



Condensed Consolidated Interim Financial
Statements for June 30, 2023 and 2022

NowVertical Group Inc.
Condensed Consolidated Interim Statements of Financial Position
As at June 30, 2023 and December 31, 2022
Unaudited, Expressed in U.S. Dollars

	Note	June 30, 2023	December 31, 2022
Assets			
Current assets:			
Cash		\$ 3,390,739	\$ 3,809,012
Restricted Cash	2	-	5,148,123
Investments		1,482,827	482,610
Trade and other receivables	6	9,690,225	3,891,455
Unbilled receivables		1,813,715	811,855
Taxes receivable		108,275	215,092
Prepaid expenses and other current assets		5,545,220	384,430
		<u>22,031,001</u>	<u>14,742,577</u>
Non-current assets:			
Other long-term receivables		2,201,703	-
Property and equipment, net	13	331,823	214,097
Right of use asset	15	171,431	232,319
Long-term investments	25	530,000	-
Intangibles, net	11	11,008,095	8,040,185
Goodwill	12	16,219,908	10,938,785
		<u>30,462,960</u>	<u>19,425,386</u>
Total assets		\$ 52,493,961	\$ 34,167,963
Liabilities and Shareholder's Equity			
Current liabilities:			
Accounts payable		\$ 6,650,759	\$ 2,959,390
Accrued expenses and other current liabilities		5,289,559	3,955,272
Short-term lease liability		148,051	147,054
Loan payable and current portion of long-term debt	14	3,864,882	2,127,244
Consideration payable related to acquired companies	8	3,476,693	3,889,639
Equity and contingent consideration related to acquired companies	8	2,511,374	606,346
Deferred revenue	9	6,942,443	2,538,531
		<u>28,883,761</u>	<u>16,223,476</u>
Non-current liabilities:			
Contingent consideration payable related to acquired companies	8	963,086	1,082,525
Other long-term liabilities		1,569,341	85,919
Long-term debt	14	14,089,978	11,248,420
Deferred revenue	9	13,398	22,651
Warrants liability	16	397,549	334,293
Convertible debenture	18	2,827,747	2,584,106
Convertible debenture conversion feature	18	2,164	337,235
Deferred tax liability		2,075,630	433,189
		<u>21,938,893</u>	<u>16,128,338</u>
Total liabilities		50,822,654	32,351,814
Shareholders' Equity:			
Common shares		27,651,151	24,187,024
Contributed surplus		4,609,662	4,439,960
Foreign currency translation reserve		(2,160,448)	(1,423,722)
Accumulated deficit		(28,429,058)	(25,387,113)
		<u>1,671,307</u>	<u>1,816,149</u>
Total liabilities and shareholders' equity		\$ 52,493,961	\$ 34,167,963

Going concern (Note 2)

Subsequent events (Note 25)

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

Approved on behalf of the Board of Directors

/s/ Elaine Kunda
Director

/s/ Scott Nirenberski
Director

NowVertical Group Inc.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

Unaudited, Expressed in U.S. Dollars except for share and per share amounts

	Note	Three months ended		Six months ended	
		June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue	9	\$ 15,460,310	\$ 7,641,897	\$ 29,082,345	\$ 10,236,342
Cost of revenue	21	9,114,286	4,431,239	16,693,308	5,537,855
Gross profit		6,346,024	3,210,658	12,389,037	4,698,487
Administrative expenses	21	6,299,505	4,976,280	13,548,523	8,610,271
Gain (loss) from operations		46,519	(1,765,622)	(1,159,486)	(3,911,784)
Other expense:					
Contingent compensation related to acquisitions		-	(439,505)	(230,698)	(647,848)
Revaluation of warrant liability		-	305,030	1,098,243	1,036,428
Revaluation of equity consideration	8	19,566	120,998	105,480	120,998
Revaluation of contingent and deferred consideration	8	(234,757)	165,331	(728,221)	165,331
Revaluation of conversion features	18	30,408	-	335,039	-
Inflation effect on the net monetary position		(30,069)	(306,974)	(32,211)	(415,970)
Impairment loss	12	-	-	(250,000)	-
Investing income		239,938	161,499	342,027	161,499
Interest expense		(886,213)	(167,965)	(1,683,286)	(208,245)
Loss on sale of asset	24	(57,351)	-	(57,351)	-
		(918,478)	(161,586)	(1,100,978)	212,193
Loss before income taxes		(871,959)	(1,927,208)	(2,260,464)	(3,699,591)
Income tax expense (benefit)	19	503,172	(659,443)	781,481	(611,357)
Net loss		(1,375,131)	(1,267,765)	(3,041,945)	(3,088,234)
Foreign currency translation adjustment		(731,642)	92,442	(736,726)	111,119
Other comprehensive income		(731,642)	92,442	(736,726)	111,119
Total comprehensive loss		\$ (2,106,773)	\$ (1,175,323)	\$ (3,778,671)	\$ (2,977,115)
Net loss per share, basic and diluted	17	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.05)
Weighted average number of shares, basic and diluted	17	76,884,642	62,605,328	73,418,710	62,327,867

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

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

Six months ended June 30, 2023	Note	Issued capital Common Shares		Contributed surplus	Foreign currency translation reserve	Accumulated Deficit	Total
		Shares	Amount				
Balances at January 1, 2023		65,078,417	\$ 24,187,024	\$ 4,439,960	\$ (1,423,722)	\$ (25,387,113)	1,816,149
Net loss						(3,041,945)	(3,041,945)
Share-based compensation expense	16	-	-	169,702	-	-	169,702
Shares issued on private placement	16	9,631,500	2,216,971	-	-	-	2,216,971
Shares issued on acquisition	7	1,900,000	1,124,395	-	-	-	1,124,395
Shares issued related to acquisitions	16	500,000	122,761	-	-	-	122,761
Foreign currency translation adjustment		-	-	-	(736,726)	-	(736,726)
Balances at June 30, 2023		77,109,917	\$ 27,651,151	\$ 4,609,662	\$ (2,160,448)	\$ (28,429,058)	1,671,307

Six months ended June 30, 2022		Issued capital Common Shares		Contributed surplus	Foreign currency translation reserve	Accumulated Deficit	Total
		Shares	Amount				
Balances at January 1, 2022		62,042,151	\$ 22,580,976	\$ 3,943,943	\$ 77,164	\$ (15,839,588)	10,762,495
Net loss						(3,088,234)	(3,088,234)
Vesting of restricted shares				14,264			14,264
Share-based compensation expense	16	-	-	138,090	-	-	138,090
Exercise of stock options	16	5,968	11,920	(11,920)	-	-	-
Shares issued on acquisition	16	600,000	383,000				383,000
Shares cancelled		(21,000)					-
Equity adjustment per IAS 29		-	98,666	-	-	-	98,666
Foreign currency translation adjustment		-	-	-	111,119	-	111,119
Balances at June 30, 2022		62,627,119	\$ 23,074,562	\$ 4,084,377	\$ 188,283	\$ (18,927,822)	8,419,400

