



NOTICE OF SPECIAL MEETING OF THE SHAREHOLDERS

to be held on March 23, 2022

- and -

MANAGEMENT INFORMATION CIRCULAR

Dated: February 14, 2022

Neither the TSX Venture Exchange Inc. nor any securities regulatory authority has in any way passed upon the merits of the reverse takeover described in this information circular.



POPREACH CORPORATION

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON MARCH 23, 2022**

NOTICE IS HEREBY GIVEN that a special meeting (the “**Meeting**”) of the shareholders of PopReach Corporation (the “**Company**”) will be held at the offices of PopReach Corporation, 1 University Avenue, 3rd Floor, Toronto, ON M5J 2P1 on March 23, 2022 at 11:00 a.m. (Toronto time), for the following purposes, as more particularly described in the accompanying management information circular (the “**Circular**”):

1. to consider, and, if deemed advisable, to pass, with or without variation, a resolution to be approved by at least the majority of the votes cast by the shareholders of the Company, present in person or by proxy, at the Meeting, the full text of which is set out in the Circular, to approve three-cornered amalgamation involving the Company, 2810735 Ontario Inc. d/b/a Federated Foundry (“**Federated**”) and 2873766 Ontario Limited, a wholly-owned subsidiary of PopReach, pursuant to the terms and conditions contained in the Business Combination Agreement dated October 18, 2021, as amended February 14, 2022 (as the same may be or has been modified or amended), all as more particularly described in the Circular (the “**Transaction**”);
2. to elect the directors of the Company to hold office until the next annual meeting of shareholders, or until their successors are elected or appointed;
3. to consider, and, if deemed advisable, to pass, with or without variation, a resolution, to be approved by at least the majority of the votes cast by the shareholders of the Company, present in person or by proxy, at the Meeting, the full text of which is set out in the Circular, to approve a new equity incentive plan for the Company;
4. to consider other matters, including without limitation such amendments or variations to any of the foregoing resolutions, as may properly come before the Meeting or any adjournment thereof.

The nature of the business to be transacted at the Meeting, including details of the Transaction and its effects, is described in further detail in the Circular. The Circular is deemed to form part of this notice of meeting. Please read the Circular carefully before you vote on the matters being transacted at the Meeting.

Holders of common shares registered on the books of the Company at the close of business on February 21, 2022 are entitled to notice of and to vote at the Meeting.

A registered shareholder may attend the Meeting himself, herself or itself, or may be represented by proxy. Registered shareholders who are unable to attend the Meeting or any adjournment thereof are requested to date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment thereof.

To proactively deal with the unprecedented public health impact of the novel coronavirus COVID-19, and to mitigate risks to the health and safety of the Company’s communities, shareholders, employees and other stakeholders, shareholders are strongly encouraged to vote by proxy and to avoid attending the Meeting in person. To access the Meeting by teleconference, dial local 416-764-8659 or toll-free 1-888-664-6392, and advise the operator that you are attending the PopReach special meeting of shareholders. To be effective, the enclosed proxy must be mailed or faxed so as to reach or be deposited with the Company’s transfer agent, TSX Trust Company at 301-100 Adelaide Street West, Toronto, ON M5H 4H1 not later than 11:00 a.m. (Toronto time) on March 21, 2022 (or at least 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Ontario, prior to the time set for the Meeting or any adjournment(s) or postponement(s) thereof). Late proxies may be accepted or rejected by the chair of the Meeting (the “**Chair**”) in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy. The deadline for the deposit of proxies may be waived or extended by the Chair at his or her discretion, without notice. The Circular explains how to complete the form of proxy and how the voting process works.

Non-registered beneficial shareholders, whose shares are registered in the name of a broker, securities dealer, bank, trust company or similar entity (an “**Intermediary**”), should carefully follow the voting instructions provided by their Intermediary.

DATED this 14th day of February, 2022.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) “Mike Vorhaus”

Mike Vorhaus

Interim Chairman

MANAGEMENT INFORMATION CIRCULAR

TABLE OF CONTENTS

	Page
GLOSSARY OF TERMS.....	I
INTRODUCTION	1
FORWARD LOOKING STATEMENTS	1
DOCUMENTS INCORPORATED BY REFERENCE.....	3
CURRENCY AND ACCOUNTING PRINCIPLES	4
SUMMARY.....	6
The Meeting	6
The Parties.....	6
The Transaction.....	7
Exchange Approval	11
Arm’s Length Transaction.....	11
Board and Management of the Resulting Issuer.....	11
Interests of Insiders, Promoters or Control Persons	11
Estimated Funds Available.....	12
Principal Purposes of Funds	13
Selected Pro Forma Consolidated Financial Information.....	13
Market for Securities	14
Risk Factors.....	14
Sponsorship and Agent Relationship.....	14
Conflicts of Interest.....	15
Experts	15
Accompanying Documents	15
GENERAL PROXY INFORMATION.....	1
Solicitation of Proxies	1
Non-Registered PopReach Shareholders.....	1
Appointment and Revocation of Proxies – Registered Shareholders	2
Exercise of Discretion by Proxies	2
Signing of Proxy.....	3
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	3
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON	3
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	3
VOTING SHARES AND REQUISITE SHAREHOLDER APPROVALS	3
PRINCIPAL SHAREHOLDERS.....	4
INFORMATION CONCERNING THE ISSUER	4
Corporate Structure	4
General Development of the Business	4
Selected Consolidated Financial Information and Management’s Discussion and Analysis	5
Description of Securities	6
Stock Option Plan.....	6
Prior Sales	6
Stock Exchange Price.....	7
EXECUTIVE COMPENSATION.....	7
Director and Named Executive Officer Compensation, Excluding Compensation Securities	7
Stock Options and Other Compensation Securities.....	8

Exercise of Compensation Securities by Directors and NEOs	9
Employment, Consulting and Management Agreements	10
Arm's Length Transaction.....	10
Legal Proceedings	10
Auditor, Transfer Agent and Registrar	10
<i>Auditor</i>	10
<i>Transfer Agent and Registrar</i>	10
Material Contracts	10
INFORMATION CONCERNING FEDERATED	11
Corporate Structure	11
General Development of the Business	12
<i>Market</i>	13
<i>Acquisition Strategy</i>	13
<i>Financing Arrangements</i>	17
Narrative Description of the Business	19
<i>Q1Media</i>	23
<i>CIHI</i>	27
Lending	32
Bankruptcies, Receiverships and Similar Proceedings.....	33
Restructuring Transactions.....	33
Selected Consolidated Financial Information and Management's Discussion and Analysis	33
Selected Financial Information.....	33
Summary of Quarterly Results	35
Management's Discussion and Analysis	36
Description of the Securities	36
Consolidated Capitalization	37
Prior Sales	37
Executive Compensation	38
Compensation Governance.....	38
Compensation, excluding and Compensation Securities	38
Other Compensation Securities	39
External Management Companies.....	39
Employment, Consulting and Management Agreements	40
Pension Plan Benefits.....	41
Director Compensation.....	42
Non-Arm's Length Party Transaction	42
Legal Proceedings	43
Material Contracts	43
INFORMATION CONCERNING THE RESULTING ISSUER.....	43
Corporate Structure	44
Narrative Description of the Business	44
Description of the Securities	49
Pro Forma Consolidated Capitalization.....	49
Available Funds and Principal Purposes	51
Principal Securityholders	52
Directors, Officers and Promoters.....	52
Executive Compensation.....	58
Indebtedness of Directors and Officers	59
Investor Relations Arrangements	59
Options to Purchase Securities	60
Escrowed Securities	60
Auditor, Transfer Agent and Registrar.....	62
PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING.....	62
Proposed Transaction	62
Election of New Directors.....	62

