

SNIPP INTERACTIVE INC.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in U.S. Dollars unless otherwise noted)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Snipp Interactive Inc.

Opinion

We have audited the consolidated financial statements of Snipp Interactive Inc. (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of operations and comprehensive income (loss), statements of changes in shareholders' equity and statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Restated Comparative Information

We draw attention to Note 16 to the consolidated financial statements, which describes that certain comparative information presented for the year ended December 31, 2021 and as at January 1, 2021 (which has been derived from the statements for the year ended December 31, 2020) has been restated. Our opinion is not modified in respect of this matter. Note 16 explains the reasons for the restatements and discloses the adjustments that were applied to restate certain comparative information.

The consolidated financial statements of the Company for the year ended December 31, 2021 and 2020 (not presented herein but from which the comparative information as at January 1, 2021 has been derived), excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on May 2, 2022.

As part of our audit of the consolidated financial statements for the year ended December 31, 2022, we also audited the adjustments described in Note 16 that were applied to restate certain comparative information presented for the year ended December 31, 2021 and as at January 1, 2021. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements for the years ended December 31, 2021 or 2020 (not presented herein), or the consolidated statement of financial position as at January 1, 2021. Accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the years ended December 31, 2021 or 2020 or the consolidated statement of financial position as at January 1, 2021 taken as a whole.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition – Loyalty and Reward Platform-as-a-Service

Refer to financial statement Note 2 – Significant accounting policies – Revenue from contracts with customers, and Note 4 – Segmented information

Description of the matter

The Company recognized revenue from its loyalty and reward platform-as-a-service contracts (“PaaS”) for the year ended December 31, 2022. Such contracts with customers often involve one or multiple distinct services and span over multiple fiscal periods with different recognition patterns. The Company concluded that its PaaS contracts consisted of a distinct performance obligation to stand ready to provide a series of distinct services driven by the Company’s platforms, which are substantially the same and have the same pattern of transfer (the “platform services”), as well as a distinct performance obligation to fulfill reward. Revenue derived from the platform services is recognized over the contract service period while revenue from the reward fulfillment is recognized at a point in time. In addition, the Company charges upfront fees from customers for setup and configuration of the platforms to enable the customers to receive the Company’s platform services.

We identified recognition of revenue related to loyalty and reward platform-as-a-service as a key audit matter, including deferral and recognition over multiple fiscal periods, as a key audit matter as significant judgements and estimates are required by management to:

- Identify the distinct performance obligations;
- Allocate the consideration; and
- Determine whether the upfront setup services transfer a distinct benefit to the Company’s customers.

How our audit addressed the Key Audit Matter

Our audit procedures relating to the above matter included the following, among others:

- Obtained understanding of and assessed the Company’s revenue recognition policy by reading a sample of the contracts entered into during the current year;
- Examined a sample of contracts, client change requests, and agreed key contractual terms including pricing, contract terms, and billing terms and conditions to accounting records;
- Assessed the appropriateness of management’s conclusion on number of distinct performance obligations within contracts;
- Evaluated the appropriateness of the judgement that upfront setup and configuration services do not transfer a distinct benefit and that revenue from these services should be recognized when other services within contracts are provided;
- Evaluated the allocation of consideration between performance obligations based on standalone selling price; and
- Reviewed evidence for service period and recalculated the revenue to ensure accuracy.

Revenue Recognition – Loyalty Gaming Service

Refer to financial statement Note 2 – Significant accounting policies – Revenue from contracts with customers, and Note 4 – Segmented information

Description of the matter

The Company recognized revenue from its loyalty gaming service for the year ended December 31, 2022. Revenue is primarily derived from the contract with one major customer, which consists of multiple promises and spans into multiple periods. The Company concluded that such contract consisted of one single performance obligation to stand ready to provide gaming service as a loyalty solution to the customer.

We identified revenue recognition related to loyalty gaming service as a key audit matter as significant judgements and estimates are required by management to:

- Evaluate the distinct performance obligation of the contract; and
- Measure the progress of satisfaction of performance obligation.

How our audit addressed the Key Audit Matter

Our audit procedures relating to revenue recognition included the following, among others:

- Obtained understanding of and assessed the Company's revenue recognition from loyalty gaming service by reading the contract with the major customer;
- Confirmed with the major customer the major terms and transaction details during the year;
- Tested a sample of transactions during the year to evaluate whether management's estimate on performance obligation satisfaction average timing is appropriate; and
- Evaluated accuracy of revenue recognition by comparing our test results to management's computations.

Evaluation of Fair Value of Acquired Technology Asset

Refer to financial statement Note 2 – Significant accounting policies – Business combinations; Note 15 – Acquisition of Gambit

Description of the matter

On February 18, 2022, the Company completed the acquisition of Gambit Digital Promotions Inc. ("Gambit"). Pursuant to the acquisition agreement, the Company purchased all the issued and outstanding common shares of Gambit for a total consideration of \$3,620,000 of which \$300,000 was paid in cash and \$3,320,000 was paid with 20,524,925 common shares of the Company to the shareholders of Gambit (the "Snipp Consideration Shares"). On acquisition date, the Company identified a technology asset as the only intangible asset acquired, with an estimated fair value of \$620,000.

Management determined the acquisition-date fair value of the acquired technology asset using a valuation model, which applies significant assumptions related to what a market participant would pay to acquire or construct a comparable asset. The significant assumptions include estimated cost and time to construct the technology asset by using a third-party vendor, cost of equity required, and obsolescence. The Company engaged a valuator ("management's expert") to estimate the acquisition-date fair value of the acquired technology asset.

We identified the evaluation of fair value of acquired technology asset as a key audit matter due to the magnitude of the balance and the significant auditor judgement and specialized skills and knowledge required in applying and evaluating our audit procedures regarding the valuation approach and significant assumptions used by management in determining the acquisition-date fair value of the acquired technology asset.

