentation to reclassify certain costs from sales and marketing to technology in order to better reflect the nature of the costs.

Prior year comparatives have been reclassified to conform to current year presentation.

Material accounting policies

The disclosures contained in these unaudited condensed interim consolidated financial statements do not include all the requirements of IFRS Accounting Standards for annual financial statements. The unaudited condensed interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements for the year ended December 31, 2023. The unaudited condensed interim consolidated financial statements are based on accounting policies, as described in note 2 to the 2023 audited annual consolidated financial statements.

New accounting standards

The following amendments to standards and interpretations became effective for the annual periods beginning on or after January 1, 2024. The application of these amendments and interpretations had no significant impact on the Company's condensed interim consolidated financial position or results of operations.

Classification of Liabilities as Current or Non-current (Amendments to IAS 1, Presentation of Financial Statements). The amendments to IAS 1 clarify the classification requirements for liabilities as current or non-current. A company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. Covenants of loan arrangements which an entity must comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares.

Disclosure on Supplier Finance Arrangements (Amendments to IAS 7, Statement of Cash Flows & IFRS 7, Financial Instruments). The amendments to IAS 7 & IFRS 7 require an entity to disclose its supplier finance arrangements that would enable users to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

Lease Liability in a Sale and Leaseback (Amendments to IFRS 16, Leases). The amendments to IFRS 16 clarify initial recognition and subsequent accounting for a seller-lessee account in a sale-and-leaseback transaction. On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

Future accounting standards

The following new and amended standards and interpretations will become effective in a future year. The Company is in the process of assessing any potential impacts of the following:

- New requirements for lack of exchangeability (Amendments to IAS 21, The Effects of Changes in Foreign Exchange Rates, effective date January 1, 2025) clarifying the exchange rate to use when exchangeability is lacking.
- Amendments to classification and measurement of financial instruments (Amendments to IFRS 9, Financial Instruments & IFRS 7, Financial Instruments: Disclosures) improving the clarity of the guidance on derecognition of financial assets and liabilities, and disclosures for certain types of financial instruments.
- New standard on financial statement presentation and disclosure (IFRS 18, Presentation and Disclosure in Financial Statements, replacing IAS 1, Presentation of Financial Statements, as primary source of requirements for financial statement presentation) focusing on improving labelling, aggregation and disaggregation of information in financial statements, particularly on the statement of profit or loss.
- New standard on reduced disclosure requirements (IFRS 19, Subsidiaries Without Public Accountability Disclosures) allows eligible entities to elect to apply reduced disclosure requirements while still applying recognition, measurement and presentation requirements in other IFRS accounting standards.

(In thousands of Canadian dollars, except share amounts)

3 Property and equipment

	Furniture and fixtures	Data center equipment	Office computer equipment	Right of use assets	Total
Cost					
As at January 1, 2024	$ 1,637	$ 1,144	$ 1,547	$ 19,708	$ 24,036
Additions	1	404	76	(23)[1]	458
As at June 30, 2024	**1,638**	**1,548**	**1,623**	**19,685**	**24,494**
Accumulated depreciation					
As at January 1, 2024	1,151	74	1,264	12,218	14,707
Amortization	119	122	107	1,209	1,557
As at June 30, 2024	**1,270**	**196**	**1,371**	**13,427**	**16,264**
Net carrying amount					
As at January 1, 2024	486	1,070	283	7,490	9,329
As at June 30, 2024	**368**	**1,352**	**252**	**6,258**	**8,230**

[1] An adjustment was made to the right of use assets that lead to a decrease in the asset balance

	Furniture and fixtures	Data center equipment	Office computer equipment	Right of use assets	Total
Cost					
As at January 1, 2023	$ 1,330	$ 52	$ 1,345	$ 19,461	$ 22,188
Additions	298	-	123	56	477
As at June 30, 2023	**1,628**	**52**	**1,468**	**19,517**	**22,665**
Accumulated depreciation					
As at January 1, 2023	907	52	1,072	13,040	15,071
Amortization	107	-	74	1,846	2,027
As at June 30, 2023	**1,014**	**52**	**1,146**	**14,886**	**17,098**
Net carrying amount					
As at January 1, 2023	423	-	273	6,421	7,117
As at June 30, 2023	**614**	**-**	**322**	**4,631**	**5,567**