Approval of New Equity Incentive Plan	62
Summary of New Equity Incentive Plan	63
Other Business.....	70
INFORMATION CONCERNING THE TRANSACTION	71
General	71
Principal Steps of the Transaction.....	71
The Business Combination Agreement	71
Background to the Transaction.....	79
Fairness Opinions	80
Shareholder Approvals and Voting Support Agreements	81
Approval of the Exchange.....	82
RISK FACTORS	82
Risk Factors Associated with the Transaction.....	82
Risk Associated with the Capital Markets.....	86
Risks Related to the Business of the Resulting Issuer	88
Risks Related to COVID-19	108
GENERAL MATTERS.....	108
Sponsorship	108
Experts	108
Other Independent Auditors	108
Additional Information.....	109
Other Material Facts.....	109
APPROVAL OF DIRECTORS.....	110
 <u>SCHEDULES</u>	
Schedule A	Resolutions
Schedule B	Fairness Opinions
Schedule C	New Equity Incentive Plan
Schedule D	PopReach Audited Financial Statements
Schedule E	PopReach Annual MD&A
Schedule F	PopReach Interim Financial Statements
Schedule G	PopReach Interim MD&A
Schedule H	Q1Media Audited Financial Statements
Schedule I	Q1Media Annual MD&A
Schedule J	Q1Media Interim Financial Statements
Schedule K	Q1Media Interim MD&A
Schedule L	Notify AI Audited Financial Statements
Schedule M	Notify AI Annual MD&A
Schedule N	Notify AI Interim Financial Statements
Schedule O	Notify AI Interim MD&A
Schedule P	CIHI Audited Financial Statements
Schedule Q	CIHI Annual MD&A
Schedule R	CIHI Interim Financial Statements
Schedule S	CIHI Interim MD&A
Schedule T	Federated Audited Financial Statements
Schedule U	Federated MD&A
Schedule V	Resulting Issuer Pro Forma Financial Statements

GLOSSARY OF TERMS

For the assistance of PopReach Shareholders, the following is a glossary of terms used frequently throughout this Circular and the summary hereof. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders. Certain additional terms are defined within the body of this Circular and in such cases will have the meanings ascribed thereto.

“**Affiliate**” means a company that is affiliated with another company as described below.

A company is an “Affiliate” of another company if:

- (a) one of them is the Subsidiary of the other, or
- (b) each of them is controlled by the same Person.

A company is “**controlled**” by a Person if:

- (a) voting securities of the company are held, other than by way of security only, by or for the benefit of that Person, and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the company.

A Person beneficially owns securities that are beneficially owned by:

- (a) a company controlled by that Person, or
- (b) an Affiliate of that Person or an Affiliate of any company controlled by that Person.

“**All E&P Amount**” has the meaning ascribed thereto under “*Risk Factors – Risk Factors Associated with the Transaction – Tax Consequences.*”

“**Alternative Proposal**” means any inquiries, submissions, proposals or offers regarding any transaction that is in form or substance similar to, or in any way, directly or indirectly, competitive with, adverse to or otherwise inconsistent with the Transaction or the terms or completion thereof, whether by way of merger, amalgamation, share exchange, consolidation, exchange offer, sale or purchase of assets or properties, or other business acquisition, disposition, combination or transaction, other than with the other Parties.

“**Amalco**” means the amalgamated entity to be formed as a result of the Amalgamation under the corporate name of “Federated Foundry Limited” or such other name as may be mutually agreed to by the Parties, each acting reasonably.

“**Amalco Shares**” means the common shares in the capital of Amalco.

“**Amalgamating Parties**” means Federated and Subco.

“**Amalgamation**” means the amalgamation of Federated and Subco pursuant to the OBCA and the Amalgamation Agreement.

“**Amalgamation Agreement**” means the amalgamation agreement to be entered into between PopReach, Subco and Federated pursuant to the terms of the Business Combination Agreement to give effect to the Amalgamation, substantially in the form set out therein.

“**API**” means application programming interfaces.

“**Arm’s Length Transaction**” means a transaction that is not a Related Party Transaction.

“Associate” when used to indicate a relationship with a Person, means

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer,
- (b) any partner of the Person,
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity,
- (d) in the case of a Person, who is an individual:
 - (i) that Person’s spouse or child, or
 - (ii) any relative of the Person or of his spouse who has the same residence as that Person; but
- (e) where the Exchange determines that two Persons shall, or shall not, be deemed to be associates with respect to a Member firm, Member corporation or holding company of a Member corporation, then such determination shall be determinative of their relationships in the application of Rule D with respect to that Member firm, Member corporation or holding company.

“Beneficial Shareholder” means a PopReach Shareholder holding its PopReach Shares through an Intermediary, or otherwise not in such shareholder’s own name.

“Business Combination Agreement” means the Business Combination Agreement made as of October 18, 2021, as amended February 14, 2022, between PopReach, Subco and Federated, a copy of which is available on PopReach’s profile on SEDAR.

“Business Day” means any day, other than a Saturday, Sunday or statutory or civic holiday in the Province of Ontario.

“CCPA” means the California *Consumer Protection Act* of 2018.

“CEO” means each individual who served as Chief Executive Officer or acted in a similar capacity during the most recently completed financial year.

“Certificate” means the certificate of amalgamation issued by the Director in respect of the Amalgamation.

“CFO” means each individual who served as Chief Financial Officer or acted in a similar capacity during the most recently completed financial year.

“Chair” means the chair of the Meeting.

“Change of Control” includes situations where after giving effect to the contemplated transaction and as a result of such transaction:

- (a) any one Person holds a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer, or
- (b) any combination of Persons, acting in concert by virtue of an agreement, arrangement, commitment or understanding hold in total a sufficient number of the Voting Shares of the Issuer or Resulting Issuer to affect materially the control of the Issuer or Resulting Issuer;

where such Person or combination of Persons did not previously hold a sufficient number of Voting Shares to affect materially the control of the Issuer or Resulting Issuer. In the absence of evidence to the contrary, any Person or combination of Persons acting in concert by virtue of an agreement, arrangement, commitment or understanding, hold more than 20% of the Voting Shares of the Issuer or Resulting Issuer is deemed to materially affect the control of the Issuer or Resulting Issuer.

“**Circular**” means this management information circular of PopReach dated February 14, 2022 furnished in connection with the solicitation of proxies for use at the Meeting.

“**Closing**” means the closing of the Transaction.

“**Closing Date**” means the date on which the Closing occurs.

“**company**” unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Company**” means PopReach Corporation.

“**CII**” means Crucial Interactive Inc., a corporation incorporated under the laws of the Province of Ontario.

“**CIHI**” means Crucial Interactive Holdings Inc., a corporation incorporated under the laws of the Province of Ontario.

“**CIHI Acquisition**” means the acquisition of all of the securities of CIHI from CIHI Vendors by Federated, completed on October 1, 2021.

“**CIHI Amended and Restated Shareholder Loan**” means the promissory note in the principal amount of C\$4,325,000 bearing interest at the rate of 5% per annum issued by CIHI to the CIHI Shareholder Lenders on October 1, 2021, to supersede and replace indebtedness owed by CIHI to such CIHI Shareholder Lenders pursuant to the CIHI Prior Debentures, inclusive, for greater certainty, of the CIHI Convertible Shareholder Debt.

“**CIHI Conversion Price**” means C\$0.63.