How our audit addressed the Key Audit Matter

Our audit procedures to address the matter included the following, among others:

- Analyzed the purchase agreements to obtain an understanding of the key terms and conditions to identify the necessary accounting considerations;
- Assessed the competence, capabilities and objectivity of management's expert;
- Assessed the appropriateness of the estimated cost and time to construct the technology asset using a third-party vendor by comparing to the acquiree's historical results and other publicly available data including current costing;
- Assessed the appropriateness of obsolescence by comparing to other technology platforms in the Company and publicly available industry benchmarks;
- Calculated the estimated fair value independently in comparison to the estimated fair value provided by management;

- With the assistance of internal valuation specialists:
 - Evaluated the appropriateness of management's valuation approach and methodology;
 - Assessed the reasonableness of the cost of equity required;
 - Reviewed the accuracy and appropriateness of independent calculation and estimation of the fair value of acquired technology asset;
 - Evaluated the appropriateness of the methodology used by management's expert in determining the fair value of the Snipp Consideration Shares; and
- Assessed the adequacy of the Company's disclosures within the notes to the financial statements in relation to this matter.

Other Information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis (MD&A), but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cameron Rustad.

RSM Canada LLP

Chartered Professional Accountants
December 18, 2023
Calgary, Alberta

SNIPP INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in U.S. Dollars)
As at

		December 31, 2022	December 31, 2021	December 31, 2020
			(Restated – Note 16)	(Restated – Note 16)
ASSETS				
Current				
Cash	(Note 3)	\$ 5,550,714	\$ 1,744,618	\$ 1,916,047
Accounts receivable, net of expected credit loss of \$60,875 (2021, 2020 - \$60,875)		2,515,616	1,418,832	843,617
Deferred costs, current		237,459	335,943	187,980
Deposits, prepaid expenses and other assets		805,852	908,654	420,964
		9,109,641	4,408,047	3,368,608
Deferred costs, non-current				
Advances	(Note 15)	-	300,000	-
Equipment	(Note 5)	20,507	19,116	17,527
Intangible assets	(Note 6)	2,609,516	2,243,955	2,674,796
Goodwill	(Note 6, 15)	3,516,363	-	-
		\$ 15,496,526	\$ 7,104,578	\$ 6,096,009

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities				
Accounts payable and accrued liabilities		\$ 3,337,291	\$ 1,954,041	\$ 2,740,289
Deferred revenue		2,788,522	3,026,250	2,328,627
Due to related parties	(Note 7)	34,265	3,181	19,468
Loan - Payroll Protection Program	(Note 12)	-	-	294,400
		6,160,078	4,983,472	5,382,784
Shareholders' equity				
Common shares	(Note 8)	38,146,376	29,655,367	29,621,734
Reserves	(Note 8)	6,478,898	5,906,420	5,816,463
Deficit		(33,539,936)	(32,145,316)	(33,602,790)
Accumulated other comprehensive loss		(1,748,890)	(1,295,365)	(1,122,182)
		9,336,448	2,121,106	713,225
		\$ 15,496,526	\$ 7,104,578	\$ 6,096,009

Nature of operations and going concern (Note 1)

Commitment (Note 11)

Approved and authorized by the Board of Directors on December 18, 2023.

“Atul Sabharwal” Director
Atul Sabharwal

“Sarfaraz Haji” Director
Sarfaraz Haji

The accompanying notes are an integral part of these consolidated financial statements.

SNIPP INTERACTIVE INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

(Expressed in U.S. Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021 <i>(Restated – Note 16)</i>
REVENUE (Note 4)	\$ 24,663,943	\$ 14,354,455
EXPENSES		
Salaries and compensation (Note 7)	6,911,151	5,896,993
General and administrative	1,057,313	548,935
Campaign infrastructure	15,246,604	6,313,422
Professional fees	255,198	258,442
Marketing and investor relations	1,031,130	190,792
Travel	67,140	8,903
Bad debt expense	72,942	-
Amortization of intangible assets (Note 6)	1,086,832	1,159,565
Depreciation of equipment (Note 5)	9,185	7,586
Share-based payments (Notes 7 & 8)	670,553	103,957
	<u>26,408,048</u>	<u>14,488,595</u>
Net loss before interest, foreign exchange, other income and taxes	(1,744,105)	(134,140)
Interest income (expense)	54,565	7,018
Foreign exchange gain (loss)	325,261	(42,393)
Other income (Note 12)	-	1,646,354
Net income (loss) before tax provision	(1,364,279)	1,476,839
Provision for taxes (Note 14)	(30,341)	(19,365)
Net income (loss) for the year	(1,394,620)	1,457,474
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be subsequently reclassified to profit or loss		
Cumulative translation adjustment	(453,525)	(173,183)
Comprehensive income (loss) for the year	\$ (1,848,145)	\$ 1,284,291
Basic and diluted income (loss) per common share	\$ (0.01)	\$ 0.01
Weighted average number of common shares outstanding – basic	271,908,725	234,923,840
Weighted average number of common shares outstanding – diluted	271,908,725	248,578,743

The accompanying notes are an integral part of these consolidated financial statements.

SNIPP INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in U.S. Dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021 <i>(Restated – Note 16)</i>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss) for the year	\$ (1,394,620)	\$ 1,457,474
Items not involving cash:		
Amortization of intangible assets	1,086,832	1,159,565
Depreciation of equipment	9,185	7,586
Share-based payments	670,553	103,957
Bad debt expense	72,942	-
Impairment loss	-	-
Other income	-	(1,646,354)
Changes in non-cash working capital items:		
Accounts receivable	(1,169,626)	(575,215)
Deferred costs, current	98,484	(147,963)
Deferred costs, non-current	(107,039)	(98,382)
Deposits, prepaid expenses and other assets	120,648	(487,690)
Accounts payable and accrued liabilities	1,225,515	565,706
Deferred revenue	(624,631)	697,623
Due to related parties	31,084	(16,287)
Net cash flows generated by operating activities	19,327	1,020,020
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances	-	(300,000)
Net cash acquired on acquisition of Gambit	10,329	-
Additions to equipment	(11,716)	(9,333)
Additions to intangible assets	(876,425)	(786,049)
Net cash flows used in investing activities	(877,812)	(1,095,382)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from common shares issued	5,000,000	-
Share issuance costs	(48,378)	-
Proceeds from options exercised	121,312	19,633
Net cash flows provided by financing activities	5,072,934	19,633
Effect of exchange rate changes on cash	(408,353)	(115,700)
Change in cash for the year	3,806,096	(171,429)
Cash, beginning of year	1,744,618	1,916,047
Cash, end of year	\$ 5,550,714	\$ 1,744,618

Supplemental disclosure regarding cash flows (Note 9)

The accompanying notes are an integral part of these consolidated financial statements.

