



KIDDOZ INC.
and subsidiaries

Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

KIDOZ INC. and subsidiaries

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Directors of
Kidoz Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Kidoz Inc. (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations and comprehensive (loss) income, stockholders' equity, and cash flows for the years ended December 31, 2024, 2023 and 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years ended December 31, 2024, 2023 and 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.



Evaluation of Intangible Assets and Goodwill Impairment Analysis

As described in Notes 6 and 7 to the consolidated financial statements, the carrying amount of the Company's sole reporting unit, consisting of intangible assets, and goodwill, was \$3,670,323 as at December 31, 2024 and is a significant portion (31%) of the Company's total assets. As discussed in notes 2(l), 2(m) and 2(n) to the consolidated financial statements, the Company performs impairment testing on an annual basis or whenever events or changes in circumstances indicate that the carrying value of a reporting unit may exceed its recoverable amount. During the year ended December 31, 2024, the Company determined that no impairment was necessary.

We identified the evaluation of the goodwill impairment analysis as a critical audit matter. The estimated recoverable amount of the reporting unit uses forward-looking estimates that involved a high degree of subjective auditor judgment, in addition to specialized skills and knowledge to evaluate. The sensitivity of reasonably possible changes to those assumptions could have a significant impact on the determination of the recoverable amount of the reporting unit and the Company's assessment of impairment.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Evaluating projected earnings before interest, taxes, depreciation, and amortization ("EBITDA") by comparing historical EBITDA forecasts to current and history performance current industry, market and economic trends;
- Involving our valuation specialists to assist in testing certain significant assumptions described above, such as discount rates and long-term growth rates;
- Performing sensitivity analyses on significant assumptions to evaluate the changes in fair value that would result from changes in these assumptions; and
- Assessing the adequacy of the associated disclosures in the financial statements.

Reliability of Internally-Generated Reports Supporting Revenues

The Company uses an underlying operating system to track Ad tech advertising revenue and report this information to customers and suppliers. As disclosed in Note 2(c) of the consolidated financial statements, the Company records revenues when a customer obtains control of promised services, which in certain instances, is determined by the Company's underlying operating and Ad tech systems.

We identified relying on internally-generated reports as a critical audit matter. Assessing the reliability of information produced by the Company as audit evidence requires significant judgment with respect to testing and evaluating the information to determine if it is sufficient and appropriate for purposes of the audit. Auditing the Company's accounting for revenue from contracts with customers was challenging and complex due to the dependency on these internally-generated reports.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures include, among others:

- Testing, on a sample basis, the completeness and accuracy of the underlying data within the Company's billing system;
- Testing, on a sample basis, credit notes issued to customers to determine if there is a history of modification;
- Comparing the Company's internally-generated reports to similar reports as provided by key customers to determine if any difference were within an acceptable range of variance; and
- Confirming, on a sample basis, revenues directly with customers.

We have served as the Company's auditor since 2010.

/s/ DAVIDSON & COMPANY LLP

Vancouver, Canada
April 24, 2025

Chartered Professional Accountants

KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Consolidated Balance Sheets

As at December 31,	2024	2023
Assets		
Current assets:		
Cash	\$ 2,780,517	\$ 1,469,224
Accounts receivable, less allowance for doubtful accounts \$220,733 (2023 - \$106,839) (Note 3)	5,181,211	6,261,305
Prepaid expenses (Note 4)	65,404	102,895
Total Current Assets	8,027,132	7,833,424
Equipment (Note 5)	25,803	29,234
Goodwill (Note 7)	3,301,439	3,301,439
Intangible assets (Note 6)	368,884	601,719
Long term cash equivalent	7,553	23,847
Operating lease right-of-use assets (Note 13)	-	6,781
Security deposit	3,422	10,636
Total Assets	\$ 11,734,233	\$ 11,807,080
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 2,779,710	\$ 3,834,082
Accrued liabilities	961,653	691,239
Accounts payable and accrued liabilities - related party (Note 14)	66,181	79,852
Operating lease liabilities – current portion (Note 13)	-	7,605
Total Current Liabilities	3,807,544	4,612,778
Total Liabilities	3,807,544	4,612,778
Commitments (Note 11)		
Stockholders' Equity (Note 9):		
Common stock, no par value, unlimited shares authorized, 131,304,499 shares issued and outstanding (December 31, 2023 - 131,304,499)	51,546,940	51,167,693
Accumulated deficit	(43,644,831)	(43,997,971)
Accumulated other comprehensive income:		
Foreign currency translation adjustment	24,580	24,580
Total Stockholders' Equity	7,926,689	7,194,302
Total Liabilities and Stockholders' Equity	\$ 11,734,233	\$ 11,807,080

See accompanying notes to consolidated financial statements.

KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Consolidated Statements of Operations and Comprehensive (Loss) Income

