KIDOZ INC.

and subsidiaries

Management's Discussion and Analysis

Years ended December 31, 2023 and 2022

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BACKGROUND

This Management's Discussion and Analysis ("MD&A") of Kidoz Inc. and its subsidiaries (the "Company") constitutes management's review of the financial condition and results of that operations for the three and twelve months ended December 31, 2023 and 2022. In this MD&A, "this quarter", "the quarter", or "fourth quarter" refer to the three months ended December 31, 2023, unless the context indicates otherwise. All results commentary is compared to the equivalent period in 2022 or as at December 31, 2022, as applicable, unless otherwise indicated. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 2023 and 2022, prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP").

This MD&A takes into account all material events that took place up until April 25, 2024, the date on which the Company's Board of Directors approved this MD&A. Unless otherwise noted, all figures are in U.S. dollars, the presentation and functional currency of the Company. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results presented for the year ended December 31, 2023, are not necessarily indicative of the results that may be expected for any future period.

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Additional information regarding the Company is available on SEDAR+ at www.sedarplus.com and on the Company's website at www.kidoz.net.

FORWARD LOOKING STATEMENTS

This MD&A contains certain forward-looking information and forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended (the "U.S. Securities Act"), Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and "forward-looking information" under Canadian securities laws (collectively referred to herein as "forward-looking statements"). All 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. These forward-looking statements relate to future events or the Company's future performance. 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. The forward-looking statements contained in this MD&A are based on our current expectations and beliefs concerning future developments and their potential effects on us taking into account information currently available to us. These forward-looking statements are subject to risks, uncertainties and other factors, some of which are beyond our control, which could cause actual results to differ materially from this forecast or anticipated in such forward-looking statements.

OVERVIEW

Kidoz Inc. (TSXV:KIDZ) mission is to keep children safe in the complex digital advertising ecosystem. Kidoz Inc. 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. Our commitment to children's privacy and safety has created one of the fastest growing mobile networks in the world. Trusted by Mattel, Disney, 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. 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.

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. In 2023, Kidoz released the Kidoz Privacy Shield technology which enables brand partners to buy media in safety across the entire mobile app ecosystem. 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 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 2022 and 2023, we plan to continue our successful growth strategies in 2024. 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 2023, increasing its overall staff from 42 at December 31, 2022, to 43 at December 31, 2023, plus adding 7 sales partnerships throughout the world, in preparation for the likely growth in advertising demand in its fourth quarter, which historically has accounted for a significant portion of the Companies annual total business.

Kidoz's mobile products include the Kid Mode Operating System installed on millions of OEM tablets worldwide and Rooplay (www.rooplay.com) the cloud-based EduGame system for kids to learn and play. During the year ended December 31, 2023, the legacy apps Garfield's Bingo and Trophy Bingo were discontinued.

Additionally, Kidoz has created a wholly owned division called Prado to access the over 13 years of age family market, which will become active in 2023. The Prado (www.prado.co) technology will provide a leading mobile SSP (Supply-side Platform), DSP (Demand-side Platform) and Ad Exchange programmatically to the entire Ad Tech universe. By activating high-performance programmatic campaigns across thousands of apps on their network, Prado makes digital advertising more efficient and effective by simplifying the process across a connected technology platform. The Company is developing systems whereby our existing Kidsafe advertising will not be affected by Prado. Kidoz software engineers have now completed the challenging transformation of their market leading kid safe Ad Network to also reach the significantly larger digital ad market of teens, families, and audiences over 13 years old whilst not compromising the safety of our existing kids marketplace. The Prado technology plus our internal controls will ensure that no inappropriate advertisements will be served to children and thereby compromise kids' safety.

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

Subsequent to the year ended December 31, 2023, the Company relocated its executive office and our executive offices are now located at Pacific Centre, Suite 1500, 701 West Georgia Street, Vancouver, British Columbia, V7Y 1C6, Canada. Our telephone number is (888) 374-2163.

INCORPORATION AND NATURE OF OPERATIONS

Incorporation

Our common shares are currently quoted on the TSX Venture Exchange in Canada under the symbol "KIDZ". We have not been subject to any bankruptcy, receivership or other similar proceedings.

Effective January 1, 2023, Kidoz Inc. continued out of the jurisdiction of the Anguillian Business Companies Act, 2022, and into the jurisdiction of the Canada Business Corporations Act ("CBCA").

The Company was originally incorporated in the State of Florida on January 12, 1987.

On January 22, 2015, Bingo.com, Ltd., the name of the Company at that time, filed Articles of Amendment with the Anguilla Registrar of Companies changing its name to "Shoal Games Ltd.". Effective at the open of markets on January 27, 2015, the Common Shares commenced trading under the new trading symbol "SGLDF" on the OTC-QB.

On June 29, 2015, the Company filed a TSX Venture Exchange Listing Application for the TSX Venture Exchange listing and commenced trading on July 2, 2015, under the symbol "SGW".

On April 4, 2019, Shoal Games Ltd. filed Articles of Amendment with the Anguilla Registrar of Companies changing its name to "Kidoz Inc.". Effective at the open of markets on April 9, 2019, the Common Shares commenced trading under the new trading symbol "KIDZ" on the TSX Venture Exchange.

For the year ended December 31, 2023, we conducted our business through the Anguilla incorporated entity and through our wholly-owned subsidiaries Kidoz Ltd. ("Kidoz Ltd."), Shoal Media (Canada) Inc. ("Shoal Media Canada"), Shoal Games (UK) plc ("Shoal UK"), Shoal Media Inc. ("Shoal Media"), Prado Media Ltd. ("Prado Media"), Shoal Media UK Ltd. ("Shoal Media UK"), and Rooplay Media Kenya Limited. ("Rooplay Kenya"). Effective January 1, 2023, we conducted our business through the Canadian incorporated entity and its subsidiaries.

Shoal Media Canada was incorporated under the laws of British Columbia, Canada, on February 10, 1998, as 559262 B.C. Ltd. and changed its name to Bingo.com (Canada) Enterprises Inc. on February 11, 1999. It subsequently changed its name to English Bay Office Management Limited on September 8, 2003. Effective March 11, 2016, it changed its name to Shoal Media (Canada) Inc.

On August 15, 2002, 99% of the share capital of Shoal UK was acquired. Shoal UK was incorporated under the laws of England and Wales on August 18, 2000, as CellStop plc. and changed its name to Bingo.com (UK) plc. on August 5, 2002. During the year ended December 31, 2015, the Company changed the name of the company to Shoal Games (UK) plc. During the year ended December 31, 2023, Shoal Games (UK) plc was discontinued and struck off.

On January 21, 2008, Coral Reef Marketing Inc., was incorporated under the laws of Anguilla, British West Indies. During the year ended December 31, 2022, Coral Reef Marketing Inc. was merged with Kidoz Inc. and Kidoz Inc. is the surviving corporation.

On January 1, 2013, 100% of the share capital of Shoal Media Inc., an Anguillian Company was acquired.