SNIPP INTERACTIVE INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Expressed in U.S. Dollars)

	Common Shares	Amount	Reserves	Accumulated Other Comprehensive Loss	Deficit (<i>Restated</i> – <i>Note 16</i>)	Total Shareholders' Equity
Balance, December 31, 2020 (Note 16)	234,830,571	\$ 29,621,734	\$ 5,816,463	\$ (1,122,182)	\$ (33,602,790)	\$ 713,225
Stock options exercised	387,667	33,633	(14,000)			19,633
Share-based payments	-	-	103,957	-	-	103,957
Cumulative translation adjustment	-	-	-	(173,183)	-	(173,183)
Net income for the year	-	-	-	-	1,457,474	1,457,474
Balance, December 31, 2021 (Note 16)	235,218,238	\$ 29,655,367	\$ 5,906,420	\$ (1,295,365)	\$ (32,145,316)	\$ 2,121,106
Stock options exercised	1,594,666	219,387	(98,075)			121,312
Share-based payments	-	-	670,553	-	-	670,553
Gambit acquisition shares issued	20,524,925	3,320,000	-	-	-	3,320,000
Private placement shares issued	25,000,000	5,000,000	-	-	-	5,000,000
Financing issuance costs	-	(48,378)	-	-	-	(48,378)
Cumulative translation adjustment	-	-	-	(453,525)	-	(453,525)
Loss for the year	-	-	-	-	(1,394,620)	(1,394,620)
Balance, December 31, 2022	282,337,829	\$ 38,146,376	\$ 6,478,898	\$ (1,748,890)	\$ (33,539,936)	\$ 9,336,448

The accompanying notes are an integral part of these consolidated financial statements.

1 NATURE OF OPERATIONS

Snipp Interactive Inc. (the “Company” or “Snipp”), a reporting issuer listed on the TSX Venture Exchange trading under the symbol SPN.V, was incorporated under the Business Corporations Act (British Columbia) on January 21, 2010 and its business is to provide a full suite of mobile marketing, rebates and loyalty solutions in the US, Canada and internationally.

Unless otherwise indicated in these consolidated financial statements, references to “\$” are to U.S. dollars.

The registered address, head office, principal address and records office of the Company are located at Suite 1700, 666 Burrard Street, Vancouver, BC, V6C 2X8, Canada.

The consolidated financial statements were authorized for issuance by the Board of Directors on December 18, 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). The policies applied in these consolidated financial statements are based on IFRS in effect as at December 31, 2022.

Basis of presentation

The consolidated financial statements have been prepared on a historical cost basis, except for financial instruments classified as financial instruments at fair value through profit and loss, which are stated at their fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Principles of consolidation

These consolidated financial statements include the accounts of the Company and entities controlled by the Company, being its wholly-owned legal subsidiaries Snipp Interactive Inc., which was incorporated in Delaware, USA, Snipp Interactive (India) Private Limited, which was incorporated in India, Snipp Interactive Limited, which was incorporated in Ireland, Snipp Interactive AG, which was incorporated in Switzerland, Gambit Rewards Inc., which was incorporated in Delaware, USA, from February 18, 2022 until date of merger into Snipp Interactive Inc. on June 30, 2022, and Gambit Digital Promotions Inc., which was incorporated in British Columbia, Canada, from February 18, 2022 until date of dissolution and transfer of all its assets and liabilities into Snipp Interactive Inc. on June 30, 2022. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits 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.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Equipment

Equipment is recorded at cost and depreciated over their estimated useful lives as follows:

Office Equipment	3-5 years	Straight-line
Computer Equipment	3-5 years	Straight-line

Intangible assets

Intangible assets are recorded at cost when internally generated assets and at fair value when acquired during a business acquisition. Intangible assets are amortized over their estimated useful lives as follows:

Software platform	5 years	Straight-line
Acquired intellectual property	5 years	Straight-line
Acquired customer relationships	5 years	Straight-line

Software platform

Certain costs incurred in connection with the development of software to be used internally or for providing services to customers are capitalized once a project has progressed beyond a conceptual, preliminary stage to that of application development. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Research and development activities that do not meet the criteria above are expensed as incurred. During the year ended December 31, 2022, \$233,272 of research and development costs were expensed. During the year ended December 31, 2021, \$213,431 of research and development costs were expensed.

Costs that qualify for capitalization include both internal and external costs. These costs are amortized over their expected useful lives estimated at 5 years. Residual values are reviewed at the end of each reporting period and adjusted if appropriate.

Acquired intellectual property

The Company acquired intellectual properties from various acquisitions. The acquired intellectual properties are an intelligent learning platform, a customer loyalty management platform and a rewards platform. These acquired intellectual properties are being amortized over the estimated useful life of 5 years.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue from contracts with customers

IFRS 15 requires a single, principles-based, five-step model for the recognition of revenue when control of goods is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligation(s) in the contract, determine the transaction price, allocate the transaction price to each performance obligation and recognize revenue as each performance obligation is satisfied. The Company only recognizes revenue when collection is reasonably assured. If collection is not considered reasonably assured, revenue is recognized only once all amounts are collected. Revenue is recorded net of rebates. Amounts billed in excess of revenue recognized to date on an arrangement by arrangement basis are classified as deferred revenue, whereas revenue recognized in excess of amounts billed is classified as accrued receivables and included as part of accounts receivable.

Many of the Company's arrangements with customers include multiple performance obligations which are delivered at varying times. In these cases, the Company treats the delivered items as separate performance obligations of accounting if they are distinct, being separately identifiable and providing value to the customer on a standalone basis. The Company provides a full suite of promotions-related marketing services in the US, Canada and internationally, and generates revenue by designing and developing software solutions, platform licensing, receipt processing services, reward fulfilment and reward gaming. Design and development, platform services, licensing, receipt processing, and reward fulfilment services are often included within a single contract. In these contracts, design and development, platform services, licensing, receipt processing are all included as a single performance obligation, while reward fulfilment services are a separate performance obligation. The Company's revenue in 2022 was comprised of \$15,530,823 recognized at a point in time and \$9,133,120 recognized over time. The Company's revenue in 2021 was comprised of \$6,404,227 recognized at a point in time and \$7,950,228 recognized over time.

