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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549**

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2022**

**TRANSITION REPORT UNDER SECTION 13 or 15(d) OF THE EXCHANGE  
ACT**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 333-120120-01

**KIDOZ INC.**

\_\_\_\_\_  
(Exact name of small business issuer as specified in its charter)

**ANGUILLA**

**98-0206369**

\_\_\_\_\_  
(State or other jurisdiction of incorporation or  
organization)

\_\_\_\_\_  
(IRS Employer Identification No.)

**Hansa Bank Building, Ground Floor, Landsome Road  
AI 2640, The Valley, Anguilla, B.W.I**

\_\_\_\_\_  
(Address of principal executive offices)

**(888) 374-2163**

\_\_\_\_\_  
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of each class</b>	<b>Trading Symbol(s)</b>	<b>Name of each exchange on which registered</b>
Common Shares	KIDZ	Toronto Venture Stock Exchange

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Sections 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company, or an emerging growth company.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS** The number of outstanding shares of the Issuer's common stock, no par value per share, was 131,536,499 as of November 14, 2022.

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**KIDOZ INC.**

**QUARTERLY REPORT ON FORM 10-Q  
FOR THE PERIOD ENDED SEPTEMBER 30, 2022**

**TABLE OF CONTENTS**

	<u>PAGE</u>
PART I - FINANCIAL INFORMATION .....	2
ITEM 1. Consolidated Financial Statements.....	2
Consolidated Balance Sheets .....	2
Consolidated Statements of Operations and Comprehensive Loss .....	3
Consolidated Statements of Stockholders' Equity .....	4
Consolidated Statements of Cash Flows.....	5
Notes to Consolidated Financial Statements .....	6
ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	25
ITEM 4. Controls and Procedures.....	34
PART II - OTHER INFORMATION .....	36
ITEM 1. Legal Proceedings .....	36
ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.....	36
ITEM 3. Defaults Upon Senior Securities .....	36
ITEM 4. Submission of Matters to a Vote of Security Holders.....	36
ITEM 5. Other Information.....	36
ITEM 6. Exhibits and reports on Form 8-K .....	37
EXHIBITS .....	37
SIGNATURES.....	39
CERTIFICATIONS .....	40
Certification pursuant to 18 U.S.C. §1350, as adopted pursuant to section 906 of the Sarbanes-Oxley act of 2002 .....	42

## PART I - FINANCIAL INFORMATION

### ITEM 1. Financial Statements.

#### **KIDOZ INC. and subsidiaries**

(Expressed in United States Dollars)

Consolidated Balance Sheets  
(Unaudited)

As at	September 30, 2022	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash	\$ 1,830,262	\$ 2,078,607
Accounts receivable, less allowance for doubtful accounts \$53,068 (December 31, 2021 - \$56,605) (Note 3)	4,222,055	6,627,864
Prepaid expenses	106,291	105,468
<b>Total Current Assets</b>	<b>6,158,608</b>	<b>8,811,939</b>
Equipment (Note 4)	26,798	20,523
Goodwill (Note 6)	3,301,439	3,301,439
Intangible assets (Note 5)	1,283,891	1,694,917
Long term cash equivalent	21,994	23,624
Operating lease right-of-use assets (Note 12)	43,706	65,464
Security deposit	10,775	7,625
<b>Total Assets</b>	<b>\$ 10,847,211</b>	<b>\$ 13,925,531</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 1,854,734	\$ 3,693,944
Accrued liabilities	403,697	471,882
Accounts payable and accrued liabilities - related party (Note 13)	98,455	53,829
Derivative liability – warrants (Note 2e and 9)	17	23,365
Operating lease liabilities – current portion (Note 12)	31,112	32,068
<b>Total Current Liabilities</b>	<b>2,388,015</b>	<b>4,275,088</b>
Deferred tax liability	210,499	210,499
Government CEBA loan (Note 8)	43,668	47,248
Operating lease liabilities – non-current portion (Note 12)	15,399	41,999
<b>Total Liabilities</b>	<b>2,657,581</b>	<b>4,574,834</b>
Commitments (Note 11)		
Stockholders' Equity (Note 9):		
Common stock, no par value, unlimited shares authorized, 131,581,499 shares issued and outstanding (December 31, 2021 - 131,424,989)	50,570,345	49,964,919
Accumulated deficit	(42,405,295)	(40,638,802)
Accumulated other comprehensive income:		
Foreign currency translation adjustment	24,580	24,580
<b>Total Stockholders' Equity</b>	<b>8,189,630</b>	<b>9,350,697</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 10,847,211</b>	<b>\$ 13,925,531</b>

See accompanying notes to the consolidated financial statements.

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Consolidated Statements of Operations and Comprehensive Loss  
For Periods Ended September 30, 2022 and 2021  
(Unaudited)

	Nine Months ended September 30, 2022	Nine Months ended September 30, 2021	Three Months ended September 30, 2022	Three Months ended September 30, 2021
Revenue:				
Ad tech advertising revenue	\$ 8,117,934	\$ 6,384,308	\$ 3,454,824	\$ 2,759,508
Content revenue	185,465	165,781	50,988	55,134
Total revenue	8,303,399	6,550,089	3,505,812	2,814,642
Cost of sales:	5,254,969	3,614,181	2,260,242	1,588,108
Total cost of sales	5,254,969	3,614,181	2,260,242	1,588,108
Gross profit	3,048,430	2,935,908	1,245,570	1,226,534
Operating expenses:				
Amortization of operating lease right-of-use assets (Note 12)	21,758	33,481	7,177	7,369
Depreciation and amortization (Notes 4 & 5)	417,742	424,255	138,757	141,326
Directors fees (Note 13)	5,998	6,022	2,000	2,022
General and administrative	580,730	469,821	178,717	145,765
Salaries, wages, consultants and benefits	567,752	511,959	139,994	123,381
Selling and marketing (Note 13)	654,181	465,954	222,379	156,122
Stock awareness program	105,694	351,249	9,936	65,392
Stock-based compensation (Note 9 & 13)	525,721	448,369	181,129	178,763
Content and software development (Note 7 & 13)	1,773,889	1,180,898	613,196	477,559
Total operating expenses	4,653,465	3,892,008	1,493,285	1,297,699
Loss before other income (expense) and income taxes	(1,605,035)	(956,100)	(247,715)	(71,165)
Other income (expense):				
Foreign exchange loss	(184,989)	(58,651)	(67,736)	(16,479)
Gain on derivative liability – warrants (Note 2e)	23,348	50,313	1,499	12,329
Interest and other income	178	266	178	266
Loss before income taxes	(1,766,498)	(964,172)	(313,774)	(75,049)
Income tax recovery (expense)	5	(2,989)	-	9
Loss after tax	(1,766,493)	(967,161)	(313,774)	(75,040)
Other comprehensive income (loss)	-	-	-	-
Comprehensive loss	\$ (1,766,493)	\$ (967,161)	\$ (313,774)	\$ (75,040)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.00)	\$ (0.00)
Weighted average common shares outstanding, basic	131,464,438	131,312,681	131,581,499	131,424,989
Weighted average common shares outstanding, diluted	131,464,438	131,312,681	131,581,499	131,424,989

See accompanying notes to the consolidated financial statements.

# KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the periods ended September 30, 2022 and 2021

(Unaudited)

Nine-Month period Ended September 30, 2022					
	Common stock		Accumulated Deficit	Accumulated Other Comprehensive income	Total Stockholders' Equity
				Foreign currency translation adjustment	
	Shares	Amount			
Balance, December 31, 2021	131,424,989	\$49,964,919	(\$40,638,802)	\$ 24,580	\$9,350,697
Stock-based compensation	-	159,998	-	-	159,998
Net loss and comprehensive loss	-	-	(731,042)	-	(731,042)
Balance, March 31, 2022	131,424,989	\$50,124,917	(\$41,369,844)	\$ 24,580	\$8,779,653
Shares issued	156,510	79,705	-	-	79,705
Stock-based compensation	-	184,594	-	-	184,594
Net loss and comprehensive loss	-	-	(721,677)	-	(721,677)
Balance, June 30, 2022	131,581,499	\$50,389,216	(\$42,091,521)	\$ 24,580	\$8,322,275
Stock-based compensation	-	181,129	-	-	181,129
Net loss and comprehensive loss	-	-	(313,774)	-	(313,774)
Balance, September 30, 2022	131,581,499	\$50,570,345	(\$42,405,295)	\$ 24,580	\$8,189,630
Nine-Month period Ended September 30, 2021					
	Common stock		Accumulated Deficit	Accumulated Other Comprehensive income	Total Stockholders' Equity
				Foreign currency translation adjustment	
	Shares	Amount			
Balance, December 31, 2020	131,124,989	\$49,094,096	(\$40,448,481)	\$ 24,580	\$8,670,195
Stock-based compensation	-	77,021	-	-	77,021
Net loss and comprehensive loss	-	-	(347,044)	-	(347,044)
Balance, March 31, 2021	131,124,989	\$49,171,117	(\$40,795,525)	\$ 24,580	\$8,400,172
Shares issued	230,000	179,293	-	-	179,293
Options exercised	70,000	31,264	-	-	31,264
Stock-based compensation	-	192,585	-	-	192,585
Net loss and comprehensive loss	-	-	(545,077)	-	(545,077)
Balance, June 30, 2021	131,424,989	\$49,574,259	(\$41,340,602)	\$ 24,580	\$8,258,237
Stock-based compensation	-	178,763	-	-	178,763
Net loss and comprehensive loss	-	-	(75,040)	-	(75,040)
Balance, September 30, 2021	131,424,989	\$49,753,022	(\$41,415,642)	\$ 24,580	\$8,361,960

See accompanying notes to the consolidated financial statements.

# KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

## Consolidated Statements of Cash Flows

For the Nine month periods ended September 30, 2022 and 2021

(Unaudited)

	2022		2021
Cash flows from operating activities:			
Net loss	\$ (1,766,493)	\$	(967,161)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	417,742		424,255
Amortization of operating lease right-of-use assets	21,758		33,481
Gain on derivative liability – warrants	(23,348)		(50,313)
Shares issued for services	-		179,293
Stock awareness program – warrants granted for services	-		83,572
Stock-based compensation	525,721		448,369
Unrealized foreign exchange	(5,100)		97
Changes in operating assets and liabilities:			
Accounts receivable	2,405,809		393,856
Prepaid expenses	(823)		(36,777)
Accounts payable and accrued liabilities	(1,783,064)		(553,919)
Net cash used in operating activities	(207,798)		(45,247)
Cash flows from investing activities:			
Acquisition of equipment	(12,991)		(7,868)
Long-term cash equivalent	-		7,790
Net cash used in investing activities	(12,991)		(78)
Cash flows from financing activities:			
Options exercised	-		31,264
Proceeds of short-term loan	-		200,000
Repayment of short-term loan	-		(200,000)
Payments on operating lease liabilities	(27,556)		(21,976)
Net cash (used in) provided by financing activities	(27,556)		9,288
Change in cash	(248,345)		(36,037)
Cash, beginning of period	2,078,607		1,226,045
Cash, end of period	\$ 1,830,262	\$	1,190,008
Supplementary information:			
Interest paid	\$ -	\$	987
Income taxes paid	\$ 3,206	\$	2,989
Non-cash transaction			
Shares issued to settle accounts payable and accrued liabilities	\$ 79,705	\$	-

See accompanying notes to the consolidated financial statements.

# **KIDOZ INC. and subsidiaries**

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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## **1. Basis of Presentation:**

The accompanying unaudited interim consolidated financial statements have been prepared by Kidoz Inc. (“the Company”) in conformity with accounting principles generally accepted in the United States of America (“US GAAP”) applicable to interim financial information and with the rules and regulations of the United States Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with generally accepted accounting principles have been condensed, or omitted, pursuant to such rules and regulations. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments necessary for the fair presentation of the results of the interim periods presented. All adjustments are of a normal recurring nature, except as otherwise noted below. These unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto for the year ended December 31, 2021, included in the Company’s Annual Report on Form 10-K, filed March 30, 2022, with the Securities and Exchange Commission and the TSX Venture Exchange. The results of operations for the interim periods are not necessarily indicative of the results of operations for any other interim period or for a full fiscal year.

### **Continuing operations**

These unaudited interim consolidated financial statements have been prepared assuming the realization of assets and the settlement of liabilities in the normal course of operations. The Company expects to continue to achieve profitable operations to generate sufficient cash flows to fund continued operations for the next 12 months, or, in the absence of adequate cash flows from operations, obtaining additional financing.

Management continues to review operations in order to identify additional strategies designed to generate cash flow, improve the Company’s financial position, and enable the timely discharge of the Company’s obligations.

In March 2020 the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, has led to an economic downturn. It has also disrupted the normal operations of many businesses, including the Company’s. In early March 2020, the Company’s employees commenced working from home and commenced social distancing. This outbreak has affected spending, thereby affecting demand for the Company’s product and the Company’s business and results of operations. It is not possible for the Company to predict the duration or magnitude of the outbreak and while the pandemic appears to have slowed at this time its full continuing effects on the Company’s business, its future results of operations, or ability to raise funds remain impossible to predict.

## **2. Summary of significant accounting policies:**

### **(a) Basis of presentation:**

These unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) applicable to annual financial information and with the rules and regulations of the United States Securities



## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 2. Summary of significant accounting policies: (Continued)

(a) Basis of presentation: (Continued)

and Exchange Commission. The financial statements include the accounts of the Company's subsidiaries:

<b>Company</b>	<b>Registered</b>	<b>% Owned</b>
Shoal Media (Canada) Inc.	British Columbia, Canada	100%
Coral Reef Marketing Inc.	Anguilla	100%
Kidoz Ltd.	Israel	100%
Prado Media Ltd.	British Columbia, Canada	100%
Rooplay Media Kenya Limited	Kenya	100%
Shoal Media Inc.	Anguilla	100%
Shoal Games (UK) Plc	United Kingdom	99%
Shoal Media (UK) Ltd.	United Kingdom	100%

During the quarter ended September 30, 2022, Rooplay Media Ltd. was renamed Prado Media Ltd., a company focused on advertising to parents and teens.

In addition, there are the following dormant subsidiaries: Bingo.com (Antigua) Inc., Bingo.com (Wyoming) Inc., and Bingo Acquisition Corp.

All inter-company balances and transactions have been eliminated in the unaudited interim consolidated financial statements.

(b) Use of estimates:

The preparation of unaudited interim consolidated financial statements in conformity with US GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and recognized revenues and expenses for the reporting periods.

Significant areas requiring the use of estimates include the collectability of accounts receivable, the valuation of stock-based compensation, the valuation of deferred tax assets and liabilities, the useful lives of intangible assets, and the derivative liability – warrants valuation. Actual results may differ significantly from these estimates.

(c) Revenue recognition:

In accordance with ASC 606, Revenue from Contracts with Customers, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services.

We derive substantially all of our revenue from the sale of Ad tech advertising revenue.

## **KIDOZ INC. and subsidiaries**

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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### **2. Summary of significant accounting policies (Continued):**

#### **(c) Revenue recognition: (Continued)**

**To achieve this core principle, the Company applied the following five steps:**

##### **1) Identify the contract with a customer**

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the services to be transferred, whose impression count will form the basis of the revenue and identifies the payment terms related to these services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

##### **2) Identify the performance obligations in the contract**

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

##### **3) Determine the transaction price**

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. None of the Company's contracts contain financing or variable consideration components.

##### **4) Allocate the transaction price to performance obligations in the contract**

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis. The Company determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account

# KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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## 2. Summary of significant accounting policies (Continued):

### (c) Revenue recognition: (Continued)

available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

#### 5) Recognize revenue when or as the Company satisfies a performance obligation

The Company satisfies performance obligations at a point in time as discussed in further detail under "Disaggregation of Revenue" below. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

#### **Disaggregation of Revenue**

All of the Company's performance obligations, and associated revenue, are generally transferred to customers at a point in time. The Company has the following revenue streams:

1) Ad tech advertising revenue - The Company generally offers these services under a customer contract Cost-per-Impression (CPM), Cost-Per-Install or CPI arrangements, Cost per completed video view or CPC and/or Cost-Per-Action or CPA arrangements with third-party advertisers and developers, as well as advertising aggregators, generally in the form of insertion orders that specify the type of arrangement (as detailed above) at particular set budget amounts/restraints. These advertiser customer contracts are generally short term in nature at less than one year as the budget amounts are typically spent in full within this time period. These agreements typically include the delivery of Ad tech advertising through partner networks, defined as publishers / developers, to home screens of devices and agree on whose results will be relied on from a revenue point of view.

The Company has concluded that the delivery of the Ad tech advertising is delivered at a point in time and, as such, has concluded these deliveries are a single performance obligation. The Company invoices fees which are generally variable based on the arrangement, which would typically include the number of impressions delivered at a specified price per application. For impressions delivered, revenue is recognized in the month in which the Company delivers the application to the end consumer or the month when the campaign ends.

2) Content revenue – The Company recognizes content revenue on the following forms of revenue:

a) Carriers and OEMs - The Company generally offers these services under a customer contract per tablet device license fee model with OEMs. Monthly or quarterly license fees are based on the OEM agreement with the number of devices the Kidoz Kid Mode is installed upon.

## **KIDOZ INC. and subsidiaries**

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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### **2. Summary of significant accounting policies (Continued):**

#### (c) Revenue recognition: (Continued)

b) The Company generates revenue through subscriptions or premium sales of Rooplay, (www.rooplay.com) the cloud-based EduGame system for kids to learn and play within its games on smartphones and tablet devices, such as Apple's iPhone and iPad, and mobile devices utilizing Google's Android operating system. Users can download the Company's games through Digital Storefronts and decide to subscribe to the multiple of educational and fun games in the Rooplay, cloud-based EduGame system or make a premium per purchase of particular games. The revenue is recognized net of platform fees.

c) Rooplay licensing - The Company licenses its branded educational games under a monthly cost per game agreement license fee model. Monthly license fees are based on the number of games licensed.

d) In App purchases - The Company generates revenue through in-application purchases ("in-app purchases") within its games; (i.e. Trophy Bingo (www.trophybingo.com)) on smartphones and tablet devices, such as Apple's iPhone and iPad, and mobile devices utilizing Google's Android operating system. Users can download the Company's free-to-play games through Android, Amazon, iOS and Facebook Messenger (this was discontinued in fiscal 2021) and pay to acquire virtual currency which can be redeemed in the game for power plays. The initial download of the mobile game from the Digital Storefront does not create a contract under ASC 606 because of the lack of commercial substance; however, the separate election by the player to make an in-application purchase satisfies the criterion thus creating a contract under ASC 606.

The Company has identified the following performance obligations in these contracts:

i. Ongoing game related services such as hosting of game play, storage of customer content, when and if available content updates, maintaining the virtual currency management engine, tracking gameplay statistics, matchmaking as it relates to multiple player gameplay, etc.

ii. Obligation to the paying player to continue displaying and providing access to the virtual items within the game.

Neither of these obligations are considered distinct since the actual mobile game and the related ongoing services are both required to purchase and benefit from the related virtual items. As such, the Company's performance obligations represent a single combined performance obligation which is to make the game and the ongoing game related services available to the players. The revenue is recognized net of platform fees.

#### (d) Software development costs:

The Company expensed all software development costs as incurred for the period ended September 30, 2022 and 2021. As at September 30, 2022 and December 31, 2021, all capitalized software

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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### 2. Summary of significant accounting policies (Continued):

#### (d) Software development costs: (Continued)

development costs have been fully amortized and the Company has no capitalized software development costs.

Total software development costs were \$12,333,490 as at September 30, 2022 (December 31, 2021 - \$10,559,601).

