

Sabio Holdings Inc.

# Management's Discussion & Analysis

For the three and six months ended June 30, 2025

Expressed in U.S. Dollars

**All amounts herein are expressed in U.S. Dollars unless otherwise stated.**

The Management's Discussion and Analysis ("MD&A") explains the variations in the consolidated operating results and financial position and cash flows of Sabio Holdings Inc. ("Sabio" or the "Company") (formerly Spirit Banner II Capital Corp., hereafter referred to as "Spirit") as at and for the three and six months ended June 30, 2025. References in this MD&A to "us", "we" and "our" mean Sabio unless otherwise stated.

This analysis should be read in conjunction with Sabio's Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2025, and related notes (the "Condensed Interim Consolidated Financial Statements"). The Condensed Interim Consolidated Financial Statements and extracts of those Condensed Interim Consolidated Financial Statements provided in this MD&A, were prepared in U.S. dollars and in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), using the accounting policies described therein. As a result of the rounding of dollar differences, certain total dollar amounts in this MD&A may not add exactly to their constituent amounts. All amounts are presented in U.S. dollars unless otherwise indicated. Throughout this MD&A, percentage changes are calculated using numbers rounded as they appear. Readers are cautioned that this MD&A contains certain forward-looking information. (Please see the "Forward Looking Statements" section below for a discussion of the use of such information in this MD&A).

Management of the Company ("Management") is responsible for ensuring that processes are in place to provide sufficient knowledge to support the representations made herein. The Company's Board of Directors ("Board of Directors") provides an oversight role with respect to all public financial disclosures by the Company and has reviewed this MD&A and the accompanying Condensed Interim Consolidated Financial Statements.

Investors should be aware of the inherent limitations of certifying officers of a venture issuer to design and implement, on a cost-effective basis, appropriate Disclosure Controls and Procedures and Internal Controls over Financial Reporting as defined in NI 52-109. Such limitations may result in additional risks to the quality, reliability, transparency, and timeliness of interim and annual filings and other reports provided under securities legislation.

This MD&A is dated and approved by the Board of Directors as of August 26, 2025.

## **Forward-Looking Statements**

Certain statements in this MD&A may constitute forward-looking statements, including those identified by the expressions such as "may", "will", "intend", "anticipate", "believe", "expect", "foresee", "intend", "plan", or similar expressions to the extent that they relate to the Company or its management. The forward-looking statements are not historical facts but reflect the Company's current assumptions and expectations regarding future events. Forward-looking statements in this MD&A include but are not limited to statements regarding subscriber additions, the variability of the revenues going forward, anticipated market trends and technology adoption by customers and industry peers, anticipated growth in revenue and expenses, the potential impacts of additional expenditures on revenue growth rates, the sufficiency of cash on hand, the benefits of the App Science™ platform, and the Company's ability to obtain the financing necessary to continue operations. There can be no assurance that such statements will prove to be accurate, and actual results and future events may differ materially from those anticipated in such statements.

By their nature, forward-looking statements are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations and assumptions or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. These risks and uncertainties include, but are not limited to, the factors discussed in the "Risk Factors" section of this MD&A. Readers are cautioned not to place undue reliance on forward-looking information.

## Non-IFRS Measures

The Company prepares its Condensed Interim Consolidated Financial Statements in accordance with IFRS. Non-IFRS measures are used by management to provide additional insight into Sabio's performance and financial condition. The Company believes non-IFRS measures are an important part of the financial reporting process and are useful in communicating information that complements and supplements the Condensed Interim Consolidated Financial Statements. This MD&A also includes certain measures which have not been prepared in accordance with IFRS, such as Adjusted EBITDA. To evaluate the Company's operating performance as a complement to results provided in accordance with IFRS, the term "Adjusted EBITDA", as defined by Management, refers to net income (loss) before adjusting earnings for finance costs, interest earned, transaction costs, gain or loss on loan forgiveness, employee retention tax credit received, income taxes, state and local taxes (recovery), stock-based compensation, amortization, gain or loss on lease modification, impairment loss, settlement fees, foreign exchange differences, severance costs, and gain (loss) on disposal of intangibles. Management believes that the items excluded from Adjusted EBITDA are not connected with and do not represent the operating performance of the Company.

Management believes that Adjusted EBITDA is useful supplemental information as it provides an indication of the results generated by the Company's main business activities prior to taking into consideration how those activities are financed and taxed as well as expenses related to stock-based compensation, depreciation, amortization, impairment, restructuring costs, other expense (income), and foreign exchange (gain) loss. Accordingly, Management believes that this measure may also be useful to investors in enhancing their understanding of the Company's operating performance. It is a key measure used by the Management and Board of Directors to understand and evaluate the Company's operating performance, to prepare annual budgets and to help develop operating plans.

## Company Overview

Sabio was incorporated under the Business Corporations Act of Ontario, Canada on September 29, 2017. The registered corporate office is located at 150 King Street West, Suite 200, Toronto, Ontario, M5H 1J9. The corporate head office of the Company is located at 315 Culver Boulevard, Playa Del Rey, California, 90293.

Sabio is a technology and services leader in the fast-growing ad-supported streaming space. Since 2015, the Company has enabled brands and their agencies to enhance advertising effectiveness on streaming TV and mobile apps. Sabio's core differentiation involves leveraging its continuously updated database of 80 million U.S. households. This data is contained in App Science™, a non-cookie-based software-as-a-service (SaaS) analytics and insights platform featuring AI-powered natural language capabilities, with continuously updated mobile phone and streaming TV device user data that enables Sabio's clients to precisely reach, engage, and validate target audiences.

Sabio's customers include many of the most significant U.S. brands and advertising agencies. Led by a team of experienced ad-tech executives and media professionals, the Company employs more than 120 individuals across the U.S., Canada, India, Turkey and the United Kingdom.

On November 19, 2021, Sabio successfully completed a reverse takeover transaction with Spirit, resulting in the acquisition of all securities of Spirit by Sabio's U.S.-based subsidiary, Sabio, Inc. The company was renamed "Sabio Holdings Inc." and began trading on the TSX Venture Exchange ("TSX-V") on November 26, 2021 under the ticker "SBIO" as a Tier 2 technology issuer.