Design and development of software solutions provides customers with the creation of campaign specific software to facilitate end user engagement and participation in our customer's promotional campaigns. The design and development services are provided as part of a performance obligation that includes multiple services, and are recognized over the term that the performance obligation is delivered. Platform licensing and related service agreements provide customers the right to access the Company's software platform for promotions and loyalty programs that are used to validate purchases, provide rewards and generate data analytics on transactions, on a subscription basis. The length of these platform licensing agreements varies as some are linked to the customer's short-term promotional campaigns which can range in length from four to twelve weeks and others may be linked to the customer's longer-term loyalty-based programs and be subscribed to on an annual or multiyear basis. Licensing revenues are recognized over the term that the performance obligation is delivered.

Reward fulfilment involves various third-party rewards being procured and delivered to our customer's end users who participate in their promotional campaigns. These reward fulfilment solutions are typically part of agreements that include a subset of the other product offerings listed above. The length of these services varies as some are linked to the customer's short-term promotional campaigns which can range in length from four to twelve weeks and others may be linked to the customer's longer-term loyalty-based programs and be for an annual or multiyear basis. Funds are collected from customers in advance and included in deferred revenue until reward fulfilment services occur, at which point these are recognized in revenue. There are refund obligations for any amounts collected that are above the actual usage of rewards fulfilled when the service period has concluded. These refund amounts are reclassified out of deferred revenue and into accounts payable. Reward fulfilment revenues are recognized on a gross basis based on the Company acting as the principal in these arrangements.

The Company acquired Gambit Digital Promotions Inc. (Note 15) and as a result of that acquisition acquired an online free-to-play sports gaming platform and a corresponding rewards product that generates revenue by the issuance of tokens ("Tokens") to our customer's end users. Our customers enter into a contract with the Company to provide Tokens to their end users and by doing so the Company generates revenue and bills monthly based on the number of Tokens issued to the end users. Token revenues are recognized over the average use period of the Tokens. These Tokens can be played or wagered within the online sports gaming platform with the intention of winning additional Tokens which can then be exchanged for various prizes.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Critical judgement and accounting estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period relate to provisions for receivables, amortization and depreciation, impairment testing, determining the risk free rate of return, expected volatility and future market conditions when calculating the fair value of stock options and warrants, and determining fair values of financial instruments. Actual results could differ from these estimates due to the underlying uncertainty that could result in a material adjustment to the carrying amounts of assets, liabilities, and equity in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- i) The recoverability of accounts receivable and the expected credit loss allowance that are included in the consolidated statements of financial position are based on historical collection and anticipated credit risk of customers.
- ii) The inputs used in accounting for share-based payments expense included in profit and loss calculated using the Black-Scholes option pricing model (Note 8).
- iii) The carrying value of intangible assets (capitalized software platform, customer relationships and intellectual property) that are included in the consolidated statements of financial position are based on management assessments of the recoverable amount of the asset. As well, management estimates on the capitalized costs that are directly attributable to the development of the intangible asset (Note 6).
- iv) Business combinations require management to exercise judgment in measuring the fair value of purchase consideration and to identify and estimate the fair values of assets acquired and liabilities assumed. Judgment is also required in determining whether an acquisition is a business combination or asset acquisition under IFRS 3 Business Combinations.
- v) The timing of revenue recognition, determination of transaction prices, and the allocation of transaction prices to each performance obligation, require management to exercise judgement in determining when performance obligations have been completed.

Business combinations

The acquisition of a business is accounted for using the acquisition method. The consideration for an acquisition is measured at the aggregate of the fair values, at the date of exchange, of the assets transferred, the liabilities incurred to former owners of the acquired business, and equity instruments issued by the acquirer in exchange for control of the acquired business. The acquired business' identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for income taxes which are measured in accordance with IAS 12, Income Taxes. To the extent that the aggregate of the fair value of consideration paid, the amount of any noncontrolling interest and the fair value of any previously held interest in the acquiree exceeds the fair value of the net identifiable tangible and intangible assets, goodwill is recognized. To the extent that this excess is negative, the excess is recognized as a gain in income.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Income taxes

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case the income tax is also recognized directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to offset the amounts and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously. Deferred tax is recognized in respect of all qualifying temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Foreign currencies

IFRS requires that the functional currency of each entity in the consolidated group be determined separately and that each entity's financial results and position should be measured using the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian Dollar, the functional currency of its wholly-owned legal subsidiaries are:

Snipp Interactive Inc., - U.S. Dollar;
Snipp Interactive (India) Private Limited, - Indian Rupee;
Snipp Interactive Limited, - European Euro;
Snipp Interactive AG, - Swiss Franc;

The presentation currency of the Company's consolidated financial statements is the U.S. dollar ("\$"). Under IFRS, when the Company translates the financial statements of entities from their functional currency to the presentation currency, assets and liabilities are translated into U.S. dollars at the exchange rate in effect at the end of the reporting period. Common shares, warrants, reserves, accumulated other comprehensive income, and deficit are translated into U.S. dollars at historical exchange rates. Revenues and expenses are translated into U.S. dollars at the average exchange rate for the period. Foreign exchange gains and losses on translation to presentation currency are included in other comprehensive loss. Within each entity, transactions denominated in foreign currencies are translated into the functional currency using the exchange rate in effect at the dates of the transactions, and monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the end of the reporting period. Gains and losses arising on settlement of foreign currency denominated transactions or balances are included in profit or loss.

Foreign exchange gains and losses on intercompany loans receivable from foreign operations, for which settlement is neither planned nor likely to occur in the foreseeable future are recognized in other comprehensive income and accumulated in a separate component of equity, irrespective of the currency the intercompany loan is denominated in. In substance, such an item forms part of the Company's net investment in the foreign operation. Such items are reclassified from equity to profit or loss on disposal of the net investment in foreign operations.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments

Fair value

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The carrying value of cash, accounts receivable excluding sales tax, due to related parties, accounts payable and accrued liabilities, and loans approximate their fair value because of the short-term nature of these instruments.

(a) Classification

All of the Company's financial instruments are categorized as amortized cost.

(b) Measurement

Financial assets

Financial assets at Fair Value Through Other Comprehensive Income ("FVTOCI")

Elected investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Currently there are no investments held at FVTOCI.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value, plus adjustments for transaction costs, and then subsequently measured at amortized cost using the effective interest rate method, with gains and losses recorded as a charge against earnings. Transaction costs related to financial assets measured at fair value, through the consolidated statements of profit or loss, are expensed as incurred.

Financial assets at Fair Value Through Profit or Loss ("FVTPL")

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the consolidated statements of profit or loss in the period in which they arise. Currently there are no financial assets held at FVTPL.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or amortized cost. Currently there are no financial liabilities held at FVTPL.