Years ended December 31,	2024	2023	2022
Revenue:	\$ 14,004,527	\$ 13,326,824	\$ 15,097,056
Cost of sales:	6,426,973	8,392,767	9,973,211
Gross profit	7,577,554	4,934,057	5,123,845
Operating expenses:			
Amortization and expiration of operating lease right-of-use assets (Note 13)	6,781	29,748	28,935
Depreciation and amortization (Notes 5 and 6)	244,179	558,740	557,267
Directors fees	8,510	7,505	8,970
General and administrative (Note 16)	689,407	673,654	760,936
Loss on disposal of equipment	1,927	-	-
Provision for doubtful debts	114,480	84,952	-
Salaries, wages, consultants and benefits	622,394	705,830	751,811
Selling and marketing	1,465,833	1,268,218	1,039,713
Stock awareness program (Note 17)	-	146,300	161,332
Stock-based compensation (Note 9)	379,247	515,116	696,248
Software technology development (Note 8)	3,445,018	2,999,079	2,496,877
Total operating expenses	6,977,776	6,989,142	6,502,089
Income (Loss) before other income (expense) and income taxes	599,778	(2,055,085)	(1,378,244)
Other income (expense):			
Foreign exchange (loss) gain	(88,701)	1,139	(142,857)
Gain on derivative liability – warrants (Note 9(c))	-	51	23,314
Interest and other income	643	1,049	185
Gain on settlement of debt	-	14,812	-
Net income (loss) before income taxes	511,720	(2,038,034)	(1,497,602)
Provision for income taxes (Note 12)	(158,580)	25,978	(60,010)
Deferred taxation recovery (Note 12)	-	-	210,499
Net income (loss) and comprehensive income (loss)	\$ 353,140	\$ (2,012,056)	\$ (1,347,113)
Basic and diluted income (loss) per common share (Note 2)	\$ 0.00	\$ (0.02)	\$ (0.01)
Weighted average common shares outstanding, basic (Note 2)	131,304,499	131,305,254	131,481,983
Weighted average common shares outstanding, diluted (Note 2)	131,304,499	131,305,254	131,481,983

See accompanying notes to consolidated financial statements.

KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Consolidated Statements of Stockholders' Equity

Years ended December 31, 2024, 2023 and 2022

	Common stock			Accumulated deficit	Accumulated Other Comprehensive income	Total Stockholders' Equity
	Shares	Amount	Treasury shares		Foreign currency translation adjustment	
Balance, December 31, 2021	131,424,989	\$49,964,919	\$-	(\$40,638,802)	\$ 24,580	\$9,350,697
Shares issued	156,510	79,705	-	-	-	79,705
Repurchase of common shares	(233,500)	(75,985)	(11,793)	-	-	(87,778)
Stock-based compensation	-	696,248	-	-	-	696,248
Net loss	-	-	-	(1,347,113)	-	(1,347,113)
Balance, December 31, 2022	131,347,999	\$50,664,887	(\$11,793)	(\$41,985,915)	\$ 24,580	\$8,691,759
Repurchase of common shares	(43,500)	(12,310)	11,793	-	-	(517)
Stock-based compensation	-	515,116	-	-	-	515,116
Net loss	-	-	-	(2,012,056)	-	(2,012,056)
Balance, December 31, 2023	131,304,499	\$51,167,693	\$-	(\$43,997,971)	\$ 24,580	\$7,194,302
Stock-based compensation	-	379,247	-	-	-	379,247
Net income (loss)	-	-	-	353,140	-	353,140
Balance, December 31, 2024	131,304,499	\$51,546,940	\$-	(\$43,644,831)	\$ 24,580	\$7,926,689

See accompanying notes to consolidated financial statements.

KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Consolidated Statements of Cash Flows

Years ended December 31,	2024	2023	2022
Cash flows from operating activities:			
Net income (loss)	\$ 353,140	\$ (2,012,056)	\$ (1,347,113)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	244,179	558,740	557,267
Amortization and expiration of operating lease right-of-use assets	6,781	29,748	28,935
Gain on derivative liability – warrants	-	(51)	(23,314)
Gain on settlement of debt	-	(14,812)	-
Provision for doubtful debts	114,480	84,952	-
Loss on disposal of equipment	1,927	-	-
Deferred income tax expense	-	-	(210,499)
Stock-based compensation	379,247	515,116	696,248
Unrealized foreign exchange (income) loss	-	(1,407)	(1,052)
Changes in operating assets and liabilities:			
Accounts receivable	965,614	1,054,025	(772,418)
Prepaid expenses	37,491	(31,647)	34,220
Accounts payable and accrued liabilities	(797,629)	(1,006,248)	1,471,471
Net cash provided by (used in) operating activities	1,305,230	(823,640)	433,745
Cash flows from investing activities:			
Acquisition of equipment	(9,840)	(8,714)	(22,806)
Long-term cash equivalent	16,294	-	-
Security deposits	7,214	-	(3,727)
Net cash provided by (used in) investing activities	13,668	(8,714)	(26,533)
Cash flows from financing activities:			
Repayment of Government CEBA loan	-	(29,484)	-
Payments for repurchase of common shares	-	(517)	(87,778)
Payments on operating lease liabilities	(7,605)	(31,951)	(34,511)
Net cash (used in) provided by financing activities	(7,605)	(61,952)	(122,289)
Change in cash	1,311,293	(894,306)	284,923
Cash, beginning of year	1,469,224	2,363,530	2,078,607
Cash, end of year	\$ 2,780,517	\$ 1,469,224	\$ 2,363,530
Supplementary information:			
Interest paid	\$ -	\$ -	\$ -
Income taxes paid (recovery)	\$ 32,829	\$ 3,697	\$ 3,129
Non-cash transaction			
Shares issued to settle accounts payable and accrued liabilities	\$ -	\$ -	\$ 79,705

See accompanying notes to consolidated financial statements.

KIDOZ INC. and subsidiaries

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

1. Introduction:

Nature of business

Kidoz Inc. (the “Company”, “Kidoz” or “we”), incorporated in Anguilla, British West Indies in 2005, is a focused AdTech solution provider. The Company is the owner of the Kidoz SDK and Kidoz Connect Programmatic network, a Children's Online Privacy Protection Rule (“COPPA”) & General Data Protection Regulation (“GDPR”) compliant contextual mobile advertising network that reaches kids, teens, and families every month. Google certified and Apple approved, Kidoz provides a suite of advertising technology that connects brands, content publishers and families. The Company has created a network that app developers use to compliantly monetize traffic and advertisers rely on to reach their customers. Kidoz has developed contextual targeting tools to enable brands to reach their ideal customers.