“**CIHI Convertible Debenture**” means the convertible debenture dated as of October 1, 2021, in the principal amount of C\$4,675,000 issued to the CIHI Vendors as partial consideration in connection with the CIHI Acquisition, which convertible debenture shall automatically convert into Federated Shares, based on the CIHI Conversion Price, immediately prior to the consummation of the Transaction, for an aggregate of 7,420,631 Federated Shares.

“**CIHI Convertible Debt**” means the CIHI Convertible Debenture and the CIHI Debt Assignment.

“**CIHI Convertible Shareholder Debt**” means indebtedness in the aggregate amount of C\$1,075,000 owing by CIHI to the CIHI Shareholder Lenders pursuant to the CIHI Amended and Restated Shareholder Loan.

“**CIHI Debt Assignment**” means, pursuant to the terms of an assignment agreement dated October 1, 2021, the assignment of the CIHI Convertible Shareholder Debt from the CIHI Shareholder Lenders to Federated immediately prior to the consummation of the Transaction, in exchange for the issuance to such CIHI Shareholder Lenders of an aggregate of 1,706,347 Federated Shares, based on the CIHI Conversion Price per Federated Share.

“**CIHI Prior Debentures**” means the convertible debentures issued by CIHI to the CIHI Shareholder Lenders in the aggregate principal amount of C\$3,556,390 between April 2018 and February 2021.

“**CIHI Shareholder Lenders**” means certain of the CIHI Vendors to which CIHI is indebted pursuant to CIHI Amended and Restated Shareholder Loan.

“**CIHI Vendors**” means the shareholders of CIHI immediately prior to the CIHI Acquisition.

“**Code**” means the United States Internal Revenue Code of 1986, as amended from time to time.

“**Contobox**” means Contobox U.S. Inc., a corporation formed under the laws of the State of Delaware.

“Control Person” means any Person that holds or is one of a combination of Persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

“COPPA” means the *Children’s Online Privacy Protection Act* (Canada).

“COVID-19” means coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2).

“CPC Escrow Agreement” has the meaning ascribed thereto under *“Material Contracts”*.

“Director” means the Director appointed under section 278 of the OBCA.

“Disbursement Date” has the meaning ascribed thereto under *“Information Concerning Federated – General Development of the Business – Financing Arrangements”*.

“Domestication” has the meaning ascribed thereto under *“Risk Factors – Risk Factors Associated with the Transaction – Tax Consequences.”*.

“EBITDA” means earnings before interest, taxes and depreciation and amortization.

“Echelon” means Echelon Wealth Partners Inc., financial advisor to PopReach.

“Effective Date” means the effective date of the Amalgamation as evidenced on the Certificate.

“Effective Time” means 12:01 a.m. (Toronto time) on the Effective Date.

“Escrow Policy” means Policy 5.4 – *Escrow, Vendor Consideration and Resale Restrictions* of the Exchange.

“Exchange” means TSX Venture Exchange Inc.

“Exchange Policies” means the policies of the Exchange and all bulletins, orders, policies, rules, regulations and by-laws of the Exchange as amended from time to time.

“Exchange Ratio” means the quotient of (i) the Purchase Price (as defined in the Business Combination Agreement) divided by C\$0.80; divided by (ii) the number of Federated Shares issued and outstanding (including, for clarity, each Federated Share issuable upon due exercise, conversion and/or exchange of all Federated securities exercisable, convertible and/or exchangeable for or into Federated Shares) on the Effective Date.

“Existing Option Plan” has the meaning ascribed thereto under *“Information Concerning the Issuer – Stock Option Plan”*.

“Existing Value Security Escrow Agreement” has the meaning ascribed thereto under *“Material Contracts”*.

“Fairness Opinions” means the opinions of Echelon and Stifel, respectively, to the effect that, as of the date of such opinion, and subject to the assumptions, limitations and qualifications set out therein, the consideration to be paid by PopReach pursuant to the Transaction is fair, from a financial point of view to PopReach and PopReach Shareholders, copies of which are attached as Schedule B to this Circular.

“Federated” means 2810735 Ontario Inc. d/b/a Federated Foundry, a corporation incorporated under the laws of the Province of Ontario.

“Federated \$1 Million Note” has the meaning ascribed thereto under *“Information Concerning Federated – General Development of the Business – Financing Arrangements”*.

“**Federated \$2.5 Million Note**” has the meaning ascribed thereto under “*Information Concerning Federated – General Development of the Business – Financing Arrangements*”.

“**Federated Board**” means the board of directors of Federated as the same is constituted from time to time.

“**Federated Borrowings**” means the combined indebtedness of Federated from the Fiera Facility, Federated \$2.5 Million Note, and Subsequent Nye Note.

“**Federated Financial Statements**” means the audited financial statements of Q1Media for the years ended December 31, 2020 and 2019, which are attached as Schedule D, the unaudited (reviewed) interim financial statements of Q1Media for the three and six months ended June 30, 2021 and 2020, which are attached as Schedule F, the audited financial statements of Notify AI for the years ended December 31, 2020 and 2019, which are attached as Schedule H, the unaudited (reviewed) interim financial statements of Notify AI for the three and six months ended June 30, 2021 and 2020, which are attached as Schedule J, the audited financial statements of Contobox for the years ended December 31, 2020 and 2019, which are attached as Schedule L, the unaudited (reviewed) interim financial statements of Contobox for the three and six months ended September 30, 2021, which are attached as Schedule N, and the consolidated audited financial statements of Federated for the (short) year from incorporation (January 25, 2021) to September 30, 2021, which are attached as Schedule P.

“**Federated Hastings Note**” has the meaning ascribed thereto under “*Information Concerning Federated – General Development of the Business – Financing Arrangements*”.

“**Federated Shares**” means common shares in the capital of Federated.

“**Federated Shareholders**” means the holders of Federated Shares.

“**Federated Subsidiaries**” means Q1Media, Notify AcqCo, Notify, CIHI, CII, Xeo, Contobox and Okra.

“**Fiera**” means Fiera FP Business Financing Fund L.P.

“**Fiera Commitment Letter**” has the meaning ascribed thereto under “*Information Concerning Federated – General Development of the Business – Financing Arrangements*”.

“**Fiera Facility**” has the meaning ascribed thereto under “*Information Concerning Federated – General Development of the Business – Financing Arrangements*”.

“**Final Exchange Bulletin**” means the bulletin issued by the Exchange following closing of the RTO and submission of all post-approval documents which evidences the final Exchange acceptance of the RTO.

“**Form 51-102F6V**” means Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* pursuant to National Instrument 51-102 – *Continuous Disclosure Obligations*.

“**FTP**” means free-to-play.

“**GDPR**” means the European Union’s *General Data Protection Regulation*.

“**IFRS**” means International Financial Reporting Standards.

“**Industrial Alliance**” means Industrial Securities Inc.

“**Initial Nye Note**” has the meaning ascribed thereto under “*Information Concerning Federated – General Development of the Business – Financing Arrangements*”.

“**Insider**” if used in relation to an issuer, means

- (a) a director or senior officer of the issuer;

- (b) a director or senior officer of the Company that is an insider or Subsidiary of the issuer;
- (c) a Person that beneficially owns or controls, directly or indirectly, Voting Shares carrying more than 10% of the voting rights attached to all outstanding Voting Shares of the Issuer; or
- (d) the issuer itself if it holds any of its own securities.

“Intermediary” means a broker, intermediary, trustee or other person holding PopReach Shares, on behalf of a Beneficial Shareholder.

