

Lumine Group Inc.

Form 51-102F4

BUSINESS ACQUISITION REPORT

1. Identity of Company

1.1. Name and Address of Company

Lumine Group Inc. (the “**Company**”)
5060 Spectrum Way, Suite 100
Mississauga, Ontario
L4W 5N5

1.2. Executive Officer

Caroline Khachehtoori
647-469-8295
caroline.khachehtoori@luminegroup.com

2. Details of Acquisition

2.1. Nature of Business Acquired

On February 22, 2023, the Company acquired 100% of the outstanding shares of WideOrbit Inc. (“WideOrbit”). WideOrbit is a US domiciled, software business that primarily operates in the advertising market for cable networks, local television stations and radio stations.

2.2. Acquisition Date

February 22, 2023

2.3. Consideration

The Company completed the acquisition of 100% of the shares of WideOrbit for a purchase price of US\$490,000,000 which was funded through a combination of cash, repayment of WideOrbit debt, and the issuance of 10,204,294 special shares (“**Special Shares**”). The Company obtained the cash portion of the purchase price from its indirect parent, Constellation Software Inc. (“**Constellation**”), in exchange for issuing 8,348,967 preferred shares to a wholly owned subsidiary of Constellation.

The gross purchase price is subject to customary adjustments, as a result of, but not limited to, minimum cash requirements of US\$10,000,000, target net indebtedness of US\$86,700,000, and claims under the representations and warranties of the acquisition agreement. The Company has the ability to reduce the cash portion of the purchase consideration by US\$10,000,000 for

net indebtedness up to US\$96,700,000. If net indebtedness is greater than this, the excess repayment would be funded by the Company and added to the gross purchase price. Pursuant to the terms of the acquisition agreement, eligible shareholders of WideOrbit elected to rollover a portion of their WideOrbit common shares into Special Shares of the Company.

2.4. Effect on Financial Position

Included in this report are the audited consolidated financial statements for WideOrbit for the year ended December 31, 2022 and audited comparative financial statements for the year ended December 31, 2021 that reflect the financial position of WideOrbit.

The Company currently has no plans or proposals for material changes in its business affairs or the affairs of WideOrbit which may have a significant impact on the financial performance and financial position of the Company.

2.5. Prior Valuations

None.

2.6. Parties to Transaction

The transaction was not with an informed person, associate or affiliate of the Company as such terms are defined under applicable securities laws.

2.7. Date of Report

March 15, 2023

3. Financial Statements and Other Information

The following financial statements and related notes thereto are included as part of this report:

- a) *Audited consolidated financial statements of WideOrbit for the year ended December 31, 2022, and audited comparative financial statements for the year ended December 31, 2021.*

WIDEORBIT

Consolidated Financial Statements

As of and for the years ended December 31, 2022 and 2021, and

Independent Auditor's Report

All amounts are in USD rounded to the nearest thousand

WIDEORBIT INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders of WideOrbit Inc.:

Opinion

We have audited the consolidated financial statements of WideOrbit Inc. and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of profit or loss, comprehensive income, changes in equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company, and have fulfilled our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits, which include relevant ethical requirements in the United States of America and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern at least, but not limited to, 12 months from the end of the reporting period, 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and ISAs will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and ISAs, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the group audit of the Company. We remain solely responsible for our audit opinion.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



San Francisco, United States of America
March 14, 2023

WIDEORBIT INC.**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS****(In thousands)**

		Year Ended December 31,	
	Notes	2022	2021
Revenue	5	\$ 169,399	\$ 166,595
Cost of sales	6	51,920	51,714
Gross profit		\$ 117,479	\$ 114,881
General and administrative expenses	6	23,400	21,556
Research and development	6	39,803	36,846
Sales and marketing	6	11,437	10,767
Impairment of intangible assets	6	-	263
Impairment of right of use asset	6	-	1,634
Other expense, net	8	29	150
Profit from operations		\$ 42,810	\$ 43,665
Finance costs	7	(17,669)	(22,879)
Loss on fair valuation of warrants		(7,087)	(2,445)
Gain on sale of cash generating unit		-	39,060
Profit before tax		\$ 18,054	\$ 57,401
Income tax expense	22	4,017	14,872
Profit for the year		\$ 14,037	\$ 42,529

WIDEORBIT INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)

	Year Ended December 31,	
	2022	2021
Profit for the year	\$ 14,037	\$ 42,529
Other comprehensive income:		
<i>Item that is or may be reclassified to profit or loss:</i>		
Exchange loss on translation of foreign operations net of tax	(13)	(171)
Total comprehensive income for the year	\$ 14,024	\$ 42,358

WIDEORBIT INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In thousands)

	Notes	December 31,	
		2022	2021
ASSETS			
Non-current assets:			
Property, plant and equipment	9	\$ 2,204	\$ 1,483
Right-of-use assets	10	5,905	8,139
Goodwill	11	7,092	7,092
Intangible assets	12	1,343	1,884
Deferred tax assets	22	15,237	6,386
Contract asset - noncurrent		7,029	9,175
Other long-term assets		379	661
Total non-current assets		\$39,189	\$ 34,820
Current assets			
Inventories	13	480	781
Prepayments and other current assets		4,414	4,190
Trade receivables	14, 16	16,794	15,386
Income tax receivables - current		6,726	16
Contract asset - current	16	15,714	16,189
Cash and cash equivalents	15, 16	14,958	57,674
Total current assets		\$ 59,086	\$ 94,236
Total assets		\$ 98,275	\$ 129,056
LIABILITIES AND EQUITY			
Non-current liabilities			
Borrowings	18	109,494	154,108
Lease liabilities	10	5,559	8,240
Deferred revenue - noncurrent	5	1,016	2,064
Warrant liabilities	16, 17	12,053	4,965
Other long-term liabilities		109	1,134
Total non-current liabilities		\$ 128,231	\$ 170,511
Current liabilities			
Accounts payable	19	3,509	3,815
Accrued expenses	19	13,654	12,638
Deferred revenue	5	7,224	10,340
Borrowings - current portion	18	499	752
Lease liabilities - current portion	10	3,395	3,783
Income tax payable - current portion	22	3,171	6,223
Total current liabilities		\$ 31,452	\$ 37,551
Total liabilities		\$ 159,683	\$ 208,062
EQUITY			
Share capital and share premium		10,453	6,879
Retained earnings		(71,810)	(85,847)
Other comprehensive income reserve - Cumulative Translation Adjustment		(51)	(38)
Total equity		\$ (61,408)	\$ (79,006)
Total liabilities and equity		\$ 98,275	\$ 129,056

WIDEORBIT INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands)

	Share capital and premium	Accumulated other comprehensive income (loss)	Retained earnings	Total
Balance as of December 31, 2020	\$ 4,662	\$ 133	\$ (128,436)	\$ (123,641)
Profit for the year	-	-	42,529	42,529
Other comprehensive income	-	(171)	-	(171)
Total comprehensive income for the year	-	(171)	42,529	42,358
Transactions with owners in their capacity as owners:				
Distribution from WideOrbit Ltd.	-	-	59	59
Issuance of common stock upon exercise of stock options	755	-	-	755
Stock-based compensation	233	-	-	233
Stock-based compensation tax benefit	1,230	-	-	1,230
Balance as of December 31, 2021	6,879	(38)	(85,847)	(79,006)
Profit for the year	-	-	14,037	14,037
Other comprehensive income	-	(13)	-	(13)
Total comprehensive income for the year	-	(13)	14,037	14,024
Transactions with owners in their capacity as owners:				
Issuance of common stock upon exercise of stock options	729	-	-	729
Stock-based compensation	22	-	-	22
Stock-based compensation tax benefit	2,823	-	-	2,823
Balance as of December 31, 2022	\$ 10,453	\$ (51)	\$ (71,810)	\$ (61,408)

WIDEORBIT INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Year Ended December 31,	
	2022	2021
Operating Activities		
Profit before tax	\$ 18,054	\$ 57,401
Adjustments to reconcile profit after tax to net cash flow from operating activities:		
Interest expense	17,669	22,879
Reserve for (recovery of) accounts receivable	35	77
Stock compensation expense	22	233
Impairment charge	-	263
Depreciation and amortization	2,960	4,637
Loss on extinguishment of debt	1,848	2,619
Gain on sale of cash generating unit	-	(39,323)
Loss on fair valuation of warrants	7,087	2,445
Changes in operating assets and liabilities		
Accounts receivable	(1,443)	8,909
Unbilled accounts receivable	2,622	(7,255)
Inventories	301	(445)
Prepaid expenses and other assets	(5,675)	11,423
Accounts payable, accrued, and other liabilities	3,744	(10,146)
Deferred revenue	(4,165)	(1,941)
Interest paid	(15,880)	(20,708)
Income tax paid	(20,162)	(1,250)
Net cash generated from operating activities	\$ 7,017	\$ 29,818
Investing Activities		
Acquisition of property and equipment	(523)	(1,077)
Disposal of reporting unit	-	40,107
Net cash provided by (used in) investing activities	\$ (523)	\$ 39,030
Financing Activities		
Proceeds from exercise of stock options	729	756
Principal payments on leases	(3,240)	(2,927)
Repayments of borrowings on term loan	(46,629)	(32,326)
Net cash used in financing activities	\$ (49,140)	\$ (34,497)
Effects of foreign exchange on cash and cash equivalents	(70)	(104)
Cash provided during the year	(42,716)	34,247
Cash and cash equivalents at the beginning of the year	57,674	23,427
Cash and cash equivalents at the end of the year	\$ 14,958	\$ 57,674

WIDEORBIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 and 2022

Corporate Information

WideOrbit Inc. (“WideOrbit”) is a leading provider of advertising management technology for cable networks, local television stations and radio stations. WideOrbit’s vision is to make it easier to buy and sell advertising. Broadcasters and networks leverage WideOrbit solutions to streamline operations, maximize revenue from traditional, digital and programmatic channels, and extend their business across distribution platforms. WideOrbit was incorporated in the State of Delaware in July 1999 and is headquartered in San Francisco, California with offices across the United States.

1) Statement of compliance with IFRS

The consolidated financial statements, which include WideOrbit and its wholly owned subsidiaries, are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of Directors on March 14, 2023.