Effective January 1, 2024, 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”).

Continuing operations

These 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 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.

2. Summary of significant accounting policies:

(a) Basis of presentation:

These 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.

The financial statements include the accounts of the Company’s subsidiaries:

Company	Registered	% Owned
Shoal Media (Canada) Inc.	British Columbia, Canada	100%
Kidoz Ltd.	Israel	100%
Prado Media Ltd.	British Columbia, Canada	100%
Rooplay Media Kenya Limited	Kenya	100%
Shoal Media Inc.	Anguilla	100%
Shoal Media (UK) Ltd.	United Kingdom	100%

During the year ended December 31, 2022, Coral Reef Marketing Inc. merged with Kidoz Inc. and Kidoz Inc. is the surviving entity.

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Notes to Consolidated Financial Statements

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2. Summary of significant accounting policies: (Continued)

(a) Basis of presentation: (Continued)

During the year ended December 31, 2023, Shoal Games (UK) Plc was discontinued.

During the year ended December 31, 2024, Rooplay Media Kenya Limited was discontinued.

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 consolidated financial statements.

(b) Use of estimates:

The preparation of 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, the inputs used in assessing goodwill impairment, 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. The content revenue is less than 10% of the total 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.

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2. Summary of significant accounting policies: (Continued)

(c) Revenue recognition: (Continued)

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:

1) Ad tech advertising revenue - The pricing and terms for all our in-game advertising arrangements are mostly governed by insertion order which generally stipulates the payment terms, the duration (usually short term in nature), the number of advertising units delivered (e.g. impressions,

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Years ended December 31, 2024, 2023 and 2022

2. Summary of significant accounting policies: (Continued)

(c) Revenue recognition: (Continued)

completed views, or cost per install) and the contractually agreed upon price per advertising unit. 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) Programmatic revenue - The Company generally offers these services under a programmatic bid on a Cost-per-Impression (CPM) basis. Our customers upload their advertisements into a demand side platform which then connects to our Publisher Software Development Kit (“SDK”) through an exchange platform and on a bid system agree on the CPM rate and the impressions to be served.

The Company has concluded that the delivery of the Programmatic advertising is delivered at the earlier of month end or at a point in time and, as such, has concluded these deliveries are a single performance obligation. The Company is deemed to be the principal in the transaction and therefore recognizes the revenue on a gross basis and commissions are recognized as cost of sales. 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.

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

a) Carriers and Original Equipment Manufacturer (“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.

b) Rooplay - 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. 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

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2. Summary of significant accounting policies: (Continued)

(c) Revenue recognition: (Continued)

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) Foreign currency:

The consolidated financial statements are presented in United States dollars, the functional currency of the Company and its subsidiaries. The Company accounts for foreign currency transactions and translation of foreign currency financial statements under ASC 830, Foreign Currency Matters. Transaction amounts denominated in foreign currencies are translated at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities are adjusted at each balance sheet date to reflect the exchange rate at that date. Non-monetary assets and liabilities are translated at the exchange rate on the original transaction date.

Gains and losses from restatement of foreign currency monetary and non-monetary assets and liabilities are included in operations. Revenues and expenses are translated at the rates of exchange prevailing on the dates such items are recognized in earnings.

(e) Cash and Cash Equivalents:

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and subject to an insignificant risk of change in value.

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2. Summary of significant accounting policies: (Continued)

(f) Accounts receivable:

Trade and other accounts receivable are reported at face value less any provisions for uncollectible accounts considered necessary. Accounts receivable includes receivables from online platforms and trade receivables from customers. The Company estimates doubtful accounts on an item-by-item basis and includes over-aged accounts as part of allowance for doubtful accounts, which are generally ones that are greater than ninety-days overdue. Bad debt expense, for the year ended December 31, 2024 was \$114,480 (2023 - \$84,952 and 2022 - \$nil). (Note 3)

(g) Equipment:

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided for annually on the declining balance method over the following periods:

Equipment and computers	3 years
Furniture and fixtures	5 years

Expenditures for maintenance and repairs are charged to expenses as incurred. Major improvements are capitalized. Gains and losses on disposition of equipment are included in operations as realized.

In accordance with ASU No. 2016-02 “Leases (Topic 842), leasehold improvements are accounted as a prepayment of rental payments since they are deemed to be an asset of the lessor.

(h) Software Technology Development Costs:

The Company expenses all software technology development costs as incurred for the year ended December 31, 2024, 2023 and 2022. As at December 31, 2024 and 2023, all capitalized software technology development costs have been fully amortized and the Company has no capitalized software technology development costs.

Total software technology development costs were \$19,500,575 as at December 31, 2024 (2023 - \$16,055,557 and 2022 - \$13,056,478) (Note 8).

(i) 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.

(j) Stock-based compensation:

The Company accounts for stock-based compensation under the provisions of Accounting Standard Codification (“ASC”) 718, “Compensation-Stock Compensation”. Under the fair value recognition provisions, stock-based compensation expense is measured at the grant date for all stock-based awards to employees, directors and non-employees and is recognized as an expense over the

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2. Summary of significant accounting policies: (Continued)

(j) Stock-based compensation: (Continued)

requisite service period, which is generally the vesting period. The Black-Scholes option valuation model is used to calculate fair value.