Financial liabilities classified as amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument or, where appropriate, a shorter period.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

(c) Impairment of financial assets at amortized cost

A financial asset carried at amortized cost is considered impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flow of that asset and that the estimated future cash flow of that asset can be estimated reliably. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For trade receivables, the Company uses a combined approach of specific account identification and a provision matrix to estimate the lifetime expected impairment. For all other financial assets, the Company uses specific identification to determine the amount of expected impairment. Losses are recognized in the consolidated statement of profit or loss and reflected as an expected credit loss allowance against the financial asset. When a subsequent event causes the amount of the allowance to decrease, the decrease in allowance is reversed through the consolidated statement of profit or loss.

Impairment

Non-financial assets

The carrying amounts of the Company's definite-life non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit", or "CGU"). An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which goodwill relates. Where the recoverable amount of the CGU, including goodwill, is less than its carrying value, an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods. The Company has fully integrated its business acquisitions and therefore the Company has one single CGU which is tested for impairment annually.

Earnings per share and loss per share

Earnings per share or loss per share is calculated by dividing the net profit or loss attributable to common shareholders by the weighted number of common shares outstanding during the period. Basic earnings per share only include shares that were actually outstanding during the period. Potential ordinary shares (convertible securities such as employee options and warrants) are only included in the computation of diluted earnings per share when their conversion decreases earnings per share or increases loss per share from continuing operations. Further, potential ordinary shares that are converted during the period are included in the diluted earnings per share only until the conversion date, and since that date they are included in the basic earnings per share. All options and warrants were anti-dilutive with respect to loss per share.

2 SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Share-based payments

The Company uses the fair value method whereby the Company recognizes compensation costs for the granting of all stock options and direct awards of stock based on their fair value over the period of vesting using the Black-Scholes option pricing model. Any consideration paid by the option holders to purchase shares is credited to common shares.

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity settled share-based payment transactions and measured at the fair value of goods or services received. If the fair value of the goods or services received cannot be estimated reliably, the share-based payment transaction is measured at the fair value of the equity instruments granted at the date the Company receives the goods or the services. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payment is measured at the fair value of goods or services received.

Assets recognized from the costs to obtain or fulfill a contract with a customer

Management exercises judgement in determining the amount of costs incurred to fulfill a contract with a customer and has approximated these costs as 25% of the contract value based on industry benchmarks. These costs are then amortized over the term of the customer contract. Contracts that cover multiple fiscal years result in a portion of these costs being deferred at the end of each fiscal year to be recognized in future periods and recognized as an asset on the statement of financial position as deferred costs and current and non-current depending on the timing of when these costs will be recognized. Total opening deferred costs for 2021 were \$223,058, with additional deferred costs of \$360,691 added in 2021, less \$114,346 of deferred costs amortized in 2021, resulting in total closing deferred costs for 2021 of \$469,403. Total opening deferred costs for 2022 were \$469,403, with additional deferred costs of \$396,033 added in 2022, less \$387,478 of deferred costs amortized in 2022, resulting in total closing deferred costs for 2022 of \$477,958.

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3 CASH

Cash in the consolidated financial statements of financial position comprise of cash deposits held in financial institutions. The balance at December 31, 2022 and 2021 consists of cash on deposit with major Canadian and US banks.

	December 31, 2022	December 31, 2021
Cash on deposit	\$ 5,550,714	\$ 1,744,618
Total	\$ 5,550,714	\$ 1,744,618

4 SEGMENTED INFORMATION

IFRS 8 “Operating Segments” defines an operating segment as i) a component of an entity that engages in business activities from which it may earn revenues and incur expenses; ii) whose operating results are regularly reviewed by the entity’s chief operating decision maker (the Company’s CEO) to make decisions about resources to be allocated to the segment and to assess its performance; and iii) for which discrete financial information is available.

The Company’s management and chief operating decision maker reviews performance of the Company on a consolidated basis and has integrated its products and services as one operating segment, which provides a full suite of mobile marketing and loyalty services in the United States, Canada, Ireland and internationally.

Geographic information

The Company has one operating segment, which provides a full suite of mobile marketing and loyalty services in the United States, Canada, Ireland and internationally.

For the Company’s geographically segmented non-current assets (equipment and intangible assets), the Company has allocated based on location of assets as follows:

	December 31, 2022	December 31, 2021
United States	\$ 994,038	\$ 469,065
Canada	771,151	1,009,687
Ireland	863,892	776,207
International	942	8,112
Total	\$ 2,630,023	\$ 2,263,071

For the Company’s geographically segmented revenue, the Company has allocated revenue based on the location of the customer, as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
	(Restated – Note 16)	
United States	\$ 20,857,453	\$ 10,652,916
Canada	2,542,593	2,652,551
Ireland	857,189	803,702
International	406,708	245,286
Total	\$ 24,663,943	\$ 14,354,455

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5 EQUIPMENT

December 31, 2022									
	Opening cost balance	Additions	Additions from business acquisitions		Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the year	Closing depreciation balance
Office Equipment	\$ 18,026	\$ -	\$ -	\$ -	\$ -	\$ 18,026	\$ 18,026	\$ -	\$ 18,026
Computer Equipment	<u>221,599</u>	<u>11,716</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>233,315</u>	<u>201,986</u>	<u>9,185</u>	<u>211,171</u>
	\$ 239,625	\$ 11,716	\$ -	\$ -	\$ -	\$ 251,341	\$ 220,012	\$ 9,185	\$ 229,197

December 31, 2021									
	Opening cost balance	Additions	Additions from business acquisitions		Disposals	Closing cost balance	Opening accumulated depreciation	Depreciation during the year	Closing depreciation balance
Office Equipment	\$ 18,026	\$ -	\$ -	\$ -	\$ -	\$ 18,026	\$ 17,880	\$ 146	\$ 18,026
Computer Equipment	<u>212,266</u>	<u>9,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,599</u>	<u>194,546</u>	<u>7,440</u>	<u>201,986</u>
	\$ 230,292	\$ 9,333	\$ -	\$ -	\$ -	\$ 239,625	\$ 212,426	\$ 7,586	\$ 220,012