2) Summary of significant accounting policies

a) *Basis of Preparation*

WideOrbit’s consolidated financial statements have been prepared on an accrual basis of accounting under the historical cost convention except for certain financial assets and liabilities that are measured at fair value. The consolidated financial statements are expressed in United States Dollars (USD) and are rounded to the nearest thousands.

b) *Basis of Consolidation*

Financial statements are consolidated between WideOrbit and all subsidiaries as of a fiscal year-end. Intercompany balances are eliminated as appropriate upon consolidation. All subsidiaries follow the same accounting policies as the parent company to ensure consistent reporting. All subsidiaries are wholly owned, and WideOrbit has no non-controlling interest to consider for consolidation purposes.

c) *Foreign and Functional Currency*

The consolidated financial statements are presented in USD which is also the functional currency of WideOrbit. Subsidiaries’ functional currencies are their local currencies (GBP and EUR) and as such, the statements of financial position of the subsidiaries are translated into USD using the spot exchange rate as of the end of business on the last day of the fiscal year. The Statements of Income are translated into USD using the average exchange rates for the year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Gains and losses resulting from the translation of the subsidiary statements of financial position are recorded as a component of accumulated other comprehensive income or loss. The functional currency for all entities has remained unchanged throughout the reporting periods shown on these financial statements.

WIDEORBIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022

d) *Revenue Recognition*

WideOrbit derives revenue from advertising management software products and related services, and advertising and content delivery services. WideOrbit accounts for revenue according to International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers*.

WideOrbit determines revenue recognition through the following five-step framework:

- Identify the contract with a customer
- Identify performance obligations
- Determine the transaction price
- Allocate the transaction price
- Recognize revenue

Under IFRS 15, revenue is recognized upon transfer of products or services to customers in an amount that reflects the consideration WideOrbit expects to be entitled to in exchange for such products or services. WideOrbit enters into contracts containing multiple product lines or services which are capable of being separate distinct performance obligations. In these arrangements, WideOrbit assesses the contract to allocate the transaction price on a relative standalone selling price (SSP) basis using SSPs updated at least annually.

WideOrbit assesses collectability based on the creditworthiness of customers as determined by credit checks and customer payment history before entering into a contract. WideOrbit's core software contracts are noncancelable, have no obligation for refunds, and WideOrbit retains the ability to stop transferring goods and services at any point in time. Where consideration received does not align with the value of transferred goods and services, WideOrbit expects the related consideration to be received within a year. Invoice payment terms are established at the customer level without regard to specific performance obligations, with invoices typically due in 30 to 60 days.

Sales tax collected from customers is not included in revenue, but rather recorded as a liability due to WideOrbit's obligation to the respective taxing authorities.

Term License & Support - WideOrbit's contracts with customers frequently include on-premise, fixed term subscription licenses which provide a customer with the rights to use software solutions provided by WideOrbit. For most of these on-premise software solutions, WideOrbit's managed support and update services are so integral to the ongoing functionality that the on-premise solution and the accompanying coterminous managed services are unable to be distinct. Because the elements of these types of solutions are unable to be distinct, these are single performance obligation contracts and revenues are recognized ratably over the term of the agreement.

In situations involving certain product lines, WideOrbit's managed services are not so integral to the ongoing functionality of the solution and therefore the licenses and services are distinct performance obligations, and the transaction price is allocated to the performance obligations using relative SSP. Because the elements of these types of solutions are able to be distinct, they are separate performance obligations in their contracts and revenues related to support are recognized ratably over the term of the agreement while licenses are recognized upon transfer of control. For purposes of disaggregation both the licenses and support services are within Term License & Support.

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YEARS ENDED DECEMBER 31, 2022

Cloud solutions – Hosted cloud solutions are sold on contracts with customers which allows customers the right to use and access the platforms without taking possession of the software over a contracted term. Cloud solutions are recognized ratably over the non-cancellable contract term. For purposes of disaggregation, revenue related to these solutions are within Term License & Support.

Standalone Support – WideOrbit provides managed support services to accompany its software licenses. In some situations, WideOrbit will sell an on-premise perpetual license for which the customer can renew said support without purchasing any other services and therefore, the software license and accompanying managed services surrounding support services are capable of being distinct. Managed services are recognized ratably over the non-cancellable term of the contract. For purposes of disaggregation, revenue related to these solutions are within Term License & Support.

Professional Services – To the extent they are sold on a stand-alone basis, professional services are recognized as services are performed or upon completion of the project.

Data, Royalties & Other – On certain contracts with customers WideOrbit assesses fees on a transaction basis for using its software solutions. In these arrangements, there is typically not a minimum fee outside of the regular software fee and therefore such fees consist entirely of variable revenue. Variable revenue is constrained until such time as the transactions arise, and WideOrbit believes that the most likely amount of consideration is calculated on a per transaction basis. To the extent that these services are sold with other performance obligations, WideOrbit applies appropriate transaction allocation using relative SSP.

Advertising and Content Delivery Services – WideOrbit's products include access to online and cloud-based interfaces which enable buyers and sellers to purchase and sell advertising, and solutions for customers to deliver content to their audiences.

For *advertising services*, WideOrbit generally bills its customers for the gross amount of the advertising purchases plus any fees and remits to a seller the amount paid by the customer less WideOrbit's fees. WideOrbit may also bill customers a service charge, generally invoiced monthly. The determination of whether WideOrbit is the principal or agent, and hence whether to report advertising services revenue on a gross basis for the amount of the buyer's purchase using WideOrbit's solution, or on a net basis for the retained fees, requires WideOrbit to evaluate a number of indicators, none of which is presumptive or determinative. Factors considered include that advertising pricing is generally determined by the seller and that WideOrbit does not purchase advertising inventory. As a result of these and other factors, WideOrbit has determined it is not the principal in the purchase and sale of advertising in all of its arrangements and therefore reports advertising services revenue on a net basis. Advertising revenue is recognized upon completion of a transaction when an impression has been delivered. For contracts with a monthly commitment, WideOrbit recognizes the monthly minimum as revenue each month.

For *content delivery services*, WideOrbit generally bills customers for a base monthly content delivery usage and specifies the rate at which the customer must pay for actual usage above the monthly minimum. For contracts with a monthly commitment, WideOrbit recognizes the monthly minimum as revenue each month. Should a customer's usage of WideOrbit's services exceed the monthly minimum, revenue for such excess is recognized in the year of additional usage.

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Hardware – Hardware is generally sold in conjunction with perpetual licenses and support to the customer as a bundle. WideOrbit has no ongoing maintenance requirement or ongoing warranty requirement for hardware sold. Hardware is capable of being distinct within the context of the contract and does not meet any of the criteria to be recognized over -time, therefore, it is recognized at a point in time in which control transfers from WideOrbit to the customer. Of note, WideOrbit has not experienced a frequent or significant volume of returns or refunds, therefore, its refund liability is zero. At least annually, WideOrbit reassesses the need for a refund liability.

Software License Sales – As sold in a bundle with the managed services and hardware as listed above, WideOrbit at times provides on-premise perpetual licenses. These licenses are capable of being distinct from the support and are recognized upon transfer of control to the customer.

Contract Assets and Liabilities – These are made up of exclusively unbilled and deferred revenue which amounts to contracts in which performance has been satisfied but not yet billed or the inverse.

Costs to Obtain – WideOrbit has determined that its remuneration to employees based on aggregated executed contract payments represents an ongoing account management fee rather than a conventional cost of obtaining a contract. Therefore, these sales incentive payments are not capitalized.

e) ***Cost of Sales and Operating Expenses***

WideOrbit reports expenses by function on its statement of profit or loss by natural classification or as the expense was incurred.

f) ***Transaction Costs Associated with Debt***

The transaction costs associated with borrowings have been considered using the effective interest method in accordance with IFRS 9.

g) ***Intangible Assets***

Intangible assets acquired separately are measured at cost upon initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life, or the expected pattern of consumption of future economic benefits embodied in the asset, are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category consistent with the function of the intangible asset.

(i) ***Goodwill***

Goodwill represents the future economic benefits arising from other assets acquired in a business combination or an acquisition that are not individually identified and separately recorded. The

WIDEORBIT INC.

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YEARS ENDED DECEMBER 31, 2022

excess of the purchase price over the estimated fair value of net assets of businesses acquired in a business combination is recognized as goodwill. After initial recognition, goodwill is measured at cost less any accumulated impairment losses, with the carrying value being reviewed for impairment at least annually and whenever events or changes in circumstances indicate that the carrying value may be impaired. Goodwill is allocated to each cash generating unit or group of cash generating units which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is recognized as an asset and tested annually for impairment, or more frequently if there is an indication of impairment. Testing for impairment involves comparing the recoverable amount of a cash generating unit with the carrying amount. Any identified impairment loss is first allocated to the goodwill and the remaining impairment loss is allocated to the cash generating unit and to other assets of the cash generating unit on a pro rata basis.

(ii) Acquired Intangible Assets and Impairment

WideOrbit's other intangible assets are made up of customer relationships and backlogs, developed technology, non-compete agreements and trade names acquired as a result of previous acquisition activity. The purchase price was allocated to the identifiable assets and liabilities based on their estimated fair values at the acquisition date. WideOrbit engaged an independent third party to assist with the determination of the fair value of certain identifiable intangible assets. In determining the fair value of the purchased intangible assets, WideOrbit made various estimates and assumptions from significant unobservable inputs (Level 3). The fair value of the developed technology and trade name was valued using the relief from royalty method. The fair value of customer relationships and customer backlog was valued using the excess earnings method. The fair value of purchased identifiable intangible assets was determined using projected financial information.

<u>Description</u>	<u>Estimated Useful Lives</u>
Customer relationships	6 years
Developed technology	10-13 years
Customer backlog	3 years
Software	6 years

(iii) Research and development and internally developed software

WideOrbit's research and development costs are expensed as incurred except for when these costs meet the requirements for capitalization under IFRS which requires management judgement. To date, no research and development costs have met the criteria for capitalization under IFRS. Projects within research and development are analyzed for capitalization criteria upon initiation and monitored periodically throughout the project.

h) Property, Plant & Equipment

The carrying amount of property and equipment is recorded at cost less deduction for accumulated depreciation and any impairment losses. Acquisition cost includes the purchase price and costs directly attributable to the asset in order to bring it into place in the right condition to be used as intended. The assets' residual values and useful life are reviewed, and adjusted if appropriate, at

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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each statement of financial position date. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

<u>Description</u>	<u>Estimated Useful Lives</u>
Computer equipment	6 years
Office furniture and equipment	8 years
Leasehold improvements	Lower of Lease term or useful life (not to exceed 10 years)

See Note 9 for the other accounting policies relevant to property, plant and equipment.

Property, plant and equipment is derecognized when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses arising from de-recognition of an item of property, plant and equipment are included in the consolidated statement of profit or loss at the time the item is derecognized.

i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are instead tested annually for impairment. Assets subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that have been fully or partially impaired are reviewed for possible reversal of all or part of the impairment loss at the end of each reporting period. The amount of any reversal is restricted to the carrying value of the relevant assets if the original impairment had not occurred (i.e., after taking into consideration normal depreciation had no impairment occurred).