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

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

	Notes	Six months ended	
		June 30, 2023	June 30, 2022
Cash flows from (used in) operating activities:			
Net loss		\$ (3,041,945)	\$ (3,088,235)
Interest expense		-	59,563
Non-cash adjustments	20	845,229	(808,608)
<u>Net changes in working capital</u>	20	<u>(3,293,037)</u>	<u>2,786,474</u>
		(5,489,753)	(1,050,806)
Cash flows from (used in) investing activities:			
Acquisitions of subsidiaries, net of cash acquired	7	(3,711,497)	(3,938,273)
Restricted cash for acquisitions		5,148,123	-
Purchase of property and equipment, net of disposals	13	(81,074)	-
<u>Proceeds from disposals of investments, net of investments</u>		<u>(331,538)</u>	<u>-</u>
		1,024,014	(3,938,273)
Cash flows from (used in) financing activities:			
Proceeds from borrowings	14	6,176,373	-
Repayment of borrowings	14	(4,910,168)	(632,188)
Interest payment related to acquired companies		(72,000)	-
Payment of consideration payable related to acquired companies	8	(580,261)	-
<u>Proceeds from private placement, net of issuance costs</u>	16	<u>3,373,098</u>	<u>-</u>
		3,987,042	(632,188)
Effect of exchange rates		60,424	111,119
Net change in cash		(418,273)	(5,510,148)
Cash, beginning of period		3,809,012	9,102,915
Cash, end of period		\$ 3,390,739	\$ 3,592,767

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

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

1. Background and nature of operations

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

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

The Company is a big data, analytics and vertical intelligence company. The registered office of the Company is located at 545 King Street West, Toronto, Ontario M5V 1M1 and its head office is located at 7750 Okeechobee Blvd STE 4-2024, West Palm Beach FL 33411.

2. Basis of Presentation

Statement of compliance

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

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

The Board of Directors approved these Financial Statements on August 29, 2023.

Basis of measurement

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

Going concern

These annual consolidated financial statements have been prepared in accordance with IAS 34, which contemplates continuation of the Company as a going concern. However, during the six months ended June 30, 2023, the Company has incurred a net loss from of \$3,041,945 and cash flows used in operating activities of (\$5,489,753). Whether and when the Company can attain profitability and positive cash flows from operations is uncertain. Continued operations of the Company depend upon the Company's ability to meet its financing requirements on a continuing basis, to continue to have access to financing, and to generate positive operating results and cash flow. These material uncertainties may raise significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis and, as such, do not include any adjustments that might result from the outcome of this uncertainty or the recoverability and classification of recorded asset amounts or amounts and classifications of liabilities that might be necessary should the Company be unable to continue in existence. The Company has cash of \$3,390,739 which includes \$1,359,468 held in banks in Argentina. The Central Bank of the Argentine Republic has placed restrictions on the repatriation of funds at the official exchange rate, and the Company is working with its advisors to finalize a cash repatriation plan. The cash also includes \$1,888,218 that is held within subsidiaries that are subject to compliance with bank covenants.

Management intends to improve revenue and profitability of existing businesses by leveraging internal sales channels and other cross-entity synergies. In addition, management reduced the costs associated with the Company's global operating model by re-locating key service providers and key internal personnel roles from the U.S. to Canada during the year ended December 31, 2022 and the six months ended June 30, 2023 and will seek to continue to reduce the costs associated with its global operating model as it continues with plans to integrate acquired businesses. These internal activities and plans to raise additional funds through financings to support its working capital needs and to fund future cash accretive acquisitions using debt, are aimed at improving cash flows from operations, eliminating its working capital deficit and achieving its acquisition growth strategy. There can be no assurance, however, that the Company can reach profitability, successfully integrate acquired companies, continue to raise working capital financing, or source and fund future accretive acquisitions with debt.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

Basis of consolidation

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

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

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

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

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

Foreign Currencies

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

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

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

operations are recognized in other comprehensive income or loss and accumulated in the accumulated other comprehensive income within equity.

Classification of Argentina as a hyper-inflationary economy

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

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

On the application of IAS 29, the Company used the conversion coefficient derived from the national consumer price index, the IPC Nacional (the "IPC"). The level of the IPC on June 30, 2023 was 1,710. The Company recognized a net monetary loss of \$32,211 (2022: \$108,996) to adjust transactions recorded during the period into the measuring unit currency as of June 30, 2023.

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

Equity

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

3. Adoption of new accounting standards

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

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

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

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

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

4. Significant accounting estimates, judgements, and assumptions

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

5. Capital management

The Company's capital management objectives are to ensure its ability to continue as a going concern (Note 2) and to provide an adequate return to shareholders. The Company monitors capital based on the carrying amount of equity plus debt, less cash. Management assesses capital requirements to maintain an efficient financing structure while avoiding excessive debt. The Company monitors its capital structure and adjusts in light of economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may downsize or reduce costs. The capital of the Company is comprised of:

	June 30, 2023	December 31, 2022
Long-term debt	\$ 17,954,860	\$ 13,375,664
Convertible debt	2,829,911	2,921,341
Warrants liability	397,549	334,293
Shareholders' equity	1,671,307	1,816,149
Cash	(3,390,739)	(3,809,012)
Investments	(1,482,827)	(482,610)
Capital	<u>\$ 17,980,061</u>	<u>\$ 14,155,825</u>

The Company is not subject to externally imposed capital restrictions.

6. Trade and other receivables

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

	June 30, 2023	December 31, 2022
Trade receivables	\$ 8,029,911	\$ 3,817,261
Allowance for doubtful accounts	(16,832)	(38,550)
Net trade receivables	<u>8,013,079</u>	<u>3,778,711</u>
Other receivables	1,677,146	112,744
Total trade and other receivables	<u>\$ 9,690,225</u>	<u>\$ 3,891,455</u>

7. Acquisitions

2023 Acquisitions

Smartlytics Consultancy Ltd.

On January 12, 2023, the Company acquired 100% of the issued and outstanding securities of Smartlytics Consultancy Ltd. ("Smartlytics"), a UK-based data analytics consultancy company that provide a wide range of Data Science and analytics services. The acquisition was made to enhance the Company's data analytics services business. Pursuant to the terms of a stock purchase agreement dated December 10, 2022, the aggregate consideration consisted of (i) a closing cash payment of \$1,000,000 subject to holdbacks, (ii) issuance of 600,000 Subordinate Voting Shares at a deemed issue price of \$1.00 per share subject to contractual lock-up restrictions, and (iii) earn-out consideration paid over three fiscal years based on certain targets, a portion of which may be payable in Company shares at the Company's sole discretion subject to a maximum of 926,413 shares. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of \$140,587 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from Smartlytics with the operations of the Company and is not expected to be deductible for tax purposes. Smartlytics has contributed \$554,341 of revenue and net income of \$141,205 to the Company's revenues and net loss, respectively, from the acquisition date to June 30, 2023.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

Acrotrend Solutions Ltd.

On January 12, 2023, the Company acquired 100% of the issued and outstanding securities of Acrotrend Solutions Ltd ("Acrotrend"), a UK-based customer analytics consultancy company in the UK that combines business intelligence and decision-making, helping turn consumer data into smart insights. The acquisition was made to enhance the Company's data analytics services business. Pursuant to the terms of a stock purchase agreement dated December 9, 2022, the aggregate consideration consisted of (i) a closing cash payment of \$4,100,000 subject to holdbacks, (ii) issuance of 750,000 Subordinate Voting Shares of the Company at a price of \$1.00 per share, subject to contractual lock-up restrictions, and (iii) earn-out consideration paid over three fiscal years based on certain targets, a portion of which may be payable in Company shares at the Company's sole discretion subject to a maximum of 5,000,000 shares. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of \$46,089 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from Acrotrend with the operations of the Company and is not expected to be deductible for tax purposes. Acrotrend has contributed \$2,778,500 of revenue and net income of \$408,898 to the Company's revenues and net loss, respectively, from the acquisition date to June 30, 2023.