**Significant developments during the three and six months ended June 30, 2025, and to the date of this report include the following:**

- On August 25, 2025, the Company announced the completion of a non-brokered, private placement offering of 15% subordinated and unsecured, non-convertible debentures of the Company for gross proceeds of CAD \$1,802,850. The Company used the debenture proceeds to retire the entire CAD \$1,737,850 in aggregate principal, plus accrued interest, under the secured and unsecured convertible notes issued on August 16, 2023. As a part of this offering, Aziz Rahimtoola, Sabio's CEO, subscribed to the new debenture note in the aggregate principal amount of CAD \$537,850; an amount equal to the principal portion of his unsecured convertible note retired. The new debentures have a six-month term and bear a simple interest at a rate of 15% per annum (calculated as 7.5% on a 6-month period), payable in arrears on maturity. In connection with the offering, the Company issued an aggregate of 170,066 common shares (each, a "Bonus Share") in the capital of the Company at a price of CAD \$0.53 per Bonus share, including 50,740 Bonus Shares issued to Mr. Rahimtoola. The Bonus Shares will be subject to hold periods under applicable Canadian securities laws. Prior to maturity, the Company has the option to extend the debt instrument for an additional 6-month term in return for Bonus Shares equal to 10% of the principal amount extended.
- On July 31, 2025, Sabio announced a shares-for-debt transaction to settle CAD \$84,000 (\$61,529) of interest due on secured convertible notes issued on August 16, 2023. The settlement will be completed through the issuance of 162,477 common shares at a deemed price of CAD \$0.517 (\$0.38) per share, based on the 20-day volume weighted average price ending June 25, 2025. The convertible notes bear interest at 14% per annum, payable semi-annually in cash or shares at the Company's option. All shares issued will be subject to a statutory holding period of four months and one day from the date of issuance in accordance with applicable securities laws.
- In June and July 2025, the Company expanded the distribution of its Creator Television® ("Creator TV") Free Ad-Supported Streaming Television ("FAST") channel. Creator TV is now available on Amazon Fire TV Channels, a free ad-supported service accessible across all Fire TV, Fire Tablet, and Echo Show devices in the U.S. Additionally, Sabio launched Creator TV on Xumo Play, a leading U.S. FAST platform operated by Comcast and Charter Communications. The Company also partnered with Anoki to distribute Creator TV through LiveTVx, Anoki's AI-powered native FAST service on Google TV devices. These launches broaden Creator TV's reach to diverse audiences, aligning with its mission to bring the authenticity and energy of social media storytelling to traditional TV formats.
- In June 2025, the Company received two prestigious industry awards. Creator TV was named Most Significant Newcomer at the 21st Annual InteractiveTV Today (ITVT) Awards—recognizing its sustainable production, innovative formats, and strong commitment to diversity and inclusivity. Additionally, Sabio earned a Pollie Award from the American Association of Political Consultants (AAPC) for Best Ad Technology Innovation during the 2024 political season. This honor reflects Sabio's use of proprietary ad-tech, including the App Science™ database of 80 million U.S. streaming households, to deliver precise, privacy-compliant targeting of Spanish-dominant U.S. adults—a historically under-represented group in political advertising.
- On May 16, 2025, the TSX Venture Exchange accepted a notice filed by the Company to implement a Normal Course Issuer Bid, whereupon the Company may, during the 12-month period commencing May 24, 2025 and ending May 23, 2026, purchase up to 883,550 shares in total, being 5% of the total number of 17,671,006 shares outstanding as at April 30.

- The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") provided an employee retention tax credit ("ERTC"), a refundable tax credit against certain employment taxes. The Consolidated Appropriations Act extended and expanded the availability of the ERTC through December 31, 2021. In April 2025, the Company received payments from the U.S. Internal Revenue Service ("IRS") totaling \$583,069 from ERTC claims covering the first and second quarters of 2021, inclusive of accrued interest.
- On March 21, 2025, 617,456 share options of the Company were granted to certain directors and employees of the Company and 25,000 share options were granted to a consultant at an exercise price of CAD \$0.62 (\$0.43). The options granted to directors and employees will vest quarterly from the grant date over a three-year vesting period while the options granted to the consultant will vest quarterly from the grant date over a one-year vesting period.
- On March 3, 2025, the Company entered into a new office lease on the second floor of 10 Crosby (also known as 444 Broadway), New York with Madison Capital Madison 444 Realty LLC. The lease commences on April 1, 2025 and expires on June 30, 2028. The total lease payments over the term amount to \$1,476,992, including non-lease components for maintenance and usage charges.
- On February 20, 2025, the Company announced a partnership with Sling TV, a leading streaming service and subsidiary of EchoStar Corporation, for distribution of its Creator TV FAST channel on its platform, Sling Freestream. This partnership marks a significant step in the expansion of Creator TV's reach, ensuring that the diverse and authentic voices it showcases can connect with the broad audiences on Sling Freestream, particularly Gen Z and millennial audiences.
- On February 14, 2025, the Company announced that Computershare Investor Services Inc. has replaced TSX Trust Company as the registrar and transfer agent of the Company effective February 14, 2025.
- On February 11, 2025, the Company announced that its App Science™ database now comprises 80 million households, representing 70% of all U.S. streaming households. This milestone highlights the App Science™ platform's ability to track and analyze streaming TV audiences through a vast dataset that includes mobile devices, connected TVs, and other streaming platforms.
- On January 30, 2025, the Company launched Creator TV, its owned-and-operated FAST channel that targets the valuable Gen Z and millennial audiences. As part of this launch, global streaming media company, Plex, will distribute Creator TV internationally.

## OVERALL PERFORMANCE AND DISCUSSION OF OPERATIONS

The following table provides selected financial information for the Company's recent operations for the three and six months ended June 30, 2025, and 2024. This information should be read together with the Condensed Interim Consolidated Financial Statements.

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Revenues	11,157,319	8,897,431	20,244,585	15,248,964
By source:				
Mobile ads	3,522,843	1,877,038	5,510,133	3,134,403
Ad-Supported Streaming	7,409,470	6,888,940	14,253,645	11,767,059
Other	225,006	131,453	480,807	347,502
Gross Profit	6,817,374	5,449,794	12,373,793	9,211,798
Adjusted EBITDA (1)	(1,197,152)	(281,774)	(2,798,729)	(1,590,558)
Loss from operations	(1,018,434)	(716,617)	(3,003,310)	(2,402,429)
Net loss	(1,377,658)	(1,042,929)	(3,670,860)	(3,055,036)

(1) As defined in "Non-IFRS Measures"

### Revenue:

*Three-month periods ended June 30, 2025 and 2024.*

Sabio generates most of its revenue by reaching, engaging, and validating streaming (R.E.V.) audiences in a highly fragmented media ecosystem. In addition, through its proprietary, end-to-end technology stack, its AppScience, Inc. subsidiary provides unique, ROI-focused analytics and insights to help its clients validate and optimize their ad spend. Sabio's supply-side platform ("SSP") and newly launched streaming channel, Creator TV, leverage direct relationships with streaming platforms for both pricing and margin efficiency. This ecosystem also leads to a high reoccurring business model, as evidenced by Sabio's 92% reoccurring revenue rate in the first half of 2025.<sup>1</sup> Overall, Sabio tracks 110 million connected TV devices and 280 million mobile devices in 80 million validated U.S. households that use platforms such as Roku, Amazon Fire, Plex, Sling, Apple TV+, Samsung TV, Vizio, and LG, amongst others, reaching approximately 70% of U.S. streaming households.

Sabio sells to brands through their respective advertising agencies. Revenue from advertising is largely generated through video and display advertising delivered through ad impressions, which are typically sold on a cost-per-thousand (CPM) basis. Revenue is recognized as ad impressions are delivered. On the Company's newly launched Creator TV streaming channel, revenue on delivered ad impressions is recognized net of any applicable revenue-sharing arrangements. Revenue for AppScience, Inc. is generated via the sales of insights reports and brand study reports and licenses to use the App Science platform.