On October 25, 2016, Rooplay Media Ltd., was incorporated under the laws of British Columbia, Canada. During the year ended December 31, 2022, Rooplay Media Ltd. was renamed Prado Media Ltd.

On March 27, 2017, Shoal Media UK Ltd. was incorporated under the laws of England and Wales.

On July 12, 2017, Rooplay Media Kenya Limited was incorporated under the laws of Kenya.

On March 4, 2019, the Company completed the acquisition of all of the issued and outstanding equity securities of Kidoz Ltd. ("Kidoz") (www.kidoz.net), a privately held Israeli company.

BUSINESS OVERVIEW

Kidoz Inc. is an AdTech software developer and owner of the leading mobile Kidoz Safe Ad Network (www.kidoz.net). We help create a free and safe mobile app environment for children by enabling content producers to monetize their apps and video with safe, relevant, and fun ads. Our commitment to family privacy and safety has created one of the fastest growing mobile networks in the world.

During the year ended December 31, 2023, the Company launched a wholly owned division called Prado to advertise to the over 13 years of age family market. The Company has developed systems whereby our existing Kidsafe advertising will not be affected by Prado.

Product Strategy

Kidoz builds and maintains the Kidoz Safe Ad Network, the Kidoz SDK, and the Kidoz Privacy Shield for app developers and global advertisers to reach children and families in a compliant and brand safe way. The Kidoz SDK is the core of the advertising technology that enables Kidoz to have advertising impressions available for sale. The Kidoz proprietary advertising system is compliant with COPPA ("Children's Online Privacy Protection Rule"), GDPR-K ("The European Union's General Data Protection Regulation for children") and other regulations adopted to protect children in a complex digital world. Kidoz technology is completely proprietary. Kidoz continues to upgrade its advertising systems to be compatible with the latest IAB ("International Advertising Board") specifications for real-time-bidding, header bidding, and server-to-server direct connections. Our design and implementation of these solutions incorporates a view to their utilization not only in the kids' marketplace but to the entire advertising market. Programmatic advertising is the use of automated advertising technology to enable media buying and selling as opposed to traditional direct methods of digital advertising which involve humans interfacing to agree to deal terms. Offering a managed programmatic solution of the best mobile advertising inventory is a valuable offering that our agency partners are utilizing with increased frequency and scale.

During the year ended December 31, 2023, the Company launched a wholly owned division called Prado to access the over 13 years of age family market. The Prado (www.prado.co) technology will provide a leading mobile SSP (Supply-side Platform), DSP (Demand-side Platform) and Ad Exchange programmatically to the entire Ad Tech universe. By activating high-performance programmatic campaigns across thousands of apps on their network, Prado makes digital advertising more efficient and effective by simplifying the process across a connected technology platform. The Company has developed systems whereby our existing Kidsafe advertising will not be affected by Prado. Kidoz software engineers have now completed the challenging transformation of their market leading kid safe Ad Network to also reach the significantly larger digital ad market of teens, families, and audiences over 13 years old whilst not compromising the safety of our existing kids marketplace. The Prado technology plus our internal controls will ensure that no inappropriate advertisements will be served to children and thereby compromise kids' safety.

Marketing & Distribution Strategy

Each new app that installs the Kidoz SDK increases our user base and increases the number of available impressions that Kidoz can monetize. The adoption of the Kidoz SDK has been rapid as app developers have few choices when it comes to sources of safe, compliant, and relevant ads for their users. Kidoz has built its brand and reputation as the market leader for safe child and family mobile advertising technology, and this has enabled our SDK to become quickly adopted. It is our strategy to invest in our systems and build alliances with the largest software companies in the world. Since Google's certification of Kidoz and Apple's updated rules endorsing Kidoz's methodologies the Company is experiencing unprecedented demand for its safe advertising solutions.

Sales & Pricing Strategy

Kidoz has a global sales agency partnership strategy that places local sellers into dozens of national and international markets. In 2023 Kidoz launched campaigns in 59 different countries. Through our direct sales and marketing channels we locate, recruit, and sign new international sales houses. As the Kidoz network is a unique advertising platform in the market, it commands high prices and media sales houses aspire to represent the Company. Kidoz has found the agency partnership strategy to be highly effective as once sales houses are recruited and the first few campaigns are delivered with success, repeat customers are established and the value of the region begins to grow. After years of development with this strategy, Kidoz has many established sales houses in the largest economies of the world and is now tasked with increasing the value of each partnership and empowering the sales houses to increase the portion of advertisers' budgets that is spent with Kidoz. The Kidoz Programmatic solution has created new opportunities for all of Kidoz's agency partners as the solution creates inventory for brands who are building awareness with parents and teens in addition to children.

Growth Strategy

The Kidoz sales, product, and operational strategies are custom fit to match the favorable regulatory, consumer, and technological trends occurring in the market. It is the Kidoz mission to deliver best-in-class solutions for our advertiser and publisher partners that are compliant with Apple, Google, and strict government data privacy regulations. Kidoz technology is built with privacy as a priority, and we champion contextual advertising as a superior method of reaching target consumers. Kidoz publisher partners can monetize with human-curated safe advertising on a global scale and with the knowledge that their users' data is not compromised.

Kidoz's growth is also being propelled by a new customer type, the app developer themselves. Kidoz is increasingly utilized as a performance platform for apps to scale their installs and revenues by paying on a cost-per-install ("CPI") basis. The global app install segment of mobile advertising is estimated to be over US$120B annually according to AppsFlyer. Kidoz continues to advance its software and systems to support this high growth business and the Company expects performance CPI media to be an increasing percentage of overall business.

Kidoz is growing as a result of its core media business, and we expect further growth in our expansion via our Prado division to include the teen and parent segments which became effective in 2023. Kidoz Connect is the latest product release to deliver enhanced value to our advertising partners as the technology enables Kidoz to ingest programmatic campaigns of all types and scale them across the entire Kidoz and Prado networks. The Kidoz commercial teams look forward to welcoming many new and existing customers to these offerings as we expand the Kidoz reach within the global digital advertising ecosystem.

Furthermore, while the focus of the Company is the development and expansion of the KIDOZ Safe Ad Network, we are investigating options to use our technology to expand into new markets, either through new connections to the wider mobile advertising market, or via synergistic M&A.

Kidoz Original Equipment Manufacturer ("OEM")

Kidoz's mobile products includes the Kid Mode Operating System ("OS") installed on millions of OEM tablets worldwide. The Company earns license fees based on the OEM agreements dependent on the number of devices the Kidoz Kid Mode OS is installed.

Rooplay

The Company owns Rooplay (www.rooplay.com) the cloud-based EduGame system for kids to play multiple games to learn and play. The platform is live on the Google's Android system and has stand-alone games available on Apple's iOS and Google's Android systems.