#### (e) Derivative liability – warrants

The Company's warrants have an exercise price in Canadian dollars whilst the Company's functional currency is US Dollars. Therefore, in accordance with ASU 815 – Derivatives and Hedging, the warrants have a derivative liability value. This liability value has no effect on the cashflow of the Company and does not represent a cash payment of any kind.

#### (f) Impairment of long-lived assets and long-lived assets to be disposed of:

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

Intangible assets are recorded at cost less accumulated amortization. Amortization is provided for annually on the straight-line method over the following periods:

	Amortization period
Ad Tech technology	5 years
Kidoz OS technology	3 years
Customer relationship	8 years

#### (g) Goodwill:

The Company accounts for goodwill in accordance with the provisions of ASC 350, Intangibles-Goodwill and Others. Goodwill is the excess of the purchase price over the fair value of identifiable assets acquired, less liabilities assumed, in a business combination. The Company reviews goodwill for impairment. Goodwill is not amortized but is evaluated for impairment at least annually or whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable.

The goodwill impairment test is used to identify both the existence of impairment and the amount of impairment loss, and compares the fair value of a reporting unit with its carrying amount and is based on discounted future cash flows, based on market multiples applied to free cash flow. The determination of the fair value of our reporting units requires management to make significant estimates and assumptions including the selection of control premiums, discount rates, terminal growth rates, forecasts of revenue and expense growth rates, income tax rates, changes in working capital, depreciation, amortization and capital expenditures. Changes in assumptions concerning future financial results, exogenous market conditions, or other underlying assumptions could have

## **KIDOZ INC. and subsidiaries**

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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### **2. Summary of significant accounting policies (Continued):**

#### **(g) Goodwill: (Continued)**

a significant impact on either the fair value of the reporting unit or the amount of the goodwill impairment charge. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

During the year ended December 31, 2021, the Company determined there was no impairment of the goodwill.

#### **(h) New accounting pronouncements and changes in accounting policy:**

The Company has evaluated all of the recently issued, but not yet effective, accounting standards that have been issued or proposed by the Financial Accounting Standards Board or other standards-setting bodies through the filing date of these unaudited consolidated financial statements and does not believe the future adoption of any such pronouncements will have a material impact on its consolidated financial statements.

#### **(i) Financial instruments and fair value measurements:**

##### **(i) Fair values:**

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on measurement date. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;

Level 2—Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and

Level 3—Unobservable inputs that are supported by little or no market activity that are significant to the fair value of assets or liabilities.

When available, we use quoted market prices to determine fair value, and we classify such measurements within Level 1. In some cases where market prices are not available, we make use

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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### 2. Summary of significant accounting policies (Continued):

#### (i) Financial instruments and fair value measurements: (Continued)

of observable market-based inputs to calculate fair value, in which case the measurements are classified within Level 2. If quoted or observable market prices are not available, fair value is based upon valuations in which one or more significant inputs are unobservable, including internally developed models that use, where possible, current market-based parameters such as interest rates, yield curves and currency rates. These measurements are classified within Level 3.

Fair value measurements are classified according to the lowest level input or value-driver that is significant to the valuation. A measurement may therefore be classified within Level 3 even though there may be significant inputs that are readily observable.

Fair value measurement includes the consideration of nonperformance risk. Nonperformance risk refers to the risk that an obligation (either by a counterparty) will not be fulfilled. For financial assets traded in an active market (Level 1 and certain Level 2), the nonperformance risk is included in the market price. For certain other financial assets and liabilities (certain Level 2 and Level 3), our fair value calculations have been adjusted accordingly.

The fair value of accounts receivable, accounts payable, accrued liabilities, and accounts payable and accrued liabilities - related party approximate their financial statement carrying amounts due to the short-term maturities of these instruments and are therefore carried at their historical cost basis.

The government CEBA loan is classified as a financial liability and its fair value was determined using the effective interest rate method, and is carried at amortized cost.

Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and included situations where there is little, if any, market activity for the asset. The Company's cash and long-term cash equivalents were measured using Level 1 inputs. Stock-based compensation and derivative liability – warrants were measured using Level 2 inputs. Goodwill impairment was measured using Level 3 inputs.

#### (ii) Foreign currency risk:

The Company operates internationally, which gives rise to the risk that cash flows may be adversely impacted by exchange rate fluctuations. The Company has not entered into any forward exchange contracts or other derivative instrument to hedge against foreign exchange risk.

### 3. Accounts receivable:

	September 30, 2022	December 31, 2021
Accounts receivable	\$ 4,275,123	\$ 6,684,469
Expected credit losses	(53,068)	(56,605)
Net accounts receivable	\$ 4,222,055	\$ 6,627,864

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 3. Accounts receivable: (Continued)

The Company had bank accounts with the National Bank of Anguilla. During the year ended December 31, 2016, the National Bank of Anguilla filed for chapter 11 protection. The Company expensed the balance on account of \$27,666 in fiscal 2016 as a doubtful debt. Additionally, the Company has a doubtful debt provision of \$25,402 for existing accounts receivable.

### 4. Equipment:

September 30, 2022	Cost	Accumulated depreciation	Net book Value
Equipment and computers	\$ 165,958	\$ 145,458	\$ 20,500
Furniture and fixtures	16,517	10,219	6,298
	\$ 182,475	\$ 155,677	\$ 26,798

  

December 31, 2021	Cost	Accumulated depreciation	Net book Value
Equipment and computers	\$ 152,967	\$ 139,590	\$ 13,377
Furniture and fixtures	16,517	9,371	7,146
	\$ 169,484	\$ 148,961	\$ 20,523

Depreciation expense was \$2,323 (September 30, 2021 - \$2,308) for the quarter ended September 30, 2022.

### 5. Intangible assets:

September 30, 2022	Cost	Accumulated depreciation	Net book Value
Ad Tech technology	\$ 1,877,415	\$ 1,345,481	\$ 531,934
Kidoz OS technology	31,006	31,006	-
Customer relationship	1,362,035	610,078	751,957
	\$ 3,270,456	\$ 1,850,130	\$ 1,283,891

  

December 31, 2021	Cost	Accumulated amortization	Net book Value
Ad Tech technology	\$ 1,877,415	\$ 1,063,869	\$ 813,546
Kidoz OS technology	31,006	29,283	1,723
Customer relationship	1,362,035	482,387	879,648
	\$ 3,270,456	\$ 1,575,539	\$ 1,694,917

Amortization expense was \$136,434 (September 30, 2021 - \$139,018) for the quarter ended September 30, 2022.



## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 6. Goodwill:

The changes in the carrying amount of goodwill for the period ended September 30, 2022, and the year ended December 31, 2021 were as follows:

	September 30, 2022		December 31, 2021	
Goodwill, balance at beginning of period	\$	3,301,439	\$	3,301,439
Impairment of goodwill		-		-
Goodwill, balance at end of period	\$	3,301,439	\$	3,301,439

The Company's annual goodwill impairment analysis performed during the fourth quarter of fiscal 2021 included a quantitative analysis of Kidoz Ltd. reporting unit (consisting of intangible assets (Note 5), deferred tax liability and goodwill). The reporting unit has a carrying amount of \$4,374,831 (December 31, 2021 - \$4,785,857) as at September 30, 2022. The Company performed a discounted cash flow analysis for Kidoz Ltd. for the year ended December 31, 2021. These discounted cash flow models included management assumptions for expected sales growth, margin expansion, operational leverage, capital expenditures, and overall operational forecasts. The Company classified these significant inputs and assumptions as Level 3 fair value measurements. Based on the annual impairment test described above there was no additional impairment determined for fiscal 2021 or 2020.

### 7. Content and software development assets:

Since the year ended December 31, 2014, the Company has been developing software technology and content for our business. This software technology and content includes the continued development of the KIDOZ Safe Ad Network, the KIDOZ Kid-Mode Operating System, and the KIDOZ publisher SDK, development of Trophy Bingo, a social bingo game, the license, the development of the Rooplay platform and the development of the Rooplay Originals games.

During the period ended September 30, 2022, the Company has expensed the development costs of all its technology as incurred and has expensed the following software development costs.

	Nine Months ended September 30, 2022		Nine Months ended September 30, 2021		Three Months ended September 30, 2022		Three Months ended September 30, 2021	
Opening total software development costs	\$	10,559,601	\$	8,880,753	\$	11,720,294	\$	9,584,092
Software development during the period		1,773,889		1,180,898		613,196		477,559
Closing total Software development costs	\$	12,333,490	\$	10,061,651	\$	12,333,490	\$	10,061,651

### 8. Government CEBA loan:

During the year ended December 31, 2020, the Company was granted a loan of \$43,668 (CAD\$60,000) under the Canada Emergency Business Account (CEBA) loan program for small businesses. The CEBA loan program is one of the many incentives the Canadian Government put in place in response to COVID-19. The loan is interest free and as at September 30, 2022, a third of the loan \$14,556 (CAD\$20,000) is eligible for complete forgiveness if \$29,112 (CAD\$40,000) is fully repaid on or before December 31, 2023.

## **KIDOZ INC. and subsidiaries**

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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### **8. Government CEBA loan:**

If the loan cannot be repaid by December 31, 2023, it can be converted into a 2 year term loan charging an interest rate of 5%.

During the quarter ended March 31, 2021, the Company drew \$200,000 from its line of credit with the Leumi Bank. The loan was repaid in full during the quarter ended March 31, 2021 with interest costs of \$987.

### **9. Stockholders' equity:**

The holders of common stock are entitled to one vote for each share held. There are no restrictions that limit the Company's ability to pay dividends on its common stock. The Company has not declared any dividends since incorporation. The Company's common stock has no par value per common stock.

#### **(a) Common stock issuances:**

During the quarter ended June 30, 2021, the Company engaged with Agora Internet Relations Corp. for an online marketing campaign on the AGORACOM platform. The agreement was for 12 months for a fee of \$79,705 (CAD\$100,000) payable in shares of the Company. During the quarter ended June 30, 2022, the Company issued 156,510 shares in settlement of its obligation under the contract.