Group Analytics 10

On February 2, 2023, the Company acquired 100% of the issued and outstanding securities of Group Analytics 10 and Inteligencia de Negocios and its affiliate entities ("A10"). The A10 Group provides big data, business intelligence, and advanced analytics solutions. The acquisition was made to enhance the Company's data analytics services business and expand operations in Latin America. Pursuant to the terms of a stock purchase agreement dated December 21, 2022, the aggregate consideration consisted of (i) a closing cash payment of \$2.25 million, subject to holdbacks, (ii) \$550,000 settled by way of an issuance of Subordinate Voting Shares at a deemed price equal to the greater of the Company's 20-day VWAP on closing and \$1.00 per Subordinate Voting Share, subject to customary lock-ups, and (iii) earn-out consideration paid over four fiscal years based on certain targets. This is an arm's length transaction and no finder's fees were paid by the Company in connection with the A10 Group acquisition. The closing cash consideration was funded with term debt with a Canadian banking partner. The earn-out was valued at fair value using a discounted cash flow model, is being accounted for as compensation since it is tied to employment. In connection with the acquisition, the Company incurred acquisition-related costs of \$328,414 which have been recorded in administrative expenses. The goodwill from the acquisitions consists largely of the synergies expected from combining the operations from A10 with the operations of the Company. A10 has contributed \$8,068,525 of revenue and net loss of \$43,343 to the Company's revenues and net loss, respectively, from the acquisition date to June 30, 2023.

Intangible assets acquired were as follows:

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

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

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

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

For the three and six months ended June 30, 2023 and 2022

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

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

	Smartlytics	Acrotrend	A10	Total
Fair value of consideration transferred:				
Amount settled in cash	\$ 900,000	\$ 3,690,000	\$ 1,500,000	\$ 6,090,000
Future amounts to be settled in cash or equity	100,000	410,000	750,000	1,260,000
Fair value of shares issued for consideration	361,985	452,480	309,930	1,124,395
Total fair value of consideration transferred	\$ 1,361,985	\$ 4,552,480	\$ 2,559,930	\$ 8,474,395
Fair value of net assets acquired:				
Property and equipment, net	\$ 14,540	\$ 39,650	\$ 104,437	\$ 158,627
Investments	-	91,517	235,135	326,652
Right of use asset	-	-	-	-
Intangibles, net	609,756	2,937,163	1,330,458	4,877,377
Goodwill	736,883	1,807,477	6,445,297	8,989,657
Total non-current assets	1,361,179	4,875,807	8,115,327	14,352,313
Taxes receivable	-	-	1,243,712	1,243,712
Prepaid expenses and other current assets	29,898	432,543	5,511,569	5,974,010
Unbilled receivables	5,098	135,948	1,984,823	2,125,869
Trade and other receivables	190,377	744,923	2,186,892	3,122,192
Cash	85,502	2,024,118	268,883	2,378,503
Total current assets	310,875	3,337,532	11,195,879	14,844,286
Deferred tax liability	(152,439)	(734,347)	(399,000)	(1,285,786)
Tax payable	(22,484)	(1,122,093)	(1,538,446)	(2,683,023)
Deferred revenue	(52,938)	(205,581)	(4,980,053)	(5,238,572)
Long term debt	-	-	(2,933,613)	(2,933,613)
Total non-current liabilities	(227,861)	(2,062,021)	(9,851,112)	(12,140,994)
Accounts payable	(26,176)	(410,967)	(4,125,140)	(4,562,283)
Accrued expenses and other current liabilities	(56,032)	(1,187,871)	(2,775,024)	(4,018,927)
Total current liabilities	(82,208)	(1,598,838)	(6,900,164)	(8,581,210)
Total fair value of net assets acquired	\$ 1,361,985	\$ 4,552,480	\$ 2,559,930	\$ 8,474,395
Cash impact of acquisitions:				
Consideration transferred settled in cash	\$ 900,000	\$ 3,690,000	\$ 1,500,000	\$ 6,090,000
Cash acquired	(85,502)	(2,024,118)	(268,883)	(2,378,503)
Net cash outflow on acquisition	\$ 814,498	\$ 1,665,882	\$ 1,231,117	\$ 3,711,497
Acquisition costs charged to expenses	\$ 140,587	\$ 46,089	\$ 328,414	\$ 515,090

During the three months ended June 30, 2023, certain balances were retrospectively adjusted from the provisional amounts recognized at the acquisition date to reflect new information obtain about facts and circumstances that existed as of the acquisition date. Smartlytics trade and other receivables decreased by \$13,456 and cash acquired decreased by \$30,542. Acrotrend unbilled receivables decreased by \$75,971, taxes payable decreased by \$23,510, accounts payable decreased by \$8,743, and accrued expenses and other current liabilities increased by \$5,177. A10 trade and other receivables decreased by \$78,131, deferred revenue increased by \$104,560, and Accrued expenses and other current liabilities increased by \$747,540.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

2022 Acquisitions

CoreBI S.A. and CoreBI S.A.S.

On February 16, 2022, the Company acquired 100% of the issued and outstanding securities of CoreBI S.A. and CoreBI S.A.S. (together, "CoreBI"), data science and analytics consulting companies based in Latin America, thereby obtaining control of both companies. The acquisition was made to enhance the Company's data analytics services business. The Company accounted for this transaction as an acquisition of a business in connection with the acquisition, the Company made a cash payment of \$3.0 million on closing of the transaction. The Company has re-negotiated the timing of the \$1.75 million deferred payment, which will now be paid out over multiple installments during FY 2023 and 2024. The deferred cash payment of \$1.75 million is related to continued employment and was recorded to compensation expense over the twelve-month period ending February 28, 2023. Future payments of up to a maximum aggregate of \$3.25 million, payable on the first, second, third, and fourth year anniversaries of closing, are due upon CoreBI achieving certain adjusted EBITDA targets. The future payments represent contingent purchase consideration and have been recorded as a liability measured at fair value that is revalued through profit and loss at each reporting period. In connection with the acquisition, the Company incurred acquisition-related costs of \$98,215 which have been recorded in administrative expenses. The goodwill from this acquisition consists largely of the synergies and economies of scale expected from combining the operations of CoreBI with the Company's other services operations and is not expected to be deductible for tax purposes. CoreBI has contributed \$8,514,194 of revenue and a net income of \$690,077 to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Company's revenue for the year would have been \$29,626,453 and the Company's net loss for the 2022 year would have been \$8,296,666. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition would have been the same as if the acquisition had occurred on January 1, 2022. The net loss from acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2022.

Exonar Ltd.

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

Allegient Defense Inc.