The impairment loss is allocated to reduce the carrying amount of the assets of the cash generating unit (group of units) in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and
- then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

These reductions in carrying amounts shall be treated and recognized as impairment losses on individual assets and recognized in the consolidated statement of profit or loss.

j) Leases

WideOrbit will assess if any contract contains a lease upon contract inception. A lease is defined as a written contract which allows WideOrbit the right to use an identified asset and it obtains substantially all the economic benefits of the identified asset for a defined period of time in

WIDEORBIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022

exchange for consideration. There are no significant lease covenants. WideOrbit enters into lease arrangements for offices and certain office equipment. Office leases are negotiated on an individual basis with a wide variety of terms, anywhere from month-to-month to 8 years, where some have extension or termination options or provisions. Upon the execution of a new lease and at least annually, WideOrbit assesses if they believe they will be exercising any renewal options to determine the lease term.

Certain leases contain both leased components and non-leased components. Most of WideOrbit's non-lease components will relate to common area maintenance and related items. In these instances, WideOrbit has elected the practical expedient to not separate lease and non-lease components as they relate to Office Leases. These components will be combined and recognized as a single lease component to the extent they are based on a fixed determinable payment.

At the lease commencement date, WideOrbit measures and recognizes the right-of-use ("ROU") asset and the lease liability plus any direct costs. The ROU asset is calculated as the present value of future minimum lease payments plus initial direct costs less tenant improvement allowances received. The right-of-use assets are amortized over the shorter of the useful life or the lease term. Periodically, right-of-use assets are assessed for impairment and appropriately reduced by an applicable impairment loss and adjusted for remeasurements of the lease liabilities. These ROU assets are presented together under the same class on the primary consolidated financial statements.

Lease liabilities are measured at the present value of the future fixed minimum lease payments using an appropriately determined incremental borrowing rate in leases where there is not an appropriate implicit rate available. To the extent variable lease payments do not depend on an index, these payments are not included in the initial measurement of the lease liability. Lease liabilities are measured at amortized cost under the effective interest method. Remeasurements are reflected in the carrying amount of the lease liability or through profit and loss should the ROU asset be zero at the time of remeasurement.

WideOrbit has elected to apply the practical expedient not to recognize the right-of-use asset and accompanying lease liability where the term is less than 12 months, or the right-of-use asset would be less than \$5,000. Such leases are recognized as a straight-line basis over the lease term.

k) **Financial Instruments**

(i) **Classification of financial assets**

WideOrbit classifies its financial assets under the following categories:

- Fair value through profit or loss (FVTPL);
- Fair value through other comprehensive income (FVTOCI); and
- Amortized cost.

These classifications are based on the business model of WideOrbit for managing financial assets and contractual cash flow characteristics. WideOrbit measures financial assets at amortized cost when it is within the business model to hold assets in order to collect contractual cash flows, and contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For assets measured at fair value, gains and losses will either be recorded in the consolidated statement of profit or loss or

WIDEORBIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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consolidated statement of comprehensive income. Currently, there are no FVTOCI financial assets. Financial assets at amortized cost method include trade receivables and contract assets.

(ii) Classification of financial liabilities

WideOrbit classifies all financial liabilities as subsequently measured at amortized cost using the effective interest rate method except for financial liabilities at fair value through profit or loss. WideOrbit designates a financial liability at fair value through profit or loss if doing so eliminates or significantly reduces measurement or recognition inconsistency or where a group of financial liabilities is managed, and its performance is evaluated on a fair value basis. Currently, the only FVTPL financial liability is the warrant described in Note 17.

(iii) Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and the net amount reported in the consolidated statement of financial position where WideOrbit currently has a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(iv) Reclassifications

Financial assets are reclassified when WideOrbit changes its business model for managing financial assets. For example, when there is a change in management's intention to hold the asset for a short term or long term. Financial liabilities are not reclassified.

(v) Initial measurement

At initial recognition, financial assets or financial liabilities are measured at their fair values. Transaction costs of financial assets carried at fair value through profit or loss are expensed in consolidated statement of profit or loss. In the case of financial assets or financial liabilities not at fair value through profit or loss, fair value includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Trade receivables are measured at the transaction price.

(vi) Subsequent measurement

After initial recognition, financial assets and financial liabilities are measured in accordance with their classification.

(vii) Derecognition

WideOrbit derecognizes a financial asset when, and only when, the contractual rights to the cash flows from the financial asset have expired, or it transfers substantially all the risks and rewards of ownership of the financial asset. Financial liabilities are derecognized when the obligations specified in the contract are discharged, cancelled or expired. A substantial change in the terms of a debt instrument is considered an extinguishment of the original liability and the recognition of a new financial liability.

(viii) Impairment

WideOrbit assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortized cost. WideOrbit recognizes a loss allowance for expected credit losses on a financial asset as necessary. At each reporting date, WideOrbit recognizes in the consolidated statement of profit or loss the amount of the change in lifetime expected credit losses as an impairment loss. For the impairment of trade receivables and contract assets, WideOrbit applies the simplified approach allowed by IFRS 9.

WIDEORBIT INC.

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l) Inventory

Inventory consists of hardware purchased from third parties. Inventory is stated at the lower of cost or net realizable value. Inventory cost is computed using the average cost method that approximates its actual cost. WideOrbit evaluates the valuation of its inventory on a periodic basis. Obsolete inventory or inventory in excess of its estimated usage is written down to its estimated market value less costs to sell, if less than its cost. Inherent in the estimates of market value are estimates related to economic trends, future demand for products, and technological obsolescence. All inventory held by WideOrbit is classified as finished goods.

m) Income Taxes

WideOrbit files income tax returns in the United States federal, various states, and foreign jurisdictions. All US tax returns will remain open for examination by the federal and state taxing authorities for three and four years, respectively, from the date of utilization of any net operating loss carryforwards or research and development credits. Most foreign jurisdictions' statutes of limitations remain open with no expiration dates. In France, since the last audit was completed in 2011, the statute of limitation remains open starting in 2012.

Tax expense – Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Current income tax – The current income tax charge is calculated on the basis of the tax laws and tax rates enacted or substantively enacted at the end of the reporting period in the countries where WideOrbit and its subsidiaries operate and generate taxable income.

Deferred income tax – Deferred income tax assets and liabilities are recorded for the temporary differences between transactions that have been included in the consolidated financial statements or income tax returns. Deferred income taxes are provided using the liability method, under which deferred income taxes are recognized for all significant temporary differences between the tax and financial statement bases of assets and liabilities and for certain carryforward items. Deferred income tax assets are recognized only to the extent that, in the opinion of management, it is probable that the deferred income tax assets will be realized. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances are related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Uncertain tax positions – WideOrbit periodically evaluates the positions taken in its tax returns with respect to situations in which applicable tax rules may be subject to interpretations. WideOrbit establishes provisions related to tax uncertainties where appropriate, based on an estimate of the amount that ultimately will be paid to the tax authorities.

WIDEORBIT INC.

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n) **Cash and Cash Equivalents**

WideOrbit classifies all highly liquid investments purchased with maturity of three months or less as of the date of purchase as cash and cash equivalents.

o) **Employee Benefits**

Share-based payments

WideOrbit utilizes the Black-Scholes option pricing model to estimate the fair value of its stock options. WideOrbit determines the fair value of its restricted stock units ("RSUs") based upon the fair value of the shares of its common stock at the date of grant. WideOrbit utilizes the graded-vesting attribution method for recognizing stock-based compensation expense.

The Black-Scholes option pricing model requires various complex and subjective assumptions that represent management's best estimates of the fair value of WideOrbit's common stock, volatility, risk-free interest rates, expected life, and dividend yield. Given the absence of an active market for WideOrbit's common stock, it relied on an independently determined valuation for the year ended December 31, 2021. In valuing WideOrbit's common stock, the board of directors determined the equity value of WideOrbit's business using the merger agreement with Lumine Group Inc. ("Lumine Group") for the year ended December 31, 2022. For further information about the merger with Lumine Group see subsequent events (note 28).

The expected term represents the weighted-average period of time that options granted are expected to be outstanding giving consideration to vesting schedules. WideOrbit has estimated the expected term using a simplified method which calculates the expected term as the average of the time-to-vesting and the contractual life of the awards. WideOrbit has never declared or paid cash dividends and does not plan to pay cash dividends in the foreseeable future; therefore, used an expected dividend yield of zero. The risk-free interest rate is based on U.S. Treasury rates in effect during the corresponding period of the grant. The expected volatility is set at zero for the year ended December 31, 2022 due to WideOrbit's merger agreement setting the shares at a fixed price. See subsequent events note 28 for further details on the merger. WideOrbit applies a forfeiture rate to the share-based payment expense.

p) **Revised IFRS Standards in issue but not yet effective**

WideOrbit has not yet adopted the following new, revised or amended IFRS standards that have been issued by the IASB but are not yet effective:

In January 2020, IASB issued an amendment to IAS 1 *Classifications of Liabilities as Current or Non-current*. This change affects the presentation of liabilities on the statement of financial position and clarifies which liabilities may be classified as current or non-current. The new guidance is effective for annual periods starting on or after January 1, 2023, with early adoption being permitted.

In January 2020, IASB issued an amendment to IAS 1 and IFRS Practice Statement 2 – *Disclosure of Accounting Policies*. This amendment changes the disclosure requirements to be material accounting policies instead of significant accounting policies. The new guidance is effective for annual periods starting on or after January 1, 2024, as amended, with early adoption being permitted.

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In May 2020, the IASB issued amendments to IAS 8 – *Definition of Accounting Estimates*. The amendment changes the way entities develop accounting policies, corrections of errors, and changes in accounting estimates. The new guidance is effective for annual periods starting on or after January 1, 2023, with early adoption being permitted.

In May 2021, the IASB issued amendments to IAS 12 - *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*. The update clarifies how entities account for deferred tax on leases and decommissioning obligations by the recognition of both an asset and a liability. The new guidance is effective for annual periods beginning on or after January 1, 2023, with early adoption being permitted.

In October 2022, the IASB issued amendments to IAS 1 - *Non-current Liabilities with Covenants*. The update clarifies that an entity must present non-current liabilities with covenants separately from other non-current liabilities, whether the entity believes they are able to comply with such covenants after the report date and defines some situations in which an entity may not defer settlement of a liability. The new guidance is effective for annual periods beginning on or after January 1, 2024, with early adoption being permitted.

As of the date the accompanying consolidated financial statements were authorized for issue, WideOrbit continues in evaluating the impact on its financial position and performance as a result of the initial adoption of the aforementioned standards or interpretations and related applicable period. WideOrbit is still assessing the impact of these changes; however, none are expected to be material or significant.