“Issuer” means a Person and its Subsidiaries which have any of its securities listed for trading on the Exchange, and in this Circular means PopReach, as the context requires.

“Letter of Intent” means the letter of intent dated August 16, 2021 between PopReach and Federated which was superseded by the Business Combination Agreement.

“Material Adverse Effect” has the meaning specified in the Business Combination Agreement.

“MD&A” means management’s discussion and analysis, as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

“Meeting” means the special meeting of the shareholders of PopReach Corporation that will be held at the offices of PopReach Corporation, 1 University Avenue, 3rd Floor, Toronto, ON M5J 2P1 on March 23, 2022 at 11:00 a.m. (Toronto Time).

“Meeting Materials” means this Circular and the form of proxy.

“Member” means a member of the Exchange, as defined in the Exchange Policies.

“MI 61-101” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

“MNP” means MNP LLP, Chartered Professional Accountants.

“Named Executive Officer” or **“NEO”** means, with respect to PopReach or Federated, each of the following individuals:

- (a) each individual who, in respect of PopReach or Federated, as applicable, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;
- (b) each individual who, in respect of PopReach or Federated, as applicable, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;
- (c) in respect of PopReach or Federated, as applicable, and its Subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than C\$150,000, as determined in accordance with subsection 1.3(5) of Form 51-102F6V, for that financial year; and
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of PopReach or Federated, as applicable, and was not acting in a similar capacity, at the end of that financial year.

“NI 54-101” means National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*.

“**New Equity Incentive Plan**” means the new equity incentive plan of PopReach, attached hereto as Schedule C.

“**New Facility**” has the meaning ascribed thereto under “*Information Concerning the Issuer – General Development of the Business*”.

“**New Insight**” means the New Insight Incentive Plan Company.

“**New Slate**” has the meaning ascribed thereto under “*Particulars of Matters to be Acted Upon at the Meeting – Election of New Directors*”.

“**Non-Arm’s Length Party**” means in relation to a Company, a promoter, officer, director, other Insider or Control Person of that Company (including an issuer) and any Associates or Affiliates of any of such Persons. In relation to an individual, means any Associate of the individual or any Company of which the individual is a promoter, officer, director, Insider or Control Person.

“**Non-Registered Shareholder**” has the meaning ascribed thereto under “*General Proxy Information – Solicitation of Proxies*”.

“**Non-Resident Holder**” means any beneficial owner of Resulting Issuer Shares who, for the purposes of the Tax Act, and at all relevant times, is not, and is not deemed to be, resident in Canada.

“**Non-U.S. Holder**” is any beneficial owner of the Resulting Issuer Shares that is neither a “U.S. Holder” nor an entity treated as a partnership for U.S. federal income tax purposes.

“**Notice of Meeting**” means the notice to the PopReach Shareholders of the Meeting which accompanies this Circular.

“**Notify**” means Notify AI, LLC, a Wyoming limited liability company.

“**Notify AcqCo**” means Notify AcquisitionCo Inc., a corporation incorporated under the laws of the State of Delaware.

“**Notify Acquisition**” means the acquisition of all of the membership interests of Notify from the Notify Vendors by Notify AcqCo, a wholly owned subsidiary of Federated, completed on August 6, 2021.

“**Notify Subscription Shares**” has the meaning ascribed thereto under “*Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of Notify*”.

“**Notify Vendors**” means the holders of membership interests of Notify immediately prior to the Notify Acquisition.

“**Notify VTB Note**” means the non-interest bearing promissory note in the principal amount of US\$10,600,000 issued by Notify AcqCo to the Notify Vendors in connection with the Notify Acquisition as partial consideration for such Notify Vendors’ membership interests in Notify.

“**OBCA**” means the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, as amended from time to time, including the regulations promulgated thereunder.

“**Okra**” means Okra Media Inc., a corporation formed under the federal laws of Canada.

“**Parties**” means PopReach, Federated or Subco, and “**Party**” refers to any of them, in relation to the Business Combination Agreement.

“**Peak**” has the meaning ascribed thereto under “*Information Concerning the Issuer – General Development of the Business*”.

“**Person**” means a company or individual.

“**Policy 1.1**” means the Exchange’s Policy 1.1 entitled “Interpretation” as amended from time to time.

“**PopReach**” or the “**Company**” means PopReach Corporation, a corporation incorporated under the laws of the Province of Ontario.

“**PopReach Board**” means the board of directors of PopReach as the same is constituted from time to time.

“**PopReach Break-Fee**” has the meaning ascribed thereto under “*The Business Combination Agreement*”.

“**PopReach Financial Statements**” means consolidated audited financial statements of PopReach for the years ended December 31, 2020, 2019 and 2018, and its unaudited (reviewed) interim financial statement of PopReach for the quarter ended September 30, 2021.

“**PopReach Information**” has the meaning ascribed thereto under “*Information Concerning the Transaction – The Business Combination Agreement – Covenants of PopReach*”.

“**PopReach Insider**” means the Insiders of PopReach.

“**PopReach Shares**” means common shares in the capital of PopReach.

“**PopReach Shareholders**” means the holders of the PopReach Shares.

“**Principals**” means, with respect to the Resulting Issuer:

- (a) a person or company who acted as a promoter of the Resulting Issuer within two years of the Final Exchange Bulletin;
- (b) the directors and senior officers of the Resulting Issuer or any of its material operating Subsidiaries at the time of the Final Exchange Bulletin;
- (c) a Person that holds securities carrying more than 20% of the voting rights attached to the Resulting Issuer’s outstanding securities immediately before and immediately after the Final Exchange Bulletin;
- (d) a Person that holds securities carrying more than 10% of the voting rights attached to the Resulting Issuer’s outstanding securities immediately before and immediately after the Final Exchange Bulletin if they also have elected or appointed or have the right to elect or appoint a director or senior officer of the Resulting Issuer or any of its material Subsidiaries; and
- (e) Associates and Affiliates of any of the above.

“**Private Placement**” has the meaning ascribed thereto under “*Information Concerning the Issuer – General Development of the Business*”.

“**Q1Media**” means Q1Media, Inc., a Delaware corporation.

“**Q1Media 2020 LOC**” has the meaning ascribed thereto under “*Information Concerning Federated – Narrative Description of the Business – Q1Media*”.

“**Q1Media Acquisition**” means the acquisition of all securities of Q1Media by Federated from the Q1Media Vendors completed on July 9, 2021.

“**Q1Media Convertible Debenture**” means the convertible debenture in the principal amount of US\$8,000,000 issued by Federated as partial payment to the Q1Media Vendors in connection with the Q1Media Acquisition, which principal amount was converted into 15,873,016 Federated Shares on November 9, 2021, based on a conversion price per Federated Share of US\$0.504.

“Q1Media Initial Put Price” has the meaning ascribed thereto under *“Information Concerning Federated – Narrative Description of the Business – Q1Media”*.

“Q1Media Initial Warrants” has the meaning ascribed thereto under *“Information Concerning Federated – Narrative Description of the Business – Q1Media”*.

“Q1Media Subsequent Put Price” has the meaning ascribed thereto under *“Information Concerning Federated – Narrative Description of the Business – Q1Media”*.

“Q1Media Subsequent Warrants” has the meaning ascribed thereto under *“Information Concerning Federated – Narrative Description of the Business – Q1Media”*.

“Q1Media Vendors” means the stockholders of Q1Media immediately prior to the Q1Media Acquisition.

“Q1Media Warrants” has the meaning ascribed thereto under *“Information Concerning Federated – Narrative Description of the Business – Q1Media”*.