Consolidated revenues for the three months ended June 30, 2025, composed primarily of ad-supported streaming and mobile ad sales, increased 25% to \$11,157,319 from \$8,897,431 for Q2 2024, an increase of \$2,259,888. Normalized to exclude political sales, consolidated revenues increased 29% from the prior year's period. This was

<sup>1</sup> Excluding political campaigns.



the fifth consecutive quarter of double-digit topline growth, while holding gross margins above 60%. The increase in revenues was fully organic, and across a diversified set of geographies, led by double-digit growth rates from the Company's New York, Los Angeles, and Detroit offices, as well as triple-digit growth from its growing European footprint and in our Washington, DC advocacy business.

By segment, ad-supported streaming sales for the three months ended June 30, 2025, increased by 8% to \$7,409,470 from \$6,888,940 for Q2 2024, an increase of \$520,530. Included in second quarter Ad-supported streaming revenues were \$341,549 in programmatic ad sales, recognized net of media costs (2024 - \$Nil). Excluding revenue from political advertising, ad-supported streaming sales grew by 13% compared to Q2 2024, as our core business continued to achieve double digit growth rates for a sixth straight quarter. The increase in revenues was spread across several verticals, including automotive, finance, lottery, legal and professional services and advocacy. Robust early adoption of Sabio's new programmatic CTV/OTT offering also contributed to the increase, with month-over-month programmatic sales during the first half of 2025 growing by an average of 94%.

Ad-supported streaming TV, one of digital advertising's fastest-growing arenas, is the Company's dominant sales category. Notably, the sales model for streaming TV advertising offers inherent cost efficiencies versus mobile display advertising (where campaign parameters often require more customization). Ad-supported streaming TV represented 66% of its sales mix for the quarter. Sabio's rapid growth in this category reflects the Company's ability to leverage its proprietary data to deliver marketable insights in an increasingly fragmented media landscape – without the use of increasingly obsolete cookie-based tracking methods. These insights drive a more powerful connection to target audiences, helping brands and political advertisers effectively reach, engage, and validate ("R.E.V.") audiences in a fragmented media ecosystem. In Management's view, Sabio's ability to reach increasingly diverse cord-cutters—wherever they stream content—positions the Company well as its ad-supported streaming business continues to outpace industry trends.<sup>2</sup>

Through its demand-side platform ("DSP") and ad server, Sabio provides targeted campaigns solutions to top agencies and brands by monetizing the Sabio SSP ad slots, as well as via other third-party ad-supported streaming apps.

With its expertise in using mobile device user data for precise audience targeting, the Company is uniquely positioned to provide next-level consumer behavior analytics for a wide range of consumer marketers. To this end, Sabio has established a wholly-owned subsidiary, AppScience, Inc., to more broadly commercialize the App Science platform's analytics and validation capabilities.

For the three months ended June 30, 2025, mobile ad sales increased 88% to \$3,522,843 from \$1,877,038 for the three months ended June 30, 2024, an increase of \$1,645,805. The increase was primarily driven by increased usage of non-OTT, mobile video during the quarter, in addition to growth in our new performance marketing offering .

*Six-month periods ended June 30, 2025 and 2024.*

Consolidated revenues for the six-month period ended June 30, 2025, composed primarily of Ad-supported streaming, and mobile ad sales, increased 33% to a record \$20,244,585, an increase of \$4,995,621 from \$15,248,964 for the six months ended June 30, 2024. Excluding political sales, first half consolidated revenues increased 35% from the prior year's comparable period. The increase in sales was primarily driven by Ad-supported

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<sup>2</sup> Interactive Advertising Bureau (IAB), "US CTV advertising forecast to grow 13% to \$26.6B in 2025", <https://www.streamtvinsider.com/advertising/us-ctv-advertising-forecast-grow-13-266b-2025>.

streaming sales, which represented 70% of our sales mix for the six-month period, compared to 77% in the prior year's period, along with the growth in mobile ad sales during the same period.

By segment, Ad-supported streaming sales for the six months ended June 30, 2025, increased 21% to \$14,253,645, an increase of \$2,486,586, from \$11,767,059 for the six months ended June 30, 2024. Included in first-half Ad-supported streaming revenues were \$432,354 in programmatic ad sales, recognized net of media costs (2024 - \$Nil). Excluding political sales, first half Ad-supported streaming sales increased 24% from the prior year's comparable period. This represented the highest first-half ad supported streaming revenues in Sabio's history. Demand for unique analytic capabilities that App Science provides continues to increase. 90% of the campaigns run by Sabio's top customers were powered by App Science™ segments, which once again served as Sabio's key, proprietary differentiator in a competitive marketplace.

For the six months ended June 30, 2025, mobile ad sales increased 76% to \$5,510,133, an increase of \$2,375,730, from \$3,134,403 for the six months ended June 30, 2024, driven by increased usage of non-OTT, mobile video in the period, in addition to growth in our new performance marketing offering.

## **Cost of Sales and Gross Margins:**

The following table sets out a reconciliation of Gross Profit to Revenue for each of the periods indicated:

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Revenues	11,157,319	8,897,431	20,244,585	15,248,964
Cost of sales	4,339,945	3,447,637	7,870,792	6,037,166
<b>Gross profit</b>	<b>6,817,374</b>	<b>5,449,794</b>	<b>12,373,793</b>	<b>9,211,798</b>

### *Three-month periods ended June 30, 2025 and 2024.*

Cost of sales consists of purchased ad inventory, production, and technical service costs and fees, in addition to data center, bandwidth, and cloud hosting costs connected to our revenue-producing platforms. For the three months ended June 30, 2025, cost of sales was \$4,339,945 compared to \$3,447,637 for Q2 2024. The 26% increase of \$892,308 was attributable to the revenue growth during the period. Gross profit margin remained consistent at 61% for the three-months ended June 30, 2025 as compared to the prior year's second quarter, as Sabio continued to leverage its end-to-end technology stack, including the App Science platform's audience segments and analytics, and Sabio SSP ad slots. Furthermore, programmatic ad sales recognized into consolidated revenues, net of media costs, benefited gross margins during the second quarter by approximately 1.2%.

### *Six-month periods ended June 30, 2025 and 2024.*

Cost of sales consist of purchased publisher media inventory, production, and technical service costs and fees, in addition to data center, bandwidth, and cloud hosting costs connected to our revenue-producing platform. For the six-month period ended June 30, 2025, cost of sales was \$7,870,792 compared to \$6,037,166 for the six-month period ended June 30, 2024. The increase of \$1,833,626 was attributable to the increased revenues and cost of sales efficiencies during the period. Gross profit margin improved to 61% for the six months ended June 30, 2025, compared to 60% for the six months ended June 30, 2024, as Sabio continued to leverage its end-to-end technology stack, including the App Science platform's audience segments and analytics, and Sabio SSP ad slots. Furthermore,



programmatic ad sales recognized into consolidated revenues, net of media costs, benefited gross margins during the first half by approximately 0.9%.