Trophy Bingo and Garfield Bingo

The Company has the social bingo games Trophy Bingo and Garfield Bingo which are available on Apple's iOS, Google's Android, and Amazon Android systems. Revenue is generated in the games via in-app purchases and advertising. During the year ended December 31, 2023, Trophy Bingo and Garfield Bingo were discontinued.

OPERATIONS

Employees

As of December 31, 2023, we had 43 employees, consultants, and independent contractors throughout the world including twenty full-time employees in Canada and Israel. Since 2006 it has been, and continues to be, the Company's objective to control its costs by retaining consultants, as needed, to provide special expertise in developing internal strategic, marketing, accounting, and technical services. None of our employees or consultants are represented by a labor union, and we believe that our relationship with our employees and consultants is good.

We are substantially dependent upon the continued services and performance of J. M. Williams, Chief Executive Officer; Eldad Ben Tora, President of the Prado division & General Manager EMEA and T. M. Williams, Chairman. The loss of the services of these key individuals would have a material adverse effect on our business, financial condition, and results of operations. We do not carry any key man life insurance on any individuals.

Competition

Kidoz competes with other advertising technology providers that offer safe, COPPA compliant, products. These companies include Super Awesome and Google's Admob. However, these competitors are not direct threats to Kidoz as their operations and strategies are quite different. For instance, Super Awesome, who maintains a COPPA SDK, sells a variety of media types and technologies unrelated to mobile inventory which is core to Kidoz. As a result, Super awesome is one of Kidoz largest customers. While on the other hand, Google's Admob SDK is focused on mobile inventory, but is not human curated for child safety. As the technology barriers are high to enter the market with a mobile advertising network, few competitors exist for Kidoz. Kidoz offers a highly customized and targeted offering to advertisers that management believes will enable the Company to grow and succeed in the market.

The Kidoz Prado division has many competitors including Google, Meta, Facebook, and others significantly larger than Prado, but utilizing their own technologies to address the $400+ Billion Ad tech marketplace. Many of the brands like to source their advertising via a single supplier like Kidoz. Our Prado division enables Kidoz to meet this demand for those brands that wish to source their ad supplier for the entire family.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The summary consolidated financial information set out below has been prepared in accordance with US GAAP and is derived from the Company's audited consolidated financial statements and accompanying notes for the years ended December 31, 2023, 2022 and 2021 and can be found at www.sedarplus.com.

Consolidated Balance Sheet Data:

	2023	2022	2021
Cash	$ 1,469,224	$ 2,363,530	$ 2,078,607
Total assets	11,807,080	14,387,083	13,925,531
Total liabilities	4,612,778	5,695,324	4,574,834
Total stockholders' equity	7,194,302	8,691,759	9,350,697
Working capital	3,220,646	4,147,176	4,536,852

Cash has decreased for the year ended December 31, 2023, compared to cash as at December 31, 2022, due to a decrease in revenue and increased expenses during the year ended December 31, 2023.

Total assets decreased for the year ended December 31, 2023, compared to total assets as at December 31, 2022, due to a decrease in revenue and an increase in expenses and the amortization of the intangible assets during the year ended December 31, 2023.

Total liabilities have decreased for the year ended December 31, 2023, compared to total liabilities as at December 31, 2022, due to a decrease in revenue and therefore a decrease in costs of sales and trade payables.

Stockholders' equity has declined for the year ended December 31, 2023, due to the net loss incurred by the Company for the year ended December 31, 2023.

Working capital has declined for the year ended December 31, 2023, due to the net loss incurred by the Company for the year ended December 31, 2023.

Consolidated Cash flow data:

	2023	2022	2021
Net cash (used in) provided by operating activities	$ (823,640)	$ 433,745	$ 851,533
Net cash used in investing activities	(8,714)	(26,533)	(384)
Net cash (used in) provided by financing activities	(61,952)	(122,289)	1,413
Change in cash	(895,306)	284,923	852,562
Cash	$ 1,469,224	$ 2,363,530	$ 2,078,607

During the year ended December 31, 2023, we used cash of ($823,640) in operating activities compared to providing cash of $433,745 in the prior year. The increase in cash used is due to the decrease in revenue, hiring of additional sales and development staff and the outsourcing of certain software development to increase the development of our base technologies including the development of the Prado technology.

Net cash provided by financing activities was ($61,952) in the year ended December 31, 2023, which compares to cash provided by financing activity of ($122,289) in fiscal 2022. This decrease related to the Company acquiring 275,000 shares acquired pursuant to the NCIB in effect at an aggregate cost of $87,778, during the year ended December 31, 2022.

Cash of ($8,714) was used in investing activities in fiscal 2023, compared to cash used of ($26,533) in the prior year. This decrease related to less acquisition of new equipment in the year ended December 31, 2023.

Consolidated Statement of Operations Data for continuing operations:

	2023	2022	2021
Revenue	$ 13,326,824	$ 15,097,056	$ 12,484,639
Cost of sales	8,392,767	9,973,211	7,152,307
Gross (loss) profit	4,934,057	5,123,845	5,332,332
Operating expenses excluding interest and other income (expenses)	(6,153,451)	(5,897,412)	(4,357,188)
Amortization and expiration of right-of-use assets	(29,748)	(28,935)	(40,851)
Depreciation and amortization	(558,740)	(557,267)	(565,540)
Gain on derivative liability – warrants	51	23,314	60,207
Interest and other income	1,049	185	241
Income tax recovery / (expense)	25,978	150,489	(216,677)
Provision for doubtful receivables	(84,952)	-	-
Stock awareness program	(146,300)	(161,332)	(402,845)
Net (loss) income	$ (2,012,056)	$ (1,347,113)	$ (190,321)
Basic and diluted net (loss) income per share from continuing operations	$ (0.02)	$ (0.01)	$ (0.00)
Weighted average common shares outstanding	131,305,254	131,481,983	131,340,989

DISCUSSION OF OPERATIONS AND OPERATIONAL HIGHLIGHTS

Years Ended December 31, 2023 and 2022

Revenue

Total revenue, net of platform fees (to Apple, Google and Amazon) and withholding taxes, for the year ended December 31, 2023, decreased to $13,326,824, a decrease of 12% over total revenue net of fees and withholding taxes of to $15,097,056 for fiscal 2022. Ad Tech advertising revenue for the year ended December 31, 2023, was $11,879,425 a decrease of 18% over Ad Tech advertising revenue of $14,425,918 for fiscal 2022.

Programmatic advertising revenue for the year ended December 31, 2023, was $1,223,392 an increase of 239% over Programmatic advertising revenue of $361,394 for fiscal 2022.

Content revenue for year ended December 31, 2023, decreased to $224,007, a decrease of 28% over content revenue of $309,744 for fiscal 2022.

The decrease in total revenue over fiscal 2022 is due to the overall weakness in the general market and the loss of some campaigns from fiscal 2022 which did not renew in fiscal 2023. Management believes that distortions in the overall market in fiscal 2022 existed due to COVID and returned to normal in fiscal 2023. The increase in programmatic advertising revenue is due to the active promotion of this revenue stream and the strong demand for Programmatic advertising in the market.