The fair value of each option grant has been estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2024	2023	2022
Expected dividend yield	-	-	-
Volatility	154.42%	118.91%	90.20%
Risk-free interest rate	3.53%	3.69%	1.57%
Expected life of options	5 years	5 years	5 years
Forfeiture rate	5%	5%	5%

(k) Right-of-use assets:

The Company determines if an agreement is a lease at inception. The Company evaluates the lease terms to determine whether the lease will be accounted for as an operating or finance lease. Operating leases are included in operating lease right-of-use (“ROU”) assets, operating lease liabilities, current portion, and operating lease liabilities, net of current portion in the consolidated balance sheets.

ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease.

Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the Company leases do not provide an implicit rate, the Company uses the incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The Company uses the implicit rate when readily determinable. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The Company’s lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

A lease that transfers substantially all of the benefits and risks incidental to ownership of property are accounted for as finance leases. At the inception of a finance lease, an asset and finance lease obligation is recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property’s fair market value. Finance lease obligations are classified as either current or long-term based on the due dates of future minimum lease payments, net of interest.

(l) 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.

KIDOZ INC. and subsidiaries

(Expressed in United States Dollars)

Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

2. Summary of significant accounting policies: (Continued)

(m) Intangible assets:

The Company identified the following intangible assets in the acquisition of Kidoz Ltd. Finite life intangible assets are recorded at historical cost less accumulated amortization based on their estimated useful life and any impairment is determined in accordance with ASC 360. The Company does not have any indefinite life intangible assets. Amortization is provided for annually on the straight-line method over the following periods:

	Amortization period
Ad tech technology	5 years
Customer relationships	8 years

The Company reviews intangible assets subject to amortization quarterly to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If an impairment indicator exists, we test the intangible asset for recoverability. For purposes of the recoverability test, amortizable intangible assets are grouped with other assets and liabilities at the lowest level of identifiable cash flows if the intangible asset does not generate cash flows independent of other assets and liabilities. If the carrying value of the asset group exceeds the undiscounted cash flows expected to result from the use and eventual disposition of the asset group, the Company will write the carrying value down to the fair value in the period identified.

(n) 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.

KIDOZ INC. and subsidiaries

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

2. Summary of significant accounting policies: (Continued)

(n) Goodwill: (Continued)

During the year ended December 31, 2024 and 2023, there was no impairment of goodwill.

(o) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. The Company recognizes the income tax recovery from the receipt of tax credits upon receipt of funds. Deferred income taxes are provided based on the estimated future tax effects of temporary differences between financial statement carrying amounts of assets and liabilities and their respective tax bases, as well as the benefit of losses available to be carried forward to future years for tax purposes.

Deferred tax assets and liabilities are measured using the enacted tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered and settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date. A valuation allowance is recorded for deferred tax assets when it is not more likely than not that such future tax assets will be realized.

(p) Net income (loss) per share:

ASC 260, "Earnings Per Share", requires presentation of basic earnings per share ("Basic EPS") and diluted earnings per share ("Diluted EPS"). Basic earnings (loss) per share is computed by dividing earnings (loss) available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution, using the treasury stock method, that could occur if outstanding options or warrants were exercised and converted into common stock. In computing diluted earnings per share, the treasury stock method assumes that outstanding options and warrants are exercised and the proceeds are used to purchase common stock at the average market price during the period.

Options and warrants will have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the options and warrants. In periods where losses are reported, the weighted average number of common shares outstanding excludes common stock equivalents because their inclusion would be anti-dilutive. A total of 10,359,750 (2023 - 8,066,000 and 2022 - 8,859,000) stock options and warrants were excluded as at December 31, 2024.

KIDOZ INC. and subsidiaries

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

2. Summary of significant accounting policies: (Continued)

(p) Net income (loss) per share: (Continued)

The income (loss) per share data for the year ended December 31, 2024 and 2023 are summarized as follows:

	2024	2023	2022
Income (Loss) for the year	\$ 353,140	\$ (2,012,056)	\$ (1,347,113)
Basic and diluted weighted average number of common shares outstanding	131,304,499	131,305,254	131,481,983
Basic and diluted income (loss) per common share outstanding	\$ 0.00	\$ (0.02)	\$ (0.01)

(q) New accounting pronouncements 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 standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, which means that it was effective for our annual reporting for the fiscal year ending December 31, 2024. The adoption of this ASU affects only our disclosures, with no impact to our financial condition and results of operation. See Note 15 - Segmented information:

On December 2023, the FASB issued ASU 2023-09 "Income Taxes (Topics 740): Improvements to Income Tax Disclosures" to expand the disclosure requirements for income taxes, primarily related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. Management is currently evaluating this ASU to determine its impact on the Company's disclosures.

In November 2024, the FASB issued ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses. The new standard requires entities to disclose additional information about certain expenses, such as purchases of inventory, employee compensation, depreciation, intangible asset amortization, as well as selling expenses included in commonly presented expense captions on the income statement. The FASB further clarified the effective date in January 2025 with the issuance of ASU 2025-01, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date. The ASU is effective for fiscal years beginning after December 15, 2026, and interim periods beginning after

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

2. Summary of significant accounting policies: (Continued)

(q) New accounting pronouncements and changes in accounting policies: (Continued)

December 15, 2027. Companies have the option to apply this guidance either on a retrospective or prospective basis, and early adoption is permitted. The company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements and related disclosures.

The Company has evaluated all 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 consolidated financial statements and does not believe the future adoption of any such pronouncements will have a material impact on its consolidated financial statements.

(r) 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 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.