(In thousands of Canadian dollars, except share amounts)

4 Intangible assets

	2024	2023
Cost – Technology		
As at January 1	$ 20,904	$ 16,529
Additions	1,954	2,824
As at June 30	**22,858**	**19,353**
Accumulated depreciation – Technology		
As at January 1	13,286	11,300
Amortization	1,196	912
As at June 30	**14,482**	**12,212**
Net carrying amount – Technology		
As at January 1	7,618	5,229
As at June 30	**8,376**	**7,141**

The Technology intangible asset is internally derived from capitalizing development costs related to revenue generating technology. During the six months ended June 30, 2024, the Company capitalized $4,278, which was reduced by $2,324 of funding from the National Research Council's Industrial Research Assistance Program ("IRAP") (see note 11), for a net capitalization of $1,954 (2023 – $2,824). As at June 30, 2024, the Company had recorded a receivable of $511 from IRAP related to capitalized development costs.

5 Lease obligations

	June 30, 2024	December 31, 2023
Obligations under leases	$ 6,841	$ 7,813
Less: Current portion	1,636	1,726
	5,205	6,087

6 Related party transactions and balances

Directors and officers are eligible to participate in the Company's long-term incentive plans. For the three and six months ended June 30, 2024, 1,000,000 and 1,000,000 stock options, respectively, were granted to an officer of the Company (2023 – nil and nil) (note 7(b)).

During the three and six months ended June 30, 2024, the Company issued 119,565 and 119,565 deferred share units, respectively, ("DSUs") (2023 – nil and nil) to directors and recognized $72 and $145 in director fees (2023 – $nil and $nil).

During the three and six months ended June 30, 2024, the Company issued nil and 748,360 (2023 – nil and 898,325) restricted share units, respectively, ("RSUs") to officers of the Company in lieu of cash bonuses. The officers' RSUs vest fully over a period of six to 36 months.

7 Share capital and share-based payments

a) Share capital

As at June 30, 2024, the Company had an unlimited number of common shares authorized for issuance (2023 – unlimited) and 51,405,952 common shares outstanding (2023 – 56,185,631) (without par value).

b) Stock Option Plan and Omnibus Incentive Plan

The Company has a stock option plan (the “Stock Option Plan”), a deferred share unit plan (the “Deferred Share Unit Plan”) and an omnibus long-term incentive plan (the “Omnibus Incentive Plan”). Since the adoption of the Omnibus Incentive Plan by shareholders on June 16, 2020, the Company has stopped issuing new stock options under its Stock Option Plan and new DSUs under its Deferred Share Unit Plan. Previously issued stock options and DSUs remain outstanding and are governed by the plans under which they were initially issued.

Under the Stock Option Plan, the Board of Directors granted stock options to employees, officers, directors and consultants of the Company. The expiry date of options granted under the Stock Option Plan typically did not exceed five years from the grant date. The vesting schedule was at the discretion of the Board of Directors and was, in general, annually over a three-year period. The exercise price of options was equal to the market price per share on the day preceding the grant date.

The Omnibus Incentive Plan allows for a variety of equity-based awards to be granted to officers, directors, employees, and consultants (in the case of stock options and RSUs) and non-employee directors (in the case of DSUs). Stock options, RSUs and DSUs are collectively referred to herein as “Awards”. Each Award represents the right to receive common shares, or in the case of RSUs and DSUs, common shares or cash, in accordance with the terms of the Omnibus Incentive Plan.