During the quarter ended June 30, 2021, the Company engaged Research Capital Corporation ("RCC") as a financial and capital markets advisor. As part of the compensation for its services, RCC will receive a monthly fee of \$5,200 (CAD\$6,500) for its trading advisory services for a minimum of 6 months with extension by mutual agreement and a financial advisory fee to be satisfied by the issuance of 230,000 common shares of the Company valued at \$179,293. In addition, the Company granted 230,000 common share purchase warrants to RCC. Each warrant will entitle the holder thereof to purchase one common share in the capital of the Company at an exercise price of \$0.77 (CAD\$0.98) at any time up to 24 months following the date of issuance. During the quarter ended June 30, 2021, the Company issued the shares and granted the warrants.

During the quarter ended June 30, 2021, the holder of 70,000 stock options exercised their options for 70,000 shares for \$31,264 at an average exercise price of \$0.45 (CAD\$0.54) per share.

During the quarter ended September 30, 2022, the Company filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Notice of Intention") with the TSX-V on September 15, 2022. Upon receiving approval from the TSX-V, effective September 16, 2022, the Company commenced a normal course issuer bid ("NCIB"), whereby the Company may purchase for cancellation up to 6,579,074 shares, being 5% of the issued and outstanding shares as of such date. Any purchases under the NCIB will be made on the open market through the facilities of the TSX-V or alternative Canadian trading systems. Purchases will be made at market prices of the shares at the time of acquisition.

Purchases under the NCIB may commence as of September 16, 2022, and will end on the earlier of: (i) September 14, 2023; or (ii) the date on which the Company has purchased the maximum number of

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 9. Stockholders' equity: (Continued)

#### (a) Common stock issuances: (continued)

shares to be acquired under the NCIB. The Company may terminate the NCIB earlier if it feels it is appropriate to do so.

The normal course issuer bid will be conducted through Kidoz Inc's broker Research Capital Corporation. The purchase and payment of the Common Shares will be made in accordance with the requirements of the TSX-V and applicable securities laws. The actual number of Common Shares purchased, timing of purchases and share price will depend upon market conditions at the time and securities law requirements. All Common Shares acquired will be returned to treasury and cancelled.

The purchase of and payment for the shares will be made in accordance with the requirements of the TSX-V and applicable securities laws. The actual number of shares purchased, timing of purchases and share price will depend upon market conditions at the time and securities law requirements. All shares acquired pursuant to the NCIB will be returned to treasury and cancelled.

Subsequent to the quarter ended September 30, 2022, 45,000 shares were acquired for cancellation and were cancelled.

#### (b) Warrants

A summary of warrant activity for the quarter ended September 30, 2022 are as follows:

	Number of warrants	Exercise price	Expiry date
Outstanding, December 31, 2020	-	\$ -	
Granted	230,000	CAD\$0.98	April 3, 2023
Outstanding December 31, 2021	230,000	CAD\$0.98	
Granted	-	-	-
Outstanding September 30, 2022	230,000	CAD\$0.98	

A fair value of the derivative liability of \$83,572 was been estimated on the date of the subscription using the Binomial Lattice pricing model. Since the warrant was issued there was a gain on derivative liability - warrants of \$83,555 (\$60,207 recognized in fiscal 2021) and the derivative liability – warrants value reduced to \$17 with the following assumptions:

	September 30, 2022	September 30, 2021
Exercise price	CAD\$0.98	CAD\$0.98
Stock price	CAD\$0.405	CAD\$0.65
Expected term	0.5 years	1.5 years
Expected dividend yield	-	-
Expected stock price volatility	55.09%	90.87%
Risk-free interest rate	3.44%	0.98%

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 9. Stockholders' equity: (Continued)

(c) Stock option plans:

#### 2015 stock option plan

In the year ended December 31, 2015, the shareholders approved the 2015 stock option plan and the 1999, 2001 and the 2005 plans were discontinued. The 2015 stock option plan is intended to provide incentive to employees, directors, advisors and consultants of the Company to encourage proprietary interest in the Company, to encourage such employees to remain in the employ of the Company or such directors, advisors and consultants to remain in the service of the Company, and to attract new employees, directors, advisors and consultants with outstanding qualifications. The maximum number of shares issuable under the Plan shall not exceed 10% of the number of Shares of the Company issued and outstanding as of each Award Date unless shareholder approval is obtained in advance. The Board of Directors determines the terms of the options granted, including the number of options granted, the exercise price and their vesting schedule. The maximum term possible is 10 years. Under the amended 2015 plan we have reserved 10% of the number of Shares of the Company issued and outstanding as of each Award Date.

During the quarter ended March 31, 2022, the Company granted 2,550,000 options at CAD\$0.50 (\$0.40)

During the quarter ended September 30, 2021, the Company granted 300,000 options at CAD\$0.66 (\$0.52)

During the quarter ended June 30, 2021, the Company granted 1,300,000 options at CAD\$1.02 (\$0.80)

During the quarter ended March 31, 2021, the Company granted 1,075,000 options at CAD\$0.50 (\$0.39)

	Number of options		Weighted average exercise price
Outstanding December 31, 2020	5,875,750	\$	0.39
Granted	2,675,000		0.60
Exercised	(70,000)		(0.45)
Expired	(570,000)		(0.43)
Cancelled	(1,040,600)		(0.42)
Outstanding, December 31, 2021	6,870,150	\$	0.48
Granted	2,550,000		0.40
Cancelled	(285,000)		(0.47)
Outstanding September 30, 2022	9,135,150	\$	0.43

The aggregate intrinsic value for options as of September 30, 2022 was \$nil (December 31, 2021 - \$334,897).

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 9. Stockholders' equity: (Continued)

(c) Stock option plans:

The following table summarizes information concerning outstanding and exercisable stock options at September 30, 2022:

Exercise prices per share	Number outstanding	Number exercisable	Expiry date
CAD\$0.45	2,030,400	776,736	June 30, 2025
CAD\$0.50	859,600	375,800	February 1, 2026
CAD\$0.50	2,445,000	391,200	February 1, 2027
CAD\$0.54	506,150	506,150	November 8, 2022
CAD\$0.54	713,000	713,000	June 4, 2023
CAD\$0.66	200,000	56,000	July 12, 2026
US\$0.50	1,275,000	1,275,000	June 4, 2023
CAD\$1.02	1,106,000	380,000	April 6, 2026
	9,135,150	4,473,886	

During the quarter ended September 30, 2022, the Company recorded stock-based compensation of \$181,129 on the options granted and vested (September 30, 2021 – \$178,763) and as per the Black-Scholes option-pricing model, with a weighted average fair value per option grant of \$0.31 (September 30, 2021 - \$0.36).

Subsequent to the quarter ended September 30, 2022, 506,150 options at CAD\$0.54, expired unexercised.

### 10. Fair value measurement:

The following table sets forth the fair value of the Company's financial assets and liabilities measured at fair value on a recurring basis based on the three-tier fair value hierarchy.

	Level 1	Level 2	Level 3	Total
<b>As at September 30, 2022</b>				
<u>Assets</u>				
Cash	\$1,830,262	\$-	\$-	\$1,830,262
Long term cash equivalent	21,994	-	-	21,994
<u>Liabilities</u>				
Derivative liability – warrants	-	(17)	-	(17)
Total net assets measured and recorded at fair value	\$1,852,256	(\$17)	\$-	\$1,852,239
	Level 1	Level 2	Level 3	Total
<b>As at December 31, 2021</b>				
<u>Assets</u>				
Cash	\$2,078,607	\$-	\$-	\$2,078,607
Long term cash equivalent	23,624	-	-	23,624
<u>Liabilities</u>				
Derivative liability – warrants	-	(23,365)	-	(23,365)
Total assets measured and recorded at fair value	\$2,102,231	(\$23,365)	\$-	\$2,078,866

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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### 11. Commitments:

The Company leases office facilities in Vancouver, British Columbia, Canada, The Valley, Anguilla, British West Indies and Netanya, Israel. These office facilities are leased under operating lease agreements.

During the quarter ended March 31, 2019, the Company signed a five year lease for a facility in Vancouver, Canada, commencing April 1, 2019 and ending March 2024. This facility comprises approximately 1,459 square feet. The Company accounts for the lease in accordance with ASU 2016-02 (Topic 842) and has recognized a right-of-use asset and operating lease liability.

The Netanya, Israel operating lease expired on July 14, 2017 but unless 3 month's notice is given it automatically renews for a future 12 months until notice is given. During the quarter ended September 30, 2022, the lease was extended for a further 12 months. This facility comprises approximately 190 square metres. The renewal of this lease is uncertain, hence the Company has accounted for this lease as a short-term lease.

The Anguillan operating lease expired on April 1, 2011 but unless 3 month's notice is given it automatically renews for a further 3 months. The Company expects this lease to continue, therefore the Company will account for the lease in accordance with ASU 2016-02 (Topic 842) and will recognize a right-of-use asset and operating lease liability.

The minimum lease payments under these operating leases are approximately as follows:

2022	\$	22,298
2023		69,384
2024		11,620

The Company paid rent expense totaling \$30,653 for the quarter ended September 30, 2022 (September 30, 2021 - \$32,516).

The Company has the following management consulting agreements with related parties.

Company	Person	Role	Annual amount
T.M. Williams (ROW), Inc. Bromley Accounting Services Ltd.	T. M. Williams	Chairman	\$160,000
Farcast Operations Inc.	H. W. Bromley	CFO	CAD\$215,000
	T. H. Williams	VP Product	CAD\$240,000

During the quarter ended June 30, 2022, Mr. J. M. Williams, the Company's CEO, became an employee of Shoal Media (Canada) Inc.

As at September 30, 2022, the Company had a number of renewable license commitments with large brands, including, Mr. Men and Little Miss and Mr. Bean. These agreements have commitments to pay royalties on the revenue from the licenses subject to the minimum guarantee payments. As at September 30, 2022, there were no further minimum guarantee payments commitments.