3) Significant Judgements

Use of Estimates

The preparation of financial statements and related disclosures in conformity with IFRS requires WideOrbit to make judgements, assumptions and estimates that affect the amounts reported in the consolidated financial statements and accompanying notes. WideOrbit bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes are reasonable under the circumstances to determine the carrying values of assets and liabilities that are not readily apparent from other sources.

The key assumptions concerning the future and other key sources of estimation uncertainty at the consolidated statement of financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial period include:

a) **Impairment of non-financial assets**

Judgment is required in assessing whether certain factors are an indicator of impairment. Management considers both internal and external information to determine whether there is an indicator of impairment and, accordingly, whether impairment testing is required. When impairment testing is required, discounted cash flow or other relevant models are used to determine the recoverable amount of respective assets. When market transactions for comparable assets are available, these are considered to determine the recoverable amount of assets. Significant assumptions used in preparing discounted cash flow models include growth rates, expected future cash flows, operating costs, capital expenditures, and discount rates. These inputs are based on

WIDEORBIT INC.

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management's best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges recorded in the consolidated statement of profit or loss and the resulting carrying values of assets.

b) Provisions

By their nature, provisions are dependent upon estimates and assessments whether the criteria for recognition have been met, including estimates of the probability of cash outflows. Provisions for litigation are based on an estimate of the costs, taking into account legal advice and other information presently available. Provisions for uncertain liabilities involve management's best estimate whether cash outflows are probable.

c) Useful lives and residual values of assets

Management determines the estimated useful life of its property, plant and equipment and other assets (including intangibles) for calculating depreciation/amortization. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management periodically reviews the estimated useful lives, residual values and the depreciation or amortization methods to ensure that the methods and periods of depreciation/amortization are consistent with the expected pattern of economic benefit of the assets.

d) Fair Value

Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value, WideOrbit considers the principal or most advantageous market in which it transacts and assumptions that market participants would use when pricing the asset or liability. WideOrbit uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

4) Interests in subsidiaries

WideOrbit's principal subsidiaries as of December 31, 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by WideOrbit, and the proportion of ownership interests held equals the voting rights held by WideOrbit. The country of incorporation or registration is also their principal place of business.

Name of subsidiary	Principal activities	Place of incorporation and operation	Functional Currency	Ownership interest	
				2022	2021
WideOrbit LLC	Software	United States	USD	100%	100%
WideOrbit Ltd.	Sales	United Kingdom	GBP	100%	100%

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022****5) Revenue Recognition**

WideOrbit's revenue is made up of the following (in thousands):

	Year ended December 31,	
	2022	2021
Term License & Support	\$ 148,783	\$ 149,195
Professional Services	6,356	7,426
Data, Royalties & Other	4,881	4,036
Advertising and Content Delivery Services	4,182	2,916
Hardware	2,853	1,604
Software License Sales	2,344	1,418
Total Revenue	\$ 169,399	\$ 166,595

Term License & Support is primarily comprised of revenue recognized ratably due to the critical nature of the support, however, approximately 2% of such revenue was recognized upon transfer of control for the year ended December 31, 2022 due to certain WideOrbit product support not being critical to the functionality of the underlying licenses. In fiscal year 2021, 11% of term license & support was recognized upon transfer of control. For further information about WideOrbit's accounting policy around this topic see Note 2(d).

Remaining Performance Obligations

Amounts of a customer contract's transaction price that are allocated to the remaining performance obligations ("RPO") represent contracted revenue that has not yet been recognized. They include amounts recognized as contract liabilities as deferred revenue and amounts that are contracted but not yet due from future periods for committed multi-year arrangements. The transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as of December 31, 2022, was \$318.4 million (December 31, 2021: \$396.8 million). This amount mostly comprises obligations to provide term-based licenses and accompanying software support, as the respective contracts typically have durations of three to seven years. The portion of remaining performance obligations related to services consists of non-cancelable revenue from contracts with customers. The majority of this amount is expected to be recognized as revenue over the next 36 months following the respective statement of financial position date. This estimate is based on WideOrbit's best judgment, as it needs to consider estimates of possible future contract modifications.

Contract Assets

Contract assets relate to unbilled revenue which are amounts in contracts in which performance has been satisfied but not yet billed. Unbilled revenue that is anticipated to be recognized during the succeeding 12-month period is recorded as current unbilled revenue and the remaining portion is recorded as long-term unbilled revenue. The unbilled revenue balance was \$22.7 million, \$25.4 million as of December 31, 2022 and December 31, 2021, respectively.

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022***Contract Liabilities*

Contract liabilities are made up of exclusively deferred revenue, which is amounts billed to customers under contracts in which performance has not yet been satisfied. For term licenses and support contracts, WideOrbit typically invoices its customers at the beginning of the term with monthly or quarterly installments, and over multiple contract years. Deferred revenue that is anticipated to be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as long-term deferred revenue. The deferred revenue balance was \$7.7 million and \$11.2 million as of December 31, 2022 and December 31 2021, respectively. During the years presented WideOrbit recognized revenue related to these contract liabilities in the amounts of \$10.1 million and \$7.9 million during 2022 and 2021, respectively.

6) Expenses

The nature of WideOrbit's expenses for the years ended December 31, 2022 and 2021 consist of the following (in thousands):

	Year ended December 31,	
	2022	2021
Compensation	\$ 76,262	\$ 76,862
Hosting	8,935	8,722
Outsourced development	9,977	8,632
Third party costs	8,319	7,527
Rent and utilities	706	3,037
Legal, accounting and professional services	6,951	3,625
Hardware and software	3,715	3,175
Data fee costs	2,399	2,145
Depreciation and amortization	3,606	4,637
Telecommunication	1,070	1,220
Travel and marketing	2,059	1,055
Other operating	2,590	2,293
Expenses	\$ 126,589	\$ 122,930

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022****7) Finance Costs and Finance Incomes**

Finance costs/(income) for the years ended December 31, 2022 and 2021 consist of the following (in thousands):

	Year ended December 31,	
	2022	2021
Interest expense for borrowings	\$ 15,425	\$ 20,095
Interest expense for leasing arrangements	494	613
Amortization of debt issuance costs	1,847	2,017
Bank fees	165	158
Interest income	(262)	(4)
Finance costs total	\$ 17,669	\$ 22,879

8) Other Income / (Expense)

Other Income / (Expense) for the years ended December 31, 2022 and 2021 consist of the following (in thousands):

	Year ended December 31,	
	2022	2021
Foreign currency transactions gains, net	104	53
Gain on sale of cash generating unit	-	39,060
Other income / (expense)	133	(203)
Other income/ (expense) total	\$ 29	\$ 38,910

On October 20, 2021, WideOrbit entered into an Asset Purchase & License agreement by and between WideOrbit LLC and Audacy Operations, Inc., a transaction in which it sold certain assets and licensed certain technology relating to its Streaming and On Demand product businesses. The consideration for the license was \$40.0 million, however the aggregated total of this transaction was \$40.1 million, which included adjustments for a mid-month close on invoicing and the purchase of the tangible assets of the Park Tower 5 office in Vancouver, WA.

The transaction resulted in a gain of approximately \$39.1 million. The net book value of the Streaming and On Demand product businesses prior to the sale was \$0.5 million, which includes primarily net intangibles of \$0.4 million and property and equipment of \$0.1 million. WideOrbit had approximately \$0.5 million in legal and other professional fees relating to the deal.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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9) Property, Plant & Equipment

Property, plant, and equipment is summarized below (in thousands):

	Computer equipment	Leasehold improvement and other	Office furniture and equipment	Assets not yet placed in service	Total
Cost					
As of December 31, 2020	\$ 8,636	\$ 4,613	\$ 1,100	\$ 12	\$ 14,361
Additions	857	88	21	-	966
Disposals	(7)	(1,243)	(214)	-	(1,464)
Transfer-from construction in progress	12	-	-	(12)	-
As of December 31, 2021	\$ 9,498	\$ 3,458	\$ 907	\$ -	\$ 13,863
Additions	519	13	1	-	533
Disposals and other	(4,610)	-	(72)	-	(4,682)
As of December 31, 2022	\$ 5,407	\$ 3,471	\$ 836	\$ -	\$ 9,714
Accumulated depreciation					
As of December 31, 2020	\$ (7,698)	\$ (3,804)	\$ (1,030)	\$ -	\$ (12,531)
Depreciation	(674)	(276)	(93)	-	(1,043)
Disposals	(21)	999	216	-	1,194
As of December 31, 2021	\$ (8,393)	\$ (3,081)	\$ (907)	\$ -	\$ (12,380)
Depreciation	(483)	(227)	(18)	-	(728)
Disposals and other	5,272	177	149	-	5,598
As of December 31, 2022	\$ (3,602)	\$ (3,131)	\$ (777)	\$ -	\$ (7,510)
Net book value as of December 31, 2020	\$ 938	\$ 809	\$ 70	\$ 12	\$ 1,830
Net book value as of December 31, 2021	\$ 1,105	\$ 377	\$ 0	\$ -	\$ 1,483
Net book value as of December 31, 2022	\$ 1,804	\$ 340	\$ 60	\$ -	\$ 2,204

WIDEORBIT INC.

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10) Leases

This note provides information for leases where WideOrbit is a lessee. WideOrbit does not operate as a lessor under any situations.

The consolidated statement of financial position shows the following amounts relating to leases (in thousands):

	Right-of-use assets	Lease liabilities
Balance as of January 1, 2021	\$ 11,703	\$ 13,962
Additions	137	165
Amortization	(2,881)	-
Impairment of Right of Use asset	(1,621)	-
Lease Modification Adjustment	801	823
Interest expense	-	613
Payments	-	(3,540)
Balance as of December 31, 2021	\$ 8,139	\$ 12,023

	Right-of-use assets	Lease liabilities
Balance as of January 1, 2022	\$ 8,139	\$ 12,023
Additions	-	-
Amortization	(2,364)	-
Impairment of Right of Use asset	-	-
Lease Modification Adjustment	130	171
Interest expense	-	494
Payments	-	(3,734)
Balance as of December 31, 2022	\$ 5,905	\$ 8,954

	December 31,	
	2022	2021
Lease liabilities		
Current	\$ 3,395	\$ 3,783
Non-current	5,559	8,240
Total	\$ 8,954	\$ 12,023

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WideOrbit had no additions to the right-of-use assets during 2022. Additions to the right-of-use assets during the 2021 financial year was \$0.9 million, extending office leases throughout the year. Total cash outflows for capitalized leases during the 2022 and 2021 financial year were \$3.7 million and \$3.5 million respectively.