## **Reconciliation of Net income (loss) to Adjusted EBITDA for the three and six months ended June 30, 2025, and 2024:**

The following table presents a reconciliation of Net income (loss) to Adjusted EBITDA for the periods indicated:

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Net loss for the period	(1,377,658)	(1,042,929)	(3,670,860)	(3,055,036)
Adjustments				
Finance costs	346,838	313,482	642,399	627,828
Interest earned	(10,923)	(16,972)	(20,822)	(25,064)
Amortization of intangible assets	44,754	49,874	89,614	101,021
Stock-based compensation	96,634	58,145	151,319	104,322
Employee retention tax credit received	(583,145)	-	(583,145)	-
Loss on lease termination	-	-	20,275	-
Gain on lease modification	-	-	(7,317)	-
Amortization of lease	183,047	179,551	324,496	359,103
Income taxes	12,386	12,830	25,151	24,779
Foreign exchange differences	9,848	5,284	12,729	7,327
State and local taxes	19,125	9,480	48,230	29,348
Severance expenses	61,942	149,481	169,202	235,814
Total adjustments	180,506	761,155	872,131	1,464,478
Adjusted EBITDA (1)	(1,197,152)	(281,774)	(2,798,729)	(1,590,558)

(1) As defined in "Non-IFRS Measures"

### *Three-month periods ended June 30, 2025 and 2024.*

Adjusted EBITDA for the three-month period ended June 30, 2025, was a loss of \$1,197,152, an increase of \$915,378, compared to a loss of \$281,774 for Q2 2024. The loss was driven by investments in our new Creator TV streaming channel, programmatic and performance marketing offerings. Increased cloud infrastructure costs to enhance data security and support a robust infrastructure for continued growth also contributed to the loss. Aggregate cloud infrastructure costs, across both costs of sales and operating expenses, were up 123% year-over-year, contributing \$532,348 to the increase in our Adjusted EBITDA loss for the quarter. With the heaviest investments undertaken in the first quarter, Management expects costs to normalize, and saw a 15%, or \$175,600, sequential reduction in aggregate cloud costs from the first quarter of 2025, despite increased business activities (see "Research and technology" section below).

For the three months ended June 30, 2025, non-recurring adjustments included:

- A gain of \$583,145, including accrued interest, recognized in connection with Employee Retention Tax Credit (ERTC) claims received from the U.S. Internal Revenue Service (IRS) in April 2025, related to the first and second quarters of 2021. The ERTC was originally introduced under the CARES Act and later extended through the end of 2021 by the Consolidated Appropriations Act; and

- Severance expenses of \$61,942 resulted from operational efficiency initiatives undertaken by Management.

*Six-month periods ended June 30, 2025 and 2024.*

Adjusted EBITDA for the six-month period ended June 30, 2025, was a loss of \$2,798,729, an increase of \$1,208,171 compared to the \$1,590,558 loss for the six months ended June 30, 2024. The loss was attributed to investments in our new Creator TV, programmatic and performance marketing product offerings, and increased cloud infrastructure costs to enhance data security and support a robust infrastructure for continued growth. Cloud infrastructure costs were up 173% year-over-year (contributing \$1,334,522 to the increase in our Adjusted EBITDA loss for the first half of 2025), with the heaviest investments undertaken in the first quarter. Sequentially, cloud costs were down 15%, or \$175,600, in the second quarter despite increased business activities, and Management remains intently focused on unlocking further efficiencies in its platform.

For the six months ended June 30, 2025, non-recurring adjustments included:

- A gain of \$583,145, including accrued interest, recognized in connection with Employee Retention Tax Credit (ERTC) claims received from the U.S. Internal Revenue Service (IRS) in April 2025, related to the first and second quarters of 2021. The ERTC was originally introduced under the CARES Act and later extended through the end of 2021 by the Consolidated Appropriations Act; and
- Severance expenses of \$169,202 resulted from operational efficiency initiatives undertaken by Management.

## **Operating Expenses:**

The following table summarizes various expenses for the three and six months ended June 30, 2025, and 2024:

	For the three months ended		For the six months ended	
	June 30, 2025	June 30, 2024	June 30, 2025	June 30, 2024
	\$	\$	\$	\$
Sales and marketing	4,285,373	3,352,604	7,974,062	6,277,595
General and administrative	1,914,350	1,224,016	3,376,897	2,276,990
Occupancy cost	198,154	146,092	395,220	321,212
Finance costs	346,838	313,482	642,399	627,828
Research and technology costs	1,697,295	1,156,129	3,636,956	2,173,984
Stock-based compensation	96,634	58,145	151,319	104,322
Amortization of intangible assets	44,754	49,874	89,614	101,021

*Three-month periods ended June 30, 2025 and 2024.*

## **Sales and marketing**

Sales and marketing consist of all costs associated with selling and marketing the Company's products and services. These costs include all salaries and wages, benefits, commissions, travel, marketing and payroll taxes for Sabio's sales, marketing, and account management teams. Sales and marketing expenses for the three months ended June 30, 2025, were \$4,285,373, an increase of \$932,769 (28%) from \$3,352,604 for Q2 2024. On a sequential basis, sales and marketing expenses increased 11% when normalized for sales commissions and bonuses. The year-over-year and sequential increase is primarily attributable to planned investments in Sabio's domestic and international salesforce since the first quarter of 2024 and resource allocation to support the launches of the Company's new programmatic, Creator TV and performance marketing offerings. While the substantial benefits of these investments are expected to be realized in the second half of the year and into 2026, the Company has already

realized a meaningful, early return on these initiatives, as demonstrated by its 25% organic, consolidated revenue growth rate during the quarter.

## General and administrative

General and administrative costs include legal and professional fees, employee training, bank charges, contractors, administrative salaries and wages, employee meetings and office supplies. General and administrative costs for the three months ended June 30, 2025, were \$1,914,350, an increase of \$690,334 (56%) from \$1,224,016 in Q2 2024. The year-over-year and sequential increase was primarily attributable to an increase in audit accruals and, headcount additions since the first quarter of 2024 to support the Company's continued growth, in addition to an employee recognition event held during the quarter.

## Occupancy

Occupancy costs include short-term leases, utilities and incidental costs incurred throughout the Company's operating footprint. Occupancy costs for the three months ended June 30, 2025, were \$198,154, an increase of \$52,062 (36%) from \$146,092 in Q2 2024. The increase was due to the commencement of a permanent office space for Sabio London Limited in November 2024.

## Finance

Finance costs for the three months ended June 30, 2025, were \$346,838, an increase of \$33,356 (11%) from \$313,482 for Q2 2024, due to increased borrowings under our accounts receivable line of credit with SLR Digital Finance.

As at June 30, 2025, the company had an outstanding loan balance of \$6,414,152 under an accounts receivable line of credit with SLR Digital Finance, an increase of \$1,194,765, from the balance of \$5,219,387 as at December 31, 2024.

## Research and technology

Research and technology costs consist primarily of cloud storage costs associated with running and maintaining Sabio's proprietary ad-server, App Science analytics platform, and related headcount costs. The majority of such costs are comprised of cloud computing, salaries & wages and data and analytics costs. Research and technology costs for the three months ended June 30, 2025, were \$1,697,295, an increase of \$541,166 (47%) compared to Q2 2024. The year-over-year increase was due to cloud infrastructure costs, whose operating expense component increased 95% from the prior year's quarter, and contributed \$412,168, or 76% of the total increase in Research and Technology expenses. With the heaviest investments to upgrade its infrastructure taking place in the first quarter, costs have begun to normalize, and sequentially, decreased 24%, or \$265,516 compared to Q1 2025 despite an increase in second quarter business activities. Management remains intently focused on unlocking further efficiencies within the platform in the quarters to come.