“Q1Media Warrant Put Liability” has the meaning ascribed thereto under *“Information Concerning Federated – Narrative Description of the Business – Q1Media”*.

“Record Date” means February 21, 2022.

“Registered Shareholder” means a registered holder of PopReach Shares and does not include Beneficial Shareholders.

“Related Party Transaction” has the meaning specified in Policy 5.9 of the Exchange and MI 61-101, and includes a related party transaction that is determined by the Exchange, to be a Related Party Transaction. The Exchange may deem a transaction to be a Related Party Transaction where the transaction involves Non-Arm’s Length Parties, or other circumstances exist which may compromise the independence of the issuer with respect to the transaction.

“Representatives” has the meaning ascribed thereto under *“Information Concerning the Transaction – The Business Combination Agreement – Alternative Transactions”*.

“Resulting Issuer” means the issuer existing on the Effective Date following completion of the Transaction.

“Resulting Issuer Financial Statements” means the Resulting Issuer’s unaudited *pro forma* balance sheet as at September 30, 2021, unaudited *pro forma* income statement as at December 31, 2020 and unaudited *pro forma* income statement as at September 30, 2021, which are attached as Schedule L.

“Resulting Issuer Compensation Options” means compensation stock options to acquire Resulting Issuer Shares.

“Resulting Issuer Options” means stock options to acquire Resulting Issuer Shares.

“Resulting Issuer Shares” means common shares, following completion of the Transaction, in the capital of the Resulting Issuer.

“Resulting Issuer Warrants” means warrants to acquire Resulting Issuer Shares.

“Reverse Takeover” or **“RTO”** means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:

- (a) new shareholders holding more than 50% of the outstanding voting securities of the issuer, and
- (b) a Change of Control of the issuer. The Exchange may deem a transaction to have resulted in a Change of Control by aggregating the shares of a vendor group and/or incoming management group,

but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSX or another senior exchange under a formal takeover bid made pursuant to Securities Laws.

A transaction or series of transactions may include an acquisition of a business or assets, an amalgamation, arrangement or other reorganization.

Any securities issued pursuant to a private placement effected concurrently, contingent upon, or otherwise linked to a transaction or series of transactions, may be used in order to determine whether a transaction or series of transactions satisfies (a) and/or (b), above.

“**SaaS**” means software as a service.

“**Securities Laws**” means the *Securities Act* (Ontario) and any other applicable securities laws of a province or territory of Canada.

“**SEDAR**” means the System for Electronic Document Analysis and Retrieval as located on the internet at www.sedar.com.

“**Seed Share Financing**” means the non-brokered private placement financing of 14,849,206 Federated Shares at a price of US\$0.252 per Federated Share for aggregate gross proceeds of US\$3,742,000, with closings occurring on July 8, 2021, July 9, 2021 and September 23, 2021.

“**SEM**” means search engine marketing.

“**Shareholders**” means collectively, the PopReach Shareholders and the Federated Shareholders.

“**SMT**” means Social Media Technologies, LLC.

“**SMT ICA**” means the Independent Contractor Agreement between Notify and SMT dated January 1, 2019, as amended and restated on June 25, 2021.

“**Sponsorship Policy**” means Policy 2.2 – *Sponsorship and Sponsorship Requirements of the Exchange Policies*.

“**SSRRs**” means Seed Share Resale Restrictions as defined in Escrow Policy.

“**Starbreeze**” has the meaning ascribed thereto under “*Information Concerning the Issuer – General Development of the Business*”.

“**Stifel**” means Stifel Nicolaus Canada Inc., financial advisors to PopReach.

“**Subco**” means 2873766 Ontario Limited, a wholly owned Subsidiary of PopReach incorporated pursuant to the laws of Ontario for the purposes of completing the Amalgamation.

“**Subco Shares**” means all of the outstanding common shares in the capital of Subco.

“**Subsequent Nye Note**” has the meaning ascribed thereto under “*Information Concerning Federated – General Development of the Business – Financing Arrangements*”.

“**Subsidiary**” means with respect to a Person, any entity, whether incorporated or unincorporated: (i) of which such Person or any other subsidiary of such Person is a general partner; or (ii) at least a majority of the securities or other interests of which having by their terms ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions with respect to such corporation or other organization is directly or indirectly owned or controlled by such Person and/or by any one or more of its subsidiaries; and shall include any corporation, partnership, joint venture or other entity over which it exercises direction or control. For purposes of this definition,

“**control**” when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“**Superior Proposal**” means any unsolicited bona fide written Alternative Proposal from a Person who is an arm’s length third party made after the date of the Business Combination Agreement, in respect of which the PopReach Board and any relevant committee thereof determines, in its good faith judgment, after receiving the advice of its outside legal counsel and financial advisors and after taking into account all the terms and conditions of such Alternative Proposal, including all legal, financial, regulatory and other aspects of such Alternative Proposal and the party making such Alternative Proposal, would, if consummated in accordance with its terms, and without assuming away the risk of non-completion, result in a transaction which is more favourable, from a financial perspective, to the PopReach Shareholders.

“**Tax Act**” means the *Income Tax Act* (Canada) as amended from time to time, including the regulations promulgated thereunder.

“**Termination Deadline**” means February 28, 2022, at 5:00 p.m. (Toronto time).

“**Transaction**” means collectively, the Amalgamation and related transactions contemplated under the Business Combination Agreement.

“**Transaction Resolution**” means the resolution approving the Business Combination Agreement and the Transaction, the full text of which is set forth in Schedule A attached to this Circular, to be considered, and if deemed advisable, passed, with or without variation, by the PopReach Shareholders at the Meeting.

“**Treasury Regulations**” means the U.S. Treasury regulations promulgated under the Code.

“**U.S. Person**” has the meanings ascribed thereto in Regulation S under the U.S. Securities Act.

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

“**U.S. Shareholder**” has the meaning ascribed thereto under “*Risk Factors – Risk Factors Associated with the Transaction – Tax Consequences.*”.

“**USRPHC**” has the meaning ascribed thereto under “*Risk Factors – Risk Factors Associated with the Transaction – Tax Consequences.*”.

“**Voting Share**” means a security of an issuer that: (a) is not a debt security, and (b) carries a voting right either under all circumstances or under some circumstances that have occurred and are continuing.

“**Voting Support Agreements**” means voting support agreements pursuant to which each PopReach Insider, along with a number of other long-term unrelated shareholders, have agreed to vote in favour of the Transaction Resolution all PopReach Shares now held or hereafter held by them that are entitled to vote on such matters.

“**Voting Trust Agreements**” means the voting trust agreement signed by substantially all of the holders of Federated Shares granting the trustee appointed thereunder, being the Chief Executive Officer of Federated, the right to facilitate the exercise of voting rights and rights of consent, approval and waiver of such holders’ in respect of their Federated Shares, to the extent of and subject to the conditions as specifically set forth in such voting trust agreement.

“**Wiemann Note**” has the meaning ascribed thereto under “*Information Concerning Federated – General Development of the Business – Financing Arrangements.*”.

“**Xeo**” means Media Xeo Inc., a corporation formed under the laws of the Province of Quebec.

INTRODUCTION

This Circular is furnished in connection with the solicitation of proxies by the management of PopReach for use at the Meeting to be held at 11:00 a.m. (Toronto time) on March 23, 2022, and any adjournment(s) or postponement(s) thereof. No person has been authorized to give any information or make any representations in connection with the Transaction or other matters to be considered at the Meeting, other than those contained in this Circular and if given or made, any such information or representation must not be relied upon as having been authorized.