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 11. Commitments: (Continued)

The Company expensed the minimum guarantee payments over the life of the agreement and recognized license expense of \$3,363 (September 30, 2021 - \$1,683) for the quarter ended September 30, 2022, and \$19,716 (September 30, 2021 - \$13,247) for the nine months ended September 30, 2022.

### 12. Right-of-use assets and lease liabilities:

There is no discount rate implicit in the Anguilla office operating lease agreement, so the Company estimated a 5% discount rate for the incremental borrowing rate for the lease. There is no discount rate implicit in the license agreement, so the Company estimated a 12% discount rate for the incremental borrowing rate for the licenses as of the adoption date, January 1, 2019.

Effective April 1, 2019, we recognized lease assets and liabilities of \$125,474, in relation to the Vancouver office. We estimated a discount rate of 4.12%.

We elected to not separate lease and non-lease components for all of our leases. For leases with a term of 12 months or less, our current offices, we elected the short-term lease exemption, which allowed us to not recognize right-of-use assets or lease liabilities for qualifying leases existing at transition and new leases we may enter into in the future, as there is significant uncertainty on whether the leases will be renewed.

The right-of-use assets are summarized as follows:

	September 30, 2022	December 31, 2021
Opening balance for the period	\$ 65,464	\$ 106,315
Amortization of operating lease right-of use assets	(21,758)	(40,851)
Closing balance for the period	\$ 43,706	\$ 65,464

The operating lease as at September 30, 2022, is summarized as follows:

As at September 30, 2022	Operating lease- Office lease
2022	\$ 7,984
2023	32,732
2024	7,499
Total lease payments	\$ 48,215
Less: Interest	(1,704)
Present value of lease liabilities	\$ 46,511
Amounts recognized on the balance sheet	
Current lease liabilities	\$ 31,112
Long-term lease liabilities	15,399
Total lease payments	\$ 46,511

## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 12. Right-of-use assets and lease liabilities: (Continued)

	September 30, 2022	December 31, 2021
Opening balance for the period	\$ 74,067	\$ 103,918
Payments on operating lease liabilities	(27,556)	(29,851)
Closing balance for the period	46,511	74,067
Less: current portion	(31,112)	(32,068)
Operating lease liabilities – non-current portion as at end of period	\$ 15,399	\$ 41,999

### 13. Related party transactions:

For the period ended September 30, 2022, the Company has the following related party transactions:

	Nine Months ended September 30, 2022	Nine Months ended September 30, 2021	Three Months ended September 30, 2022	Three Months ended September 30, 2021
Directors fees	\$ 5,998	\$ 6,022	\$ 2,000	\$ 2,022
Salaries, wages, consultants and benefits	537,502	473,492	159,498	127,092
Selling and marketing	97,431	56,136	32,534	17,730
Stock-based compensation (Note 9)	208,435	170,297	71,080	61,682
Content and software development (Note 7)	187,114	161,628	62,849	54,801
	\$ 1,036,480	\$ 867,575	\$ 327,961	\$ 263,327

The Company has liabilities of \$98,455 (December 31, 2021 - \$53,829) as at September 30, 2022, to current directors, officers and companies owned by the current directors and officers of the Company for employment, director and consulting fees.

During the quarter ended March 31, 2022, the Company granted 900,000 options with an exercise price of CAD\$0.50 (\$0.39) per share to current directors and officers of the Company.

During the quarter ended March 31, 2021, the Company granted 400,000 options with an exercise price of CAD\$0.50 (\$0.39) per share to current directors and officers of the Company.



## KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

### 14. Segmented information:

#### Revenue

The Company operates in reportable business segments, the sale of Ad tech advertising and content revenue.

The Company had the following revenue by geographical region.

	Nine Months ended September 30, 2022	Nine Months ended September 30, 2021	Three Months ended September 30, 2022	Three Months ended September 30, 2021
<u>Ad tech advertising revenue</u>				
Western Europe	\$ 2,802,750	\$ 1,345,358	\$ 1,198,642	\$ 686,877
Central, Eastern and Southern Europe	205,048	-	71,871	-
North America	4,124,452	4,833,815	1,923,659	2,013,708
Other	985,684	205,135	260,652	58,923
<u>Total ad tech advertising revenue</u>	<u>\$ 8,117,934</u>	<u>\$ 6,384,308</u>	<u>\$ 3,454,824</u>	<u>\$ 2,759,508</u>
<u>Content revenue</u>				
Western Europe	\$ 58,958	\$ 64,683	\$ 19,622	\$ 20,679
Central, Eastern and Southern Europe	373	1,226	69	271
North America	33,884	54,882	3,282	25,339
Other	92,250	44,990	28,015	8,845
<u>Total content revenue</u>	<u>\$ 185,465</u>	<u>\$ 165,781</u>	<u>\$ 50,988</u>	<u>\$ 55,134</u>
<u>Total revenue</u>				
Western Europe	\$ 2,861,708	\$ 1,410,041	\$ 1,218,264	\$ 707,556
Central, Eastern and Southern Europe	205,421	1,226	71,940	271
North America	4,158,336	4,888,697	1,926,941	2,039,047
Other	1,077,934	250,125	288,667	67,768
<u>Total revenue</u>	<u>\$ 8,303,399</u>	<u>\$ 6,550,089</u>	<u>\$ 3,505,812</u>	<u>\$ 2,814,642</u>

#### Equipment

The Company's equipment is located as follows:

Net Book Value	September 30, 2022	December 31, 2021
Anguilla	\$ 68	\$ 91
Canada	11,336	8,542
Israel	10,243	11,055
United Kingdom	5,151	835
	<u>\$ 26,798</u>	<u>\$ 20,523</u>

## **KIDOZ INC. and subsidiaries**

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements  
Nine Months ended September 30, 2022 and 2021  
(Unaudited)

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### **15. Concentrations:**

#### Major customers

During the quarter ended September 30, 2022 and 2021, the Company sold Ad tech revenue and content revenue including subscriptions on its site Rooplay, in-app purchases on its social bingo sites, Trophy Bingo and Garfield's Bingo and Rooplay Originals. During the quarter ended September 30, 2022, the Company had three Ad tech customers: \$1,193,616, \$609,676 and \$479,670 (September 30, 2021 – two customers: \$1,033,971, and \$586,043 respectively) who purchased more than 10% of the total revenue. The Company is reliant on the Google App, iOS App and Amazon App Stores to provide a content platform for Rooplay, Trophy Bingo and Garfield's Bingo to be played thereon and certain advertising agencies for the Ad tech revenue.

### **16. Concentrations of credit risk:**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and accounts receivable. The Company places its cash with high quality financial institutions and limits the amount of credit exposure with any one institution.

The Company currently maintains a substantial portion of its day-to-day operating cash balances at financial institutions. At September 30, 2022, the Company had total cash and cash equivalents balances of \$1,852,256 (December 31, 2021 - \$2,102,231) at financial institutions, where \$1,543,735 (December 31, 2021 - \$1,793,265) is in excess of federally insured limits.

The Company has concentrations of credit risk with respect to accounts receivable, the majority of its account's receivable are concentrated geographically in the United States amongst a small number of customers.

As of September 30, 2022, the Company had three customers, totaling \$1,750,244, \$609,676 and \$479,670 respectively, who accounted for greater than 10% of the total accounts receivable. As of December 31, 2021, the Company had three customers, totaling \$1,952,040, \$1,165,807, and \$1,054,625 respectively who accounted for greater than 10% of the total accounts receivable.

The Company controls credit risk through monitoring procedures and receiving prepayments of cash for services rendered. The Company performs credit evaluations of its customers but generally does not require collateral to secure accounts receivable.

## **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following Management's Discussion and Analysis or Plan of Operation contains forward-looking statements that involve risks and uncertainties, as described below. Kidoz Inc's (the "Company", "we", or "us") actual results could differ materially from those anticipated in these forward-looking statements. The following discussion should be read in conjunction with the unaudited interim consolidated financial statements and notes thereto included in Part I - Item 1 of this Quarterly Report, and the audited consolidated financial statements and notes thereto and the Management Discussion and Analysis or plan of Operations included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

### **FORWARD LOOKING STATEMENTS**

**All statements contained in this Quarterly Report on Form 10-Q and the documents incorporated herein by reference, as well as statements made in press releases and oral statements that may be made by us or by officers, directors or employees acting on our behalf, that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause our actual results to be materially different from historical results or from any future results expressed or implied by such forward-looking statements. Readers should consider statements that include the terms "believe," "belief," "expect," "plan," "anticipate," "intend" or the like to be uncertain and forward-looking. In addition, all statements, trends, analyses and other information contained in this report relative to trends in net sales, gross margin, anticipated expense levels and liquidity and capital resources, constitute forward-looking statements. Particular attention should be paid to the facts of our limited operating history, the unpredictability of our future revenues, our need for and the availability of capital resources, the evolving nature of our business model, and the risks associated with systems development, management of growth and business expansion. Except as required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise. All cautionary statements made herein should be read as being applicable to all forward-looking statements wherever they appear. Readers should consider the risks more fully described in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Toronto Venture Stock Exchange on SEDAR and the Securities and Exchange Commission (the "SEC") and should not place undue reliance on any forward-looking statements.**

## OVERVIEW

Kidoz Inc. (TSXV:KIDZ) owns the leading Children's Online Privacy Protection Rule (“COPPA”) & General Data Protection Regulation (“GDPR”) compliant contextual mobile advertising network that safely reaches hundreds of million kids, teens, and families every month. Google certified and Apple approved, Kidoz provides an essential suite of advertising technology that unites brands, content publishers and families. Trusted by Disney, Hasbro, Lego and more, the Kidoz Contextual Ad Network helps the world’s largest brands to safely reach and engage kids across thousands of mobile apps, websites and video channels. The Kidoz network does not use location or Personally Identifiable Information (“PII”) data tracking commonly used in digital advertising. Instead, Kidoz has developed advanced contextual targeting tools to enable brands to reach their ideal customers with complete brand safety. A focused AdTech solution provider, the Kidoz SDK and Kidoz Programmatic network have become essential products in the digital advertising ecosystem. Our commitment to advertising privacy and safety has created one of the fastest growing mobile networks in the world.