Selling and marketing expenses

Sales and marketing expenses for the year ended December 31, 2023, were $1,268,218, an increase of 22% over selling and marketing expenses of $1,039,713 for fiscal 2022. The increase in sales and marketing expenses over fiscal 2022 is due to an increase in sales and marketing staff to manage the anticipated growth in the Direct, Programmatic and Performance segments of our AdTech business. Selling and marketing expenses consist primarily of sales staff salaries and benefits and publishing services and user acquisition costs incurred to acquire game players.

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.

Software technology development

We do not capitalize our development costs. Software technology development costs of $2,999,079 were expensed for year ended December 31, 2023, an increase of 20% from software technology development costs of $2,496,877 expensed for fiscal 2022. These increases over fiscal 2022, is due to the hiring of additional development staff and the outsourcing of certain software development to increase the development of our base technologies including the development of the Prado technology. In addition, as we have expanded our global reach our server costs have increased.

General and administrative expenses

General and administrative expenses consist primarily of legal and professional fees, premises costs for our offices and development facilities, and other general corporate and office expenses. General and administrative expenses decreased to $673,654 for the year ended December 31, 2023, a decrease of 11% over general and administrative expenses of $760,936 in fiscal 2022. The decrease in general and administrative expenses is due a decrease in fees paid to our professional advisors and a decrease in legal and filing fees as a result of the Normal Course Issuer Bid and the continuation of the Company out of Anguilla and into Canada incurred in fiscal 2022.

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.

Salaries, wages, consultants, and benefits

Salaries, wages, consultants, and benefits decreased to $705,830 for the year ended December 31, 2023, a decrease of 6% over salaries, wages, consultants, and benefits of $751,811 for fiscal 2022. The decrease in salaries, wages, consultants, and benefits over fiscal 2022, is due to a decrease in the consultants employed by the Company in 2023.

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 year ended December 31, 2023, was $545,737 compared to $547,460 in fiscal 2022. The decline is amortization for the year ended December 31, 2023, is due the full amortization of the Kidoz OS technology.

Equipment is depreciated using the declining balance method over the useful lives of the assets, ranging from three to five years. Depreciation increased to $13,002 during the year ended December 31, 2023, over depreciation of $9,807 in fiscal 2022. This increase in depreciation and amortization compared to fiscal 2022, is due to the acquisition of new equipment and the write-off of old equipment.

Stock-based compensation expense

During the year ended December 31, 2023, the Company incurred non-cash stock compensation expenses of $515,116 compared to non-cash stock compensation expenses of $696,248 for fiscal 2022. During the year ended December 31, 2023, the Company granted 1,885,000 (fiscal 2022 - 2,550,000) options. The options granted in fiscal 2023 and 2022, are issued to consultants and employees as per the Company's amended 2015 Rolling Stock Option Plan. The non-cash stock compensation program is an integral part of the Companies overall Staff Compensation Program.

Stock awareness program

During the year ended December 31, 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. During the year ended December 31, 2023, the Company discontinued its stock awareness program with Proactive and with Stockhouse Publishing Ltd. in fiscal 2022.

The Company incurred stock awareness expenses of $146,300 for year ended December 31, 2023, a decrease of 9% from stock awareness expenses of $161,332 expensed for fiscal 2022. The decrease in Stock Awareness expenses compared to fiscal 2022 is due to the planned reduction in stock awareness commitments and the discontinuance with Proactive.

Other income and expenses

During the year ended December 31, 2023, the Company has a foreign exchange gain of $1,139 compared to foreign exchange loss of ($142,857) in the prior year. These gains are due to the exchange rate movements of the US Dollar compared to the Pound Sterling, Israeli Shekel, European Euro, and the Canadian Dollar. The Company does not hedge its cash assets.

During the year ended December 31, 2023, we received interest income of $1,049 compared to interest income of $185 in the prior year. The interest income is received from bank term deposits from investing our cash. The increase in interest income is due to an increase in interest rates and higher bank account balances in interest earning bank accounts in fiscal 2023 compared to fiscal 2022.

During the year ended December 31, 2023, the Company had a gain on the derivative liability – warrants of $51 compared to gain on the derivative liability – warrants of $23,314 in fiscal 2022. This derivative liability – warrants results from the issuance of the 230,000 warrants to Research Capital Corporation during the year ended December 31, 2021, and which expired unexercised in the year ended December 31, 2023.

Amortization of right-of-use assets

On January 1, 2020, the Company adopted ASC Topic 842 using the modified retrospective transition method. Topic 842 requires the recognition of lease assets and liabilities for operating leases. The Company recognized right-of-use assets relating to the brand licenses and the Vancouver, Canada office rental. During the year ended December 31, 2023, the Company amortized $26,828 and $2,920 expired on the Anguillian lease compared to right-of-use assets amortization of $28,935 in fiscal 2022. Subsequent to the year ended December 31, 2023, the lease on the Vancouver office expired and was not renewed.

Income taxes

During the year ended December 31, 2023, the Company had a tax recovery of $25,978 compared to a tax recovery of $150,489 in fiscal 2022. During the year ended December 31, 2023, our Israeli subsidiary was officially recognized as a Preferred Technology Enterprise in Israel, a prestigious status that comes with extensive tax relief benefits as provided by law and applied to the fiscal 2022 tax year.

During the year ended December 31, 2023, the subsidiaries of the Company had a tax expense of $924 compared to a tax expense of $60,010 in fiscal 2022.

During the year ended December 31, 2005, Bingo.com, Inc. merged with its subsidiary Bingo.com, Ltd. in Anguilla, British West Indies. Anguilla is a zero-tax jurisdiction. During the year ended December 31, 2023, Kidoz Inc. continued out of the jurisdiction of the Anguillian Business Companies Act, 2022, and into the jurisdiction of the Canada Business Corporations Act ("CBCA") and is now a Canadian taxpayer.

Net (loss) income and (loss) income per share

The net loss after taxation for the year ended December 31, 2023, amounted to ($2,012,056) a loss of ($0.02) per share, compared to a net loss of ($1,347,113), a loss of ($0.01) per share, in the year ended December 31, 2022. The net loss increased for the year ended December 31, 2023, due to a decrease in revenue, an increase in staff and outsourcing of certain software technology development. This increase in staff is due to the hiring of additional development staff and sales and marketing personnel to increase the development of our base technology and increase our sales and account management respectively.

Net Cash generated from Operations and Adjusted EBITDA

Due to our focus on maintaining a strong balance sheet while striving to continue our rapid growth on an annual basis and to evaluate our performance and make financial and operational decisions accordingly we pay close attention to our net cash generated from operations and our adjusted EBITDA.

Our net cash from operations for the year ended December 31, 2023, was ($823,640) compared to $433,745 in the prior year. This decrease was due to the decrease in revenue, our expansion of our R&D program to increase the development of our base technologies and encompass the Prado technology to facilitate our entrance into the total Ad-tech market while maintaining out leadership position in the kid safe arena.