## Stock-based compensation

The Company uses its Omnibus Equity Incentive Plan for employee compensation, retention, and incentives. Stock-based compensation for the three months ended June 30, 2025, was \$96,634, an increase of \$38,489 (66%) from \$58,145 in Q2 2024. There were no stock-based compensation awards issued during the quarter.

*Six-month periods ended June 30, 2025 and 2024.*

## Sales and marketing

Sales and marketing consist of all costs associated with selling and marketing the Company's products and services. These costs include all salaries and wages, benefits, commissions, travel, marketing and payroll taxes for Sabio's sales, marketing, and account management teams. Sales and marketing expenses for the six months ended June 30, 2025, were \$7,974,062, an increase of \$1,696,467 (27%) from \$6,277,595 for the same period in the prior year. The year-over-year increase was attributable to planned investments in Sabio's domestic and international salesforce since the first quarter of 2024 and resource allocation to support the launches of the Company's new programmatic, Creator TV and performance marketing offering. The Company has increased its sales force by nearly 50% since the first quarter of 2024, with the majority of hires added within the last 9 months. While the full benefits of these investments are expected to be realized in the second half of the year and into 2026, the Company has already seen a meaningful early return, as demonstrated by an industry-leading 33% organic consolidated revenue growth during the first half of 2025 compared to the same period in 2024.

## General and administrative

General and administrative costs include legal and professional fees, employee training, bank charges, contractors, administrative salaries and wages, employee meetings and office supplies. General and administrative costs for the six months ended June 30, 2025, were \$3,376,897, an increase of \$1,099,907 (48%) from \$2,276,990 in the same period in the prior year. The year-over-year increase was primarily attributable to an increases in audit accruals and headcount additions since the first quarter of 2024 to support the Company's continued growth, in addition to an employee recognition event held within the second quarter.

## Occupancy

Occupancy costs include short-term leases, utilities and incidental costs incurred throughout the Company's operating footprint. Occupancy costs for the six months ended June 30, 2025, were \$395,220, an increase of \$74,008 (23%) from \$321,212 in the same period of the prior year. The increase was due to the commencement of a permanent office space for Sabio London Limited in November 2024.

## Finance

Finance costs for the six months ended June 30, 2025, were \$642,399, an increase of \$14,571 (2%) from \$627,828 for six months ended June 30, 2024.

As at June 30, 2025, the company had an outstanding loan balance of \$6,414,152 under an accounts receivable line of credit with SLR Digital Finance, an increase of \$1,194,765, from the balance of \$5,219,387 as at December 31, 2024.

## Research and technology

Research and technology costs consist primarily of cloud storage costs associated with running and maintaining Sabio's proprietary ad-server, App Science analytics platform, and related headcount costs. The majority of such costs are comprised of cloud computing, salaries & wages and data and analytics costs. Research and technology costs for the six months ended June 30, 2025, were \$3,636,956, an increase of \$1,462,972 (67%) compared to the

same period of 2024. The year-over-year increase was primarily due to cloud infrastructure costs, whose operating expense component was up 154% year-over-year, contributing \$1,184,077, or 81% of the total increase in the Research and Technology expense category. To enhance security and facilitate robust growth, the Company completed a one-time migration during the first quarter of legacy Sabio SSP (formerly "Vidillion") and new direct supply integrations into Sabio's secure and scalable AWS platform. With the heaviest investments taking place in the first quarter, costs have begun to normalize, and in the second quarter, decreased sequentially by 24%, or \$265,516, from the first quarter despite an increase in business activities. Management remains intently focused on unlocking further efficiencies within the platform in the quarters to come.

## Stock-based compensation

The Company uses its Omnibus Equity Incentive Plan for employee compensation, retention, and incentives. Stock-based compensation for the six months ended June 30, 2025, was \$151,319, an increase of \$46,997, or 45%, from \$104,322 in the same period of the prior year. The stock-based compensation granted in fiscal 2025 year-to-date is related to executive and non-executive and consultant compensation in the ordinary course of business.

## **Research and Development Expenditures:**

Research and development expenses consist of certain remunerations paid to engineering personnel. Development costs that meet the criteria under IAS 38 Intangible Assets are capitalized as Intangible Assets. Deferred development costs have finite lives and are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized using the straight-line method. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

During the three months ended June 30, 2025, the Company capitalized \$22,830 to Intangible Assets, compared to \$22,545 in Q2 2024. During the six-month period ended June 30, 2025, the Company capitalized \$30,155 to Intangible Assets, compared to \$57,819 in the comparable period in fiscal 2024.

During the three months ended June 30, 2025, the Company amortized a total of \$31,474 in development expenses, compared to \$36,595 in Q2 2024. During the six-month period ended June 30, 2025, the Company amortized a total of \$63,055 in development expenses, compared to \$74,463 in the comparable period in fiscal 2024.

## **OUTLOOK**

Sabio exited second quarter with the highest first-half consolidated revenues in its history, posting a 35% year-over-year increase in sales, when normalized for election-year political ad spending. This success was driven by strong advertiser demand, broader client adoption in key verticals, and expansion into new geographies. New products launched in late 2024 and early 2025 along with previous investments also contributed to top-line growth. Sabio's new programmatic CTV/OTT offering enjoyed rapid early adoption, with month-over-month programmatic sales growing by an average of 94% during the first half of the year. Normalized for political campaign sales, the Company's core sales in ad-supported streaming grew by a robust 24% for the six months ended June 30, 2025. This execution on core sales growth continues to underpin Sabio's ability to capture market share versus its competitors – significantly outpacing the forecasted 13% growth rate in the U.S. from Connected TV market at-large.<sup>3</sup>

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<sup>3</sup> Digital video ad spend is booming despite challenges, Ocean Media," [oceanmediainc.com/2025-ctv-trends/#:~:text=CTV%20has%20firmly%20established%20itself,online%20video%20segment%20by%2043%25.](https://oceanmediainc.com/2025-ctv-trends/#:~:text=CTV%20has%20firmly%20established%20itself,online%20video%20segment%20by%2043%25.)

Management believes that, with brands and marketers increasingly moving away from linear TV and traditional marketing, ad-supported streaming is becoming more central to their advertising strategies and budgeted ad spend.

As the Company continues to enhance its operating infrastructure, management believes its sales trajectory is becoming increasingly predictable, helping mitigate risks in Sabio's revenue model, as illustrated by:

- Remarkable rates of reoccurring revenue -92% of consolidated revenues in the first half of 2025 (normalized for political sales) came from repeat customers, consistent with 91% in first half of 2024 and up from 74% in first half of 2023, reflecting the unique capabilities of the App Science™ platform and its increasingly rich data set;
- Robust early adoption of Sabio's new programmatic offering – month-over-month sales during the first half of 2025 grew by an average of 94%;
- Successful launch of Creator Television – 300%+ average viewership growth rate across streaming platforms; and
- The ongoing addition of top-tier clients - 33% of the brands spending in the first half were new to Sabio (vs 28% in 1H 2024).

The Company has begun applying its sales model to geographies outside the U.S., including the United Kingdom, that's currently witnessing revenues compound at triple-digit growth rates. This opportunity has enabled Sabio to expand its product offerings to new global customers in the ad-supported streaming space. Building on this success, Sabio intends to explore new product channels and verticals, along with other potential international opportunities that will add value to or complement the Company's market position and sales growth in the future.