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

2. Summary of significant accounting policies: (Continued)

(r) Financial instruments and fair value measurements: (Continued)

(i) Fair values: (Continued)

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.

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. 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:

The accounts receivable as at December 31, 2024, is summarized as follows:

	2024	2023
Accounts receivable	\$ 5,401,944	\$ 6,368,144
Provision for doubtful accounts	(220,733)	(106,839)
Net accounts receivable	\$ 5,181,211	\$ 6,261,305

The Company has a doubtful debt provision of \$220,733 (2023 - \$106,839) for existing accounts receivable.

KIDOZ INC. and subsidiaries

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

4. Prepaid expenses:

The Company has other prepaid expenses of \$65,404 (2023 - \$102,895) including leasehold improvements of \$nil (2023 - \$1,604), which is recognized as prepaid rent for the year ended December 31, 2024.

5. Equipment:

2024	Cost	Accumulated depreciation	Net book Value
Equipment and computers	\$ 180,503	\$ 157,811	\$ 22,692
Furniture and fixtures	6,750	3,639	3,111
	\$ 187,253	\$ 161,450	\$ 25,803

2023	Cost	Accumulated depreciation	Net book Value
Equipment and computers	\$ 184,487	\$ 160,219	\$ 24,268
Furniture and fixtures	16,517	11,551	4,966
	\$ 201,004	\$ 171,770	\$ 29,234

Depreciation expense was \$11,344 (2023 - \$13,002 and 2022 - \$9,807) for the year ended December 31, 2024.

6. Intangible assets:

2024	Cost	Accumulated amortization	Net book Value
Ad tech technology	\$ 1,877,415	\$ 1,877,415	\$ -
Customer relationship	1,362,035	993,151	368,884
	\$ 3,239,450	\$ 2,870,566	\$ 368,884

2023	Cost	Accumulated amortization	Net book Value
Ad tech technology	\$ 1,877,415	\$ 1,814,835	\$ 62,580
Customer relationship	1,362,035	822,896	538,139
	\$ 3,239,450	\$ 2,637,731	\$ 601,719

Amortization expense was \$232,835 (2023 - \$545,738 and 2022 - \$547,460) for the year ended December 31, 2024.

KIDOZ INC. and subsidiaries

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

7. Goodwill:

The Company has a goodwill balance of \$3,301,439 for year ended December 31, 2024 and 2023 from the acquisition of Kidoz Ltd.

The Company's annual goodwill impairment analysis performed during the fourth quarter of fiscal 2024 and 2023 included a quantitative analysis of the Kidoz Ltd. reporting unit (consisting of intangible assets (Note 6), and goodwill). The reporting unit has a carrying amount of \$3,670,323 (2023 - \$3,903,158) as at December 31, 2024. The Company performed a discounted cash flow analysis for the reporting unit. 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 2024 or fiscal 2023.

8. Software technology development costs:

The Company develops software technology for our business. This software technology includes the continued development of the KIDOZ Safe Ad Network, the KIDOZ Kid-Mode Operating System, and the KIDOZ publisher SDK.

During the years ended December 31, 2024, 2023 and 2022, the Company has expensed the development costs of all products as incurred and has expensed the following development costs.

	2024	2023	2022
Opening total software technology development costs	\$ 16,055,557	\$ 13,056,478	\$ 10,559,601
Software technology development during the year	3,445,018	2,999,079	2,496,877
Closing total software technology development costs	\$ 19,500,575	\$ 16,055,557	\$ 13,056,478

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 and there is only one class of common shares. The Company has an unlimited number of common shares authorized for issue.

(a) Common stock issuances:

Fiscal 2024 and 2023

There were no common stock issuances for the year ended December 31, 2024 and 2023.

Fiscal 2022

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 shares of the Company. During the year

KIDOZ INC. and subsidiaries

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

9. Stockholders' Equity: (Continued)

(a) Common stock issuances: (Continued)

ended December 31, 2022, the Company issued 156,510 shares in settlement of its obligation under the contract.

(b) Normal Course Issuer Bid:

During the year ended December 31, 2022, the Company filed a Notice of Intention to Make a Normal Course Issuer Bid (the "Notice of Intention") with the TSX Venture Exchange ("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 were made on the open market through the facilities of the TSX-V or alternative Canadian trading systems. Purchases were made at market prices of the shares at the time of acquisition.

Purchases under the NCIB may commence as of September 16, 2022, and ended on the earlier of: (i) September 14, 2023; or (ii) the date on which the Company has purchased the maximum number of 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 was conducted through Kidoz Inc's broker Research Capital Corporation. The purchase and payment of the common shares were 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 depended upon market conditions at the time and securities law requirements. All common shares acquired were returned to treasury and cancelled.

During the year ended December 31, 2023, 41,500 shares which were acquired during the year ended December 31, 2022, pursuant to the NCIB in effect, at an aggregate cost of \$11,793, were cancelled.

During the year ended December 31, 2023, 2,000 shares were acquired pursuant to the NCIB in effect, at an aggregate cost of \$517. During the year ended December 31, 2023, 2,000 shares were cancelled.

During the year ended December 31, 2022, 275,000 shares were acquired pursuant to the NCIB in effect, at an aggregate cost of \$87,778. During the year ended December 31, 2022, 233,500 shares were cancelled.

(c) Warrants:

A summary of warrant activity for the year ended December 31, 2023 and 2022 are as follows:

	Number of warrants	Exercise price	Expiry date
Outstanding, December 31, 2022 and 2021	230,000	CAD\$0.98	April 3, 2023
Expired	(230,000)		
Outstanding December 31, 2024 and 2023	-		

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Years ended December 31, 2024, 2023 and 2022

9. Stockholders' Equity: (Continued)

(c) Warrants: (Continued)

A fair value of the derivative liability of \$83,572 was estimated on the date of the subscription using the Binomial Lattice pricing model.