6 INTANGIBLE ASSETS AND GOODWILL

Intangible assets

December 31, 2022									
	Opening cost balance	Additions	Additions from business acquisitions		Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the year	Closing amortization balance
Software platform	\$ 7,920,633	\$ 876,425	\$ 630,000	\$ -	\$ -	\$ 9,427,058	\$ 5,950,092	\$ 981,832	\$ 6,931,924
Intellectual property	<u>3,020,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,020,000</u>	<u>2,836,294</u>	<u>105,000</u>	<u>2,941,294</u>
	\$ 10,940,633	\$ 876,425	\$ 630,000	\$ -	\$ -	\$ 12,447,058	\$ 8,786,386	\$ 1,086,832	\$ 9,873,218

December 31, 2021									
	Opening cost balance	Additions	Additions from business acquisitions		Disposals	Closing cost balance	Opening accumulated amortization	Amortization during the year	Closing amortization balance
Software platform	\$ 7,134,584	\$ 786,049	\$ -	\$ -	\$ -	\$ 7,920,633	\$ 4,895,527	\$ 1,054,565	\$ 5,950,092
Intellectual property	<u>3,020,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,020,000</u>	<u>2,731,294</u>	<u>105,000</u>	<u>2,836,294</u>
	\$ 10,154,584	\$ 786,049	\$ -	\$ -	\$ -	\$ 10,940,633	\$ 7,626,821	\$ 1,159,565	\$ 8,786,386

Goodwill

The carrying amount of goodwill at December 31, 2022 was \$3,516,363. The Company considers the full business to be a single identifiable group of assets that generates cash inflows. The Company performed an impairment test on its CGU at December 31, 2022, the recoverable amount of this CGU based on its value in use, using a discounted future cash flow model. The recoverable amount of the CGU exceeded its carrying value as at December 31, 2022. The key assumptions used in the discounted future cash flow model include a discount rate of 10% and a terminal value multiple of 1.0x.

7 RELATED PARTY TRANSACTIONS AND BALANCES

Key management includes members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Legal Officer, the Chief Technology Officer, the Chief Operating Officer, and the Chief Marketing Officer. The aggregate compensation paid, or payable, to key management personnel included in salaries and compensation during the years ended December 31, 2022 and 2021 were \$1,396,749 and \$747,977, respectively. At December 31, 2022, \$34,265 was due to officers and directors (2021 - \$3,181).

The amounts due to related parties represent unpaid salaries and compensation and unpaid reimbursable expenses. The amounts are non-interest bearing, unsecured and have no specified terms of repayment. During the year ended December 31, 2022, key management personnel received share-based payments of \$653,465 (2021 - \$33,244) corresponding to the fair value of stock options that vested during the year.

8 SHAREHOLDERS' EQUITY

Authorized

Unlimited common shares, without par value

Unlimited preferred shares, without par value, issuable in series:

Unlimited Series 1 voting preferred shares, without par value, redeemable at C\$0.0001 per share

Share issuances

On April 14, 2022, the Company completed a non-brokered private placement financing comprised of 25,000,000 common shares at a price of \$0.20 per share for gross proceeds of \$5,000,000. No commissions or finder's fees were paid in connection with this financing. The Company paid legal fees and filing fees of \$48,378 (C\$61,073) associated with the financing and included in financing issue costs.

Stock options

On December 30, 2021, disinterested shareholders approved and the Company adopted an amended fixed number incentive stock option plan which was previously approved on December 3, 2020 (the "Option Plan") which provides that a committee of the Board of Directors appointed in accordance with the Option Plan (the "Committee") may from time to time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers and consultants of the Company, non-transferable options to purchase common shares ("Options"), reserving 47,043,647 shares, being 20% of the Company's issued and outstanding shares as at December 30, 2021. Such Options will be exercisable for a period of up to 10 years from the date of grant. Vesting terms are determined at the time of grant by the Committee.

In fiscal 2022, the Company recognized share-based payments expense of \$670,553 corresponding to the vesting of stock options that were granted during the year ended December 31, 2022 and stock options that were granted during prior years. 10,252,779 options granted remain to be vested in future periods.

In fiscal 2021, the Company recognized share-based payments expense of \$103,957 corresponding to the vesting of stock options that were granted during the year ended December 31, 2021 and stock options that were granted during prior years. At December 31, 2021, 1,166,666 options granted remained to be vested in future periods.

8 SHAREHOLDERS' EQUITY (cont'd...)

Stock options (cont'd...)

In fiscal 2022, the Company recognized share-based payments expense of \$670,553 corresponding to the vesting of stock options that were granted and vested during the year ended December 31, 2022 and stock options that were granted during prior years. In fiscal 2022, the Company granted 10,000,000 options on June 12, 2022 with an exercise price of C\$0.145 and 3,000,000 options on July 12 2022 with an exercise price of C\$0.115. All options granted in fiscal 2022 have a five year expiry date from the date of grant. The options were valued at \$1,193,997. The following assumptions were used for the Black-Scholes valuation of options granted in fiscal 2022 (Risk-free interest rate: 3.11%-3.38%; expected life of option: 5.0 years; annualized volatility: 125%; dividend rate: 0.00%). All stock options have been granted with exercise prices in Canadian dollars.

In fiscal 2021, the Company recognized share-based payments expense of \$103,957 corresponding to the vesting of stock options that were granted and vested during the year ended December 31, 2021 and stock options that were granted during prior years. In fiscal 2021, the Company granted 600,000 options on April 20, 2021. All options granted in fiscal 2021 have an exercise price of C\$0.13 and have a five year expiry date from the date of grant. The options were valued at \$49,965. The following assumptions were used for the Black-Scholes valuation of options granted in fiscal 2021 (Risk-free interest rate: 0.74%; expected life of option: 5.0 years; annualized volatility: 125%; dividend rate: 0.00%). All stock options have been granted with exercise prices in Canadian dollars.