Due to the seasonal nature of Sabio's business, revenue generation in the first half of the fiscal year is historically lower than in the second half (in 2024, consolidated revenues in the third and fourth quarters were 225% higher than those in the first and second quarters). While investments to drive continued growth led to increased costs that offset incremental revenues in the first half of 2025, Sabio's double-digit growth in Q2 2025 represents early returns from these initiatives. Additionally, contributions from the Company's newest product offerings have effectively offset a challenging end to the second quarter that witnessed potential tariffs and macroeconomic uncertainty directly impact short-term advertising budgets and ad spend. While Management remains cautious that continuing macroeconomic uncertainties may affect customer spend for the rest of 2025, the Company expects its new programmatic offering to drive second half core business growth as advertisers prioritize speed and flexibility in a challenging ad spend environment.



## Summary of Quarterly Results

The following unaudited table sets out selected financial information for the Company on a consolidated basis for the last eight most recently completed quarters.

	June 30, 2025	Mar 31, 2025	Dec 31, 2024	Sep 30, 2024	June 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023
Revenue	11,157,319	9,087,266	18,301,162	16,052,759	8,897,431	6,351,533	12,671,038	8,814,642
Net Income (Loss)	(1,377,658)	(2,293,202)	1,194,528	1,749,633	(1,042,929)	(2,012,107)	1,132,414	(738,411)
Assets	16,888,985	16,219,624	23,110,312	19,962,987	15,875,407	14,861,763	20,181,393	16,374,906
Liabilities	21,324,739	19,393,652	24,081,959	22,159,200	19,886,480	17,892,887	21,262,110	19,223,875
Basic EPS	(0.03)	(0.05)	0.02	0.03	(0.02)	(0.04)	0.02	(0.02)

## LIQUIDITY AND CAPITAL RESOURCES

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's approach in managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, by continuously monitoring actual and forecasted cash flows.

Sabio intends to use its operating income and funds on hand to meet funding requirements for the development and commercialization of its products and services, based on anticipated market demand and working capital purposes. Actual funding requirements will vary depending on a variety of factors, including Sabio's success in executing its business plan, the progress of research and development efforts, commercial sales, and the Company's ability to manage working capital requirements.

While management believes Sabio has access to sufficient operating capital to meet its day-to-day operating expenses, it is possible that the Company could experience a working capital deficiency in the future, which would have a materially adverse effect on its liquidity. If future cash flows from operations are lower than expected, the Company may need to seek additional financing, either by issuing additional equity or by undertaking additional debt. If it raises additional funds by issuing equity or equity-linked securities, the ownership of existing stockholders will be diluted. If it raises additional financing by incurring additional indebtedness, Sabio may be subject to increased fixed payment obligations and could also be subject to additional restrictive covenants, such as limitations on its ability to incur further debt, and other operating restrictions that could adversely impact the Company's ability to conduct its business. Any further indebtedness may result in terms that could be unfavorable to equity investors. Furthermore, there is no certainty that additional financing, whether debt or equity, will be available or that it will be available on attractive terms.

The three-year credit facility between the Company and SLR Digital Finance provides for a \$10 million senior-secured revolving credit facility at an interest rate of the greater of: (i) Prime rate plus 2.15%, or (ii) 8.5%, and is secured against all assets of the Company. The facility is used to borrow against eligible accounts receivable of the Company before they are collected on, which have historically experienced nominal loss rates and is reflective of a customer base largely composed of the most significant U.S. brands and advertising agencies. When accounts receivables are collected on, the amounts received are first directly paid towards the outstanding loan balance, which the Company can then use for working capital purposes through subsequent withdrawals, subject to availability under the facility. As a result, the facility is continuously being repaid as accounts receivables on sales are collected on.

As of June 30, 2025, the Company had cash of \$2,179,928 as compared to \$3,300,439 as at December 31, 2024, to settle current liabilities of \$18,911,067 (December 31, 2024 - \$22,377,617). The Company ended the second quarter with a net working capital deficit of \$7,448,694, compared to a net working capital deficit of \$3,800,993 at December 31, 2024. Included in the working capital deficit is the Company's revolving credit facility with SLR Digital Finance, with a balance at quarter-end of \$6,414,152. Outstanding balances under the revolving facility are classified in full as a current liability, although Management believes the facility in substance provides long-term stability through its multi-year term.

On August 16, 2023, the Company entered into agreement for issue of secured convertible notes (the "secured notes") and unsecured convertible notes (the "unsecured notes", and together with the "secured notes", the "notes") to raise aggregate gross proceeds of \$1,289,380 (CAD \$1,737,850), which comprises the issuance of secured notes in the aggregate principal amount of \$890,328 (CAD \$1,200,000) and unsecured notes in the aggregate principal amount of \$399,052 (CAD \$537,850). The notes have a maturity date of August 16, 2025. The notes will be convertible, in whole or in part, at the option of the holder, into common shares of the Company at a price of CAD \$1.00 per common share at any time before or on the maturity date. The secured notes bear interest at the rate of 14% per annum payable semi-annually in arrears in cash or common shares at the option of the Company. They are secured against the Company's accounts receivable, deposit account, intellectual property (including general intangibles), notes receivable and other assets, as more particularly described in its security agreement with Pathfinder Asset Management Ltd., the lead investor acting as collateral agent for the benefit of itself and for the other secured note holders. These security interests are structurally subordinated to the first lien security interest held by SLR Digital Finance. The Company may, at any time, prepay all or part of the principal amount of the secured notes plus accrued and unpaid interest without penalty or bonus, except for the case of repayment within the twelve months following the issue date, the holder will be entitled to receive a repayment amount that is equal to the principal amount and interest calculated for a period of twelve months from the issue date. The unsecured notes bear interest at the rate of 14% per annum payable monthly in cash. The Company may prepay the unsecured notes issued at any time after twelve months from the issuance date.

Subsequent to quarter end, the Company announced the completion of a non-brokered, private placement offering of 15% subordinated and unsecured, non-convertible debentures of the Company for gross proceeds of CAD \$1,802,850. The Company used the debenture proceeds to retire the entire CAD \$1,737,850 in aggregate principal, plus accrued interest, under the secured and unsecured convertible notes issued on August 16, 2023. As a part of this offering, Aziz Rahimtoola, Sabio's CEO, subscribed to the new debenture note in the aggregate principal amount of CAD \$537,850; an amount equal to the principal portion of his unsecured convertible note retired. The new debentures have a six-month term and bear a simple interest at a rate of 15% per annum (calculated as 7.5% on a 6-month period), payable in arrears on maturity. In connection with the offering, the Company issued an aggregate of 170,066 common shares (each, a "Bonus Share") in the capital of the Company at a price of CAD \$0.53 per Bonus share, including 50,740 Bonus Shares issued to Mr. Rahimtoola. The Bonus Shares will be subject to hold periods under applicable Canadian securities laws. Prior to maturity, the Company has the option to extend the debt instrument for an additional 6-month term in return for Bonus Shares equal to 10% of the principal amount extended.