During the year ended December 31, 2023, the warrants expired unexercised and there was a gain on derivative liability - warrants of \$51 (2022 - \$23,314; 2021 - \$60,207) and the derivative liability – warrants value reduced to \$nil (2022 - \$51) with the following assumptions:

	December 31, 2022
Exercise price	CAD\$0.98
Stock price	CAD\$0.35
Expected term	0.25 years
Expected dividend yield	-
Expected stock price volatility	77.46%
Risk-free interest rate	3.55%

(d) Stock option plans:

2015 stock option plan

In the year ended December 31, 2015, the shareholders approved the 2015 stock option plan. The 2015 stock option plan as amended in November 2020, 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.

During the year ended December 31, 2024, a new 10% “rolling” stock option plan (the “2024 Stock Option Plan”) that complies with the updated TSX Policy 4.4 was approved by the TSX-V, the Board of Directors and the Company’s shareholders. The 2024 Stock Option Plan will replace 2015 Stock Option Plan. Options granted under the 2015 Stock Option Plan will continue to be governed by the 2015 Stock Option Plan. The 2015 Stock Option plan will continue to exist until the stock options granted under the 2015 Stock Option are exercised, cancelled or expire. All new stock option grants will be made under the 2024 Stock Option Plan.

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 2015 and the 2024 plan we have reserved 10% of the number of Shares of the Company issued and outstanding as of each Award Date. The exercise price of a stock option shall be set when such stock option is granted. The minimum exercise price per Common Share shall not be less than the “Discounted Market Price” (as defined in TSX-V Policy 1.1 – Interpretations) allowed by the TSX-V. During the year ended December 31, 2020, the Rolling Stock Option plan was amended by inclusion of an Israeli Taxpayers Appendix.

During the year ended December 31, 2024, 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.

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Notes to Consolidated Financial Statements

Years ended December 31, 2024, 2023 and 2022

9. Stockholders' Equity: (Continued)

(d) Stock option plans: (Continued)

During the year ended December 31, 2024, 25,000 options were cancelled. Subsequent to the year ended December 31, 2024, 65,000 options were cancelled.

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 (\$0.22) 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, 460,000 options were cancelled, and 1,988,000 options expired unexercised.

During the year ended December 31, 2022, the Company granted 2,550,000 options to employees and consultants with an exercise price of CAD\$0.50 (\$0.37) where 2% vests per month. 900,000 of these options were granted to directors and officers of the Company.

During the year ended December 31, 2022, 285,600 options were cancelled, and 506,150 options expired unexercised.

A summary of stock option activity for the stock option plans for the years ended December 31, 2024 and 2023 are as follows:

	Number of options		Weighted average exercise price
Outstanding December 31, 2021	6,870,150	\$	0.48
Granted	2,550,000		0.37
Expired	(506,150)		(0.40)
Cancelled	(285,600)		(0.48)
Outstanding December 31, 2022	8,629,000	\$	0.43
Granted	1,885,000		0.22
Expired	(1,988,000)		(0.46)
Cancelled	(460,000)		(0.44)
Outstanding December 31, 2023	8,066,000	\$	0.39
Granted	2,318,750		0.14
Cancelled	(25,000)		(0.14)
Outstanding December 31, 2024	10,359,750	\$	0.31

The aggregate intrinsic value for options as of December 31, 2024 was \$nil (2023 - \$nil).

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9. Stockholders' Equity: (Continued)

(d) Stock option plans: (Continued)

The following table summarizes information concerning outstanding and exercisable stock options at December 31, 2024:

Exercise prices per share	Number outstanding	Number exercisable	Expiry date
CAD\$0.20	2,293,750	412,875	March 25, 2029
CAD\$0.30	1,845,000	811,800	February 21, 2028
CAD\$0.45	1,930,400	1,734,488	June 30, 2025
CAD\$0.50	789,600	752,100	February 1, 2026
CAD\$0.50	2,295,000	1,560,600	February 1, 2027
CAD\$0.66	200,000	164,000	July 12, 2026
CAD\$1.02	1,006,000	886,000	April 6, 2026
	10,359,750	6,321,863	

The Company recorded stock-based compensation of \$379,247 on the options granted and vested (2023 – \$515,116; 2022 - \$696,248) and as per the Black-Scholes option-pricing model, with a weighted average fair value per option grant of \$0.21 (2023 - \$0.29; 2022 - \$0.42).

(e) The Equity Awards Plan:

Subsequent to the year ended December 31, 2024 the Company initiated The Equity Awards Plan to complement the 2024 Stock Option Plan as an integral part of the Companies overall compensation plan.

The Equity Awards Plan is a fixed 10% plan under which the Company may issue such number of security-based compensation (other than options) up to 10% of the issued and outstanding shares as of the date the Equity Awards Plan is implemented.