Kidoz is the market leader in contextual mobile advertising and the segment is only beginning to develop as new rules and stricter regulations are enacted and enforced by Google, Apple, and governments around the world. Kidoz builds and maintains the Kidoz SDK (Software Development Kit) that app developers install into their apps before releasing them into the App Stores. The Kidoz SDK is the core of the advertising technology that enables Kidoz to access advertising impressions available for sale. The Kidoz proprietary advertising system is compliant with COPPA, GDPR-K and other regulations adopted to protect the privacy and security of minors. The Kidoz proprietary advertising technology is installed in thousands of different apps, making it the most popular contextual mobile solution in the market.

Kidoz has established its leadership position through continued investments into research and development. Mobile devices are the primary tool used for all digital activities in everyday life across the entire world. The predominance of mobile is well established and Kidoz is well positioned to benefit from the wide adoption of its technology across thousands of popular apps. As the number of active campaigns live on Kidoz has increased substantially over the past 18 months, Kidoz has recruited hundreds of new apps and developers that focus on a wide range of audience segments. As a result of Kidoz’s rapid growth, the Company is now able to expand beyond its core advertising audience of children, and begin to contextually target teens and parents for its brand partners.

Mobile AdTech systems are some of the most integrated and most valuable systems in the world. The scale of users we can reach with the Kidoz network is powerful and it opens many new opportunities for the Company. Extending our media offering beyond children is the first step we are taking as our sales and agency partners are interested in accessing these related segments of our traffic. Kidoz is experiencing a period of rapid growth and we are extending our business model in ways that will fill our huge available inventory with safe and high performing media.

Driving our revenue growth is strong underlying system growth for both users and publishers that are accessing the Kidoz technology. Media budgets continue to shift from linear TV to digital platforms like Kidoz as brands seek to engage their customers where families spend most of their screen time. In addition, regulation at the government level is positively influencing growth of the KIDOZ Safe Ad Network. COPPA in America and GDPR in Europe have forced advertisers and publishers to ensure their data and advertising methodologies are safe. Regulators in America are updating COPPA to further enhance child safety online, and regulators in China, India and other regions are considering similar measures. As Kidoz is compliant, the Company benefits from all child-safe advertising regulation.

Building on our performance in 2021, we plan to continue our successful growth strategies in 2022. Our sales, product, and operational strategies are custom fit to match the favourable regulatory, consumer, and technological trends occurring in the market. The Kidoz programmatic technology is live, growing, and actively filling publisher inventory with campaigns safely sourced from the programmatic marketplace. As Kidoz advances its multiple product offerings, new opportunities arise in the bountiful mobile advertising

ecosystem that is projected by eMarketer to exceed over US\$400 billion by 2023 (eMarketer). It is our intention to explore expanding, either through additional uses of our new technology platforms for the entire mobile advertising market, or via synergistic M&A.

Furthermore, while the focus of the Company is the development and expansion of the Kidoz Safe Ad Network, we are developing our technology to expand into new markets, increase the scope of our market to include teens and families in a safe and secure manner either through new connections to the wider mobile advertising market, including the introduction and operation of our programmatic system, or via synergistic M&A. The Company continues to invest heavily in the first three quarters of 2022, increasing its overall staff from 30 at December 31, 2021 to 38 at September 30, 2022, with a further 3 hires subsequent to the quarter ended September 30, 2022, plus adding 7 sales partnerships throughout the world, preparing for the likely significant growth in advertising demand in its fourth quarter, which historically has accounted for over 50% of the Companies annual total business.

Kidoz's mobile products include the Kid Mode Operating System installed on millions of OEM tablets worldwide, Rooplay ([www.rooplay.com](http://www.rooplay.com)) the cloud-based EduGame system for kids to learn and play, Garfield's Bingo ([www.garfieldsbingo.com](http://www.garfieldsbingo.com)) live on Android, and iOS; and Trophy Bingo ([www.trophybingo.com](http://www.trophybingo.com)), live across mobile platforms.

References in this document to "the Company," "we," "us," and "our" refer to Kidoz Inc.

Our executive offices are located at Hansa Bank Building, Ground Floor, Landsome Road, The Valley, AI 2640, The Valley, Anguilla, B.W.I. Our telephone number is (888) 374-2163.

## **CRITICAL ACCOUNTING POLICIES**

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which except for lack of all detailed note disclosures, have been prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, management evaluates these judgments and estimates, including whether there are any uncertainties as to compliance with the revenue recognition criteria described below, and recoverability of long-lived assets, as well as the assessment as to whether there are contingent assets and liabilities that should be recognized or disclosed for the consolidated financial statements to fairly present the information required to be set forth therein. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

We consider the following accounting policies to be both those most important to the portrayal of our financial condition and require the most subjective judgment:

- Revenue recognition;
- Software development
- Impairment of long-lived assets
- Goodwill

### **Revenue Recognition**

In accordance with ASC 606, Revenue from Contracts with Customers, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services.

We derive substantially all of our revenue from the sale of Ad tech advertising revenue.

**To achieve this core principle, the Company applied the following five steps:**

1) Identify the contract with a customer

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the services to be transferred, whose impression count will form the basis of the revenue and identifies the payment terms related to these services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

2) Identify the performance obligations in the contract

Performance obligations promised in a contract are identified based on the services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the service either on its own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised services, the Company must apply judgment to determine whether promised services are capable of being distinct and distinct in the context of the contract. If these criteria are not met the promised services are accounted for as a combined performance obligation.

3) Determine the transaction price

The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring services to the customer. None of the Company's contracts contain financing or variable consideration components.

4) Allocate the transaction price to performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price basis. The Company determines standalone selling price based on the price at which the performance obligation is sold separately. If the standalone selling price is not observable through past transactions, the Company estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

5) Recognize revenue when or as the Company satisfies a performance obligation

The Company satisfies performance obligations at a point in time as discussed in further detail under "Disaggregation of Revenue" below. Revenue is recognized at the time the related performance obligation is satisfied by transferring a promised service to a customer.

**Disaggregation of Revenue**

All of the Company's performance obligations, and associated revenue, are generally transferred to customers at a point in time. The Company has the following revenue streams:

All of the Company's performance obligations, and associated revenue, are generally transferred to customers at a point in time. The Company has the following revenue streams:

- 1) Ad tech advertising revenue - The Company generally offers these services under a customer contract Cost-per-Impression (CPM), Cost-Per-Install or CPI arrangements, Cost per completed video view or CPC and/or Cost-Per-Action or CPA arrangements with third-party advertisers and developers, as well as advertising aggregators, generally in the form of insertion orders that specify the type of arrangement (as detailed above) at particular set budget amounts/restraints. These advertiser customer contracts are generally short term in nature at less than one year as the budget amounts are typically spent in full within this time period. These agreements typically include the delivery of Ad tech advertising through partner networks, defined as publishers / developers, to home screens of devices and agree on whose results will be relied on from a revenue point of view.

The Company has concluded that the delivery of the Ad tech advertising is delivered at a point in time and, as such, has concluded these deliveries are a single performance obligation. The Company invoices fees which are generally variable based on the arrangement, which would typically include the number of impressions delivered at a specified price per application. For impressions delivered, revenue is recognized in the month in which the Company delivers the application to the end consumer or the month when the campaign ends.

- 2) Content revenue – The Company recognizes content revenue on the following forms of revenue:
  - a) Carriers and OEMs - The Company generally offers these services under a customer contract per tablet device license fee model with OEMs. Monthly or quarterly license fees are based on the OEM agreement with the number of devices the Kidz Kid Mode is installed upon.
  - b) The Company generates revenue through subscriptions or premium sales of Rooplay, (www.rooplay.com) the cloud-based EduGame system for kids to learn and play within its games on smartphones and tablet devices, such as Apple’s iPhone and iPad, and mobile devices utilizing Google’s Android operating system. Users can download the Company’s games through Digital Storefronts and decide to subscribe to the multiple of educational and fun games in the Rooplay, cloud-based EduGame system or make a premium per purchase of particular games. The revenue is recognized net of platform fees.
  - c) Rooplay licensing - The Company licenses its branded educational games under a monthly cost per game agreement license fee model. Monthly license fees are based on the number of games licensed.
  - d) In App purchases - The Company generates revenue through in-application purchases (“in-app purchases”) within its games; (i.e. Trophy Bingo (www.trophybingo.com)) on smartphones and tablet devices, such as Apple’s iPhone and iPad, and mobile devices utilizing Google’s Android operating system. Users can download the Company’s free-to-play games through Android, Amazon, iOS and Facebook Messenger (this was discontinued in fiscal 2021) and pay to acquire virtual currency which can be redeemed in the game for power plays. The initial download of the mobile game from the Digital Storefront does not create a contract under ASC 606 because of the lack of commercial substance; however, the separate election by the player to make an in-application purchase satisfies the criterion thus creating a contract under ASC 606.

The Company has identified the following performance obligations in these contracts:

- i. Ongoing game related services such as hosting of game play, storage of customer content, when and if available content updates, maintaining the virtual currency management engine, tracking gameplay statistics, matchmaking as it relates to multiple player gameplay, etc.

- ii. Obligation to the paying player to continue displaying and providing access to the virtual items within the game.

Neither of these obligations are considered distinct since the actual mobile game and the related ongoing services are both required to purchase and benefit from the related virtual items. As such, the Company's performance obligations represent a single combined performance obligation which is to make the game and the ongoing game related services available to the players. The revenue is recognized net of platform fees.

### **Software Development Costs**

The Company expensed all software development costs as incurred for the period ended September 30, 2022 and 2021. As at September 30, 2022 and 2021, all capitalized software development costs have been fully amortized and the Company has no capitalized software development costs.

Total software development costs were \$12,333,490 as at September 30, 2022 (December 31, 2021 - \$10,559,601).