The expense relating to payments not included in lease liability is as follows:

	Year ended December 31,	
	2022	2021
Short Term and Immaterial	\$ 268	\$ 406
Variable Lease Payments	304	855
Total	\$ 572	\$ 1,261

The following table shows the contractual undiscounted cash flows of the leases based on their maturity date:

	December 31, 2022					
	2023	2024	2025	2026	Thereafter	Total
Lease payments due by year	\$ 3,595	\$ 3,561	\$ 1,983	\$ 266	\$ 161	\$ 9,566

	December 31, 2021					
	2022	2023	2024	2025	Thereafter	Total
Lease payments due by year	\$ 3,734	\$ 3,517	\$ 3,530	\$ 1,949	\$ 221	\$ 12,951

In December 2010, WideOrbit entered into an original lease agreement to rent space in Levi's Plaza in San Francisco, CA and subsequently entered into two amendments to rent two additional office suites within the same building. On November 30, 2021 WideOrbit abandoned the use of the suites referenced in the amendments, reduced the right-of-use asset and recognized the accompanying accelerated amortization expense of \$1.6 million included in the "Impairment of right of use asset" line on WideOrbit's consolidated statement of profit or loss. Future lease and common area maintenance payments of \$1.9 million are offset by unamortized lease incentives. A total of \$0.8 million of fully depreciated fixed assets were also written off at that time.

11) Goodwill

There have been no additions, impairments, or disposals of Goodwill for the years ended December 31, 2022 and 2021.

Impairment testing for cash-generating units containing goodwill

WideOrbit performs its annual goodwill impairment test at the cash-generating unit (CGU) level. WideOrbit's three CGUs were Streaming, Digital Hub, and WideOrbit core product solutions, representing all core aspects of the business. The Streaming CGU was sold in 2021 and the Digital Hub CGU was shut down during 2022. As of December 31, 2022 and 2021 only WideOrbit core product

WIDEORBIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022

solutions had goodwill totaling \$7.1 million. The recoverable amount of the CGU was based on fair value less costs of disposal, estimated using discounted cash flows. The fair value measurement was categorized as a Level 3 fair value based on the inputs in the valuation technique used.

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources. As a December 31, 2022 and 2021, the estimated recoverable amount of the CGU exceeded its carrying amount. There was no reasonably possible change in key assumptions that would cause carrying amount to exceed recoverable amount.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both internal and external sources.

In percent	December 31,	
	2022	2021
Discount rate	21	20
Budgeted EBITDA growth rate	4	4

The discount rate was a post-tax measurement estimated based on the weighted-average cost of capital, which is determined by computing WideOrbit's post-tax cost of debt from the term loan and cost of equity, which is performed by an unrelated third-party valuation firm.

The cash flow projections included specific estimates for 5 years. Management employed a 5 year forecast of cash flows in making its assessment, rather than perpetual cash flows, noting it demonstrated there was no impairment. In the case perpetuities were considered the terminal growth rate used would have been 4%. This is based on management's estimate of the long-term compound annual EBITDA growth rate, consistent with the assumptions that a market participant would make.

Budgeted EBITDA was estimated considering experience and a revenue growth rate projected taking into account the average growth levels experienced over the past 5 years and the estimated sales volume and price growth for the next five years.

12) Other intangible assets

WideOrbit's intangible assets are subject to foreign currency fluctuations. WideOrbit's foreign currency translation gains and losses, including intangibles, are a component of other comprehensive income and loss. WideOrbit had amortization expense in the amounts of \$0.5 million and \$0.7 million during 2022 and 2021, respectively. In 2021, WideOrbit ceased all new sales of the product Digital Hub, which was previously acquired via Fivia in 2014, due to technological obsolescence. WideOrbit assessed that the recoverable amount of the intangible asset related to the product, which was \$0.3 million, only consisted of developed technology. Due to no longer selling the product, WideOrbit determined that the carrying value of the intangible asset relating to Digital Hub exceeded the fair value, resulting in an intangible asset impairment loss of the entire balance of \$0.3 million recognized in 2021. In November 2022, WideOrbit France completed a formal dissolution without liquidation and the entity was struck from the French commercial register. WideOrbit disposed of all of the Fivia's reporting unit's intangible assets, which were valued at zero dollars, at that time.

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022**

Intangible assets consist of the following (in thousands):

	Customer Relationship and Backlog	Developed Technology	Non- Compete Agreements	Trade Names	Internal Use Software	Total
As of December 31, 2021						
Gross Amount	\$ 14,984	\$ 7,785	\$ 669	\$ 374	\$ 393	\$ 24,205
Accumulated Amortization	(12,915)	(3,839)	(576)	(228)	(282)	(17,840)
Accumulated Impairment and Other Charges	(505)	(3,292)	(93)	(146)	-	(4,036)
Disposal of intangible asset	-	(445)	-	-	-	(445)
Closing net book amount	\$ 1,564	\$ 209	\$ -	\$ -	\$ 111	\$ 1,884
As of December 31, 2022						
Gross Amount	\$ 11,242	\$ 1,122	\$ -	\$ -	\$ 325	\$ 12,689
Accumulated Amortization	(10,106)	(971)	-	-	(269)	(11,346)
Accumulated Impairment and Other Charges	-	-	-	-	-	\$ -
Disposal of intangible asset	-	-	-	-	-	\$ -
Closing net book amount	\$ 1,136	\$ 151	\$ -	\$ -	\$ 56	\$ 1,343

13) Inventories

Inventory consists of the following (in thousands):

	December 31,	
	2022	2021
Finished Goods	\$ 483	\$ 784
Inventory Reserves	(3)	(3)
Total	\$ 480	\$ 781

During the years ended December 31, 2022 and 2021, inventories of approximately \$1.8 million and \$0.9 million respectively, were recognized as an expense during the year and included in cost of sales. There were no material write-downs of inventory during the year or reversal of previously written-down inventory. WideOrbit maintains a relatively small amount of inventory on-hand based on economic trends and future demand for its inventory.

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022****14) Trade receivables**

Trade receivables consist of the following (in thousands):

	December 31,	
	2022	2021
Trade receivables	\$ 16,369	\$ 14,971
Provision for impairment	(320)	(1,343)
Other receivables	745	1,758
Total	\$ 16,794	\$ 15,386

All amounts are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value. Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. The receivables are generally due for settlement within 30 days and are therefore all classified as current.

15) Cash and cash equivalents

WideOrbit does not hold any non-current cash and cash equivalents as of December 31, 2022 and 2021.

These balances agree to WideOrbit's consolidated statement of cash flows (amounts in thousands, USD). WideOrbit maintains cash in different currencies and the balances of each, converted to USD, as of December 31, 2022 and 2021 are as follows (in thousands, USD):

	Year Ended December 31,	
	2022	2021
USD	\$ 14,723	\$ 56,768
CAD	139	136
GBP	60	260
EUR	26	444
AUD	10	66
Total	\$ 14,958	\$ 57,674

All cash and cash equivalents mentioned above are available for use by WideOrbit as there are no restrictions placed on them. Cash and cash equivalents consist primarily of cash on hand and money market mutual funds with financial institutions of \$13.1 million and \$54.8 million as of December 31, 2022 and 2021, respectively.

16) Fair Value of Financial Instruments

WideOrbit applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022**

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. These inputs are valued using market-based approaches.

Level 3 – Inputs are unobservable inputs based on WideOrbit’s assumptions. These inputs, if any, are valued using internal financial models.

WideOrbit’s cash equivalents are classified as Level 1. During 2020, WideOrbit entered a \$190 million term loan and a revolving line of credit with an additional maximum of \$15 million, which are financial liabilities carried at amortized cost, which approximates its fair value based on borrowing rates currently available to WideOrbit for loans with similar terms. WideOrbit’s policy is to recognize asset or liability transfers among Level 1, Level 2, and Level 3 as of the actual date of the event or change in circumstances that caused the transfer. During the two years ended December 31, 2022, WideOrbit had no transfers between levels of the fair value hierarchy of its assets or liabilities measured.

The carrying amounts of WideOrbit’s financial instruments including cash and cash equivalents, trade receivables, contract asset-current, contract asset-non-current, accounts payable, and accrued expenses approximate fair values due to their short-term maturities.

Warrants are classified as fair value through profit or loss financial liabilities. The initial and subsequent recognition of the warrants was determined using a Black-Scholes option pricing model, which is considered a Level 3 fair value measurement.

Fair Values of Financial Instruments by Instrument Classification (in thousands):

December 31, 2022			
Financial assets	FVTPL	Amortized Cost	Carrying Amount
Cash and cash equivalents	\$ -	\$ 14,958	\$ 14,958
Trade receivables, net	-	16,794	16,794
Contract assets, current	-	15,714	15,714
Contract assets, non-current	-	7,029	7,029
Total Financial Assets	\$ -	\$ 54,495	\$ 54,495
Financial liabilities	FVTPL	Amortized Cost	Carrying Amount
Accounts payable	\$ -	\$ 3,509	\$ 3,509
Accrued expenses	-	13,654	13,654
Warrant liabilities	12,053	-	12,053
Long term portion of debt	-	109,494	109,494
Total Financial Liabilities	\$ 12,053	\$ 126,657	\$ 138,710

WIDEORBIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022

December 31, 2021

Financial assets	FVTPL	Amortized Cost	Carrying Amount
Cash and cash equivalents	\$ -	\$ 57,674	\$ 57,674
Trade receivables, net	-	15,386	15,386
Contract assets, current	-	16,189	16,189
Contract assets, non-current	-	9,175	9,175
Total Financial Assets	-	\$ 98,424	\$ 98,424

Financial liabilities	FVTPL	Amortized Cost	Carrying Amount
Accounts payable	\$ -	\$ 3,815	3,815
Accrued expenses	-	12,638	12,638
Warrant liabilities	4,965	-	4,965
Long term portion of debt	-	154,108	154,108
Total Financial Liabilities	\$ 4,965	\$ 170,561	\$ 175,526

17) Warrants

In connection with the financing agreement for the senior debt facility and line of credit entered into on July 8, 2020, WideOrbit entered into a Warrant Purchase Agreement under which the lenders received warrants to purchase 4.9 million common shares, equal to 7.0% of WideOrbit's outstanding shares of capital stock, calculated immediately following the 2020 share tender offer settlement date and on a fully diluted basis. The lenders have the right to purchase the shares at any time from July 8, 2020 through the earliest of July 8, 2030 or the later of (i) 1 year after the closing of an IPO or direct company listing, in each case of at least \$75.0 million of equity interests becomes listed for trading or (ii) the expiration of all shareholder lock-up periods pursuant to such IPO, including pursuant to the warrant. The fair value of the warrants upon issuance was \$1.1 million, which was determined using the Black-Scholes option-pricing model with assumptions commensurate with stock options as disclosed in Note below. The warrant is classified as a financial liability and is reflected at fair value in WideOrbit's statement of financial position. The fair value of the warrant is measured at each reporting period. The changes in the fair value of the warrant are recorded as a gain or loss in the statement of profit or loss.