The plan is subject to the following limits (in addition to the 10% fixed cap) for so long as the Shares are listed and posted for trading on the TSXV: (i) not more than two (2%) percent of the Company's issued and outstanding Shares, inclusive of Shares issuable pursuant to all Security Based Compensation granted or issued, may be granted to any one Consultant in any 12 month period; (ii) unless the Company has obtained Disinterested Shareholder Approval, not more than five (5%) percent of the Company's issued and outstanding Shares, inclusive of Shares issuable pursuant to all Security Based Compensation granted or issued, may be issued to any one Person in any 12 month period; (iii) Investor Relations Service Providers shall not be eligible to receive any Awards; (iv) the aggregate number of Shares issuable to Insiders at any time under this Plan, inclusive of Shares issuable pursuant to all Security Based Compensation granted or issued, unless the Company has obtained Disinterested Shareholder Approval, shall not exceed ten (10%) percent of the Company's issued and outstanding Shares; (v) the aggregate number of Shares issuable to Insiders within any one (1) year period under this Plan, inclusive of Shares issuable pursuant to all Security Based Compensation granted or issued, unless the Company has obtained Disinterested Shareholder Approval, shall not exceed ten (10%) percent of the Company's issued and outstanding Share.

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9. Stockholders' Equity: (Continued)

(e) The Equity Awards Plan:

The Equity Awards Plan has been approved by the TSX Venture Exchange ("TSXV") subject to affirmation by the Company's Shareholders at the next Annual General Shareholder meeting. Grants under the plan may be awarded but not exercised until such affirmation is received.

10. Fair value measurement:

The Company does not have any financial instruments that are subsequently measured at fair value.

11. Commitments:

The Company leases office facilities in Netanya, Israel. This office facilities are leased under operating lease agreements.

During the year ended December 31, 2020, the Company signed a five-year lease for a facility in Vancouver, Canada, commencing April 1, 2020 and ending March 2024. During the year ended December 31, 2024, the lease on the Vancouver office expired and was not renewed. The Company previously accounted for the lease in accordance with ASU 2016-02 (Topic 842) and recognized a right-of-use asset and operating lease liability.

The Netanya, Israel operating lease expired on July 14, 2017, but unless 3 months' notice is given it automatically renews for a future 12 months until notice is given. During the year ended December 31, 2024, the lease was extended for a further 12 months. The renewal of this lease is uncertain, hence the Company has accounted for this lease as a short-term lease.

Minimum lease payments under these leases are approximately as follows:

2025	\$	50,882
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The Company paid rent expense totaling \$82,756 for the year ended December 31, 2024 (2023 - \$120,557; 2022 - \$130,308).

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

Company	Person	Role	Annual amount
T.M. Williams (ROW), Inc.	T. M. Williams	Chairman	\$164,800
Bromley Accounting Services Ltd.	H. W. Bromley	CFO	CAD\$221,450
Farcast Operations Inc.	T. H. Williams	VP Product	CAD\$247,200

During the year ended December 31, 2022, Mr. J. M. Williams, the Company's CEO, became an employee of Shoal Media (Canada) Inc.

As at December 31, 2024, 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 December 31, 2024, there were no further minimum guarantee payments commitments.

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11. Commitments: (Continued)

The Company expensed the minimum guarantee payments over the life of the agreement and recognized license expense of \$10,678 (2023 - \$19,868; 2022 - \$14,090) for the year ended December 31, 2024.

12. Income taxes:

As at December 31, 2022, Kidoz Inc. was domiciled in the tax-free jurisdiction of Anguilla, British West Indies. However certain of the Company's subsidiaries incur income taxation. Effective January 1, 2023, the Company continued out of Anguilla and into Canada and became a Canadian tax payer.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2024 and 2023, are presented below:

	2024	2023	2022
Expected tax expense (recovery)	\$ 138,101	\$ (550,269)	\$ (314,497)
Change in statutory, foreign tax, foreign exchange rates and other	(184,459)	183,916	(161,505)
Permanent differences	103,865	140,572	187,044
Adjustment to prior years provision versus statutory tax returns	(911)	(26,902)	(5)
Change in valuation allowance	101,984	226,705	138,474
Current income taxes expense (recovery)	\$ 158,580	\$ (25,978)	\$ 60,010
Deferred income tax expense (recovery)	-	-	(210,499)
Total taxation expense (recovery)	\$ 158,580	\$ (25,978)	\$ (150,489)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2024 and 2023 are presented below:

	2024	2023
Deferred tax (liabilities) assets:		
Non-capital loss carry forwards	\$ 312,261	\$ 362,074
Equipment	(1,066)	(1,072)
Intangible assets	(44,266)	(72,206)
Other	176,752	157,457
Valuation Allowance	(443,681)	(446,253)
Total deferred tax (liability) asset	\$ -	\$ -

As at December 31, 2024, the Company's had \$1,110,519 (2023 - \$1,490,165) of non-capital losses expiring through December 31, 2044.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those differences become deductible.

Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in assessing the realizability of deferred tax assets.

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12. Income taxes: (Continued)

The Company recognized this tax credit as a recovery of income tax expense on the statement of operations and comprehensive (loss) income upon receipt of funds.

13. Right-of-use assets:

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 the package of practical expedients permitted under the transition guidance within Topic 842, which allowed us to carry forward prior conclusions about lease identification, classification and initial direct costs for leases entered into prior to adoption of Topic 842.

Additionally, 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 as at December 31, 2024, is summarized as follows:

	2024	2023	2022
Opening balance for the year	\$ 6,781	\$ 36,529	\$ 65,464
Amortization and expiration of operating lease right-of use assets	(6,781)	(29,748)	(28,935)
Closing balance for the year	\$ -	\$ 6,781	\$ 36,529

	2024	2023	2022
Opening balance for the year	\$ 7,605	\$ 39,556	\$ 74,067
Payments on operating lease liabilities	(7,605)	(31,951)	(34,511)
Closing balance for the year	-	7,605	39,556
Less: current portion	-	(7,605)	(32,116)
Operating lease liabilities – non-current portion as at end of year	\$ -	\$ -	\$ 7,440

14. Related party transactions:

As at and for the year ended December 31, 2024, the Company has the following related party transactions:

	2024	2023	2022
Directors fees	\$ 8,510	\$ 7,505	\$ 8,970
Salaries, wages, consultants and benefits	535,692	667,229	659,558
Selling and marketing	142,413	70,439	126,920
Stock-based compensation (Note 10)	144,552	188,961	276,207
Software technology development (Note 8)	323,138	248,780	246,016
Closing balance for the year	\$ 1,154,305	\$ 1,182,914	\$ 1,317,671

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Years ended December 31, 2024, 2023 and 2022

14. Related party transactions: (Continued)

The Company has liabilities of \$66,181 (2023 - \$79,852) as at December 31, 2024, 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, 2024, 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, 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.