### **Impairment of Long-lived Assets**

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount and the fair value less costs to sell.

Intangible assets are recorded at cost less accumulated amortization. Amortization is provided for annually on the straight-line method over the following periods:

	Amortization period
Ad Tech technology	5 years
Kidoz OS technology	3 years
Customer relationship	8 years

### **Goodwill**

The Company accounts for goodwill in accordance with the provisions of ASC 350, Intangibles-Goodwill and Others. Goodwill is the excess of the purchase price over the fair value of identifiable assets acquired, less liabilities assumed, in a business combination. The Company reviews goodwill for impairment. Goodwill is not amortized but is evaluated for impairment at least annually or whenever events or changes in circumstances indicate that it is more likely than not that the carrying amount may not be recoverable.

The goodwill impairment test is used to identify both the existence of impairment and the amount of impairment loss, and compares the fair value of a reporting unit with its carrying amount and is based on discounted future cash flows, based on market multiples applied to free cash flow. The determination of the fair value of our reporting units requires management to make significant estimates and assumptions including the selection of control premiums, discount rates, terminal growth rates, forecasts of revenue and expense growth rates, income tax rates, changes in working capital, depreciation, amortization and capital expenditures. Changes in assumptions concerning future financial results, exogenous market conditions, or other underlying assumptions could have a significant impact on either the fair value of the reporting unit or the amount of the goodwill impairment charge. If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit.

During the year ended December 31, 2021, the Company deemed there was no impairment of the goodwill.



## **RESULTS OF OPERATIONS**

### **Revenue**

Total revenue, net of platform fees (to Apple, Google and Amazon) and withholding taxes, for the quarter ended September 30, 2022, increased to \$3,505,812, an increase of 25% from revenue of \$2,814,642 for the third quarter of 2021 and an increase of 39% from revenue of \$2,513,613 in the second quarter of 2022. Ad Tech advertising revenue increased to \$3,454,824 for the quarter ended September 30, 2022, an increase of 25% from ad tech advertising revenue of \$2,759,508 in the third quarter of 2021, and an increase of 39% from revenue of \$2,484,799 in the second quarter of 2022. Content revenue decreased to \$50,988, for the quarter ended September 30, 2022, a decrease of 8% from revenue of \$55,134 in the third quarter of 2021, and an increase of 77% from revenue of \$28,814 in the second quarter of 2022. The increase in total revenue compared to the third quarter of fiscal 2021 and the second quarter of fiscal 2022 is due to the ongoing shift from TV advertising to mobile advertising with the strong demand for kid safe contextual advertising generated.

### **Selling and marketing expenses**

Selling and marketing expenses were \$222,379 for the quarter ended September 30, 2022, an increase of 42% over expenses of \$156,122 in the third quarter of fiscal 2021 and a decrease over expenses of \$251,788 in the second quarter of fiscal 2022. This increase in sales and marketing expenses in the quarter ended September 30, 2022, compared to the third quarter of fiscal 2021, is due to an increase in sales and marketing staff to anticipated manage the growth in the Direct, Programmatic and Performance segments of our AdTech business.

We expect to incur increased sales and marketing expenses in selling the Ad tech advertising and to grow the Ad tech advertising revenue. There can be no assurances that these expenditures will result in increased traffic or significant additional revenue.

### **General and administrative expenses**

General and administrative expenses consist primarily of premises costs for our offices, legal and professional fees, and other general corporate and office expenses. General and administrative expenses of \$178,717 for the quarter ended September 30, 2022, an increase of 23% from costs of \$145,765 for the third quarter of fiscal 2021 and a decrease of 4% from costs of \$186,119 for the second quarter of fiscal 2022. The increase in general and administrative expenses compared to the third quarter of fiscal 2021 is due an increase in fees paid to our professional advisors and increased travel due to easing of COVID restrictions.

We expect to continue to incur general and administrative expenses to support the business, and there can be no assurances that we will be able to generate sufficient revenue to cover these expenses.

### **Stock awareness program**

During the quarter ended September 30, 2021 the Company commenced a corporate stock awareness program. The Company engaged Research Capital Corporation, Agora Internet Relations Corp., Stockhouse Publishing Ltd. and Proactive for financial and capital markets advisory services and to assist with general market outreach to increase investor awareness as the Company continues to achieve important milestones and grow its investor base.

The Company stock awareness expenses decreased to \$9,936 during the quarter ended September 30, 2022, a decrease of 85% from costs of \$65,392 for the third quarter of fiscal 2021 and a decrease of 78% from costs of \$44,427 for the second quarter of fiscal 2022. The decrease in Stock Awareness expenses compared

to the third quarter of fiscal 2021 and the second quarter of fiscal 2022, is due to the planned reduction in stock awareness commitments.

#### **Salaries, wages, consultants and benefits**

Salaries, wages, consultants, and benefits increased to \$139,994 for the quarter ended September 30, 2022, an increase of 13% compared to salaries, wages, consultants, and benefits of \$123,381 in the third quarter of 2021 and a decrease of 6% compared to salaries, wages, consultants, and benefits of \$149,559 in the second quarter of 2022. This increase compared to the third quarter of fiscal 2021 is due to hiring of additional staff.

#### **Depreciation and amortization**

Intangible assets are amortized using a straight-line method over three to eight years. These intangible assets include customer lists, the technology for Kidoz OS and the software development kits (SDK) for our advertising platform. These intangible assets are as result of the acquisition of Kidoz Ltd. The amortization for the quarter ended September 30, 2022, was \$136,434, a decrease compared to amortization of \$139,018 in the third quarter of 2021 and a decrease compared to amortization of \$136,434 in the second quarter of 2022. The technology for Kidoz OS is now fully amortized.

Equipment is depreciated using the declining balance method over the useful lives of the assets, ranging from three to five years. Depreciation and amortization increased to \$2,323, during the quarter ended September 30, 2022, an increase over costs of \$2,308 in the third quarter of 2021 and an increase compared to depreciation and amortization of \$2,180 in the second quarter of 2022. The increase in depreciation and amortization compared to the third quarter of fiscal 2021 and the second quarter of fiscal 2022 is due equipment acquisitions.

#### **Content and software development**

The Company does not capitalize its development costs. The Company expensed \$613,196 in content and software development costs during the quarter ended September 30, 2022, an increase of 28% compared to content and software development costs of \$477,559 expensed during the third quarter of fiscal 2021 and a decrease of 5% compared to content and software development costs of \$644,054 expensed during the second quarter of fiscal 2022. The increase in development costs compared to the third quarter of fiscal 2021 is due to hiring additional development staff and the outsourcing of certain software development to increase the development of our base technology.

#### **Stock-based compensation expense**

During the quarter ended September 30, 2022, the Company incurred non-cash stock-based compensation expenses of \$181,129 from the issuance of stock options granted in fiscal 2022 and fiscal 2021, an increase of 1% compared to stock-based compensation expense of \$178,763 in the third quarter of fiscal 2021 and a decrease of 2% compared to stock-based compensation expense of \$184,594 the second quarter of fiscal 2022. The increase compared to the third quarter of fiscal 2021 is due to the granting of stock options in fiscal 2022. The options are issued to consultants and employees as per the Company's amended 2015 Stock Option Plan.

#### **Net loss and loss per share**

The net loss after taxation for the quarter ended September 30, 2022, amounted to (\$313,774), a loss of (\$0.00) per share, compared to a net loss of (\$75,040) or (\$0.00) per share in the third quarter of fiscal 2021 and compared to a net loss of (\$721,677) or (\$0.01) per share in the second quarter of fiscal 2022. This increase in net loss for the quarter compared to the third quarter of fiscal 2021 is due to the hiring of additional staff, salary increases and the reduced margins and additional costs of establishing and growing the new Programmatic and Performance segments of our business. The 57% decrease in net loss compared to the second quarter of fiscal 2022, is due to the growth of revenue in all the advertising segments of our

business. The overall level of expense increase in 2022 is due to the Companies investment in growth in the first three quarters of the year to efficiently manage the anticipated increase of demand caused by the sustained growth of the Company’s business.

Adjusted earnings before interest; depreciation and amortization; stock awareness program; stock-based compensation and impairment of goodwill (“Adjusted EBITDA”) for the three month period ended September 30, 2022, amounted to \$4,435, a decrease compared to an Adjusted EBITDA of \$265,984 in the quarter ended September 30, 2021 and Adjusted EBITDA of (\$386,987) in the second quarter of fiscal 2022.

Our Adjusted EBITDA is reconciled as follows:

	Nine Months ended September 30, 2022	Nine Months ended September 30, 2021	Three Months ended September 30, 2022	Three Months ended September 30, 2021
Loss after tax	\$ (1,766,493)	\$ (967,161)	\$ (313,774)	\$ (75,040)
Less :				
Depreciation and amortization	417,742	424,255	138,757	141,326
Income tax (recovery) expense	(5)	2,989	-	(9)
Interest and other income	(178)	(266)	(178)	(266)
Stock awareness program	26,334	296,865	-	33,539
Stock-based compensation	525,721	448,369	181,129	178,763
Gain on derivative liability – warrants	(23,348)	(50,313)	(1,499)	(12,329)
Adjusted EBITDA	\$ (820,227)	\$ 154,738	\$ 4,435	\$ 265,984

We use Adjusted EBITDA internally to evaluate our performance and make financial and operational decisions that are presented in a manner that adjusts from their equivalent GAAP measures or that supplement the information provided by our GAAP measures. Adjusted EBITDA is defined by us as EBITDA (net income (loss) plus depreciation expense, amortization expense, interest, stock-based compensation and impairment of goodwill), further adjusted to exclude certain non-cash expenses and other adjustments. We use Adjusted EBITDA because we believe it more clearly highlights business trends that may not otherwise be apparent when relying solely on GAAP financial measures, since Adjusted EBITDA eliminates from our results specific financial items that have less bearing on our core operating performance.