The warrant purchase price is equal to the 2020 tender offer price of \$2.10 per share, subject to any dilutive common stock adjustments, price-based dilution, or special distributions including dividends. Upon exercise, instead of payment of the exercise price in cash, the holder may elect to "net exercise" the warrant and pay the exercise price by surrendering that number of shares subject to the warrant as equal to the aggregate exercise price for the warrant shares being acquired divided by the fair market value per share of WideOrbit's common stock as of the applicable date of determination. To the extent the warrant holders receive aggregate net cash proceeds in excess of \$20.0 million upon

WIDEORBIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022

a change of control or IPO, or the sale, transfer or other disposition of the warrants or shares of common stock, any cash proceeds in excess of \$20 million will be reduced by 50%.

WideOrbit used a Black-Scholes option pricing model to determine the fair value of the warrants. The volatility was determined based on the historical volatilities of comparable publicly traded companies over a period equal to the expected average of the warrant's life. The risk-free rate of interest was interpolated from the U.S. Constant Maturity Treasury rate curve to reflect the remaining expected life of warrants. The fair value of the ordinary shares underlying the warrants has historically been determined by WideOrbit's Board of Directors. For the year ended December 31st, 2021, because there is no public market for the ordinary shares underlying the warrants, the Board of Directors determined the fair value of the ordinary shares underlying the warrant at the initial recognition and subsequent recognitions by contemporaneous valuations performed by unrelated third-party valuation firms as well as a number of objective and subjective factors including valuation of comparable companies, operating and financial performance, the lack of liquidity of capital stock and general industry specific economic outlook, among other factors. As of December 2022, WideOrbit is using the stated share price in its merger agreement with the Lumine Group dated December 12th, 2022 as the fair value of the ordinary shares underlying the warrants.

The assumptions used to value WideOrbit's warrants at the initial recognition and during the year ended December 31, 2022 and December 31, 2021 were as follows:

	Initial recognition as of July 8, 2020	Subsequent measurement for the year ended December 31, 2021	Subsequent measurement for the year ended December 31, 2022
Discount for cap on returns and dilution	22%	22%	22%
Holding period (years)	5	3	3
Volatility (annualized %)	24%	50%	0%
Dividend Yield	0%	0%	0%
Risk-Free Interest Rate	0.28%	0.16% - 3%	0.16% - 4.22%

18) Borrowings

On July 8, 2020 WideOrbit entered into a senior debt facility with various lenders to fund the repurchase of shares in a tender offer launched in June 2020 at an offer price of \$2.10 per share. The purchase of shares pursuant to the tender offer closed on July 8, 2020, with WideOrbit repurchasing \$190.0 million in shares held by eligible stockholders and option holders that participated in the tender offer. Funding for the share repurchase came from amounts borrowed under the senior debt facility.

The senior debt facility provides term loans in the aggregate original principal amount of \$190.0 million and a \$15.0 million revolving line of credit. Interest on the loans accrues, at WideOrbit's option, at a base rate plus a margin of 7.5% or LIBOR plus 8.5%. The interest periods for the LIBOR loans are one, two, three or six months as selected by WideOrbit. The interest rate in effect as of December 31, 2022 and December 31, 2021 was 12.57% and 9.75%, respectively. The term loans are repayable in quarterly installments of 0.25% of the original aggregate principal amount commencing on September 30, 2020. WideOrbit may prepay the loans in whole or in part, subject to a prepayment premium in

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022**

certain circumstances. In addition, the loans are subject to mandatory prepayment from certain asset sales, insurance proceeds and excess cash flow. Once repaid or prepaid, the term loans may not be reborrowed. The term loans mature, and the revolving loan commitments terminate on July 8, 2025, when all outstanding principal amounts and accrued and unpaid interest on the term debt and any outstanding revolving loans will be due.

In addition to the four quarterly installments, in the third quarter of 2022 WideOrbit made a partial repayment totaling \$40.0 million on the term loan principal as well as a \$0.8 million prepayment premium for extinguishment of debt, which qualified for partial extinguishment. Upon the extinguishment, the term loan was derecognized and subsequently remeasured based on the estimated cash flows post-extinguishment. WideOrbit subsequently made an additional partial repayment of \$5.0 million on the term loan principal as well as a \$0.1 million prepayment premium for extinguishment of debt, which did not qualify for partial extinguishment. WideOrbit recorded a total loss of \$0.9 million on the extinguishment of debt and the repayments resulted in a change in future payments. As of December 31, 2022 and December 31, 2021, WideOrbit had \$112.1 million and \$158.7 million in outstanding principal on the term loan, respectively. WideOrbit had no outstanding revolving line of credit as of either date.

The obligations under the senior debt facilities are guaranteed by WideOrbit, are required to be guaranteed by certain subsidiaries and are secured by granting a first priority lien on substantially all of WideOrbit's and each guarantor's assets, including a pledge of all of the capital stock of each of its subsidiaries. The borrowings are subject to certain financial covenants and restrictions. WideOrbit was in compliance with all financial covenants and restrictions as of December 31, 2022 and December 31, 2021.

Borrowings consist of the following (in thousands):

	December 31,					
	2022			2021		
	Current	Non-current	Total	Current	Non-current	Total
Term Loan	\$ 499	\$ 109,494	\$ 109,993	\$ 752	\$ 154,108	\$ 154,860
Total secured borrowings	\$ 499	\$ 109,494	\$ 109,993	\$ 752	\$ 154,108	\$ 154,860

Future payments on the term loan are as follows (in thousands):

	December 31, 2022
2023	1,358
2024	1,358
2025	\$ 109,395
Total	\$ 112,111

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022****19) Accounts payable and accrued expenses**

These amounts represent liabilities for goods and services provided to WideOrbit prior to the end of the financial year which were unpaid at year end. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying amounts are considered to be the same as their fair values, due to their short-term nature.

	December 31,	
	2022	2021
Current liabilities		
Accounts payable	\$3,509	\$ 3,815
Accrued expenses	13,654	12,638
Total	\$ 17,163	\$ 16,453

20) Stockholder's Equity**Common Stock**

All shares are equally eligible to receive dividends and the repayment of capital. The share capital of WideOrbit as of December 31, 2022 and 2021, was as follows (in thousands):

Authorized: 100 million shares of Common Stock, \$0.001 par value per share, as of December 31, 2022, and 2021.

Issued and fully paid:

	Shares	Amount
Shares issued and outstanding as of January 1, 2021	52,374	52
Exercise of share options	1,559	2
Shares issued and outstanding as of December 31, 2021	53,933	\$ 54
Shares issued and outstanding as of January 1, 2022	53,933	54
Exercise of share options	1,074	1
Shares issued and outstanding as of December 31, 2022	55,007	\$ 55

WideOrbit has reserved shares of Common Stock for issuance as of December 31, 2022 and 2021 as follows (in thousands):

	December 31,	
	2022	2021
Common stock options available for future grant	644	2,209
Common stock options outstanding	7,313	8,951
Common stock shares reserved for warrant exercises	4,945	4,945
Total	12,902	16,105

WIDEORBIT INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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As of December 31, 2022 and 2021, there were no shares held by WideOrbit as treasury shares.

21) Equity and share based equity awards

Equity Compensation Plans

The 1999 Stock Plan (the "1999 Plan"), as amended, provides for the grant of stock options, stock appreciation rights, restricted stock and restricted stock units to employees, directors, and consultants of up to 38.8 million shares of common stock. This 1999 Plan was terminated during 2009; however, the terms of the 1999 Plan will continue to govern any outstanding awards thereunder.

The 2009 Stock Plan (the 2009 Plan), as amended, extends the 1999 Plan and provides an aggregate of 8.30 million shares of common stock in addition to any shares or awards subject to the 1999 Plan. The 2009 Stock Plan provides that it continues in effect for a term of 10 years from the later of (a) the effective date of the plan or (b) the most recent increase in the number of shares reserved under the plan. WideOrbit's most recent share increase was in 2021, so the plan will run until 2031.

Common stock purchase rights may also be granted under the 1999 Plan and the 2009 Plan (collectively referred to as the "Stock Plans"). Options must be issued at prices not less than 100% and 85%, for incentive and non-statutory options, respectively, of the estimated fair value of the common stock on the date of grant and are exercisable for periods not exceeding 10 years from the date of grant. Incentive stock options granted to stockholders who own greater than 10% of the outstanding stock at the time of grant are exercisable for periods not exceeding five years from the date of grant and must be issued at prices not less than 110% of the estimated fair value of the common stock at the date of grant. Options granted under the Stock Plans generally vest ratably over four years following the date of grant, although the Board of Directors may issue options that vest over a period of up to five years. WideOrbit has certain repurchase rights and rights of first refusal on shares purchased under the Stock Plans.

In March and May 2014, the Board of Directors approved an amendment to the 2009 Plan to increase the number of shares allocated to the 2009 Stock Plan by 6.0 million and 3.1 million, respectively. In January 2015, the Board of Directors approved an amendment to the 2009 Plan to increase the number of shares allocated to the 2009 Stock Plan by 3.8 million shares. In August 2021, the Board of Directors approved an amendment to the 2009 Plan to increase the number of shares reserved for issuance under the 2009 Stock Plan by 3.0 million shares. As of December 31, 2022, the 2009 Plan had 25.0 million shares reserved and 0.6 million shares available for future grants.

Stock Option Activities

The following table sets forth the summary of option activity under WideOrbit's stock option programs (in thousands, except per share amounts and years):

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	Options Outstanding			
	Number of Shares Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value
Balances, December 31, 2020	11,774	0.76	4.96	15,816
Options granted	0	0		
Options exercised	(1,559)	0.48		
Options forfeited	(1,264)	0.87		
Balances, December 31, 2021	8,951	0.79	4.16	20,060
Options granted	0	0		
Options exercised	(1,074)	0.68		
Options forfeited	(564)	1.00		
Balances, December 31, 2022	7,313	0.79	3.17	34,597
As of December 31, 2022:				
Outstanding	7,313	0.79	3.17	34,597
Exercisable	7,304	0.79	3.16	34,562

The intrinsic value of the employee options exercised during the years ended December 31, 2022 and 2021 was \$3.0 million and \$2.6 million, respectively. The intrinsic value is calculated as the difference between the market value of the stock on the date of exercise and the exercise price of the option.

The weighted-average grant date fair value per share of employee options granted during the year ended December 31, 2020 was \$0.94. WideOrbit issued no new stock option grants for the year ended December 31, 2022. The total fair value of stock options vested was approximately \$0.2 million and \$0.4 million for the years ended December 31, 2022 and 2021, respectively.