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.

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

15. Segmented information:

In accordance with ASC 280-10-50-11 Segmented Disclosure, the Company operates one reportable business segments, the sale of Ad tech advertising. The Company's chief operating decision makers are the Chairman, Chief Executive Officer and President. The Company's chief operating decision makers reviews financial information on a consolidated basis, principally to make decisions about how to allocate resources and to measure the Company's performance. The chief operating decision maker reviews consolidated net income (loss), which is the measure of financial profit and loss most closely aligned with generally accepted accounting principles.

Reconciliation to net income:

Years ended December 31,	2024	2023	2022
Revenue	\$ 14,004,527	\$ 13,326,824	\$ 15,097,056
Cost of revenue	6,426,973	8,392,767	9,973,211
Total cost of sales	6,426,973	8,392,767	9,973,211
Gross profit	7,577,554	4,934,057	5,123,845
Segment operating expenses	5,025,331	4,352,249	3,536,590
Total operating income	2,552,223	581,808	1,587,255
Unallocated expenses	1,320,311	1,372,126	1,498,403
Amortization and expiration of operating lease right-of-use assets	6,781	29,748	28,935
Depreciation	244,179	558,740	557,267
Foreign exchange loss (gain)	88,701	(1,139)	142,857
Interest income	(643)	(1,049)	(185)
Loss on disposal of equipment	1,927	-	-
Stock awareness program	-	146,300	161,332
Stock-based compensation	379,247	515,116	696,248
Net income (loss) before income taxes	\$ 511,720	\$ (2,038,034)	\$ (1,497,602)

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15. Segmented information: (Continued)

The Company had the following revenue by geographical region based on impression served.

	2024	2023	2022
<u>Total revenue</u>			
Western Europe	\$ 7,642,659	\$ 5,857,613	\$ 5,803,482
Central, Eastern and Southern Europe	963,257	622,106	358,871
North America	4,910,879	5,867,849	7,468,376
Other	487,732	979,256	1,466,327
<u>Total revenue</u>	<u>\$ 14,004,527</u>	<u>\$ 13,326,824</u>	<u>\$ 15,097,056</u>

Equipment

The Company's equipment is located as follows:

Net Book Value	2024	2023
Canada	\$ 17,213	\$ 18,730
Israel	5,707	7,439
United Kingdom	2,883	3,065
<u>Total equipment</u>	<u>\$ 25,803</u>	<u>\$ 29,234</u>

16. General and administrative:

General and administrative expenses were as follows:

	2024	2023	2022
Computer expenses	\$ 109,384	\$ 103,531	\$ 67,704
Insurance	45,264	48,821	46,765
Professional fees	239,032	185,974	319,016
Rental (Note 11)	82,756	120,557	130,308
Other general and administrative expenses	212,971	214,771	197,143
<u>Total general and administrative expenses</u>	<u>\$ 689,407</u>	<u>\$ 673,654</u>	<u>\$ 760,936</u>

17. 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., TSM Talk Shop Media 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. Stockhouse Publishing Ltd. campaign was discontinued in the year ended December 31, 2022 and TSM Talk Shop Media was discontinued in the year ended December 31, 2023.

The Company incurred stock awareness expenses of \$nil (2023 - \$146,300) during the year ended December 31, 2024 and 2023. The Company's stock awareness programs is being conducted and managed by the Company's own marketing department staff.

The Company incurred stock awareness expenses of \$161,332 during the year ended December 31, 2022, of which \$26,334 was paid in shares to Agora Internet Relations Corp.

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Years ended December 31, 2024, 2023 and 2022

17. Stock awareness program: (Continued)

The Company incurred stock awareness expenses of \$402,845 during the year ended December 31, 2022, of which \$179,293 is from the issuance of 230,000 common shares to RCC (Note 10) and a derivative liability of \$83,572 (Note 10) from the warrants granted.

18. Concentrations:

Major customers

During the year ended December 31, 2024, and 2023, the Company sold Ad tech revenue; sold subscriptions on its site Rooplay; and premium purchases of Rooplay Originals. During the year ended December 31, 2024, the Company had revenues of \$2,715,633 and \$1,935,119, from two customers (December 31, 2023 - two customers for \$2,927,239 and \$1,716,205; December 31, 2022 - three customers for \$3,528,530, \$2,293,798, and \$1,507,029) which was 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, to be played thereon and certain advertising agencies for the Ad tech revenue.

19. 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 and cash equivalents 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 and long-term cash equivalents balances at financial institutions. At December 31, 2024, the Company had total cash of \$2,788,070 (2023 - \$1,493,071) at financial institutions, where \$2,563,066 (2023 - \$1,266,481) is in excess of federally insured limits.

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

As of December 31, 2024, the Company had one customer, totaling \$617,587, respectively who accounted for greater than 10% of the total accounts receivable. As of December 31, 2023, the Company had one customer, totaling \$1,016,280 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.