On April 6, 2022, the Company acquired 100% of the issued and outstanding securities of Allegient Defense Inc. ("Allegient"), a U.S.-based systems engineering and technical assistance support firm, through its subsidiary NOW Guardian Inc., thereby obtaining control. Allegient Defense Inc. is a U.S.-based government defense contractor providing systems engineering and technical assistance support to the Department of Defense and other governmental agencies through data analysis and assessment of cutting-edge technologies. The Company accounted for this transaction as an acquisition of a business. In connection with the acquisition, the Company made cash payments of \$2,000,000 (in May 2022) and issued 600,000 Subordinate Voting Shares on April 6, 2022 with a fair value of \$383,000. Future payments of up to a maximum aggregate of US\$4 million, payable on the first, second, and third year anniversaries of closing, are due upon Allegient achieving certain adjusted EBITDA targets. Future payments are to be settled in either 100% of the Company's shares or up to 50% in cash and the balance in the Company's shares. The earn-out was valued at fair value using a Monte Carlo simulation model and is revalued at each reporting

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

period through profit and loss. In connection with the acquisition, the Company incurred acquisition-related costs of \$419,010 which have been recorded in administrative expenses. The goodwill from the acquisition consists largely of the acquired assembled workforce and synergies expected from combining the operations of Allegient with the Company's other service operations and is not expected to be deductible for tax purposes. Allegient has contributed \$11,079,807 of revenue and a net income of \$690,077 to the Company's revenues and net loss, respectively, from the acquisition date to December 31, 2022. Had the acquisition occurred on January 1, 2022, the Company's revenue for the 2022 year would have been \$30,198,230 and the Company's net loss for the year would have been \$8,792,073. In determining these amounts, the Company has assumed that the fair values of the net assets acquired that were estimated and accounted for on the dates of acquisition would have been the same as if the acquisition had occurred on January 1, 2022. The net loss from acquisition includes the associated amortization of acquired intangible assets recognized as if the acquisitions had occurred on January 1, 2022.

Resonant Analytics, LLC

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

Intangible assets acquired were as follows:

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

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

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

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

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

The following table summarizes the consideration paid and the preliminary allocation of the purchase price based on the fair values of the acquired assets and liabilities of CoreBI, Exonar, Allegient, and Resonant at their respective dates of acquisition. The purchase price allocations for Exonar and CoreBI are final and there were no measurement adjustments during the period ended June 30, 2023.

	CoreBI	Exonar	Allegient	Resonant	Total
Fair value of consideration transferred:					
Amount settled in cash	\$ 3,102,631	\$ 149,999	\$ 2,301,789	\$ 1,192,667	\$ 6,747,086
Future amounts to be settled in cash or equity	1,026,261	284,000	-	304,583	1,614,844
Fair value of shares issued for consideration	-	-	451,000	265,417	716,417
Total fair value of consideration transferred	\$ 4,128,892	\$ 433,999	\$ 2,752,789	\$ 1,762,667	\$ 9,078,347
Fair value of net assets acquired:					
Property and equipment, net	\$ 142,167	\$ 46,476	\$ 3,578	\$ 26,788	\$ 219,009
Deposits	-	-	12,648	19,301	31,949
Goodwill	1,593,034	792,351	3,136,949	61,498	5,583,832
Right of use asset	-	-	328,158	-	328,158
Intangible assets	1,339,045	425,000	3,243,000	1,206,000	6,213,045
Total non-current assets	3,074,246	1,263,827	6,724,333	1,313,587	12,375,993
Prepaid expenses and other current assets	-	-	12,317	49,974	62,291
Unbilled revenue	559,286	-	331,181	-	890,467
Investments	372,385	-	-	-	372,385
Receivables	928,603	981,401	1,451,489	465,237	3,826,730
Cash	355,836	84,354	399,151	217,657	1,056,998
Total current assets	2,216,110	1,065,755	2,194,138	732,868	6,208,871
Deferred tax liability	(452,200)	-	(832,410)	-	(1,284,610)
Lease liability	-	-	(331,137)	-	(331,137)
Deferred revenue	-	(296,000)	-	(101,964)	(397,964)
Long term debt	-	-	(3,800,000)	-	(3,800,000)
Total non-current liabilities	(452,200)	(296,000)	(4,963,547)	(101,964)	(5,813,711)
Accounts payable and accrued expenses	(709,264)	(1,599,583)	(1,202,136)	(181,824)	(3,692,807)
Total current liabilities	(709,264)	(1,599,583)	(1,202,136)	(181,824)	(3,692,807)
Total fair value of net assets acquired	\$ 4,128,892	\$ 433,999	\$ 2,752,789	\$ 1,762,667	\$ 9,078,347
Cash impact of acquisitions:					
Consideration transferred settled in cash	\$ 3,102,631	\$ 149,999	\$ 2,301,789	\$ 1,192,667	\$ 6,747,086
Cash acquired	(355,836)	(84,354)	(399,151)	(217,657)	(1,056,998)
Net cash outflow on acquisition	\$ 2,746,795	\$ 65,645	\$ 1,902,638	\$ 975,010	\$ 5,690,088
Acquisition costs charged to expenses	\$ 98,215	\$ 90,073	\$ 419,010	\$ 113,223	\$ 720,521

8. Consideration payable related to acquired companies

	June 30, 2023	December 31, 2022
Current liabilities:		
Consideration payable	\$ 3,476,693	\$ 3,889,639
Equity consideration payable	-	219,000
Contingent consideration payable	2,511,374	387,346
	\$ 5,988,067	\$ 4,495,985
Long-term liabilities:		
Contingent consideration payable	\$ 963,086	\$ 1,082,525
	\$ 963,086	\$ 1,082,525
Total considerable payable	\$ 6,951,153	\$ 5,578,510

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

The following table provides information about consideration payable.

	Six months ended		Year ended
	June 30, 2023		December 31, 2022
Balance, January 1	5,578,510	\$	3,340,630
Acquisition consideration	1,260,000		1,614,844
Contingent compensation related to acquisitions	230,698		1,576,860
Payments	(580,261)		(764,850)
Shares issued	(122,761)		(814,937)
Revaluation of equity consideration	(105,480)		(64,228)
Revaluation of contingent and deferred consideration	728,221		689,110
Interest expense	81,250		55,500
Interest paid	(72,000)		-
Foreign exchange differences	(47,024)		(54,419)
Ending balance	\$ 6,951,153	\$	5,578,510

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

9. Revenues

The following table summarizes revenue by type of service.

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Data analytics services				
Cost plus fixed fee	\$ 2,722,174	\$ 2,716,961	\$ 5,295,189	\$ 2,791,939
Fixed firm price	1,715,307	646,702	3,497,520	900,010
Time and materials	6,795,639	2,679,785	12,390,972	3,648,179
Total data analytics services	11,233,120	6,043,448	21,183,681	7,340,128
Maintenance and support	837,650	750,000	2,127,476	1,500,000
Software-as-a-service and other recurring	3,389,540	848,449	5,649,940	1,396,214
Hardware	-	-	121,248	-
Total revenue	\$ 15,460,310	\$ 7,641,897	\$ 29,082,345	\$ 10,236,342

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

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
USA	\$ 5,372,916	\$ 4,946,869	\$ 11,295,796	\$ 6,140,104
Argentina	2,531,231	2,357,213	5,117,600	3,566,824
Brazil	3,703,321	-	5,707,471	-
Chile	1,158,052	-	2,002,832	-
United Kingdom	2,323,969	337,815	4,345,630	470,786
Other countries	370,821	-	613,016	58,628
Total revenue	\$ 15,460,310	\$ 7,641,897	\$ 29,082,345	\$ 10,236,342

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

The following table provides information about deferred revenue.