The maximum number of common shares reserved for issuance, in the aggregate, under the Omnibus Incentive Plan, the Stock Option Plan, the Deferred Share Unit Plan of the Company and any other security-based compensation arrangement, collectively, is 15% of the aggregate number of common shares issued and outstanding from time to time. As at June 30, 2024, the Company was entitled to issue a maximum of 7,710,892 equity-based awards, collectively under the Omnibus Incentive Plan, the existing Stock Option Plan, the existing DSU Plan and any other security-based compensation arrangement. As at June 30, 2024, the Company had 5,070,029 equity-based awards outstanding.

(In thousands of Canadian dollars, except share amounts)

The following table summarizes the continuity of options issued under the Stock Option Plan:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding – January 1	616,022	$ 1.62	704,469	$ 1.60
Forfeited or cancelled	(409,334)	1.69	(15,000)	1.55
Exercised	(3,333)	1.27	-	-
Outstanding – June 30	203,335	1.44	689,469	1.60
Options exercisable – June 30	203,335	1.44	689,469	1.60

The following table summarizes the continuity of options issued under the Omnibus Incentive Plan:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding – January 1	16,667	$ 2.09	23,334	$ 2.09
Granted	1,000,000	1.61	-	-
Forfeited or cancelled	-	-	(3,333)	2.09
Outstanding – June 30	1,016,667	1.62	20,001	2.09
Options exercisable – June 30	16,667	2.09	11,668	2.09

A combined summary of the Company's stock options outstanding under the above plans is as follows:

	June 30, 2024		
Range of exercise prices $	Number of options	Weighted average remaining contractual life (years)	Weighted average number of options exercisable
1.13	45,000	0.92	45,000
1.15	20,000	0.42	20,000
1.27	1	1.17	1
1.59	138,334	0.67	138,334
1.61	1,000,000	4.67	-
2.09	16,667	1.17	16,667
	1,220,002		**220,002**

(In thousands of Canadian dollars, except share amounts)

			June 30, 2023
Range of exercise prices $	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average number of options exercisable**
0.96	3,333	0.17	3,333
1.06	15,134	0.25	15,134
1.13	55,000	1.92	55,000
1.14	10,000	0.42	10,000
1.15	20,000	1.42	20,000
1.27	3,334	1.17	3,334
1.55	21,333	0.92	21,333
1.59	143,334	1.67	143,334
1.71	378,001	0.75	378,001
1.94	40,000	0.42	40,000
2.09	20,001	2.17	11,668
	709,470		**701,137**

During the three and six months ended June 30, 2024, the Company recorded share-based compensation expense under the Black-Scholes option pricing model related to stock options, DSUs and RSUs granted to employees, officers, directors and consultants of the Company of $1,108 and $1,807, respectively (2023 – $1,671 and $3,013).

During the three and six months ended June 30, 2024, 1,000,000 and 1,000,000 stock options, respectively, under the Omnibus Incentive Plan were issued (2023 – nil and nil). Nil and 3,333 stock options, respectively, were exercised at a weighted average price of $nil and $1.27 for gross proceeds of $nil and $4 (2023 – $nil and $nil).

c) Deferred share units

During the three and six months ended June 30, 2024, the Company issued 119,565 and 119,565 (2023 – nil and nil) DSUs, respectively, and 24,358 and 32,607 DSUs, respectively, were exercised (2023 – 27,500 and 31,666).

d) Restricted share units

During the three and six months ended June 30, 2024, the Company issued 93,913 and 865,866 (2023 – 330,822 and 1,503,090) RSUs, respectively, to employees, officers, and consultants of the Company and 460,563 and 2,509,725 (2023 – 34,656 and 46,158) RSUs, respectively, were exercised.

e) Repurchase of shares for cancellation under a NCIB

On November 13, 2023, the Company commenced a new normal course issuer bid ("NCIB") to purchase for cancellation up to 4,330,226 of its outstanding common shares. During the three and six months ended June 30, 2024 under this NCIB, the Company purchased and cancelled 1,342,344 and 2,490,686 of its common shares at an average price of $1.64 and $1.65 per share totaling $2,202 and $4,114 (2023 – $1,500 and $1,500).