This Circular does not constitute an offer to sell, or a solicitation of an offer to acquire, any securities, or the solicitation of a proxy, by any person in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such an offer of proxy solicitation. Neither the delivery of this Circular nor any distribution of securities referred to herein shall, under any circumstances, create any implication that there has been no change in the information set forth herein since the date of this Circular.

The Transaction has not been approved or disapproved by any securities regulatory authority, nor has any securities regulatory authority passed upon the fairness or merits of the Transaction or upon the accuracy or adequacy of the information contained in this Circular and any representation to the contrary is unlawful.

The information concerning Federated contained in this Circular has been provided by Federated for inclusion in this Circular. Although PopReach has no knowledge that would indicate that any of such information is untrue or incomplete, neither PopReach nor its officers or directors assume any responsibility for the accuracy or completeness of such information or the failure by Federated to disclose events that may have occurred or may affect the completeness or accuracy of such information but which are unknown to PopReach. In addition, the information contained in this Circular, including information pertaining to PopReach and Federated after the Transaction and information concerning the combined enterprise set out under “Information Concerning the Resulting Issuer”, each contains forward-looking information. Readers are cautioned that actual results may vary. See “Forward-Looking Information” below.

All summaries of, and references to, the Business Combination Agreement, the Amalgamation Agreement and the Fairness Opinions in this Circular are qualified in their entirety by reference to the complete text of the Business Combination Agreement, the Amalgamation Agreement and the Fairness Opinions, respectively. A copy of the Business Combination Agreement (including the form of the Amalgamation Agreement) may be found under PopReach’s profile on SEDAR, and the full text of the Fairness Opinions are appended to this Circular as Schedule B. You are urged to carefully read the full text of each of these documents.

Information contained in this Circular is given as of February 14, 2022 except where otherwise noted and except that information in documents incorporated by reference is given as of the dates noted therein. Information contained in this Circular should not be construed as legal, tax or financial advice and PopReach Shareholders are urged to consult their own professional advisors in connection therewith.

No broker, dealer, salesperson or other person has been authorized to give any information or make any representation other than those contained in this Circular and, if given or made, such information or representation must not be relied upon as having been authorized by PopReach, Federated or the Resulting Issuer.

All capitalized terms used in this Circular but not otherwise defined herein have the meanings set forth herein under “Glossary of Terms”.

FORWARD LOOKING STATEMENTS

The information provided in this Circular, including information incorporated by reference, may contain “forward-looking statements” (collectively referred to hereafter as “**forward-looking statements**”) about PopReach, Federated or the Resulting Issuer. In addition, PopReach and Federated may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Resulting Issuer in connection with the Transaction that are not statements of historical fact and may also constitute forward-looking statements.

All statements, other than statements of historical fact, made by PopReach or Federated that address activities, events or developments that PopReach or Federated expect or anticipate will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as “may”, “will”, “would”, “could”, “should”, “believes”, “estimates”, “projects”, “potential”, “expects”, “plans”, “intends”, “anticipates”, “targeted”, “continues”, “forecasts”, “designed”, “goal”, or the negative of those words or other similar or comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments.

These statements speak only as of the date they are made and are based on information currently available and on the then current expectations of PopReach or Federated and assumptions concerning future events. Forward-looking statements are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the headings “*Risk Factors*” and in other documents incorporated by reference in this Circular.

This Circular contains forward-looking statements, including statements pertaining to the following:

- the Meeting;
- the perceived benefits of the Transaction and possible synergies resulting from the Transaction;
- the structure, steps, timing and effects of the Transaction;
- the terms, conditions and completion of the Transaction;
- the likelihood of the Transaction being completed;
- obtaining all required regulatory approvals in connection with the Transaction;
- the Closing Date;
- financial conditions;
- expectations regarding the Resulting Issuer’s ability to raise capital;
- future capital expenditures (including general and administrative expenses), including the timing, amount and nature thereof and sources of financing thereof
- *pro forma* information, including pro forma combined financial information pertaining to the Resulting Issuer;
- other trends of the capital markets;
- treatment under governmental regulatory regimes and tax laws;
- anticipated income and withholding taxes;
- plans and objectives of management for future operations;
- Resulting Issuer management personnel and reporting structure;
- statements relating to the business and future activities of, and developments related, to the Resulting Issuer after the date of this Circular and thereafter;
- liquidity and price of the Resulting Issuer Shares after the Closing Date;
- anticipated developments in operations of the Resulting Issuer, including the ability of the Resulting Issuer to source and consummate future M&A activity;
- certain tax implications relating to the Resulting Issuer’s likely classification as a “surrogate foreign corporation under section 7874(a)(2)(B) of the Code and possible domestication for U.S. federal income tax purposes under Section 7874(b) of the Code; and
- currency fluctuations.

Forward-looking statements are based on certain assumptions and analyses made by PopReach or Federated in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate and are subject to risks and uncertainties. In making the forward-looking statements included in this Circular, PopReach or Federated have made various material assumptions, including but not limited to (i) obtaining necessary regulatory approvals; (ii) that regulatory requirements will be maintained; (iii) general business and economic conditions including that financial markets will not in the long term be adversely impacted by the COVID-19 pandemic; (iv) the Resulting Issuer's ability to successfully execute its plans and intentions; and (v) the Resulting Issuer's ability to attract and retain skilled staff.

The actual results could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this Circular:

- the Transaction is subject to a number of conditions and there is no assurance the Transaction will be completed on the terms contemplated in the Business Combination Agreement;
- the possibility that results will not be consistent with the Resulting Issuer's expectations;
- dependence on management;
- fluctuations in currency and interest rates;
- competition in the Resulting Issuer's industry;
- risks relating to global financial and economic conditions;
- risk related to the COVID-19 pandemic;
- alteration of tax regimes and treatments;
- failure to realize the benefits of the Transaction and any future acquisitions;
- publicly traded securities can have significant price volatility;
- the Resulting Issuer will depend on key employees for achieving its goals and will depend on attracting and retaining qualified personnel;
- certain tax implications relating to the Resulting Issuer's likely classification as a "surrogate foreign corporation under section 7874(a)(2)(B) of the Code and possible domestication for U.S. federal income tax purposes under Section 7874(b) of the Code; and
- other factors discussed under "*Risk Factors*" below as well as other risks and uncertainties described in the PopReach AIF, annual MD&A and interim MD&A incorporated by reference.

Consequently, all forward-looking statements made in this Circular and other documents of PopReach or Federated are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on PopReach or Federated. The cautionary statements contained or referred to in this section should be considered in connection with any subsequent written or oral forward-looking statements that PopReach or Federated and/or persons acting on their behalf may issue. PopReach or Federated undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by applicable securities laws. For all these reasons, shareholders should not place undue reliance on forward-looking statements.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the PopReach documents incorporated herein by reference may be obtained on request without charge by contacting the Corporate Secretary of PopReach. In addition, copies of PopReach documents incorporated herein by reference may be obtained by accessing the disclosure documents available on SEDAR.

The following documents of PopReach are filed with the various securities commissions or similar authorities in the provinces and territories of Canada and are specifically incorporated by reference into and form an integral part of this Circular:

- PopReach's audited financial statements for the years ended December 31, 2020 and 2019,
- PopReach's management's discussion and analysis for the years ended December 31, 2020 and 2019,
- PopReach's unaudited interim financial statements for the three and nine months ended September 30, 2021 and 2020,
- PopReach's management's discussion and analysis for the three and nine months ended September 30, 2021 and 2020,
- PopReach's annual information form for the year ended December 31, 2020,
- PopReach's material change report dated August 23, 2021, and
- PopReach's material change report dated October 18, 2021.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference in a short form prospectus, including any material change reports (excluding confidential reports), comparative interim financial statements, comparative annual financial statements and the auditor's report thereon, management's discussion and analysis of financial condition and results of operations, information circulars, annual information forms, marketing materials and business acquisition reports filed by PopReach with the securities commissions or similar authorities in Canada subsequent to the date of this Circular and before the Effective Date, are deemed to be incorporated by reference in this Circular.