	Six months ended		Year ended	
	June 30, 2023		December 31, 2022	
Balance, January 1	\$	2,561,182	\$	1,323,710
Increase from business acquisitions		5,238,572		397,964
Increase from cash received and amounts billed		7,192,957		6,779,491
Revenue recognized		(7,633,776)		(5,939,983)
Disposal on sale of asset		(403,093)		-
Ending balance	\$	6,955,841	\$	2,561,182
Deferred revenue classified as a current liability	\$	6,942,443	\$	2,538,531
Deferred revenue classified as a non-current liability	\$	13,398	\$	22,651

10. Segment reporting

Given the change in the consolidated revenue profile created by the Smartlytics, Acrotrend and A10 acquisitions during the three months ended March 31, 2023, management has consolidated the two operating segments that existed at December 31, 2022. For the six months ended June 30, 2023 the company has reported under one operating segment, NOW Operations. As at December 31, 2022 the Company had two operating segments: Solutions and Technology. The June 30, 2022 prior comparative segment financial information has been recast to conform to the new segment Operations.

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

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

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

	Three months ended June 30, 2023				Three months ended June 30, 2022			
	NOW Operations	Corporate	Adjustments	Total	NOW Operations	Corporate	Adjustments	Total
Revenue	\$ 15,460,310	\$ -	\$ -	\$ 15,460,310	\$ 7,641,897	\$ -	\$ -	\$ 7,641,897
Cost of revenue	(9,036,337)	-	(77,949)	(9,114,286)	(4,300,166)	-	(131,073)	(4,431,239)
Gross Profit	6,423,973	-	(77,949)	6,346,024	3,341,731	-	(131,073)	3,210,658
Administrative expenses	(4,526,227)	(1,168,095)	(605,183)	(6,299,505)	(2,728,331)	(1,644,120)	(603,829)	(4,976,280)
Income (loss) from continuing operations	\$ 1,897,746	\$ (1,168,095)	\$ (683,132)	\$ 46,519	\$ 613,400	\$ (1,644,120)	\$ (734,902)	\$ (1,765,622)
Other expenses				(918,478)				(161,586)
Income (Loss) before income taxes	\$ 1,897,746	\$ (1,168,095)	\$ (683,132)	\$ (871,959)	\$ 613,400	\$ (1,644,120)	\$ (734,902)	\$ (1,927,208)

	Six months ended June 30, 2023				Six months ended June 30, 2022			
	NOW Operations	Corporate	Adjustments	Total	NOW Operations	Corporate	Adjustments	Total
Revenue	\$ 29,082,345	\$ -	\$ -	\$ 29,082,345	\$ 10,236,342	\$ -	\$ -	\$ 10,236,342
Cost of revenue	(16,522,459)	-	(170,849)	(16,693,308)	(5,297,845)	-	(240,010)	(5,537,855)
Gross Profit	12,559,886	-	(170,849)	12,389,037	4,938,497	-	(240,010)	4,698,487
Administrative expenses	(8,850,328)	(3,059,757)	(1,638,438)	(13,548,523)	(4,188,615)	(3,148,276)	(1,273,380)	(8,610,271)
Income (loss) from continuing operations	\$ 3,709,558	\$ (3,059,757)	\$ (1,809,287)	\$ (1,159,486)	\$ 749,882	\$ (3,148,276)	\$ (1,513,390)	\$ (3,911,784)
Other expenses from continuing operations				(1,100,978)				212,193
Income (Loss) before income taxes	\$ 3,709,558	\$ (3,059,757)	\$ (1,809,287)	\$ (2,260,464)	\$ 749,882	\$ (3,148,276)	\$ (1,513,390)	\$ (3,699,591)

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

11. Intangible assets

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

	Trade Names	Customer Relationships	Developed Technology	Non-Compete Agreements	Order Backlog	Licensed Technology	Total
Cost:							
Opening at January 1, 2023	\$ 1,207,986	\$ 3,607,266	\$ 2,752,398	\$ 318,164	\$ 2,596,000	\$ 323,000	\$ 10,804,814
Acquisitions	823,414	3,903,963	-	-	150,000	-	4,877,377
Hyperinflation adjustment	25,477	357,286	-	13,812	-	-	396,575
Foreign exchange revaluation	(22,507)	(315,638)	4,012	(12,202)	-	-	(346,335)
Disposal on sale of asset	(613,000)	(47,000)	(364,000)	(253,000)	-	-	(1,277,000)
Closing at June 30, 2023	1,421,370	7,505,877	2,392,410	66,774	2,746,000	323,000	14,455,431
Accumulated Amortization:							
Opening at January 1, 2023	356,542	418,520	1,438,368	113,458	356,991	80,750	2,764,629
Acquisitions	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Amortization Expense	287,211	292,418	148,029	37,920	244,489	32,300	1,042,367
Disposal on sale of asset	(116,997)	(14,353)	(99,544)	(128,767)	-	-	(359,661)
Closing at June 30, 2023	526,756	696,585	1,486,853	22,611	601,480	113,050	3,447,335
Net book value at June 30, 2023	\$ 894,614	\$ 6,809,292	\$ 905,557	\$ 44,162	\$ 2,144,520	\$ 209,950	\$ 11,008,095
	Trade Names	Customer Relationships	Developed Technology	Non-Compete Agreements	Order Backlog	Licensed Technology	Total
Cost:							
Opening at January 1, 2022	\$ 768,614	\$ 668,787	\$ 2,348,000	\$ 254,000	\$ -	\$ 323,000	\$ 4,362,401
Acquisitions	428,000	2,779,000	363,663	58,000	2,596,000	-	6,224,663
Hyperinflation adjustment	41,526	582,359	-	22,513	-	-	646,398
Foreign exchange revaluation	(30,154)	(422,880)	-	(16,349)	-	-	(469,383)
Additions	-	-	40,735	-	-	-	40,735
Closing at December 31, 2022	1,207,986	3,607,266	2,752,398	318,164	2,596,000	323,000	10,804,814
Accumulated Amortization:							
Opening at January 1, 2022	94,802	139,769	135,417	13,694	-	16,150	399,832
Acquisitions	-	-	11,618	-	-	-	11,618
Impairment	-	-	836,667	-	-	-	836,667
Amortization Expense	261,740	278,751	454,666	99,764	356,991	64,600	1,516,512
Closing at December 31, 2022	356,542	418,520	1,438,368	113,458	356,991	80,750	2,764,629
Net book value at December 31 2022	\$ 851,444	\$ 3,188,746	\$ 1,314,030	\$ 204,706	\$ 2,239,009	\$ 242,250	\$ 8,040,185

In the three and six months ended June 30, 2023, \$92,900 and \$170,849, respectively, of amortization expense is included in cost of revenue and \$423,500 and \$871,518, respectively, is included in administrative expenses in the consolidated statements of loss. In the three and six months ended June 30, 2022, \$107,308 and \$240,010, respectively, of amortization expense is included in cost of revenue and \$103,308 and \$380,269, respectively, is included in administrative expenses in the consolidated statements of loss.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

12. Goodwill

The following table provides information about the changes in goodwill.