Stock option activity is presented below:

	Number of Options	Weighted Average Exercise Price C\$	Weighted Average Share Price C\$
Outstanding, December 31, 2020	15,036,880	0.11	
Cancelled	(1,417,833)	0.08	
Exercised	(387,667)	0.06	0.18
Granted	600,000	0.13	
Expired	(1,672,880)	0.38	
Outstanding, December 31, 2021	12,158,500	0.08	
Cancelled	(248,500)	0.07	
Exercised	(1,594,666)	0.10	0.14
Granted	13,000,000	0.14	
Expired	(856,000)	0.10	
Outstanding, December 31, 2022	22,459,334	0.11	

The weighted average remaining life of the stock options outstanding is 3.46 years as at December 31, 2022. As at December 31, 2022, the following stock options are outstanding and exercisable:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price C\$	Expiry Date
250,000	250,000	\$0.065	14-Sep-23
3,526,000	3,526,000	\$0.10	26-Oct-23
58,334	38,889	\$0.05	08-Jun-25
500,000	333,333	\$0.05	31-Aug-25
500,000	333,333	\$0.05	01-Oct-25
4,025,000	4,025,000	\$0.05	07-Dec-25 to 08-Dec-25
600,000	450,000	\$0.13	20-Apr-26
10,000,000	3,250,000	\$0.145	12-Jun-27
3,000,000	-	\$0.115	12-Jul-27
22,459,334	12,206,555		

9 SUPPLEMENTAL DISCLOSURE REGARDING CASH FLOWS

	Year Ended December 31, 2022	Year Ended December 31, 2021
Cash paid during the year for interest	\$ (54,565)	\$ (7,018)
Cash paid during the year for income taxes	30,341	19,365
Transactions not involving cash:		
There were no significant non-cash investing and financing activities in fiscal 2022 and 2021		

10 CAPITAL MANAGEMENT

The Company defines capital as all components of shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management due to the nature of the Company's business. The Company does not pay dividends. The Company is not subject to any externally imposed capital requirements. There has been no change in the Company's capital management from fiscal 2021 to fiscal 2022. Management reviews these policies on an ongoing basis.

11 COMMITMENT

The Company has leased office space in Ireland. The remaining term of the lease is 1.3 years. Future remaining minimum lease payments as at December 31, 2022 are as follows:

2023	\$ 29,477
2024	9,826
	<u>\$ 39,303</u>

12 OTHER INCOME, GOVERNMENT LOAN AND SUBSIDY FUNDS

The Company has received funds under two programs, each designed to support American and Canadian small businesses in keeping their workforces employed during the COVID-19 crisis.

During the year ended December 31, 2020, the Company's wholly owned United States subsidiary received a one-time loan of \$294,400 from the United States' Small Business Administration ("SBA") under the Payroll Protection Program ("PPP") of the CARES Act. During the year ended December 31, 2021, the SBA has forgiven the \$294,400 loan amount.

The Company has also received funds from the Canadian Emergency Wage Subsidy ("CEWS") program totaling \$23,609 (C\$ 29,975) and has recognized the amounts received as other income in the statements of operations during the year ended December 31, 2021.

During the year ended December 31, 2021, the Company recognized other income in the amount of \$1,646,354 corresponding to \$23,609 from the CEWS, \$294,400 from SBA loan forgiveness, and \$1,328,345 from the write down of accounts payable and accrued liabilities that were deemed no longer collectable by third parties based on statutory limitations.

13 FINANCIAL INSTRUMENTS

Financial risk factors

The Company's risk exposures and the impact on the Company's consolidated financial statements are summarized below.

Credit risk

Financial instruments that potentially subject the Company to a significant concentration of credit risk consist primarily of cash and accounts receivable excluding sales tax. The Company places its cash with major financial institutions to limit risk from cash. The maximum exposure to credit risk is equal to the fair value or carrying value of the related financial assets. The Company's receivables consist of amounts due from customers. Some customers settle their accounts past normal trade terms and in cases where amounts become uncollectible the Company recognizes bad debt expense to write off the uncollectible amounts. At December 31, 2022, the Company had approximately \$22,000 (December 31, 2021 - \$289,137) in amounts due from customers greater than 90 days and during fiscal 2022 recognized bad debt expense of \$72,492 (2021 - \$nil). At December 31, 2022, the Company's accounts receivable included two customers with balances making up 53% and 17% of accounts receivable. During the year ended December 31, 2022, revenue from one customer made up 25% of the Company's total revenue. At December 31, 2021, the Company's accounts receivable included three customers with balances making up 14%, 10% and 11% of accounts receivable. During the year ended December 31, 2021, revenue from one customer made up 12% of the Company's total revenue.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. Management is of the opinion that sufficient working capital is available from its financings and will be obtained from operations to meet the Company's liabilities and commitments as they come due. All current liabilities will be settled within one year of the balance sheet date. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The Company announced on May 31, 2018 that it secured a two-million-dollar credit facility with Bridge Bank. The credit facility is an accounts receivable line of credit to provide the Company with additional working capital and is secured by the Company's accounts receivable and intellectual property, consisting of all recognized and unrecognized intangible assets. As at December 31, 2022, the Company had a zero balance on the credit facility. The credit facility bears interest at prime plus 1.75%. During the year ended December 31, 2022 and December 31, 2021, the Company incurred \$nil in interest expense.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices. Such fluctuations may be significant.

a) Interest rate risk

The Company is exposed to interest rate risk to the extent that the cash maintained at financial institutions is subject to a floating rate of interest. The interest rate risks on cash and on the Company's obligations are not considered significant. A plus or minus 1% change in interest rates would affect profit or loss by approximately \$21,000 (2021 - \$nil).

b) Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations related to cash, accounts receivable, accounts payable and accrued liabilities that are denominated in a foreign currency. As at December 31, 2022, the Company held cash as well as accounts payable and accrued liabilities denominated in the Canadian dollar, European Euro, Swiss Franc, and Indian Rupee and considers foreign currency risk low. The majority of the Company's foreign currency amounts are held in Canadian dollars and there are no material balances held in other currencies. A plus or minus 1% change in Canadian foreign exchange rates would affect profit or loss and comprehensive profit or loss by less than \$5,000 (2021 - \$2,000).

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13 FINANCIAL INSTRUMENTS (cont'd...)

b) Foreign currency risk (cont'd...)

The following table summarizes the Company's exposure to the Canadian currency:

	December 31, 2022 C\$	December 31, 2021 C\$ (Restated – Note 16)
Cash	137,202	350,785
Accounts receivable	131,613	609,446
Accounts payable and accrued liabilities	<u>(752,312)</u>	<u>(1,161,384)</u>
Total	(483,497)	(201,153)

14 INCOME TAXES

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 27% (2021 - 27%) to the effective tax rate is as follows:

	Year ended December 31, 2022	Year ended December 31, 2021 (Restated – Note 16)
Net income (loss) before income taxes	\$ (1,364,279)	\$ 1,476,839
Expected income tax (recovery) expense at statutory rates	(368,355)	398,747
Effect on income taxes of:		
Non-deductible expenses	185,728	(312,236)
Foreign exchange rate translation, tax rate changes and other adjustments	168,985	47,729
Change in tax benefits not recognized	<u>43,983</u>	<u>(114,875)</u>
Income tax expense	\$ 30,341	\$ 19,365

The following table summarizes the components of deferred tax:

	December 31, 2022	December 31, 2021
Deferred tax assets:		
Operating tax losses carried forward - US	\$ 123,250	\$ 58,100
Deferred tax liabilities:		
Equipment and intangible assets	(123,250)	(58,100)
Net deferred tax liability	\$ -	\$ -

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14 INCOME TAXES (cont'd...)