Below is a summary of cash provided by (used in) operating, investing, and financing activities for the periods indicated:

	For the six months ended	
	June 30, 2025	June 30, 2024
	\$	\$
Cash flows (used in) from operating activities	(1,987,684)	1,063,002
Cash flows used in investing activities	(30,155)	(57,819)
Cash flows from (used in) financing activities	897,328	(1,977,022)
<b>Net decrease in cash</b>	<b>(1,120,511)</b>	(971,839)
Cash, beginning of period	3,300,439	2,612,112
<b>Cash, end of period</b>	<b>2,179,928</b>	1,640,273

**Cash provided by (used in) operating activities:**

Operating activities used \$1,987,684 in cash for the six months ended June 30, 2025, which primarily resulted from \$3,670,860 in net losses, which were offset by \$919,440 attributable to movements in non-cash working capital and \$763,736 of non-cash adjustments. The primary contributors to the movement in non-cash working capital were the decrease in accounts receivable and in accounts payable and accrued liabilities, as well as the increase in deferred revenue.

**Cash provided by (used in) investing activities:**

For the six months ended June 30, 2025, cash used in investing activities was \$30,155, which consisted of development costs related to internally generated intangible assets, compared to cash used for development costs of \$57,819 for the six months ended June 30, 2024.

**Cash provided by (used in) financing activities:**

Cash provided by financing activities for the six months ended June 30, 2025, was \$897,328, primarily due to:

- A total net draw of \$1,194,765 on the Company's credit facility with SLR Digital Finance; and
- Payments of \$407,298 toward the Company's lease liabilities.

**Security-based compensation:**

On June 29, 2022, shareholders of the Company approved a replacement Omnibus Equity Incentive Plan. Under the plan, the Company issues security-based compensation, including options and restricted stock units.

## Stock options:

As at June 30, 2025, the Company was entitled to issue a maximum of 5,061,995 share options outstanding under the Omnibus Equity Incentive Plan, compared to 5,054,949 as at December 31, 2024.

The following table summarizes the continuity of stock options issued by the Company under the Omnibus Equity Incentive Plan:

Measurement date	Number of Options	Weighted average exercise price
	#	\$
Balance, December 31, 2023	2,841,731	0.63
Granted	350,000	0.24
Exercised	(33,359)	0.17
Forfeited	(652,207)	0.66
Balance, December 31, 2024	2,506,165	0.57
Granted	642,456	0.43
Forfeited	(137,964)	0.60
<b>Balance, June 30, 2025</b>	<b>3,010,657</b>	<b>0.54</b>
Options exercisable, December 31, 2024	1,947,588	0.60
<b>Options exercisable, June 30, 2025</b>	<b>2,070,842</b>	<b>0.60</b>

## Restricted stock units (RSUs):

As at June 30, 2025, the Company was entitled to issue a maximum of 4,550,993 other security-based awards (including RSUs) outstanding under the Omnibus Equity Incentive Plan. The following table summarizes the continuity of RSUs issued by the Company under the Omnibus Equity Incentive Plan:

Measurement date	Number of RSUs	Weighted average grant price
	#	\$
Balance, December 31, 2023	778,627	0.59
Granted	320,585	0.36
Forfeited	(131,668)	0.74
Vested and redeemed	(479,548)	0.49
Balance, December 31, 2024	487,996	0.49
Forfeited	(8,335)	0.74
Vested and redeemed	(75,967)	0.75
<b>Balance, June 30, 2025</b>	<b>403,694</b>	<b>0.44</b>

## CONTRACTUAL OBLIGATIONS

The following are the contractual maturities for the financial liabilities as at June 30, 2025:

June 30, 2025	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	<b>10,167,498</b>	10,167,498	-	-	-
Lease liability	<b>3,234,827</b>	984,102	1,991,634	259,091	-
Loans payable	<b>8,162,900</b>	7,724,848	27,472	29,609	380,971
	<b>21,565,225</b>	18,876,448	2,019,106	288,700	380,971

The following are the contractual maturities for the financial liabilities as at December 31, 2024:

December 31, 2024	Contractual cash flows	Less than 1 year	1-3 years	4-5 years	After 5 years
Trade and other payables	<b>15,424,579</b>	15,424,579	-	-	-
Lease liability	<b>2,176,107</b>	644,687	1,057,760	473,660	-
Loans payable	<b>6,855,377</b>	6,415,377	22,359	29,060	388,581
	<b>24,456,063</b>	22,484,643	1,080,119	502,720	388,581

The loans payable balance as at June 30, 2025 includes:

- (i) \$6,414,152 outstanding under the credit facility with SLR Digital Finance, which provides for a three-year \$10 million senior-secured revolving credit facility at an interest rate of the greater of: (i) Prime rate plus 2.15%, or (ii) 8.5%, and is secured against all assets of the Company.
- (ii) Secured convertible notes (the "secured notes") in the aggregate principal of CAD \$1,200,000 and unsecured convertible notes for aggregate gross proceeds of CAD \$537,850 for total gross proceeds (the "unsecured notes" and together with the "secured notes", the "notes") of CAD \$1,737,850 that the Company closed on August 16, 2023, through a non-brokered private placement financing. The notes will mature on August 16, 2025. The notes will be convertible in whole or in part, at the option of the holder, into common shares in the capital of the Company ("common shares") at a price of CAD \$1.00 ("conversion price") per common share at any time before or on the maturity date. The unsecured notes bear an annual 14% interest rate payable as of the maturity date, except that: (i) the interest on the unsecured note issued to Mr. Aziz Rahimtoola – the Company's CEO – will be payable monthly; and (ii) the Company may prepay the unsecured note issued to Mr. Aziz Rahimtoola any time after twelve months from the issuance. The secured notes bear an annual 14% interest rate payable semi-annually in arrears in cash or common shares at the option of the Company and are secured against all personal property and assets of the Company. The security interests are structurally subordinated to the first lien security interest held by SLR Digital Finance. The secured notes can be prepaid in all or a part of the principal plus accrued and unpaid interest without penalty or bonus, except for the case of repayment within the twelve months following the issue date, when the holder will be entitled to receive a repayment amount that is equal to the principal amount and interest calculated for a period of twelve months from the issue date. The carrying amount of the convertible notes as of June 30, 2025 was \$1,308,748.

## COMMITMENTS

On August 8, 2022, the Company entered a lease for an office in Hyderabad, India with Gowra Ventures (P) Ltd with the assured period of five years from the rent commencement date. The lease contains non-lease components for maintenance charges and usage charges amounting to \$273,253 (INR 22,589,800) for the assured period.

On March 17, 2023, the Company entered a lease for a new office in Playa del Rey, California for 67 months with Culver Studio Partners LLC. The lease contains non-lease components for maintenance charges and usage charges amounting to \$548,097 for the 67-month term.

The future minimum commitment for these contracts, excluding lease payments identified in Note 9 of the Condensed Interim Consolidated Financial Statements, as at June 30, 2025 is as follows:

Within one year	\$	151,406
Less than one year and not longer than five years		330,842
Thereafter		-
	\$	<b>482,248</b>

## RELATED PARTY TRANSACTIONS

As of June 30, 2025, the related party loan balances include a loan principal plus interest of \$62,457 (\$62,156 as at December 31, 2024), with the interest rate of 1% per annum receivable from Simon Wong, an Officer of the Company and is due on July 15, 2025. Subsequent to quarter end, the loan was further extended to December 31, 2025.