	Six months ended June 30, 2023	Year ended December 31, 2022
Balance, January 1	\$ 10,938,785	\$ 6,908,953
Acquired through business combinations	8,989,657	5,574,906
Adjustment related to 2022 acquisition	8,926	
Hyperinflation adjustment	488,977	797,007
Foreign exchange revaluation	(444,241)	(578,748)
Impairment	(250,000)	(1,763,333)
Sale of asset	(3,512,196)	-
Ending Balance	\$ 16,219,908	\$ 10,938,785

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

Based on the sale of the Affinio cash generating unit ("CGU") (Note 24) management has performed a calculation at June 30, 2023 to determine whether the goodwill related to this CGU was impaired. The Affinio CGU was valued at its estimated fair value less potential costs of disposal. Based on the projections of the estimated fair value, management determined that the goodwill related to this CGU required a \$250,000 impairment with was recorded in the statement of loss during the three months ended March 31, 2023.

13. Property and equipment

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

	Computer Equipment	Software	Furniture and Fixtures	Vehicles	Other	Total
Opening at January 1, 2023	\$ 191,964	\$ -	\$ 20,704	\$ -	\$ 1,429	\$ 214,097
Acquisitions	94,103	31,878	10,928	21,453	265	158,627
Amortization	(84,372)	(21,695)	(8,310)	(1,836)	(1,429)	(117,642)
Additions	77,988	-	3,086	-	-	81,074
Disposals	(4,333)	-	-	-	-	(4,333)
Closing at June 30, 2023	\$ 275,350	\$ 10,183	\$ 26,408	\$ 19,617	\$ 265	\$ 331,823

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

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

14. Long-term debt

	Six months ended		Year ended	
	June 30, 2023		December 31, 2022	
Balance, January 1	\$	13,375,664	\$	1,418,751
Additions		6,176,373		9,009,008
Debt acquired on acquisition		2,933,613		3,800,000
Interest accrued		364,756		10,774
Repayments		(4,910,168)		(816,262)
Foreign exchange revaluation		14,622		(46,607)
Ending Balance	\$	17,954,860	\$	13,375,664
Current portion	\$	3,864,882	\$	2,127,244
Long-term portion	\$	14,089,978	\$	11,248,420

Long-term debt consists of:

- \$116,023 (December 31, 2022: \$116,023) related to a loan assumed upon acquisition of Signafire, which is collateralized by substantially all the assets and equity of Signafire and bears interest at 8%.
- \$621,924 (December 31, 2022: \$659,938) related to four unsecured, non-interest-bearing loans to Affinio, denominated in Canadian dollars. The debt was initially recorded at fair value, estimated using future payments discounted at a market rate of interest, with the adjustment amortized into profit and loss over the term of the debt as interest expense. The contractual principal owing at June 30, 2023, was \$ 832,365 (December 31, 2022: \$815,772).
- \$3,310,622 (December 31, 2022: \$3,583,713) related to a term loan to Allegient on April 6, 2022 bearing interest at 6.2%, with interest-only payments for three months and repayable over the following six years. The loan is secured by the assets of Allegient and NOW Guardian Inc. and is subject to standard financial covenants measured quarterly beginning on September 30, 2022.
- \$7,340,568 (December 31, 2022: 2,503,753) related to a \$7,000,000 term loan to NowVertical Group Inc. on December 23, 2022 bearing interest at the US prime rate plus 3.0% per annum. The \$1,350,000 term loan to Resonant was repaid with the proceeds from the \$4,500,000 draw made In January 2023.
- \$ 4,916,652 (December 31, 2022: \$5,160,237) related to a C\$7,000,000 term loan to NowVertical Canada Holdings Inc. on December 30, 2022, bearing interest at 5.9% per annum. The loan is secured by the assets of NowVertical UK Holdings Ltd and is subject to standard financial covenants measured quarterly beginning on June 30, 2023.
- \$56,721 related to a term loan to A10 Chile bearing interest at 4.53% per annum.
- \$1,592,349 related to four term loans to A10 Brazil bearing interest at 19.1% per annum.

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

2023	\$1,721,398
2024	\$3,284,727
2025	\$2,985,061
2026	\$3,229,157
2027	\$3,690,156
Thereafter	\$2,480,881

The Company is in compliance with all debt covenants as of June 30, 2023.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

15. Right of use asset

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

Opening at January 1, 2023	\$	232,319
Acquisitions		-
Amortization		(60,888)
Closing at June 31, 2023	\$	171,431
<hr/>		
Opening at January 1, 2022	\$	-
Acquisitions		328,158
Amortization		(95,839)
Closing at December 31, 2022	\$	232,319

16. Share capital

a) Authorized

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

b) Issued and fully paid

	Note	
January 1, 2023		65,078,417
Shares issued on private placement	16e	9,631,500
Shares issued on acquisition	16d	1,900,000
Shares issued related to acquisitions	16d	500,000
June 30, 2023		77,109,917
<hr/>		
January 1, 2022		62,042,151
Exercise of stock options	16c	5,968
Shares issued on acquisition	16d	600,000
Shares cancelled	16g	(21,000)
June 30, 2022		62,627,119

- c) Exercise of stock options – During the three months ending June 30, 2022, 5,968 stock options were exercised as a cashless exercise for a value of \$11,920.
- d) Shares issued related to acquisitions – On January 12, 2023, the Company issued 600,000 Subordinate Voting Shares ("SVS") in connection with the purchase of Smartlytics and 750,000 in connection with the purchase of Acrotrend. On February 2, 2023, the Company issued 550,000 SVS in connection with the purchase of A10. On May 11, 2023, the Company issued 500,000 SVS in connection with the purchase of Exonar. On April 6, 2022, the Company issued 600,000 SVS in connection with the acquisition of Allegient.
- e) Shares issued on private placement - On February 28, 2023, the Company closed a marketed public offering (the "Offering") of 9,631,500 units (the "Units") of the Company at a price of C\$0.52 per Unit for gross proceeds of \$3,690,964 (C\$5,008,380), which includes partial exercise of the over-allotment option. Each Unit consists of one subordinate voting share in the capital of the Company (a "Subordinate Voting Share") and one Subordinate Voting Share purchase warrant (a "Warrant") of the Company. Each Warrant is exercisable to acquire one Subordinate Voting Share at a price per Share of C\$0.80 for a period of 36 months following the closing of the Offering. In connection with the Offering, the Company paid the Agents a cash commission of C\$300,503, C\$131,001 in Agent fees and issued to the Agents 577,890 broker warrants, with each broker warrant entitling the holder thereof to purchase one Subordinate Voting Share at a price of C\$0.52 per Subordinate Voting Share for a period 36 months following February 28, 2023. The net proceeds raised amounted to \$3,373,098 (C\$4,576,876). The value of the warrants issued was \$1,156,127 and was estimated using the Black-Scholes option pricing model on the date of grant using the following assumptions: risk free rate of 4.17%, expected life 3 years,

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

expected volatility 70% based on comparable companies, forfeiture rate 0%, and dividend yield 0% and was recorded to warrants liability. The fair value of the warrants liability at June 30, 2023 was \$363,328 based on the closing price of C\$0.05 per Unit Warrant, and the difference of \$797,885 was recorded to the statement of loss including \$9,939 of exchange differences. The Company incurred \$164,963 in transaction expenses related to the Offering which were recorded in the statement of loss during the six months ended June 30, 2023.

f) Stock Options:

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

During the three and six months ended June 30, 2023 the Company recognized \$95,935 and \$169,710, respectively (three and six months ended June 30, 2022 \$79,024 and \$152,354, respectively) of share-based compensation. The fair value of the options granted were estimated using the Black-Scholes option pricing model on the date of grant using the following assumptions: risk free rate of 1.59% to 4.04%, expected life 4 years, expected volatility 78% based on comparable companies, forfeiture rate 12%, and dividend yield 0%.