Additionally, our Adjusted Earnings Before Interest; Taxes; Depreciation and Amortization; stock awareness program; stock-based compensation and impairment of goodwill ("Adjusted EBITDA") for the year ended December 31, 2023, amounted to a loss of ($891,166) compared to an Adjusted EBITDA of ($231,395) in the prior year.

Our Adjusted EBITDA is reconciled as follows:

		2023		2022
Loss for the year	$	(2,012,056)	$	(1,347,113)
Depreciation and amortization		558,740		557,267
Stock awareness program		74,112		36,191
Stock-based compensation		515,116		696,248
Gain on derivative liability – warrants		(51)		(23,314)
Interest and other income		(1,049)		(185)
Income tax (recovery) expense		(25,978)		(150,489)
Adjusted EBITDA	$	(891,166)	$	(231,395)

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 Annual Report, including our consolidated financial statements, to aid in their analysis and understanding of our performance and in making comparisons.

SUMMARY OF QUARTERLY RESULTS

The following tables present our unaudited consolidated quarterly results of operations for each of our last eight quarters. This data has been derived from unaudited consolidated financial statements that have been prepared on the same basis as the annual audited consolidated financial statements and, in our opinion, include all normal recurring adjustments necessary for the fair presentation of such information. These unaudited quarterly results should be read in conjunction with our audited consolidated financial statements.

	Three Months Ended			
	December 31, 2023 (Unaudited)	September 30 2023 (Unaudited)	June 30 2023 (Unaudited)	March 31 2023 (Unaudited)
Revenue	$ 6,030,546	$ 2,808,354	$ 2,814,239	$ 1,673,685
Cost of sales	4,059,852	1,754,540	1,574,659	1,003,716
Gross profit	1,970,694	1,053,814	1,239,580	669,969
Operating expenses and other income / (expenses)	(1,522,994)	(1,565,244)	(1,553,484)	(1,540,377)
Provision for doubtful receivables	(1,427)	(83,525)	-	-
Stock awareness program	(3,996)	(29,567)	(55,820)	(56,917)
Depreciation and amortization	(139,945)	(139,816)	(139,692)	(139,287)
Income (Loss) before income taxes	302,332	(764,338)	(509,416)	(1,066,612)
Income tax recovery (expense)	25,978	-	-	-
Income (Loss) after tax	$ 328,310	(764,338)	(509,416)	(1,066,612)
Basic and diluted Income (loss) per share	$ 0.00	$ (0.01)	$ (0.00)	$ (0.01)
Weighted average common shares, basic	131,304,499	131,304,499	131,304,499	131,307,560
Weighted average common shares, diluted	131,304,499	131,304,499	131,304,499	131,307,560

	Three Months Ended			
	December 31, 2022 (Unaudited)	September 30 2022 (Unaudited)	June 30 2022 (Unaudited)	March 31 2022 (Unaudited)
Revenue	$ 6,777,299	$ 3,514,149	$ 2,518,137	$ 2,287,471
Cost of sales	4,701,884	2,268,579	1,546,172	1,456,576
Gross profit	2,075,415	1,245,570	971,965	830,895
Operating expenses and other income / (expenses)	(1,611,356)	(1,410,651)	(1,510,606)	(1,370,235)
Stock awareness program	(55,638)	(9,936)	(44,427)	(51,331)
Depreciation and amortization	(139,525)	(138,757)	(138,614)	(140,371)
Income (Loss) before income taxes	268,896	(313,774)	(721,682)	(731,042)
Income tax recovery (expense)	150,484	-	5	-
Income (Loss) after tax	$ 419,380	(313,774)	(721,677)	(731,042)
Basic and diluted Income (loss) per share	$ 0.00	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average common shares, basic	131,494,597	131,581,499	131,424,989	131,424,989
Weighted average common shares, diluted	131,494,597	131,581,499	131,424,989	131,424,989

FOURTH QUARTER RESULTS

Total revenue, net of platform fees (to Apple, Google and Amazon) and withholding taxes, for the quarter ended December 31, 2023, decreased to $6,030,546, a decrease of 11% over total revenue net of fees and withholding taxes to $6,777,299 for fourth quarter of fiscal 2022 and an increase 115% from revenue of $2,808,354 in the third quarter of 2023. The decrease in revenue compared to the fourth quarter of fiscal 2022, is due to the loss of some campaigns from fiscal 2022 which did not renew in fiscal 2023. Management believes that distortions in the overall market in fiscal 2022 existed due to Covid and returned to normal in fiscal 2023. The increase in revenue compared to the third quarter of fiscal 2023, is due significant advertising spend in the fourth quarter of every year. Selling and marketing expenses were $321,344 for the quarter ended December 31, 2023, a decrease of 17% over expenses of $385,532 in the fourth quarter of fiscal 2022 and an increase of 3% over expenses of $312,791 in the third quarter of fiscal 2023. This decrease in sales and marketing expenses in the quarter ended December 31, 2023, compared to the fourth quarter of fiscal 2022 is due to an increase in sales and marketing staff and the third quarter of fiscal 2023, is due to a decrease in sales and marketing staff. The increase in sales and marketing expenses in the quarter ended December 31, 2023, compared to the third quarter of fiscal 2023, is due to campaigns to promote the Prado segment of our business.

The Company expensed $779,273 in software technology development costs during the quarter ended December 31, 2023, an increase of 8% compared to software technology development costs of $722,988 expensed during the fourth quarter of fiscal 2022 and an increase of 8% compared to software technology development costs of $720,076 expensed during the third quarter of fiscal 2023. The increase in technology development costs compared to the fourth quarter of fiscal 2022 and the third quarter of fiscal 2023 is due to hiring additional development staff and the outsourcing of certain software development to increase the development of our base technology.

The net income after taxation for the quarter ended December 31, 2023, amounted to $328,309, an income of $0.00 per share, compared to a net income of $419,380 or $0.00 per share in the fourth quarter of fiscal 2022 and compared to a net loss of ($764,337) or ($0.01) per share in the third quarter of fiscal 2023. This decrease in net income for the quarter compared to the fourth quarter of fiscal 2022 is due to the reduction in revenue and the hiring of additional staff and salary increases. The decrease in net loss compared to the third quarter of fiscal 2023, is due to the growth of revenue in all the advertising segments of our business. The overall level of expense increase in 2023 is due to the Companies investment in growth to efficiently manage the anticipated increase of demand and the further development of our technology to meet the demands of the Company's business.

LIQUIDITY AND CAPITAL RESOURCES

The Company generates cash from operations but does have a line of credit with the Leumi Bank in Israel if required. During the year ended December 31, 2021, the Company drew $200,000 from the line of credit. The loan was repaid in full during the year ended December 31, 2021.