On August 16, 2023, the Company entered into an agreement for the issuance of secured convertible notes and unsecured convertible notes. As a part of this offering, Aziz Rahimtoola, Sabio's CEO, subscribed for an unsecured note in the aggregate principal amount of \$399,052 (CAD \$537,850). The unsecured notes will be convertible in whole or in part, at the option of the holder, into common shares of the Company at a price of CAD \$1.00 per common share at any time before or on the maturity date. The unsecured notes bear interest at the rate of 14% per annum payable monthly in cash. The Company may prepay the unsecured notes issued at any time after twelve months from the issuance. At the date of issue, \$314,767 (net of transaction costs of \$12,757) was classified as a liability component and \$71,528 was classified as equity component. The balance of the unsecured convertible note due to Aziz Rahimtoola as at June 30, 2025 classified as a liability component was \$369,700 and classified as an equity component was \$71,528.

On November 20, 2023, several arrangements were agreed to between the Company and certain Canadian parties, including Liam Farrell (a related party of the Company) for exercising an aggregate of 2,804,702 share purchase warrants (including 182,136 share purchase warrants held by Liam Farrell) at an exercise price of CAD\$0.21 (\$0.17). The share purchase warrants were originally issued by the Company on January 11, 2021. These arrangements include the provision of promissory notes between the Company and warrant holders. As at June 30, 2025, the balance of promissory note due from Liam Farrell, including accrued interest, was \$31,351.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company is not aware of any material off-balance sheet arrangements.



## ACCOUNTING POLICIES AND ESTIMATES

The preparation of the Condensed Interim Consolidated Financial Statements and application of IFRS often involve Management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. Significant assumptions and estimates used in preparing the financial statements include those related to credit quality of accounts receivable, income tax credits receivable, share-based payment transactions, capitalization and amortization of internally generated development costs, impairment tests for non-financial assets, as well as revenue and cost recognition. Sabio bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the period in which estimates are revised and may impact future periods as well. Other results may be derived from different judgments or using different assumptions or estimates, and events may occur that could require material adjustment. Material accounting policies and estimates under IFRS are found in Notes 2, 3, and 4 of the Company's Condensed Interim Consolidated Financial Statements.

## CHANGES IN ACCOUNTING POLICIES

For the three and six months ended June 30, 2025, the Company adopted one amendment for the first time, but the adopted amendments do not have a material impact on the Condensed Interim Consolidated Financial Statements. Sabio's material accounting policies are provided in Notes 2, and 3 of the Condensed Interim Consolidated Financial Statements.

## INTERNAL CONTROLS

Effective internal controls are necessary for Sabio to provide reliable financial reports and to help prevent fraud. Management is responsible for establishing and maintaining disclosure controls and procedures for the Company. Management has designed such disclosure controls and procedures, or caused them to be designed under its supervision, to provide reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, is made known to Sabio's CEO and to others within those entities on a timely basis, particularly during the period in which the annual filings are being prepared, so that appropriate decisions can be made regarding public disclosure.

An evaluation of the adequacy of the design and effective operation of the Company's disclosure controls and procedures was conducted under the supervision of management, including Sabio's CEO, as at December 31, 2024. Based on that evaluation, the CEO concluded that the design and operation of the system of disclosure controls and procedures were adequate as at December 31, 2024.

There have been no changes to Sabio's internal controls over financial reporting during the three and six months ended June 30, 2025, that have materially affected, or are reasonably likely to materially affect, Sabio's internal control over financial reporting.

## OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares without par value.

As at June 30, 2025, there were (i) 50,619,952 common shares issued and outstanding, (ii) 3,010,657 stock options outstanding with a weighted average exercise price per common share of \$0.54 and a weighted average contractual life of 7.38 years, and (iii) 403,694 RSUs outstanding with a weighted average grant price of \$0.44 and a weighted average contractual life of 0.39 years. As at December 31, 2024, there were (i) 50,549,485 common shares issued and outstanding, (ii) 2,506,165 stock options outstanding with a weighted average exercise price per common share of \$0.57 and a weighted average contractual life of 7.22 years, (iii) 487,996 RSUs outstanding with a weighted average grant price of \$0.49 and a weighted average contractual life of 0.90 years, and (iv) 5,500 treasury shares pending cancellation, with an average purchase price of \$0.33.

No shares were repurchased during the three and six months ended June 30, 2025.

For the year ended December 31, 2024, the Company repurchased a total of 39,500 shares, under a Normal Course Issuer Bid (NCIB) accepted by the TSX Venture Exchange on March 26, 2024, at a total cost of CAD \$18,895 (\$13,560). These shares were purchased at a price ranging from CAD \$0.42 to CAD \$0.50 per share (\$0.30 to \$0.36). Of these shares, 34,000 shares were cancelled in 2024, and 5,500 shares were canceled on January 3, 2025. The total cost of 34,000 repurchased shares cancelled in 2024 and 5,500 repurchased shares cancelled during the quarter ended June 30, 2025, was CAD \$16,332 (\$11,751) and CAD \$2,563 (\$1,809), respectively. These amounts were recorded as a reduction in common shares.

## RISK FACTORS

Sabio is exposed to a variety of business, financial and industry risks in the normal course of operations. A detailed description of risk factors associated with the Company's business is given in the "Risk Factors" section of the Annual Information Form for the year ended December 31, 2024, which is available under the Company's profile on SEDAR+ at [sedarplus.ca](https://sedarplus.ca).

## SUBSEQUENT EVENTS

Pursuant to the terms of its convertible debt agreement, on July 31, 2025, the Company announced a shares-for-debt transaction to settle CAD \$84,000 (\$61,529) of interest due on secured convertible notes issued on August 16, 2023. The settlement will be completed through the issuance of 162,477 common shares at a deemed price of CAD \$0.517 (\$0.38) per share, based on the 20-day volume weighted average price ending June 25, 2025. The convertible notes bear interest at 14% per annum, payable semi-annually in cash or shares at the Company's option. All shares issued will be subject to a statutory holding period of four months and one day from the date of issuance in accordance with applicable securities laws.

On August 25, 2025, the Company announced the completion of a non-brokered, private placement offering of 15% subordinated and unsecured, non-convertible debentures of the Company for gross proceeds of CAD \$1,802,850. The Company used the debenture proceeds to retire the entire CAD \$1,737,850 in aggregate principal, plus accrued interest, under the secured and unsecured convertible notes issued on August 16, 2023. As a part of this offering, Aziz Rahimtoola, Sabio's CEO, subscribed to the new debenture note in the aggregate principal amount of CAD \$537,850; an amount equal to the principal portion of his unsecured convertible note retired. The new debentures have a six-month term and bear a simple interest at a rate of 15% per annum (calculated as 7.5% on a 6-month period), payable in arrears on maturity. In connection with the offering, the Company issued an aggregate of 170,066 common shares (each, a "Bonus Share") in the capital of the Company at a price of CAD \$0.53 per Bonus share, including 50,740 Bonus Shares issued to Mr. Rahimtoola. The Bonus Shares will be subject to hold periods under applicable Canadian securities laws. Prior to maturity, the Company has the option to extend

the debt instrument for an additional 6-month term in return for Bonus Shares equal to 10% of the principal amount extended.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company, including the Company's AIF, is posted on SEDAR+ at [sedarplus.ca](https://sedarplus.ca).