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

	Six months ended			
	June 30, 2023		June 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, January 1	4,560,426	\$ 0.89	4,106,493	\$ 0.90
Granted	450,000	1.00	545,000	0.87
Forfeited	(755,984)	0.94	(304,000)	1.01
Exercised	-	-	(5,968)	0.82
Outstanding, June 30	4,254,442	\$ 0.89	4,341,525	\$ 0.88
Exercisable, June 30	2,728,198	\$ 0.84	2,848,159	\$ 0.83

The weighted average remaining life of the options outstanding as of June 30, 2023, is 8.31 years (2022: 8.02 years).

g) Shares cancelled – On June 16, 2022 210 PVS were cancelled due to the termination of an employee.

h) Warrants

In connection with the Unit offering on December 15, 2021, each of the 10,894,756 Units included one half of one purchase warrant (the Unit Warrants). Each of the 5,447,378 full Unit Warrants is exercisable at a price of C\$1.25 per warrant for a period of two years ending December 15, 2023 and entitles the holder to purchase one SVS. The Unit Warrants are freely traded. The fair value of the Unit Warrants of \$168,999 upon issuance was determined using the closing price of C\$0.04 per Unit Warrant on the date of issue. The fair value of the Unit Warrants was recorded to warrants liability and the balance of the proceeds was recorded to equity. Share issuance costs of \$19,159 were allocated to the warrants and expensed through profit and loss in the year ended December 31, 2021. The warrants liability is revalued at each reporting period using the closing price of the Unit Warrants on the reporting date. The fair value of the warrants liability at June 30, 2023 was \$20,549 (December 31, 2022: \$200,736), based on the closing price of C\$0.01 (December 31, 2022: C\$0.05) per Unit Warrant, and the difference of \$180,359 (2022: \$731,398) was recorded to the statement of loss including \$172 of exchange differences.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

In connection with the Debenture Unit offering on October 5, 2022 (Note 18), each of the 5,069 Units included 715 purchase warrants (the Unit Warrants). Each of the 3,624,335 full Unit Warrants is exercisable at a price of C\$1.05 per warrant for a period of 36 months following the closing date and entitles the holder to purchase one SVS. The Unit Warrants are freely traded. The fair value of the Unit Warrants of \$320,537 upon issuance was determined using the closing price of C\$0.12 per Unit Warrant on the date of issue. The fair value of the Unit Warrants was recorded to warrants liability and the balance of the proceeds was recorded to convertible debt. The warrants liability is revalued at each reporting period using the closing price of the Unit Warrants on the reporting date. The fair value of the warrants liability at June 30, 2023 was \$13,672 (December 31, 2022: \$133,557) based on the closing price of C\$0.01 (December 31, 2022: C\$0.05) per Unit Warrant, and the difference of \$119,999 was recorded to the statement of loss including \$114 of exchange differences.

In connection with the Offering on February 28, 2023, each of the 9,631,500 units included one Subordinate Voting Share purchase warrant (a "Warrant") of the Company. Each Warrant is exercisable to acquire one Subordinate Voting Share at a price per Share of C\$0.80 for a period of 36 months following the closing of the Offering. The value of the warrants issued was \$1,156,127 and was estimated using the Black-Scholes option pricing model on the date of grant using the following assumptions: risk free rate of 4.17%, expected life 3 years, expected volatility 70% based on comparable companies, forfeiture rate 0%, and dividend yield 0% and was recorded to warrants liability. The fair value of the warrant liability at June 30, 2023 was \$363,328 based on the closing price of C\$0.05 per Unit Warrant, and the difference of \$797,886 was recorded to the statement of loss including \$2,713 of exchange differences.

17. Loss per share

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

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

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

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Net loss	\$ (1,375,131)	\$ (1,267,765)	\$ (3,041,945)	\$ (3,088,234)
Weighted average shares outstanding, basic and diluted	76,884,642	62,605,328	73,418,710	62,327,867
Loss per share, basic and diluted	\$ (0.02)	\$ (0.02)	\$ (0.04)	\$ (0.05)

18. Convertible Debt

On October 5, 2022 the Company closed a marketed public offering of 5,069 Convertible Debenture Units ("Debenture Units") at a price of \$1,000 per Debenture Unit for total gross proceeds of C\$5,069,000 (net proceeds of USD \$3.3 million) with a maturity date of October 5, 2025. Each Debenture Unit consists of one 10% senior unsecured Convertible Debenture of the Company with a face value of C\$1,000 and 715 Class A subordinate voting share purchase warrants of the Company, representing 75% warrant coverage. Each Warrant is exercisable for one Subordinate Voting Share at a price of C\$1.25 per Subordinate Voting Share for a period of 36 months following the closing date. The Warrants are listed under the symbol "NOW.WT.A". The warrants have been classified as a liability and are revalued to fair value each quarter (Note 16). The Debenture Units include a conversion feature whereby the Principal Amount shall be convertible, for no additional consideration, into Class A Subordinate Voting Shares of the Company at the option of the holder (with the exception of the Company Conversion asset out below) in whole or in part at any time and from time to time prior to the earlier of: (i) the close of business on the Maturity Date, and (ii) the business day immediately preceding the date specified by the Company for redemption of the Convertible Debentures upon a change of control at a conversion price per share equal to C\$1.05 subject to adjustment in certain events (the "Conversion Price"). The Company will be entitled to force the conversion (the "Company Conversion") of the Principal Amount of the then outstanding Convertible Debentures at the Conversion Price on not more than 60 days' and not less than 30 days' notice (i) in the event that the daily volume weighted average trading price of the Subordinate Voting Shares on the TSXV is greater than C\$1.60 per share for 10 consecutive trading days of the Subordinate Voting Shares on the TSXV preceding such notice, or (ii) in connection with an equity or similar financing (either qualified by a prospectus or by way of private placement) involving Subordinate Voting Shares, or warrants exercisable for Subordinate Voting Shares, resulting in aggregate gross proceeds to the Company of not less than C\$12,500,000 (the "Qualified Financing"), in each case subject to the Company Conversion being permitted under the policies of the TSXV for any trading of the Subordinate Voting Shares at that time. If a Qualified Financing is completed at a price per

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

security that is lower than the Conversion Price (with such Conversion Price being calculated, in the case of warrants, by adding the issue and exercise price), the Conversion Price will be reduced to equal the greater of \$0.10 and the closing price of the Subordinate Voting Shares on the TSXV on the day before the press release announcing the Qualified Financing is disseminated, provided that, amount other things, the conditional approval of the TSXV is obtained. The conversion features was revalued at June 30, 2023 with a fair value of \$2,164 (December 31, 2022: \$337,235) and a gain of \$335,039 during the six months ended June 30, 2023 including \$29 of exchange differences.