Any statement contained in a document incorporated or deemed to be incorporated by reference hereto shall be deemed to be modified or superseded for the purposes of this Circular to the extent that a statement contained in this Circular or to any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purpose that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances to which it was made. Any statement so modified or superseded shall not be deemed, except as modified or superseded, to constitute a part of this Circular.

CURRENCY AND ACCOUNTING PRINCIPLES

Unless otherwise indicated herein, references to "\$", "US\$" or "dollars" are to United States dollars. References to "C\$" are to Canadian dollars.

Terms and abbreviations used in the financial statements of PopReach and in the Schedules to this Circular are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated.

The historical financial statements of PopReach included in or incorporated by reference into this Circular are reported in United States dollars and have been prepared in accordance with IFRS.

The table below sets forth the following: (a) the rate of exchange for the Canadian dollar, expressed in United States dollars, in effect at the end of the periods indicated; (b) the average exchange rates for the Canadian dollar, expressed in United States dollars, on the last day of each month on which exchange rates are published during such periods; and (c) the high and low exchange rates for the Canadian dollar, expressed in United States dollars, during such periods, each based on the rate of exchange reported by the Bank of Canada for conversion of Canadian dollars into United States dollars.

	Year Ended December 31		Quarter Ended September 30	
	2021	2020	2021	2020
Rate at end of period	\$1.2678	\$1.2732	\$1.2741	\$1.3339
Average rate of period	\$1.2535	\$1.3415	\$1.2671	\$1.3228
High for period	\$1.2942	\$1.4496	\$1.2828	\$1.3396
Low for period	\$1.2040	\$1.2718	\$1.2518	\$1.3055

SUMMARY

The following is a summary of information relating to PopReach, Federated and the Resulting Issuer (assuming completion of the Transaction) and should be read together with the more detailed information and financial data and statements contained elsewhere in this Circular, including the Schedules, which are incorporated herein and form part of this Circular, and the documents incorporated by reference herein. Certain capitalized words and terms used in this summary are defined in the Glossary.

The Meeting

The Meeting will be held at 11:00 a.m. (Toronto time), at the offices of PopReach Corporation, 1 University Avenue, 3rd Floor, Toronto, ON M5J 2P1 on March 23, 2022, for the purposes set forth in the accompanying Notice of Meeting. The business of the Meeting will be to consider and vote upon, among other things, the Transaction Resolution and to transact such further and other business as may properly be brought before the Meeting. To address public health measures arising from the unprecedented public health impact of COVID-19 and to limit and mitigate risks to the health and safety of communities, shareholders, employees, directors and other stakeholders, PopReach Shareholders are strongly encouraged to vote by proxy and to avoid attending the Meeting in person. To access the Meeting by teleconference, dial local 416-764-8659 or toll-free 1-888-664-6392, and advise the operator that you are attending the PopReach special meeting of shareholders.

Record Date

The record date for determining the registered PopReach Shareholders for the Meeting is February 21, 2022. See “General Proxy Information”.

Purpose of the Meeting

At the Meeting, PopReach Shareholders will be asked to consider and approve the Transaction pursuant to the Transaction Resolution. PopReach Shareholders will also be asked to (i) elect new directors for the ensuing year upon completing the Transaction, and (ii) approve the New Equity Incentive Plan, and to consider such other matters as may properly come before the Meeting, all as set forth in the notice of special meeting accompanying this Circular.

Approvals Required for Certain Matters

The full text of the Transaction Resolution is set out in Schedule A to this Circular. Pursuant to policies of the Exchange, the Transaction Resolution must be approved, with or without amendment, by at least the majority of the votes cast by the Shareholders present in person or by proxy at the Meeting.

Please see “Information Concerning the Transaction – Shareholder Approvals”.

The Parties

PopReach

PopReach is a company incorporated under the OBCA and is a free-to-play (“FTP”) game publisher focused on acquiring and optimizing proven franchises. The Company has to date acquired successful game franchises enjoyed by millions of players, including Smurfs' Village (IP under license), PAYDAY Crime War (IP under license), Peak - Brain Training, Kitchen Scramble, Gardens of Time, City Girl Life, War of Nations and Kingdoms of Camelot. PopReach, headquartered in Toronto, employs a team of over 130 experts in Toronto, Vancouver, London, UK, and Bangalore, India. For further information concerning the business and operations of PopReach, see “Information Concerning the Issuer”.

Federated

Federated is a company incorporated under the OBCA and is a diversified acquirer and operator of digital technology companies. Federated identifies businesses with the potential of scale and longevity and provides them with the platform, personnel and synergistic assets to accelerate their growth.

Federated was established with the goal of bringing together the synergistic components of advertising technology, marketing technology, e-commerce and content platforms that often sub-optimally reside in siloed companies across the digital technology industry. Three companies were acquired by Federated, two in the third quarter of 2021 and one in the fourth quarter of 2021, to lay the foundation of Federated's access to tools, technology, expertise and business model scales required to further advance its business purpose. The result is a digital advertising technology company serving over 30 billion monthly ad impressions for more than 500 advertisers across more than 1,900 publisher properties and reaching over 650 million monthly unique users.

Subco

Subco is a private company incorporated under the provisions of the OBCA for the purposes of completing the Amalgamation.

Resulting Issuer

It is anticipated that the Resulting Issuer, a public company incorporated under the OBCA, will be a leading, publicly-listed technology and media enterprise.

The Transaction

The following is a summary only and reference should be made to the full text of the Business Combination Agreement which may be found under PopReach's profile on SEDAR.

PopReach, Subco and Federated have entered into the Business Combination Agreement pursuant to which they will complete the Transaction and PopReach will acquire, through the Amalgamation, all of the issued and outstanding Federated Shares. See "Information Concerning the Transaction".

Principal Steps of the Transaction

Under the terms of the Business Combination Agreement, the Transaction will be completed by way of a three-cornered amalgamation under the OBCA, whereby:

- (a) each issued and outstanding Subco Share shall be exchanged for one Amalco Share, and all such Subco Shares shall be cancelled;
- (b) each issued and outstanding Federated Share shall be exchanged for the number of PopReach Shares equal to the Exchange Ratio and all such Federated Shares shall be cancelled;
- (c) in consideration of the issuance by PopReach of the PopReach Shares, Amalco shall issue to PopReach 999,999 fully paid and non-assessable Amalco Shares;
- (d) PopReach shall reconstitute the PopReach Board to consist of three (3) directors appointed by PopReach (being Christopher Locke, Mike Vorhaus, and Jon Walsh) and four (4) directors appointed by Federated (being Ted Hastings and three additional independent directors, being Ben Colabrese, Natasha De Masi, and Iain Klugman), each of whom shall hold office until the next annual or annual and special meeting of the PopReach Shareholders or until their successors are elected or appointed in accordance with the provisions of PopReach's articles and bylaws; and
- (e) PopReach shall reconstitute the management of PopReach, in compliance with the regulations of the Exchange and applicable Securities Laws, to consist of Jeff Collins, Chief Development Officer; Greg Donaldson, Chief Financial Officer; Kevin Ferrell, Chief Operating Officer; Amy Hastings, General Counsel and Corporate Secretary; Ted Hastings, Executive Chairman; Christopher Locke,

President; Jon Walsh, Chief Executive Officer, in each case subject to the receipt of all applicable regulatory approvals.