The Company believes it has sufficient cash resources to meet its current growth and development objectives. Although the Company has relied on revenue generated through its business, external funding may be required to continue growing the existing business and scaling operations. There can be no assurance that adequate funding will be available in the future, or under terms that are favorable to the Company.

We had cash of $1,469,224 and working capital of $3,220,646 as at December 31, 2023. This compares to cash of $2,363,530 and working capital of $4,147,176 as at December 31, 2022.

During the year ended December 31, 2023, we used cash of ($823,640) in operating activities compared to providing cash of $433,745 in the prior year.

Net cash used in financing activities was ($61,952) in the year ended December 31, 2023, which compares to cash used in financing activity of ($122,289) in fiscal 2022. During the year ended December 31, 2023, the Company repaid the CEBA loan of CAD$40,000 ($29,484). During the year ended December 31, 2023, to the Company acquired 2,000 (2022 - 275,000) shares acquired pursuant to the NCIB in effect at an aggregate cost of $517 (2022 - $87,778).

Cash of ($8,714) was used in investing activities in fiscal 2023, compared to cash used of ($26,533) in the prior year. This decrease related to the acquisition of new equipment for our new staff in fiscal 2022.

Our future capital requirements will depend on several 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.

SHARE CAPITAL

Common shares

As at December 31, 2023, there were 131,304,499 (2022 – 131,347,999) common shares outstanding.

During the year ended December 31, 2023, 2,000 (2022 - 275,000) shares were acquired pursuant to the Normal Course Issuer bid ("NCIB") in effect at an aggregate cost of $517 (2022 - $87,778). During the year ended December 31, 2023, 43,500 (2022 - 233,500) shares were cancelled.

During the year ended December 31, 2022, 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 cash or shares of the Company. During the year ended December 31, 2022, the Company issued 156,510 shares in settlement of its obligation under the 2021 contract.

Warrants

During the year ended December 31, 2023, 230,000 warrants expired unexercised and there were no warrants outstanding as at December 31, 2023. These warrants entitled 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 and expired on April 1, 2023.

Stock Options

In 2015, the shareholders approved the 2015 Rolling Stock Option plan. Under the 2015 plan we have reserved 10% of the number of Shares of the Company issued and outstanding as of each Award Date. Pursuant to this plan we have 8,066,000 stock purchase options (2022 - 8,629,000) outstanding at December 31, 2023.

During the year ended December 31, 2023, the Company granted 1,885,000 options to employees and consultants with an exercise price of CAD$0.30 ($0.23) where 2% vests per month. 400,000 of these options were granted to directors and officers of the Company.

During the year ended December 31, 2023, there were nil (2022 – nil) options exercised and 460,000 (2022 – 285,600) options cancelled and 1,988,000 (2022 – 506,150) options expired unexercised.

Subsequent to the year ended December 31, 2023, 2,318,750 options were granted to employees and consultants with an exercise price of CAD$0.20 ($0.14) where 2% vests per month. 1,056,250 options of these options were granted to directors and officers of the Company.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have any off-balance sheet arrangements for the year ended December 31, 2023 and 2022.

COMMITMENTS

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

Subsequent to the year ended December 31, 2023, the lease on the Vancouver office expired and was not renewed. Our Canadian staff will continue to work on a virtual basis. The minimum lease payments under these leases are approximately as follows:

2024	$	60,460

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

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

RELATED PARTY TRANSCATIONS

As at and for the year ended December 31, 2023, the Company has the following related party transactions:

	2023	2022	2021
Directors fees	$ 7,505	$ 8,970	$ 8,000
Salaries, wages, consultants and benefits	667,229	659,558	612,492
Selling and marketing	70,439	126,920	77,906
Stock-based compensation (Note 10)	188,961	276,207	237,348
Software technology development (Note 8)	248,780	246,016	214,843
Closing balance for the year	$ 1,182,914	$ 1,317,671	$ 1,150,589

The Company has liabilities of $79,852 (2022 - $80,874) as at December 31, 2023, to current directors, officers and companies owned by the current directors and officers of the Company for employment, director and consulting fees.

During the year ended December 31, 2023, the Company granted 400,000 options with an exercise price of CAD$0.30 ($0.22) per share to current directors and officers of the Company. Subsequent to the year ended December 31, 2023, the Company granted 1,056,250 options with an exercise price of CAD$0.20 ($0.14) to current directors and officers of the Company.

During the year ended December 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 year ended December 31, 2021, the Company granted the following options to related parties:

a) 400,000 options with an exercise price of CAD$0.50 ($0.39) per share

b) 400,000 options with an exercise price of CAD$1.02 ($0.80) per share

The related party transactions are in the normal course of operations and were granted at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

ACCOUNTING POLICY CHANGES, CRITICAL ESTIMATES, JUDGMENTS AND ASSUMPTIONS

The information provided in this MD&A, including the consolidated financial statements, is the responsibility of management. The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. There is a full disclosure and description of the Company's critical accounting policies, estimates, judgments, assumptions in the consolidated financial statements as at December 31, 2023 in notes 1 and 2.

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.

The following discussion of critical accounting policies is intended to supplement the Summary of Significant Accounting Policies presented as Note 2 to our audited consolidated financial statements presented elsewhere in this report. Note 2 summarizes the accounting policies and methods used in the preparation of our consolidated financial statements.

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 technology development;
- Impairment of long-lived assets;
- Goodwill

These policies were selected because they require the more significant judgments and estimates in the preparation and presentation of our financial statements. 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, as well as other events and assumptions that are believed to be reasonable at the time. Actual results could differ from these estimates under different conditions.

NEW ACCOUNTING PRONOUCEMENTS AND CHANGES IN ACCOUNTING POLICIES

In November 2023, the Financial Standards Board issued ASU 2023-07, Improvements to Reportable Segment Disclosures ("ASU 2023-07"), which requires that segment expenses deemed significant to the chief operating decision maker (CODM) typically incorporated in measuring profit or loss of the segment should be disclosed. The guidance also requires that the difference between segment revenues and these significant segment expenses is disclosed. Any annually disclosed segment information is now required to be reported in interim periods as well. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. Public entities are required to apply the amendment retrospectively to prior periods presented in the financial statements. The Company plans to adopt ASU 2023-07 effective for its Fiscal year 2024 and for the interim periods beginning in Fiscal 2024.

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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company is exposed to various financial risks resulting from both its operations. The Company does not enter into financial instrument agreements including derivative financial instruments for speculative purposes. The fair values of the Company's financial instruments approximate the carrying values, due to their short terms to maturity or attached market rates of interest. The Company is exposed to various risks related to its financial instruments as follows:

(i) Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's net income and the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

(ii) Foreign exchange risk

The Company has exposure to foreign exchange risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company has not entered into foreign exchange purchase contracts to manage its foreign exchange risk, because, in management's view, the cost of setting up the contracts is in excess of the risks associated with a sudden change in the exchange rates. Management continually monitors the exchange rates and will enter into risk prevention measures when warranted. The Company is also exposed to foreign exchange risk on its cash, accounts receivable and accounts payable balances that are mostly denominated in U.S. dollars and Euros, whereas our employment and consulting costs are mostly denominated in Israeli Shekels, British Pounds, Canadian Dollars, and US Dollars.