19. Income tax provision

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

For the three and six months ended June 30, 2023, the Company recorded an income tax expense of \$503,172 and \$781,481, respectively (income tax benefit for three and six months ended June 30, 2022 \$659,443 and \$611,357, respectively) on pre-tax book loss of \$1,666,814 and \$2,272,993. The Company's effective tax rate for the three months and six months ended June 30, 2023 was 10.2% and 16.2% which differs from the Canadian statutory rate of 26.5% primarily due to certain pre-tax losses for which no benefit was recorded.

20. Cash flow adjustments and changes in working capital

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

	Six months ended	
	June 30, 2023	June 30, 2022
Non-cash adjustments in operating activities:		
Depreciation of property and equipment	\$ 117,642	\$ 22,407
Amortization of intangible assets	1,042,367	620,280
Deferred income tax expense (benefit)	781,481	(581,016)
Share-based compensation expense	169,702	152,354
Revaluation of equity consideration	(105,480)	(120,998)
Revaluation of contingent consideration	728,221	(230,267)
Revaluation of warrant liability	(1,098,243)	(1,036,428)
Revaluation of conversion features	(335,039)	-
Goodwill impairment	250,000	-
Loss on disposal of asset	57,351	-
Contingent compensation related to acquisitions	230,698	64,937
Interest expense	628,438	-
Investing income	(342,027)	-
Foreign exchange differences	258,564	201,457
Equity adjustment per IAS 29	-	98,666
	<u>\$ 2,383,675</u>	<u>\$ (808,608)</u>
Net changes in working capital:		
Change in deferred revenue	\$ (440,820)	\$ 2,274,971
Change in trade and other receivables	(1,206,177)	70,734
Change in unbilled revenue	1,124,009	(351,065)
Change in prepaid expenses and other current assets	813,220	(86,257)
Change in accounts payable	(1,007,008)	(1,796,904)
Change in accrued expenses and other liabilities	(4,114,707)	2,674,995
	<u>\$ (4,831,483)</u>	<u>\$ 2,786,474</u>
Non-cash disclosures in investment and financing activities:		
Shares issued on acquisition	\$ 1,124,395	\$ 383,000
Shares issued related to acquisitions	122,761	-
Cashless options exercised	-	11,920
	<u>\$ 1,247,156</u>	<u>\$ 394,920</u>

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

21. Administrative Expenses and Cost of Revenue

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Compensation and benefits	\$ 3,924,413	\$ 2,764,578	\$ 7,928,868	\$ 4,390,958
Professional fees	1,041,274	997,817	2,698,205	2,050,676
Marketing and advertising	148,456	302,366	373,207	491,423
Investor relations and filing fees	82,816	194,810	170,360	387,255
Product development	-	88,156	-	243,000
Office and other expenses	545,547	264,018	1,166,924	466,538
Travel expense	84,025	38,378	260,618	105,258
Depreciation	67,946	8,036	117,642	22,407
Amortization of intangible assets	448,018	276,962	871,518	380,270
Exchange (gain) / loss	(138,925)	(37,865)	(208,521)	(79,868)
Share-based compensation expense	95,935	79,024	169,702	152,354
Total administrative expenses	\$ 6,299,505	\$ 4,976,280	\$ 13,548,523	\$ 8,610,271

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Compensation and benefits	\$ 4,074,785	\$ 2,893,688	\$ 7,881,216	\$ 3,729,229
Subcontractor costs	3,323,341	1,153,751	5,954,667	1,231,478
Software and data expense	1,638,211	143,790	2,686,576	337,138
Amortization of intangible assets	77,949	240,010	170,849	240,010
Total cost of revenue	\$ 9,114,286	\$ 4,431,239	\$ 16,693,308	\$ 5,537,855

22. Financial Instruments and Risk Management

Fair value

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

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

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

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

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

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

Credit risk

The Company takes on exposure to credit risk, which is the risk that one party will cause a financial loss for another party by failing to discharge an obligation. The Company is exposed to the risk of non-payment of trade and other receivables balances. The Company's exposure to credit risk was \$13,705,643 at June 30, 2023 (December 31, 2022: \$4,703,310). The Company is also exposed to credit risk from cash held with banks and financial institutions. The maximum exposure is equal to the carrying value of the financial assets.

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

Liquidity risk

Liquidity risk is the risk that the Company might not be able to generate sufficient cash resources to settle its obligations in full as they fall due, or it can only do so on terms that are materially disadvantageous. The Company is exposed to liquidity risk through non-payment of its accounts payable, accrued expenses, other current liabilities, loans payable, and payables to previous shareholders. The Company's exposure to liquidity risk was \$37,162,703 at June 30, 2023 (December 31, 2022: \$27,846,595).

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

	Contractual Cash						Total
	Carrying Value	Flow	Year 1	Years 2 and 3	Years 4 and 5	Thereafter	
Long-term debt	\$ 17,954,860	\$ 17,391,380	\$ 1,721,398	\$ 6,269,788	\$ 6,919,313	\$ 2,480,881	\$ 17,391,380
Other long-term liabilities	1,717,392	1,717,392	1,668,397	48,995	-	-	1,717,392
Convertible debt	2,827,747	2,827,747	-	2,827,747	-	-	2,827,747
Consideration payable to acquired companies	5,988,067	5,988,067	5,988,067	-	-	-	5,988,067
Contingent consideration related to acquired companies	963,086	963,086	-	963,086	-	-	963,086
Total	\$ 29,451,152	\$ 28,887,672	\$ 9,377,862	\$ 10,109,616	\$ 6,919,313	\$ 2,480,881	\$ 28,887,672

The Company manages its capital structure on a consolidated level based on the funds available to it to support the continuation and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company defines capital to include share capital and its borrowings. Management intends to improve revenue and profitability of existing businesses by leveraging internal sales channels and other cross-entity synergies. In addition, management reduced the costs associated with the Company's global operating model by re-locating key service providers and key internal personnel roles from the U.S. to Canada during the year ended December 31, 2022 and the six months ended June 30, 2023 and will seek to continue to reduce the costs associated with its global operating model as it continues with plans to integrate acquired businesses. These internal activities and plans to raise additional funds through financings to support its working capital needs and to fund future cash accretive acquisitions using debt, are aimed at improving cash flows from operations, eliminating its working capital deficit and achieving its acquisition growth strategy. There can be no assurance, however, that the Company can reach profitability, successfully integrate acquired companies, continue to raise working capital financing, or source and fund future accretive acquisitions with debt.

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

Market risk

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

Currency risk

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

NowVertical Group Inc.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2023 and 2022

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

Interest rate risk

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

Price risk

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

23. Related party transactions

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

	Three months ended		Six months ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Salaries and bonuses	\$ 337,761	\$ 272,500	\$ 665,898	\$ 545,000
Share-based payments	65,448	30,122	116,640	63,150
Total related party transactions	\$ 403,209	\$ 302,622	\$ 782,538	\$ 608,150

24. Affinio Social Purchase Agreement

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

Effect of disposal on the financial position of the Company as at June 30, 2023:

Goodwill	\$ (3,512,196)
Intangibles, net	(917,339)
Deferred revenue	403,093
Net assets and liabilities	(4,026,442)
Consideration from sale	4,105,185
Transaction costs	(136,094)
Net loss on sale of asset	\$ (57,351)

Consideration received from sale includes deferred cash consideration of \$2.2 million, estimated earnouts based on future revenues, net of related costs, and an equity investment in Audiense Ltd.

25. Subsequent events

On August 1, 2023, 694,945 SVS shares were issued in connection with the purchase of Allegient.