(In thousands of Canadian dollars, except share amounts)

8 Finance income, net

The following is a breakdown of finance income and costs for the three and six months ended June 30, 2024 and 2023:

	Three months ended		Six months ended	
	2024	**2023**	**2024**	**2023**
Interest on leases and other interest	$ 98	$ 85	$ 192	$ 153
Interest income	(567)	(960)	(1,167)	(1,851)
Interest and fees on term loans (note 15(a))	-	610	-	716
	(469)	(265)	(975)	(982)

9 Net loss per share

The computations for basic and diluted net loss per share for the three and six months ended June 30, 2024 and 2023 were as follows:

	Three months ended		Six months ended	
	2024	**2023**	**2024**	**2023**
Net loss for the period	$ (1,014)	$ (5,608)	$ (2,152)	$ (9,170)
Weighted average number of shares outstanding – basic	51,830,518	56,269,238	51,471,091	56,540,385
Net loss per share – basic	$ (0.02)	$ (0.10)	$ (0.04)	$ (0.16)
Dilutive effect of stock options	-	-	-	-
Dilutive effect of DSUs	-	-	-	-
Dilutive effect of RSUs	-	-	-	-
Diluted weighted average number of shares outstanding	51,830,518	56,269,238	51,471,091	56,540,385
Net loss per share – diluted	$ (0.02)	$ (0.10)	$ (0.04)	$ (0.16)
Items excluded from the calculation of diluted net loss per share due to their anti-dilutive effect:				
Stock options, DSUs, and RSUs	5,070,029	6,925,288	5,070,029	6,925,288

Net loss per share is calculated by dividing the net loss by the weighted average number of shares outstanding during the relevant period. Diluted weighted average number of shares reflects the dilutive effect of equity instruments, such as any “in the money” stock options, RSUs, or DSUs. In the periods with reported net losses, all stock options, RSUs, and DSUs are deemed anti-dilutive such that basic net loss per share and diluted net loss per share are equal, and thus “in the money” stock options, RSUs, and DSUs have not been included in the computation of net loss per share because to do so would be anti-dilutive.

(In thousands of Canadian dollars, except share amounts)

10 Segment information

The Company's CEO has been identified as the chief operating decision maker ("CODM"). The CODM reviews financial information, makes decisions, and assesses the performance of the Company as a single operating segment. The Company's assets and operations are substantially located in Canada, however, the Company also has employees and customers in the United States, Europe, and LATAM and generates revenue in each region.

Revenue by region for the three and six months ended June 30, 2024 and 2023 was as follows:

	Three months ended		Six months ended	
	2024	**2023**	**2024**	**2023**
United States[1]	$ 21,237	$ 21,911	$ 38,334	$ 39,212
Canada	2,967	3,066	6,353	5,792
Europe, LATAM, & other[1]	5,000	8,213	9,469	14,681
	29,204	33,190	54,156	59,685

(1) These lines have been reclassified to be commensurate with current period presentation. Certain revenue previously classified in the U.S. geography according to billing arrangements has been reclassified to Europe, LATAM, & Other. Management considers the current breakdown more relevant and reflective of business in each geography.

During the three and six months ended June 30, 2024, the Company had nil and one customer, respectively, that represented greater than 10% of total revenue (2023 – nil and nil customers represented more than 10% of total revenue).

11 Government assistance

On October 6, 2023, the Company secured a funding commitment of up to a maximum of $10,000 from the National Research Council's Industrial Research Assistance Program towards eligible research and development expenses. The commitment covers expenses incurred for the period April 1, 2023 to December 31, 2024. During the three and six months ended June 30, 2024, $1,637 and $3,184 (2023 – $nil and $nil) of eligible costs for recovery were recognized from IRAP. Of this amount, $1,166 and $2,324 were recognized as a reduction to capitalized development costs on the Statement of Financial Position and $471 and $860 were recognized as a reduction to technology costs, sales and marketing costs, and general and administrative costs on the Statement of Comprehensive Loss.