Adjusted EBITDA is not presented in accordance with, or as an alternative to, GAAP financial measures and may be different from non-GAAP measures used by other companies. These non-GAAP measures should not be considered a substitute for, or superior to, financial measures calculated in accordance with generally accepted accounting principles in the United States of America (“GAAP”). We encourage investors to review the GAAP financial measures included in this Quarterly Report, including our unaudited consolidated financial statements, to aid in their analysis and understanding of our performance and in making comparisons.

## **LIQUIDITY AND CAPITAL RESOURCES**

We had cash of \$1,830,262 and working capital of \$3,770,593 at September 30, 2022. This compares to cash of \$2,078,607 and working capital of \$4,536,851 as at December 31, 2021.

During the three months ended September 30, 2022, we generated cash of \$113,749 in operating activities compared to cash used in operating activities of \$359,077 in the same period in the prior year.

During the nine months ended September 30, 2022, we used cash of \$207,798 in operating activities compared to cash used in operating activities of \$45,247 in the same period in the prior year.

During the nine months ended September 30, 2022, we used cash in investing activities of (\$12,991) compared to cash used in investing activities of (\$78) in the same period in the prior year.

Net cash used in financing activities was (\$27,556) in the nine months ended September 30, 2022. This compares to cash provided by financing activities of \$9,288 in the same period in the prior year.

Our future capital requirements will depend on a number of factors, including costs associated with the further development of the Ad tech advertising business, the cost of marketing and customer acquisition costs, the development of new products, the acquisition of new companies and the success of our overall business.

### **ITEM 4      Controls and Procedures**

#### **(a)      Evaluation of disclosure controls and procedures.**

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Co-Chief Executive Officers and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of September 30, 2022. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that there are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their desired control objectives. Additionally, in evaluating and implementing possible controls and procedures, the Company's management was required to apply its reasonable judgment. Furthermore, in the course of this evaluation, management considered certain internal control areas, in which we have made and are continuing to make changes to improve and enhance controls. Based upon the required evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that as of September 30, 2022, the Company's disclosure controls and procedures were effective (at the "reasonable assurance" level mentioned above) to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

From time-to-time, the Company and its management have conducted and will continue to conduct further reviews and, from time to time put in place additional documentation, of the Company's disclosure controls and procedures, as well as its internal control over financial reporting. The Company may from time to time make changes aimed at enhancing their effectiveness, as well as changes aimed at ensuring that the Company's systems evolve with, and meet the needs of, the Company's business. These changes may include changes necessary or desirable to address recommendations of the Company's management, its counsel and/or its independent auditors, including any recommendations of its independent auditors arising out of their audits and reviews of the Company's financial statements. These changes may include changes to the Company's own systems, as well as to the systems of businesses that the Company has acquired or that the Company may acquire in the future and will, if made, be intended to enhance the effectiveness of

the Company's controls and procedures. The Company is also continually striving to improve its management and operational efficiency and the Company expects that its efforts in that regard will from time to time directly or indirectly affect the Company's disclosure controls and procedures, as well as the Company's internal control over financial reporting.

**(b) Changes in internal controls.**

There were no significant changes in the Company's internal controls or other factors that could significantly affect the Company's internal controls subsequent to the date of their evaluation.

## **PART II - OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

We are not currently a party to any legal proceeding and was not a party to any other legal proceeding during the quarter ended September 30, 2022. We are currently not aware of any other legal proceedings proposed to be initiated against the Company. However, from time to time, we may become subject to claims and litigation generally associated with any business venture.

### **ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds**

There were no stock issuances during the quarter ended September 30, 2022.

During the quarter ended June 30, 2021, the Company engaged with Agora Internet Relations Corp. for an online marketing campaign on the AGORACOM platform for the purposes of engaging new and existing investors with the Kidoz business strategy and financial results. The agreement was for 12 months for a fee of \$79,705 (CAD\$100,000) payable in shares of the Company under TSX Venture Policy 4.3 (Section 5). During the quarter ended June 30, 2022, the Company issued 156,510 shares at an average price of \$0.55 (CAD\$0.708).

### **ITEM 3. Defaults Upon Senior Securities**

Not applicable.

### **ITEM 4. Submission of Matters to a Vote of Security Holders**

There were no matters submitted to the shareholders during the period.

### **ITEM 5. Other Information**

None

**ITEM 6. Exhibits and reports on Form 8-K  
Exhibits**

The following instruments are included as exhibits to this Report. Exhibits incorporated by reference are so indicated.

<b>Exhibit Number</b>	<b>Description</b>
4.4	Convertible Debenture between the Company and unrelated parties dated July 2, 2002. (b)
4.5	Common Stock Purchase Warrant between the Company and unrelated parties dated July 2, 2002. (b)
10.2	Asset Purchase Agreement by and between Bingo, Inc. and Progressive Lumber, Corp. dated January 18, 1999. (a)
10.24	Amended Consulting Agreement dated February 28, 2002, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (c)
10.32	Code of Business Conduct and Ethics dated December 22, 2006. (d)
10.33	Amended Consulting Agreement dated June 16, 2010, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (e)
10.37	Amended Consulting Agreement dated August 1, 2013, between the Company, T.M. Williams (Row), Ltd., and T.M. Williams. (f)
10.38	Consulting Agreement dated January 1, 2014, between the Company, Jayska Consulting Ltd., and J.M. Williams. (f)
10.39	Consulting Agreement dated January 1, 2014, between the Company, LVA Media Inc., and J.M. Williams. (f)
10.41	Consulting Agreement dated January 1, 2014, between the Company, Bromley Accounting Services Limited, and H. W. Bromley. (f)
10.42	Share Purchase Agreement for the purchase of Kidoz Ltd. (g)
31.1	Certificate of Chief Executive Officer pursuant to the Securities Exchange Act Rules 13a-15(e) and 15d -15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 14, 2022.
31.2	Certificate of Chief Financial Officer pursuant to the Securities Exchange Act Rules 13a-15(e) and 15d -15(e) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated November 14, 2022.
32.1	Certification from the Chief Executive Officer of Kidoz Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 14, 2022.
32.2	Certification from the Chief Financial Officer of Kidoz Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated November 14, 2022.

(a) [Previously filed with the Registrant's registration statement on Form 10 on June 9, 1999.](#)

(b) [Previously filed with the Company's quarterly report on Form 10-Q for the period ended September 30, 2002, on November 14, 2002.](#)

(c) [Previously filed with the Company's quarterly report on Form 10-Q for the period ended September 30, 2002, on August 14, 2002.](#)

(d) [Previously filed with the Company's report on Form 8-K on December 26, 2006.](#)

(e) [Previously filed with the Company's report on Form 8-K on June 17, 2010.](#)

(f) [Previously filed with the Company's report on Form 8-K on March 24, 2014.](#)

(g) [Previously filed with the Company's report on Form 8-K on March 12, 2019.](#)

**Reports on Form 8-K.**

During the quarter ended September 30, 2022, the Company filed a Form 8-K and Form 51-102F3 announcing the initiation of a normal course issuer bid upon approval from the Toronto Stock Exchange, whereby the Company may acquire over the next 12 months up to 6,579,074 Shares, representing up to 5% of the issued and outstanding Shares.

**Reports Subsequent to the quarter ended September 30, 2022.**

There were no reports subsequent to the quarter ended September 30, 2022.



## SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 14, 2022

**KIDOZ INC.**

\_\_\_\_\_  
(Registrant)

Date: November 14, 2022

*/S/ J.M. Williams*

\_\_\_\_\_  
J. M. Williams, Co-Chief Executive Officer  
(Principal Executive Officer)

Date: November 14, 2022

*/S/ H. W. Bromley*

\_\_\_\_\_  
H.W. Bromley, Chief Financial Officer  
(Principal Accounting Officer)

**EXHIBIT 31.1**  
**CERTIFICATIONS**

I, J. M. Williams, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kidoz Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Kidoz Inc. as of, and for, the periods presented in this quarterly report;
4. Kidoz Inc.'s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Kidoz Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of Kidoz Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of September 30, 2022, covered by this quarterly report based on such evaluation; and
  - (d) Disclosed in this report any change in Kidoz Inc.'s internal control over financial reporting that occurred during Kidoz Inc.'s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Kidoz Inc.'s internal control over financial reporting; and
5. Kidoz Inc.'s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Kidoz Inc.'s auditors and the audit committee Kidoz Inc.'s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Kidoz Inc.'s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**Signed:** /s/ J. M. Williams  
J. M. Williams,  
Chief Executive Officer  
(Principal Executive Officer)

**Date:** November 14, 2022

**EXHIBIT 31.2**  
**CERTIFICATIONS**

I, H. W. Bromley, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kidoz Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Kidoz Inc. as of, and for, the periods presented in this quarterly report;
4. Kidoz Inc.'s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to Kidoz Inc., including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of Kidoz Inc.'s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of September 30, 2022, covered by this quarterly report based on such evaluation; and
  - (d) Disclosed in this report any change in Kidoz Inc.'s internal control over financial reporting that occurred during Kidoz Inc.'s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, Kidoz Inc.'s internal control over financial reporting; and
5. Kidoz Inc.'s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to Kidoz Inc.'s auditors and the audit committee Kidoz Inc.'s board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect Kidoz Inc.'s ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

**Signed:** /s/ H. W. Bromley  
H.W. Bromley,  
Chief Financial Officer  
(Principal Accounting Officer)

**Date:** November 14, 2022

**EXHIBIT 32.1**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. §1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kidoz Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. M. Williams, Co-Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ J.M. Williams*

\_\_\_\_\_  
J. M. Williams  
Chief Executive Officer  
November 14, 2022

A signed original of this written statement required by Section 906 has been provided to Kidoz Inc. and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**  
**CERTIFICATION PURSUANT TO**  
**18 U.S.C. §1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kidz Inc. (the “Company”) on Form 10-Q for the period ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, H. W. Bromley, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- a) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- b) The information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

*/s/ H. W. Bromley*  
\_\_\_\_\_  
H. W. Bromley  
Chief Financial Officer  
November 14, 2022

A signed original of this written statement required by Section 906 has been provided to Kidz Inc. and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.