(iii) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company is subject to credit risk with respect to cash and accounts receivable. The Company's maximum exposure to credit risk at the end of the reporting period is the carrying value of these assets. Credit risk is managed through a credit approval process and monitoring procedures, and there are no expected credit losses.

All cash balances are held at a major banking institutions in Israel, United Kingdom and Canada and management believes the risk of loss to be remote.

(iv) Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and the maturity of liabilities do not match. An unmatched position potentially enhances profitability but can also increase the risk of loss. The Company's liquidity needs can be met through a variety of sources. The Company generates cash from operations, and in the past by issuances of common shares. The Company manages liquidity risk by maintaining sufficient cash balances to meet liabilities when due and by continuously monitoring actual and forecast cash flows.

RISKS AND UNCERTAINTIES

The Company's business is subject to numerous risks and uncertainties, including those described elsewhere in this MD&A, as well as general economic and market risks. The following discussion describes material risks and uncertainties that the Company has identified that may affect the Company's results of operations and financial condition.

Risks Related to the Business

- Regulations - The Company operates in a highly regulated market with a Children's Online Privacy Protection Rule ("COPPA") & General Data Protection Regulation ("GDPR"). There is the risk that the regulations restrict the Company operations. The Company serves compliant contextual mobile advertising network that safely reaches hundreds of million kids, teens, and families every month.

- Reliant on Google and Apple - The Company is heavily reliant on Google and Apple, on whose platform the games where we advertise are hosted. The Company has been Google certified and has been approved by Apple.

- Expanding Company - the Company is a growing and expanding company. The Company's revenues may be materially affected by the decisions of its management and/or customers, and due to a variety of other factors, many of which may be beyond the Company's control. This may lead to expenses exceeding estimates or be incurred in the expectation of sales that do not occur or that occur later than expected. Management expects expenses to increase, especially hiring of additional staff to support its growth and expansion. Fluctuating results could cause unanticipated quarterly losses and cause the Company's performance to fall below the expectations of investors, which could adversely affect the price of the common shares. The following will cause fluctuating results:

    - Changes in demand for Kidoz Platform
    - Changes in the Company's customer base, additions and losses of customers
    - Changes in advertising budgets of our customers
    - Changes in the availability of advertising inventory or in the cost of reaching customers through digital advertising.
    - Disruptions or outages on the Kidoz platform.
    - New technology or offering by the Kidoz competitors.
    - Timing differences between our payments for advertising inventory and our collection of advertising revenue.
    - Shifting views and behaviors of consumers concerning use of data.

    Based upon the factors above and others beyond the Company's control, Kidoz forecasts future revenue, costs and expenses, and continually reviews these forecasts. As a result, its operating results may, from time to time, fall below estimates or the expectations of securities analysts and investors.

- Managing growth - The Company has expanded rapidly over the last few years. The continued rapid growth of the Company may strain management, financial, technical, and other resources. The Company must expand its sales, marketing, technology, and operational staff and expand its controls. If Kidoz continues its rapid growth, it will incur additional expenses, and its growth may continue to place a strain on resources, infrastructure, and ability to maintain the quality of its offering. Accordingly, the Company may not be able to effectively manage and coordinate growth so as to achieve or maximize future profitability.

- Reliance on Key Customers - The Company is reliant on a relatively few customers and sales houses. The loss of a significant customer could harm the Company's business and severely impact the future financial success of the Company. The Company is continually looking for new sales houses around the world to partner with.

- Retaining and attracting customers - The Company, to continue to grow, must attract new customers and encourage existing advertisers to purchase additional offerings. Our competitors may introduce lower costs or differentiated products or services that compete with our current offering on price or technology and therefore our sales are impaired. The Company has hired additional sales staff and is continually developing its technology.

- No long-term customer commitments - The Company does not have any long term commitments by its customers beyond the current insertion order, which can be cancelled prior to the campaign conclusion without any penalty. Therefore, the Company success is dependent on offering the best service and maintaining good customer relations. The Company allocates customer service personnel to manage the customer relationship.

- Reliance on third parties - the Company is reliant on third parties to operate. These third parties include external sales houses, outsourced technology developers, advertising exchanges and other strategic partners. If these third parties fail to perform as agreed could negatively affect our operations.
- Personnel - The loss of any member of the Company's management team, could have a material adverse effect on its business and results of operations. The Company relies on its engineering staff to develop its technology; operations staff to manage and operate the campaigns and its sales teams to attract and retain key customers. The inability to hire, or the increased costs of new personnel, or the cost to maintain existing personnel could have a material adverse effect on the Company's business and operating results. There is intense competition for capable personnel in all of these areas, and the Company may not be successful in attracting, training, integrating, motivating, or retaining new personnel, vendors, or subcontractors for these required functions. The growth of the Company is dependent on hiring additional personnel so there is additional costs in training these new personnel.
- Children advertising - The Company is dependent on advertising to children so therefore is affected by changes to this business segment. The Company is expanding into advertising to teens and families and to be less reliant on advertising to children.
- Market conditions - The economic uncertainty in the market has made and continues to make it difficult for the Company to forecast revenue and operating results and to make decisions regarding operational cost structures and investments. The Company's business depends on the overall demand for advertising and on the economic health of its customers. Economic downturns or unstable market conditions may cause the Company's customers to decrease their advertising budgets, which could reduce usage of the Company's platform and adversely affect its business, operating results, and financial condition.
- Inappropriate advertisement - This is the risk that the Company serves an inappropriate advertisement. To mitigate this risk all adverts are human reviewed before the campaign commences.
- Cybersecurity - Cybersecurity attacks, including breaches, computer malware and computer hacking have become more prevalent recent years across all businesses. Any cybersecurity breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, or the inadvertent transmission of computer viruses could adversely affect the business, financial condition, results of operations or reputation of the Company. The Company believes that it is taken reasonable steps to protect the security, integrity and confidentiality of the information collected, used, stored and disclosed, but there is no guarantee that in the future inadvertent (e.g., software bugs or other technical malfunctions, employee error or malfeasance, or other factors) or unauthorized data access or use will not occur despite its efforts in the past and in the future.
- Technology - The Company's future success is dependent on its ability to continue to develop and expand its products and technologies and to address the needs of its customers. The Company operates in an industry that is characterized by rapid technological change, frequent new product

and service introductions and enhancements, uncertain product life cycles, changes in customer requirements, and evolving industry standards. The introduction of new products and new technologies, the emergence of new industry standards, or improvements to existing technologies could render the Company's platform obsolete or relatively less competitive.