(In thousands of Canadian dollars, except share amounts)

12 Financial instruments

Classification of financial instruments

The following table provides the allocation of financial instruments and their associated financial instrument classifications:

	Loans and receivables/ financial liabilities (Amortized cost)	
Measurement basis	**June 30, 2024**	**December 31, 2023**
Financial assets		
Cash and cash equivalents	$ 51,584	$ 55,455
Accounts receivable	26,707	32,136
Other assets	3,670	4,123
	81,961	91,714
Financial liabilities		
Accounts payable and accrued liabilities	$ 22,563	$ 26,488
International loans	113	178
Lease obligations	6,841	7,813
	29,517	34,479

Fair value measurements

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, lease obligations, and term loans approximate their fair values given their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the consolidated statements of financial position and the market rates of interest is not considered significant. The three levels of fair value hierarchy based on the reliability of inputs are as follows:

- Level 1 – inputs are quoted prices in active markets for identical assets and liabilities.
- Level 2 – inputs are based on observable market data, either directly or indirectly other than quoted prices; and
- Level 3 – inputs are not based on observable market data.

There were no transfers of financial assets and liabilities during the six months ended June 30, 2024 and 2023 between any of the levels.

13 Capital risk management

The Company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy of organic growth combined with strategic acquisitions and to provide returns to its shareholders. The Company defines capital that it manages as the aggregate of its shareholders' equity, which comprises issued capital, contributed surplus and deficit. The Company manages its capital structure and makes adjustments to it in working capital requirements. In order to maintain or adjust its capital structure, the Company, upon approval from the Board, may issue shares, repurchase shares, pay dividends or undertake other activities as deemed appropriate under the specific circumstances. The Company is not subject to externally imposed capital requirements.

14 Financial risk management

The Board has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the Company's risk management policies on an annual basis. Management identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable and cash. As of June 30, 2024, three customers each represented more than 5% of the gross accounts receivable balance of $27,168. As of December 31, 2023, one customer represented more than 5% of the gross accounts receivable balance of $32,262.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company take into account the counterparty's financial position, past experience and other factors.

As at June 30, 2024, the allowance for expected credit loss was $461 (December 31, 2023 – $126). In establishing the appropriate allowance for expected credit loss, management makes assumptions with respect to the future collectability of the receivables. Assumptions are based on an individual assessment of a customer's credit quality as well as subjective factors and trends. As at June 30, 2024, 63% of the Company's customers were current, 22% were from 1 to 30 days, 5% were from 31 to 60 days, 2% were from 61 to 90 days, and 8% were greater than 90 days.

The Company, from time to time, invests its excess cash in accounts with Canadian Schedule I banks with the objective of maintaining the safety of the principal and providing adequate liquidity to meet current payment obligations and future planned capital expenditures and with the secondary objective of maximizing the overall yield of the portfolio. The Company's cash as of June 30, 2024 was not subject to external restrictions. Investments must be rated at least investment grade by recognized rating agencies. The Canada Deposit Insurance Corporation provides insurance of up to $100 per depositor, per insured bank, for each account ownership category on Canadian-domiciled bank accounts. The Federal Deposit Insurance Corporation also provides insurance on U.S.-domiciled bank accounts. The standard deposit insurance amount is $250 U.S. per depositor, per insured bank, for each account ownership category. The Company's bank account deposits exceed these insured amounts.

(In thousands of Canadian dollars, except share amounts)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company manages its liquidity risk by continually monitoring forecasted and actual revenue and expenditures and cash flows from operations. Management is also actively involved in the review and approval of planned expenditures. The Company's principal cash requirements are for lease obligations, capital expenditures and working capital needs. The Company uses its operating cash flows, loans and borrowings and cash balances to maintain liquidity. In the event that future cash flows from operations are lower than expected, the Company may need to seek additional financing, either by issuing additional equity or by undertaking additional borrowings. There is no certainty that additional financing will be available or that it will be available on attractive terms.