The range of exercise prices for stock options outstanding on December 31, 2022 is as follows (in thousands for shares):

Range of Exercise Prices	Options Outstanding			Options exercisable	
	Number of outstanding shares	Weighted average remaining contractual life	Weighted Average Exercise Price (\$)	Number of exercisable shares	Weighted average exercise price (\$)
\$ 0 - \$ 0.5	3,493	1.39	0.45	3,493	0.45
\$ 0.51 - \$ 1.00	1,825	2.84	0.78	1,825	0.78
\$ 1.01 - \$ 1.50	1,471	6.21	1.15	1,467	1.15
\$ 1.51 - \$ 2	8	2.62	1.53	8	1.53
\$ 2 - \$ 2.50	516	7.72	2.1	512	2.1

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022**

There were no stock options granted in 2021 and 2022.

Restricted Stock Units

In August 2021, WideOrbit issued a total of 3.75 million restricted stock units to certain WideOrbit employees and continued to grant further restricted stock units to employees during 2022. A portion of these shares have a time-based service requirement (the "RSU"s) over the next four years as with WideOrbit's standard options, and another portion of these shares have annual performance target requirements (the "PSU"s) with four equal tranches allocated to each year of the next four years. For the RSUs, the time (service) based requirement has a one-year cliff and a subsequent quarterly achievement pattern. For the PSUs, the performance targets will be set at the beginning of each performance period.

The vesting of these restricted stock units and performance-based restricted stock units is contingent upon a liquidity event, which the agreement has defined as any of the following:

- Private Company Tender Offer (partial satisfaction):
- IPO: Underwriting Offering, SPAC, Direct listing (full satisfaction)
- Qualified Change Control: the consideration received by holders of WideOrbit's capital stock is cash, marketable securities registered under the Securities Act (full satisfaction).

For both the time-based restricted stock units and the performance based restricted stock units, vesting will not occur until both the service-based requirement or performance requirement (as applicable) and the liquidity event requirement are considered probable. Further, the award will not vest unless the recipient continuously remains employed through a liquidity event even if some or all of the service-based requirements or performance requirements (as applicable) have been satisfied on the date the recipient's employment with WideOrbit terminates prior to the occurrence of a liquidity event.

Had a liquidity event taken place, it would have resulted in compensation expense of \$2.8 million for both the vested RSUs and PSUs as the performance target was met. An additional \$10.3 million of compensation expense pertains to units tied to performance targets over the following three years. Because the vesting of these RSUs is dependent on a qualified liquidity event, WideOrbit had to assess the probability of such an event in order to determine the expenses related to the share-based payments for the years. For the years ended December 31, 2022 and 2021, WideOrbit assessed that the liquidity event was not probable, and therefore no compensation expense was recognized.

	Time-based Units outstanding	Performance-based units outstanding
Balances, January 1, 2021	-	-
Units granted	1,250	2,500
Units forfeited	(50)	(100)
Balances, December 31, 2021	1,200	2,400

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022**

Balances, January 1, 2022	1,200	2,400
Units granted	1,066	1,622
Units forfeited	(187)	(372)
Balances, December 31, 2022	2,079	3,650

Shares Available for Grant

The following table presents the stock activity and the total number of shares available for grant under the 2009 Plan as of December 31, 2022 (in thousands):

	Shares available for grant
Balances, January 1, 2022	2,209
Options granted	-
Options forfeited	564
Shares added to the pool	-
RSU granted	(2,688)
RSU forfeited	559
Balances, December 31, 2022	644

Valuation Assumptions

The fair value of each stock option grant under the stock option plans was historically estimated on the date of grant using the Black-Scholes option-pricing model. There were no stock options granted in 2021 and 2022.

Stock-Based Compensation Expense

Stock-based compensation expense is categorized as follows (in thousands):

	Year ended December 31,	
	2022	2021
Cost of revenue	\$ 8	\$ 89
Research and development	\$ 8	78
General and administrative	\$ 4	43
Sales and Marketing	\$ 2	23
Total stock-based compensation expense	\$ 22	\$ 233

As of December 31, 2022, total unrecognized compensation costs related to unvested stock options were immaterial. The remaining unrecognized costs are expected to amortize over a weighted-average period of 1 year as of December 31, 2022.

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022****Retirement Plan**

WideOrbit has a qualified 401(k) plan for all eligible U.S. employees, which is considered a defined contribution plan as defined under IAS 19. Employees may defer a portion of their pretax earnings not to exceed the annual maximum as set by law. WideOrbit, at its discretion, may make contributions for the benefit of eligible employees. WideOrbit contributed \$1.6 million to the 401(k) Plan for each of the years ended December 31, 2022 and 2021. WideOrbit has no long-term benefit obligations for the reporting periods.

Employee benefit obligations consist of the following (in thousands):

	Year Ended December 31,	
	2022	2021
Vacation	\$ 2,792	\$ 3,201
Severance	\$ 425	113
Other Benefits	\$ 162	172
Total employee benefit obligations	\$ 3,379	\$ 3,486

22) Income Taxes

The income tax amounts recognized in profit and loss are as follows:

	December 31,	
	2022	2021
Current tax expense:		
Current income tax	\$ 10,046	\$ 14,265
Deferred tax expense:		
Origination and reversal of temporary differences	(6,029)	607
Total tax expense	\$4,017	\$ 14,872

During the year ended December 31, 2022, WideOrbit recorded income tax provision of \$4.0 million, which was primarily attributable to income from operations offset by R&D credits and stock option tax deductions. WideOrbit's actual tax provision differed from the statutory federal income tax expense using a tax rate of 21% for the year ended December 31, 2022 primarily due to R&D credits and stock option deductions.

During the year ended December 31, 2021, WideOrbit recorded income tax provision of \$14.9 million, which was primarily attributable to gain on sale of assets and IP of its Streaming cash generating unit. WideOrbit's actual tax provision differed from the statutory federal income tax expense using a tax rate of 21% for the year ended December 31, 2021 primarily due to state income taxes driven by the gain mentioned above.

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022**

WideOrbit is subject to periodic examination of its income tax returns by other state authorities. As of December 31, 2022, WideOrbit is open for an examination from the Internal Revenue Service (IRS) from 2016 onwards.

A reconciliation of the income tax expense to the expected amount using WideOrbit's US tax rate is as follows (in thousands):

	Year ended December 31,	
	2022	2021
Profit/ loss before taxation	\$ 18,054	\$ 57,401
United States tax rate	21%	21%
Expected United States income tax expense	\$ 3,155	\$ 12,181
Increase (reduction) in income taxes resulting from:		
State tax, net of federal benefit	829	3,123
Stock-based compensation expense	(3)	(2)
Permanent items	(156)	(267)
ISO Disqualifying Disposition/NQ Exercise	(41)	(4)
Tax Reserve	97	38
Research & development tax credits	(1,154)	(462)
Warrant liabilities	1,488	513
Others	(198)	(248)
Total income tax expense	\$ 4,017	\$ 14,872

Significant components of WideOrbit's net deferred tax assets are as follows (in thousands):

Deferred tax assets	December 31,	
	2022	2021
Deferred revenue	\$ 812	\$ 2,514
Tax credits carryforwards	4	74
Accrued expenses and reserves	770	1,306
Intangible asset basis differences	515	607
Net operating loss carryforwards	410	563
Stock-based compensation	5,585	2,906
Deferred tenant improvement allowance	-	83

WIDEORBIT INC.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****YEARS ENDED DECEMBER 31, 2022**

Intra-entity intangible basis difference	211	197
Capitalized R&D expenditures (tax)	6,838	-
Property plant and equipment basis differences	(18)	(24)
Acquired intangibles	(45)	(27)
State taxes	406	564
Merger cost	819	-
Lease liabilities	2,669	3,771
Total deferred tax assets	\$ 18,976	\$ 12,534
Deferred tax liabilities		
Goodwill difference	\$ (1,513)	\$ (1,366)
Deferred costs	(20)	(591)
Sec 481 adjustments	(407)	(1,074)
Others	(256)	-
Lease right-of-use assets	(1,543)	(3,117)
Total deferred tax liabilities	(3,739)	(6,148)
Net deferred tax assets	\$ 15,237	\$ 6,386

	December 31,	
Deferred tax movement:	2022	2021
Amounts recognized directly in income statement	6,029	\$ (607)
Amounts recognized directly in equity	2,821	1,202
	\$ 8,850	\$ 595

At December 31, 2022, WideOrbit had federal net operating loss carryforwards of approximately \$2.0 million available to reduce future taxable income, if any. If not utilized, our federal net operating loss will expire starting in year 2024.

As of December 31, 2022, WideOrbit had research and development credit carryforwards of approximately \$1.7 million available to reduce future taxable income, if any, for California income tax purposes. The California research and development credit carryforwards can be carried forward indefinitely.

At December 31, 2021, WideOrbit had federal, state, and foreign net operating loss carryforwards of approximately \$2.3 million, \$0.3 million, and \$0.2 million respectively, available to reduce future taxable

WIDEORBIT INC.

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income, if any. If not utilized, the federal net operating loss will expire starting in year 2022, state net operating losses will expire starting in year 2022. Foreign net operating losses can be carried forward indefinitely.

As of December 31, 2021, WideOrbit had research and development credit carryforwards of approximately \$35 thousand and \$1.8 million available to reduce future taxable income, if any, for Federal and California income tax purposes, respectively. The Federal research and development credit carryforwards expire beginning 2031 and California research and development credit carryforwards do not expire.

WideOrbit believes it has made adequate provision for the liabilities likely to arise from periods that are open and not yet agreed by tax authorities. The ultimate liability for such matters may vary from the amounts provided and is dependent on the outcome of agreements with relevant tax authorities or litigation where appropriate. As a multinational Company, tax uncertainties remain primarily in relation to tax attributes. Management has concluded tax provisions made to be appropriate and does not believe a significant risk of material changes to uncertain tax positions in the next 12 months.

23) Related party transactions

Significant Related Party Agreements

WideOrbit has conducted sales transactions with a member of its board of directors who became an employee in 2022. Revenue from stockholders reflected in the consolidated statements of operations during the years ended December 31, 2022 and 2021 was \$0.2 million and \$0.2 million, respectively.

The related party balances resulting from the sales to the respective stockholder(s) are as follows: (in thousands):

	December 31,	
	2022	2021
Trade receivables	\$ -	\$ 12
Deferred revenue	9	-
Total related party balances	\$ 9	\$ 12

Key management personnel compensation

WideOrbit defines key management personnel as being the Board of Directors and executive officers. The remuneration of key management personnel during the years ended December 31, 2022 and 2021 were as follows (in thousands):

	December 31,	
	2022	2021
Salary, bonus and vacation	\$ 2,697	\$ 2,593
Share based payments	39	248

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D&O Insurance	164	121
Other short-term benefits	73	53
401K Contribution Match	37	35
Total key management personnel compensation	\$ 3,010	\$ 3,050

There were no post-employment benefits, long-term benefits and termination benefits attributed to key management personnel in fiscal years 2022 and 2021.