- Outages - In addition, the Company operates 24/7 business so if outages were to occur it is critical for the technology to be restored in a timely manner. Any delay in restoring the systems will have a negative effect on its business, operating results and financial condition.
- Cloud based servers - The Company's products and services involve storage using a third-party cloud-based hosting service. Any damage to, or failure of, the hosting service's systems generally could result in interruptions in the use of the Company's platform. Such interruptions may reduce the Company's revenue, and adversely the Company's ability to attract new customers. The Company's business will also be harmed if its customers and potential customers believe its products or services are unreliable.
- Incorrect advertising – The Company is developing a teens and family platform under its Prado brand. Therefore, there is the risk that an inappropriate advertisement is served to children, which could result in fines to the Company and have a negative effect on its business, operating results, and financial condition. The Company has put in internal controls that ensure no non children advertisement is served to children.

Financial and Accounting Risks

- Additional financing - There can be no certainty that the Company's financial resources and revenue from sales will be sufficient for its future needs. The Company may need to incur significant expenses for growth, operations, research and development, as well as sales and marketing and other unforeseen costs. The ability of the Company to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Company. It may be difficult or impossible for the Company to obtain debt financing or equity financing on commercially acceptable terms. In addition, the issuance of common shares for an equity financing may have a negative effect on the existing shareholders of the Company such as dilution or negative sentiments in the market to the equity financing.
- Growth – Kidoz anticipates continued growth that could require substantial financial and other resources to, among other things: (a) expand and develop product offerings; (b) improve technological infrastructure, including investing in its technology (c) cover general and administrative expenses, including legal, accounting and other expenses; (d) cover sales and marketing expenses, including a significant expansion of the Company's direct sales organization. Investment in these, however, may not yield anticipated returns. Consequently, as costs increase, the Company may not be able to generate sufficient revenue to achieve or sustain profitability.
- Payment risks – If our customers do not pay, or dispute their invoices, then the business, operating results and financial condition may be adversely affected. In addition, if our customers do not pay in a timely manner will our operating results and financial condition may be adversely affected.
- Internal Controls - A failure to maintain an effective system of internal control over financial reporting could harm the Company's financial performance, its ability to raise capital and its continued listing on the TSX Venture Exchange. In addition, the Company is a small company so has limited segregation of duties. The Company is therefore reliant on the critical personnel and an increase in the risk of the failure of internal controls.

- Changes to GAAP – The Company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). There is a risk that changes to US GAAP will negatively affect the Company in terms of results and could become more difficult, time-consuming or costly and increase demand on the Company's systems and resources to comply with this change.

Industry Risk

- Competition – the advertising business is a highly competitive business. The Company offers niche advertising in a highly regulated business. However, there are few barriers to existing large advertising companies entering the market. Our existing customers could develop their own in-house solutions and therefore no longer advertise with us.

- Ad blockers – Consumers may load ad blocking software. This will affect our ability to serve advertisements and will therefore reduce our revenue.

- Failure to access advertising inventory – We must maintain a consistent supply of ad inventory. Our success depends on our ability to secure inventory on reasonable terms in multiple locations. The amount, quality, and cost of inventory available to the Company can change at any time. If our relationships with any of our significant suppliers were to cease, or if the material terms of these relationships were to change unfavourably, our business would be negatively impacted.

- Fraud – The Company operates as a technology and services provider in a dynamic ecosystem where fraud exists. Typical forms of fraud include robotic traffic, where robots mimic the behaviour of users in order to inflate the number of impressions, clicks, post clicks actions or other metrics associated with the ad. The Company reviews all ads and monitors the impression serving with our suppliers.

- Catastrophic events – We maintain cloud-based servers around the world, that deliver advertising campaigns for our advertisers. Any of its existing and future facilities may be harmed or rendered inoperable by attack or security intrusion by a computer hacker, natural or man-made disasters, including earthquakes, tornadoes, hurricanes, wildfires, floods, nuclear disasters, war, acts of terrorism or other criminal activities, infectious disease outbreaks and power outages, any of which may render it difficult or impossible for the Company to operate its business for some period of time. The Company maintains backup and disaster recovery plans to get back up and running as fast as possible.

- Economic, Political and Market Conditions – Our business depends on the overall demand for advertising and on the economic health of our current and prospective advertisers. Economic downturns, including a recession, or instability in political or market conditions may cause current or new advertisers to reduce their advertising budgets. These conditions are impacted by events outside of the Company's control, such as the COVID-19 pandemic, may have a long-term impact on the global economy. Adverse economic conditions and general uncertainty about continued economic recovery are likely to affect the Company's business prospects. This uncertainty may cause general business conditions to deteriorate or become volatile, which could cause advertisers to delay, decrease or cancel campaigns, and expose the Company to increased credit risk on advertiser orders, which, in turn, could negatively impact its business, financial condition and results of operations. In addition, continued geopolitical turmoil in many parts of the world have and may continue to put pressure on global economic conditions, which could lead to reduced spending on advertising.

Risks Related to the Common Shares and Corporate and Securities Law

- Market for common shares – The shares of the Company are illiquid. The Company has made efforts to improve the exposure of the Company through its stock awareness program and create a more active market for its shares. There are no assurances that our Stock Awareness campaigns will be effective to create a liquid market.
- Volatility in the market - Technology stocks have historically experienced high levels of volatility and we cannot predict the prices at which our common shares will trade. Fluctuations in the market price of our common shares could cause an investor to lose all or part of their investment in our common shares. These fluctuations in the market price and volatility of our common shares can be caused by factors outside the control of the Company such the following:
    - The volatility in the market price and trading volume of technology companies in general especially large companies in the digital advertising industry (e.g. Google and Meta);
    - Changes in regulatory developments in Canada and the United States;
    - General economic conditions and trends, including global financial markets, global economies and general market conditions, such as interest rates;
    - Major catastrophic events (e.g. the war in the Ukraine);
    - Unexpected market reactions to the Company announcements.

  As a result, share prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In general, in the past, shareholders have filed securities class action litigation following periods of market volatility. If Kidoz were to become involved in securities litigation, it could subject it to substantial costs, divert resources and the attention of management from our business, and adversely affect our business.
- Public Company implications – The Company is listed on the Toronto Venture Stock Exchange and is therefore subject to its listing requirements. Compliance with these rules and regulations could become more difficult, time-consuming, or costly and increase demand on the Company's systems and resources.

ADDITIONAL INFORMATION

Additional information and other publicly filed documents relating to Kidoz Inc. are available through the internet on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR+"), which can be accessed at www.sedarplus.com and the Company's website at http://investor.kidoz.net.

In addition, we file with the Securities and Exchange Commission at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the Securities and Exchange Commission. Please call the Securities and Exchange Commission at 1-800-SEC-0330 for further information on the operation of the Public Reference Room.

We file our reports with the Securities and Exchange Commission electronically through the Securities and Exchange Commission's Electronic Data Gathering, Analysis and Retrieval ("EDGAR") system. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding companies that file electronically with the Securities and Exchange Commission through EDGAR. The address of this Internet site is http://www.sec.gov.