The following are the contractual maturities for the financial liabilities:

					June 30, 2024
	Carrying amount	**Total contractual cash flows**	**Less than 1 year**	**1 to 3 years**	**> 3 years**
Accounts payable and accrued liabilities	$ 22,563	$ 22,563	$ 22,563	$ -	$ -
International loans	113	113	113	-	-
Lease obligations	6,841	8,858	2,184	3,009	3,665
	29,517	31,534	24,860	3,009	3,665

					December 31, 2023
	Carrying amount	**Total contractual cash flows**	**Less than 1 year**	**1 to 3 years**	**> 3 years**
Accounts payable and accrued liabilities	$ 26,488	$ 26,488	$ 26,488	$ -	$ -
International loans	178	178	131	47	-
Lease obligations	7,813	10,019	2,287	3,618	4,114
	34,479	36,685	28,906	3,665	4,114

Interest rate risk

Interest rate risk is the risk of financial loss to the Company if interest rates increase on interest-bearing instruments. The Company has various revolving lines of credit and term loans (see note 15) with interest rates that the Company believes are consistent with market interest rates for this type of debt.

(In thousands of Canadian dollars, except share amounts)

Foreign exchange or currency risk

The Company is exposed to foreign exchange risk from sale and purchase transactions, as well as recognized financial assets and liabilities denominated in U.S. dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. cash on hand to support US forecasted obligations and cash flows. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held.

If a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately $5,466 due to the fluctuation and this would be recorded in the consolidated statements of comprehensive income.

Balances held in U.S. dollars are as follows in CAD:

		June 30, 2024		**December 31, 2023**
Cash	$	46,261	$	49,691
Accounts receivable		18,138		17,677
Accounts payable		9,740		9,930

15 Borrowings

a) Term Loan

During the year ended 2020, the Company had a secured term loan with Silicon Valley Bank ("SVB") that expired April 1, 2024 with total availability of US$7,750 bearing interest at the greater of prime plus 0.60% and 3.85%. On May 31, 2023, the term loan was repaid in full including any and all outstanding interest and the Company has no further outstanding obligations to SVB as of May 31, 2023.

The following table outlines the activity of the term loan during the six months ended June 30, 2024 and 2023:

		2024		**2023**
Balance – January 1	$	-	$	3,791
Accrued interest		-		716
Payment of interest		-		(116)
Principal amount repaid		-		(4,411)
Exchange		-		20
Balance – June 30		-		-

b) International loans

International term loans

International term loans outstanding amounted to $113 (€77) as at June 30, 2024 (December 31, 2023: $178 (€122)). The interest rates for these unsecured term loans range from 1.75% to 2.03% with maturity dates ranging from April 8, 2025 to May 21, 2025.

(In thousands of Canadian dollars, except share amounts)

Lines of credit

The lines of credit payable amounted to $nil (€nil) as at June 30, 2024 (December 31, 2023: $nil (€nil)).

The following table outlines the current portion and non-current portion of the borrowings:

	June 30, 2024	December 31, 2023
Current portion of international loans	$ 113	$ 131
Non-current portion of international loans	-	47
Total borrowings	113	178

16 Expenses by nature

The following is a breakdown of the expenses by nature for the three and six months ended June 30, 2024 and 2023:

	Three months ended		Six months ended	
	2024	2023	2024	2023
Employee wages, salaries, and benefits	$ 7,474	$ 9,054	$ 14,059	$ 17,314
Hosting and data costs	1,798	1,847	3,692	3,439
Contractor consulting fees	1,236	1,352	2,419	2,390
Travel and entertainment	783	749	1,294	1,433
Professional fees	363	612	696	1,060
Advertising and promotion	483	457	655	770
Insurance	480	586	1,050	1,224
Office technology	489	350	891	662
Public company fees	305	320	485	432
Other	584	738	967	1,139
	13,995	16,065	26,208	29,863

17 Income tax expense (benefit)

During the three months ended June 30, 2024, the Company recognized on a consolidated basis a current tax benefit of $65 and a reversal of a previously recognized deferred tax liability of $426. During the six months ended June 30, 2024, the Company recognized on a consolidated basis a current tax expense of $223, and a reversal of a previously recognized deferred tax liability of $336.