24) Contingent liabilities

WideOrbit is contingently liable to pay certain current executives severance benefits in the event of their termination related to a change in control. The maximum contingent liability under these arrangements is \$1.7 million as of December 31, 2022.

25) Capital Management

WideOrbit's capital management is based on a high equity ratio, modest financial leverage, a well-balanced maturity profile, and deep debt capacity. WideOrbit's objective when managing capital is to ensure its ability to continue as a going concern, to provide an adequate return to shareholders, and maintain an optimal capital structure to reduce the cost of capital. WideOrbit monitors capital on the basis of the carrying amount of equity plus its secured loan, less cash and cash equivalents as presented in the consolidated statement of financial position. WideOrbit's goal in capital management is to maintain a fixed charge coverage ratio of no less than 1.05:1 and a total net leverage ratio of no more than 5.75:1 for the trailing four fiscal quarters. This is in line with WideOrbit's covenants included in the terms of the secured loan (see note 18). WideOrbit manages the capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, WideOrbit may adjust the return to shareholders, return capital to shareholders, issue new shares, or reduce debt. For the years ended December 31, 2022 and 2021, WideOrbit has met all of its covenants included in the terms of the secured loan.

26) Liquidation of WideOrbit Ltd.

In 2021 WideOrbit began winding up the operations of its UK-based subsidiary WideOrbit Ltd. The subsidiary entered formal voluntary liquidation on July 7, 2021. On September 9, 2021, WideOrbit Ltd. initiated a distribution of 225,000 GBP (\$0.3 million USD) to WideOrbit LLC as a part of the liquidation. The net assets were derecognized in the WideOrbit Ltd. (UK) entity at their carrying amounts. The distribution to the WideOrbit LLC entity was recorded at the historical carrying amount and any differences between net assets transferred and historical carrying amounts were recognized in equity (retained earnings). As of the date of the distribution and the date of these financial statements, WideOrbit LLC maintains 100% ownership of WideOrbit Ltd. and is awaiting final receipt of final tax return funds from UK regulatory authorities to complete the dissolution of the subsidiary.

27) Financial Risk Management

WideOrbit is exposed to various risks related to financial instruments. The primary objective of

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WideOrbit's risk management processes is to identify the risks, follow sound procedures to manage and mitigate the risks and to ensure adequate capital is available in relation to the risks. The main types of risks are:

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange risk	Future commercial transactions	Cash flow forecasting Sensitivity analysis	Currently, there is no significant business carried or denominated in foreign currency. WideOrbit will continue to monitor the foreign currency transactions for materialization of forex risk
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	WideOrbit has long term borrowings at variable rates. WideOrbit is monitoring interest rate movements for these repricing events.
Credit risk	Cash and cash equivalents, trade receivables, and contract assets	Aging analysis Credit ratings	WideOrbit considers diversification of bank deposits, customer credit limits, letters of credit, etc.
Liquidity risk	Borrowing and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facility such as revolvers, etc..

WideOrbit's risk management is coordinated at its headquarters and focuses on actively securing its short to medium-term cash flows by minimizing the exposure to volatile financial markets.

WideOrbit does not actively engage in the trading of financial assets for speculative purposes, nor does it routinely write options. The most significant risks which WideOrbit is exposed to are described below.

Market risk analysis

(i) Foreign Currency Sensitivity

WideOrbit has limited exposure to risk from foreign exchange rates as most sales and purchases are denominated in US Dollars (USD). Exposures to currency exchange rates arise from overseas sales and purchases, which are primarily in USD but include others as needed such as Canadian dollars (CAD), Pounds sterling (GBP), Euro (EUR), and Australian dollars (AUD).

To mitigate WideOrbit's exposure to foreign currency risk, the non-USD cash flows are monitored but have historically not represented a significant component of cash flows. WideOrbit performs a sensitivity analysis periodically to assess the exposure to currency exchange rates in order to determine if a more proactive response is necessary to mitigate the risk. Foreign currency denominated net financial assets and liabilities which expose WideOrbit to currency risk were \$0.2 million and \$0.5 million for the years ended December 31, 2022 and 2021 respectively.

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(ii) Interest Rate Sensitivity

Exposure

WideOrbit is exposed to interest rate risk from its senior term loan. The minimum interest rate for the loan is 9.75% and the rate is subject to variable increases in the base rate of the loan.

Sensitivity

In order to assess the sensitivity of possible fluctuations in the base rate, WideOrbit analyzed the sensitivity of profit and equity to a reasonably possible change in interest rates of +/- 1% for 2022 and 2021. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Year	Profit from operations		Equity	
	+ 1%	- 1%	+ 1%	- 1%
December 31 2022	\$ 1,585	\$ (1,216)	\$ 62,993	\$ 60,192
December 31 2021	2,016	(2,016)	79,414	75,382

Credit risk analysis

Credit risk is the risk that a counterparty fails to discharge an obligation to WideOrbit. WideOrbit is exposed to credit risk from financial assets including cash and cash equivalents held at banks, trade receivables and contract assets.

(i) Risk management

WideOrbit makes an effort to deal only with credit-worthy counterparties. WideOrbit's customers are predominantly listed entities and/or have credit performance information available through credit reporting agencies. If customers are independently rated, these ratings may be obtained and used by management.

For customers where no independent rating is available, WideOrbit assesses the credit quality of the customer, taking into account its financial position, references, past experience and other factors such as bankruptcy of the customer, disputes in billing, aging of the receivables, and customer unresponsiveness. The credit terms range between 30 - 60 days from the invoice date, with some slight variation by region or customer. WideOrbit requires approval by its Chief Financial Officer for any credit terms in excess of 30 days prior to offering the extended terms to the customer. The ongoing credit risk is managed through regular review of the aging analysis, together with the factors mentioned above.

There is no significant concentration of credit risk, whether through exposure to individual customers or specific geographic regions.

(ii) Security

Trade receivables consist of a large number of customers in various geographical regions, predominantly in the United States. WideOrbit does not hold any security on any trade receivable balances at each annual reporting period. In addition, WideOrbit does not hold any collateral relating to other financial assets (e.g., derivative assets, cash and cash equivalents held with banks) at each annual reporting date.

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(iii) Impairment of financial assets

WideOrbit has two types of financial assets that are subject to the expected credit loss model:

- trade receivables for sales of inventory and provision of professional and subscription services
- contract assets relating to unbilled revenue which are amounts in contracts in which performance has been satisfied but not yet billed.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, WideOrbit does not hold any financial instruments subject to impairment.

Trade receivables and contract assets:

WideOrbit applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime loss allowance for all trade receivables and contract assets as these items do not have a significant financing component.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work and have substantially the same risk characteristics as the trade receivables for the same types of contracts. WideOrbit has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months before December 31, 2022 or January 1, 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information for macroeconomic factors affecting the ability of the customers to settle the receivables. WideOrbit has identified the US Gross Domestic Product and the US gross value added to non-financial corporations to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as of December 31, 2022 and December 31, 2021 was determined as \$0.3 million and \$1.3 million.

Trade receivables and contract assets are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery may include, amongst others, the failure of a debtor to engage in a repayment plan with WideOrbit, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Liquidity Risk Analysis

Liquidity risk is the risk that WideOrbit will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. WideOrbit's objective when managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Management monitors rolling forecasts of WideOrbit's liquidity reserve (comprising the untapped amounts from its line of credit) and cash and cash equivalents on the basis of expected cash flows. This is performed at the group level. For a summary of WideOrbit's maturities of financial liabilities see

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schedules in notes leases (note 10), borrowings (note 18), and accounts payable and accrued expenses (note 19).

28) Events after the reporting date (Subsequent Events)

WideOrbit has evaluated subsequent events through the date the consolidated financial statements were available to be issued.

On February 22, 2023, WideOrbit became a wholly owned subsidiary of Lumine Group Inc. ("Lumine Group"), a subsidiary of Constellation Software Inc. ("Constellation") (TSX: CSU), for a purchase price of \$490.0 million. WideOrbit will operate as an autonomous business unit within the Lumine Group's portfolio of companies. Constellation plans to spin out Lumine Group into its own listed company and has received conditional approval to list on the TSX Venture Exchange. A final prospectus has been filed with the Canadian securities regulatory authorities.

As a result of the acquisition, Lumine Group purchased all outstanding shares of WideOrbit stock for cash plus the issuance of 13.83% of the shares of Lumine Group to eligible WideOrbit shareholders. WideOrbit incurred \$31.6 million in stock compensation expense related to this qualified liquidity event due to the Board's decision to fully vest all RSUs and PSUs as well as all outstanding vested and unvested options that were issued or outstanding as of December 12, 2022. All warrants were net exercised and paid to holders. WideOrbit also announced a one-time bonus to non-shareholder employees resulting in \$0.2 million in additional bonus expense.

The senior debt facility which was held by WideOrbit with \$112.1 million in outstanding principal as of December 31, 2022 was paid and extinguished by Lumine Group at the close of the acquisition. On March 2, 2023, WideOrbit entered into a new \$185.0 million revolving financing facility with a syndicate of Canadian and US chartered banks, from which \$175.0 million was drawn at the facility closing. A portion of the funds were used to repay Lumine Group for the previous term loan extinguishment with the remainder representing an intercompany loan to Lumine Group. Covenants and guarantees associated with this loan are monitored and reported based on WideOrbit's financial position and financial performance. The covenants include a leverage ratio and an interest coverage ratio. The loan has a maturity date of March 1, 2028 and bears an interest rate of the Secured Overnight Financing Rate (SOFR) plus applicable spreads ranging from 0.75% to 2%, based on the leverage ratio. The credit facility is collateralized by substantially all of the assets of WideOrbit.

All of WideOrbit's cash and cash equivalents are held at Silicon Valley Bank, which was closed on March 10, 2023 with the Federal Deposit Insurance Corporation (FDIC) appointed as receiver. On March 12, 2023, the US Secretary of Treasury approved actions enabling the FDIC to complete its resolution in a manner that fully protects all depositors. WideOrbit had approximately \$22.5 million in funds with SVB as of the date of the closure. While WideOrbit does not expect to incur any losses associated with the resolution of Silicon Valley Bank, it also has access to funds in excess of \$10.0 million through the credit facility discussed above. As a result of these events, WideOrbit is in the process of opening accounts at another banking institution.