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	December 31, 2022	December 31, 2021
		(Restated – Note 16)
Temporary differences:		
Equipment	\$ 4,396,540	\$ 3,779,380
Share issuance and financing costs	38,470	40,129
Non-capital loss carry forwards	30,565,170	41,773,146
	<u>\$ 35,000,180</u>	<u>\$ 45,592,655</u>

The Canadian and U.S. operating tax loss carry forwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company has non-capital losses available for carryforward as follows:

Canada \$9,691,080 expiring 2025-2042
USA \$16,338,440 expiring 2035-2040
USA \$696,970 does not expire
Ireland \$3,792,130 expiring 2033-2042
Switzerland \$46,550 expiring 2039-2040

15 ACQUISITION OF GAMBIT

On February 18, 2022, the Company completed the acquisition of Gambit Digital Promotions Inc. (“Gambit”). Pursuant to the acquisition agreement, the Company has purchased all of the issued and outstanding common shares of Gambit in consideration for \$5 million of which \$0.3 million was paid in cash (paid prior to December 31, 2021 and recorded as advances) and \$4.7 million was paid with 20,524,925 common shares of the Company to the Gambit shareholders (the “Snipp Consideration Shares”). The Snipp Consideration Shares were issued at a deemed price of C\$0.2903 being the 10-day trailing volume weighted average price of the common shares of Snipp on the TSX-V prior to the date of announcement of the transaction on January 11, 2022. The market price of the Company's common shares declined from the announcement date to the closing date, resulting in the fair value of the Snipp Consideration Shares issued being valued at \$3.33 million and the total fair value of all consideration paid to be \$3.63 million.

In addition, the former Gambit shareholders may also qualify for additional consideration in the form of an earn-out over the next 3 years based on achieving certain revenue milestones at predefined margins, which earn-out can, at the sole discretion of the Company be paid out in cash or in common shares of Snipp priced at the 90-day trailing volume weighted average price of the common shares of Snipp on the TSX-V prior to the last day of the applicable earn-out year. Specifically, the earn-out is earned and payable if annual revenue from the Gambit business less Gambit rewards redeemed with adjustments for discounts and rebates, is greater than \$2.5 million. If the earn-out is triggered, then the earn-out amount will be equal to 50% of the amount exceeding \$2.5 million. The earn-out amounts if triggered will not be payable to the former Gambit shareholders if a specific key employee resigns or is terminated for cause during the earn-out period. Since the earn-out is directly linked to the continued employment of a specific key employee for the length of the earn-out period, the Company will account for any earn-out payments as compensation to be recognized through profit or loss. The total earn-out has a maximum limit of \$25 million.

Gambit’s revenues of \$6,184,265 and net loss of \$717,464 are included in the consolidated statements of operations and comprehensive loss. The contribution to the Company’s consolidated revenues and net loss for the year ended December 31, 2022 would have been \$7,143,000 and \$829,000, respectively, had the Gambit acquisition occurred on January 1, 2022.

The fair value of the net liabilities of Gambit prior to closing was as follows:

Cash and cash equivalents	\$	10,329
Accounts receivable		100
Deposits, prepaid expenses and other assets		17,846
Technology asset		630,000
Accounts payable and accrued liabilities		(157,735)
Deferred revenue		(386,903)
	\$	113,637

The Company’s purchase price allocation is as follows:

Net assets acquired	\$	113,637
Goodwill		3,516,363
	\$	3,630,000

Goodwill corresponds to the workforce acquired, future growth and is a result of excess purchase consideration over the fair value of identifiable net assets acquired.

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16 RESTATEMENTS

During the year ended December 31, 2022, the Company identified an error in its revenue recognition policy that impacted prior periods. Previously the Company considered many of its arrangements with customers to include multiple performance obligations, however the services provided to customers were determined to not be distinct as a result of customers not being able to benefit from the individual services on their own or with other resources that are readily available to the customers. The Company identified and reassessed revenue contracts that impacted prior periods based on its modified revenue recognition policy. Accordingly, the consolidated financial statements for the year ended December 31, 2021, and the consolidated statement of financial position at January 1, 2021, have been restated to reflect adjustments made. There was no change in the consolidated statements of changes in shareholders' equity other than the below deficit and net income changes.

The following table shows the impact of the changes to the adjusted lines of financial statements.

	December 31, 2021			January 1, 2021		
	As previously reported	Adjustments	December 31, 2021 As restated	As previously reported	Adjustments	January 1, 2021 As restated
Consolidated Statement of Financial Position						
Accounts receivable	2,236,602	(817,770)	1,418,832	1,244,028	(400,411)	843,617
Deferred costs, current	-	335,943	335,943	-	187,980	187,980
Deferred costs, non-current	-	133,460	133,460	-	35,078	35,078
Deferred Revenue	1,933,165	1,093,085	3,026,250	1,739,940	588,687	2,328,627
Deficit	(30,703,864)	(1,441,452)	(32,145,316)	(32,836,750)	(766,040)	(33,602,790)
Consolidated Statement of Operations and Comprehensive Income						
Revenue	15,276,212	(921,757)	14,354,455			
Campaign infrastructure	6,559,767	(246,345)	6,313,422			
Net income before interest, foreign exchange, other income and taxes	541,272	(675,412)	(134,140)			
Net income before tax provision	2,152,251	(675,412)	1,476,839			
Net income for the year	2,132,886	(675,412)	1,457,474			
Comprehensive income for the year	1,959,703	(675,412)	1,284,291			
Consolidated Statement of Cash Flows						
Net income for the year	2,132,886	(675,412)	1,457,474			
Changes in non-cash working capital items:						
Accounts receivable	(992,574)	417,359	(575,215)			
Deferred costs, current	-	(147,963)	(147,963)			
Deferred costs, non-current	-	(98,382)	(98,382)			
Deferred revenue	193,225	504,398	697,623			