As part of the Transaction, PopReach anticipates issuing an aggregate of 161,055,125¹ PopReach Shares to the holders of Federated Shares at a deemed issue price per PopReach Share of C\$0.80.

Upon the Effective Date, the Resulting Issuer anticipates having 234,521,279 Resulting Issuer Shares issued and outstanding, 6,802,214 Resulting Issuer Options outstanding, 828,000 Resulting Issuer Compensation Options outstanding, and 7,799,289 Resulting Issuer Warrants outstanding. See “*Information Concerning the Resulting Issuer – Pro Forma Consolidated Capitalization*”.

For more detailed information, see “*Information Concerning the Transaction*”.

Conditions to the Transaction

The Transaction, and the obligations of the Parties to complete the Transaction is subject to certain conditions, including obtaining all necessary regulatory approvals, including, among others (i) the Transaction Resolution having received approval of the PopReach Shareholders at the Meeting in accordance with the OBCA (ii) the approval of the Federated Shareholders in accordance with the OBCA, and (iii) the approval of the Exchange. Please see “*Information Concerning the Transaction – Conditions to the Transaction*” for further information.

Background to the Transaction

A summary of the material events leading up to the negotiation and execution of the Letter of Intent, the negotiation of the Combination Agreement, as well the material meetings, negotiations and discussions between PopReach and Federated that preceded the execution and public announcement of the Combination Agreement are included in this Circular under the heading “*Information Concerning the Transaction – Background to the Transaction*”, with the following brief highlights:

In May 2021, management of PopReach began discussions with management of Federated. In August, 2021, the PopReach Board met with Federated’s management, and PopReach’s legal and financial advisors to review the opportunity as it had developed to that time. PopReach’s legal advisors provided advice with respect to the PopReach Board’s duties and certain legal matters relating to the proposed transaction.

The seven member PopReach Board then approved the proposed transaction by majority vote, and the engagement of Echelon to review the Transaction and if merited, prepare an opinion. The Parties continued their negotiations respecting the terms of the proposed Transaction and consulted with legal counsel to obtain corporate, securities and tax advice.

On August 16, 2021, PopReach and Federated entered into the Letter of Intent.

The PopReach Board subsequently approved the engagement of Stifel to review the Transaction and if merited, prepare a second fairness opinion.

From August to October of 2021, PopReach and Federated completed due diligence reviews of the other party and held a number of conference calls among their respective advisors, directors and management teams to facilitate the reviews.

On October 15, 2021, the PopReach Board met again with management and PopReach’s advisors to review the proposed Transaction, the draft Business Combination Agreement and analysis of the Transaction prepared by the PopReach Board’s financial advisors. In addition, the PopReach Board’s financial advisors delivered their oral

¹ This is an estimate, based on current assumptions and projections for the amounts of assumed debt and Federated consolidated working capital as at Closing (which, solely for the purposes of these calculations and not as any guidance or projection of the Closing Date, is deemed to be April 1, 2022), both of which result in a purchase price adjustment. This number will be updated throughout the Circular in response to Exchange comments.

Fairness Opinions (which were subsequently confirmed by the delivery of their respective written Fairness Opinions). Following discussion and review of the Fairness Opinions and various other factors, the PopReach Board unanimously approved the Transaction, the Business Combination Agreement and matters ancillary thereto.

On October 15, 2021, the Federated Board consulted with Federated's legal advisors with respect to the terms of the Business Combination Agreement and the effect of the Transaction on outstanding securities of Federated. The Federated Board approved the Transaction and the Business Combination Agreement pursuant to a resolution dated October 15, 2021.

On October 18, 2021, PopReach, Subco and Federated executed the definitive Business Combination Agreement.

Fairness Opinions

In deciding to approve the Business Combination Agreement and the terms of the Transaction, the PopReach Board considered, among other things, the Fairness Opinions. The Fairness Opinions conclude that, as of the date of each Fairness Opinion, subject to the assumptions, limitations and qualifications set out therein, the consideration to be paid by PopReach pursuant to the Transaction is fair from a financial point of view to PopReach and the PopReach Shareholders. The complete text of the Fairness Opinions, which set forth certain assumptions made, matters considered and limitations on the review undertaken in connection with the opinion, are attached to this Circular as Schedule B. The Fairness Opinions are not and should not be construed as a valuation of PopReach or Federated or their respective assets or securities or as a recommendation to any PopReach Shareholder to vote in favour of the Transaction Resolution. PopReach Shareholders are urged to read the Fairness Opinion in its entirety. See "Information Concerning the Transaction – Fairness Opinion" and Schedule B for further information.

Reasons for the Transaction

The PopReach Board, in unanimously determining that the Transaction is in the best interests of the Corporation and recommending that PopReach Shareholders vote FOR the Transaction Resolution, considered and relied upon a number of factors, including the following. See "Information Concerning the Transaction – Reasons for the Transaction".

- Combined Synergistic Platform & Increased Scale: the Resulting Issuer will be a multi-platform digital media company with meaningful size and scale, with strategic alignment to acquire, optimize and scale digital technology assets. Synergies are expected from the combination of PopReach's portfolio of gaming assets enjoyed by millions of players and Federated's portfolio of companies that deliver 30 billion monthly advertising impressions to 650 million unique users.
- Large Growth Trends: the Resulting Issuer will operate in a large and rapidly expanding market of over \$500 billion, comprised of a \$455 billion² digital advertising market and a \$91 billion³ mobile gaming market. The Resulting Issuer will have access to a deep pool of high-quality acquisition targets across the digital media, gaming and AdTech landscape, which will maximize return on invested capital.
- Capital Markets Profile: the Resulting Issuer will have an improved capital markets profile with improved financial strength, and increased access to capital to facilitate and accelerate growth.
- Management: the combined management team will bring complementary strengths and deep experience in M&A, digital media and advertising, mobile user acquisition, and digital content monetization.
- Significant and Immediate Premium: the Exchange Ratio for the Transaction will be determined based on, among other things, a fixed C\$0.80 price per PopReach Share, representing a premium of approximately 27% based on the closing prices of the PopReach Shares on the Exchange on August 16, 2021, the last trading day prior to the announcement of the proposed Transaction.

² eMarketer.

³ NewZoo.

- Pro Forma Ownership: consideration payable by PopReach in the Transaction consists entirely of PopReach Shares, which enables Shareholders the opportunity to continue to participate in the future potential growth and increase in value of the Resulting Issuer, with an anticipated aggregate *pro forma* ownership interest of approximately 31.3% (on a non-diluted basis) for PopReach Shareholders.
- Fairness Opinions: the Fairness Opinions delivered by the PopReach Board's financial advisors Echelon and Stifel, each to the effect that, as of the date therein, and based upon and subject to the analyses referred to, and assumptions, explanations and limitations set forth therein, the consideration to be paid by PopReach pursuant to the Transaction is fair from a financial perspective to PopReach and the PopReach Shareholders, copies of which are attached as Schedule B to this Circular.
- Shareholder Support: holders of over 50% of the PopReach Shares entered into voting and support agreements indicating their support for the Transaction.
- Ability to Accept a Superior Offer: the ability of the PopReach Board, in certain circumstances, to consider, accept and enter into a definitive agreement with respect to a Superior Proposal, provided that PopReach terminates the Combination Agreement and pays the PopReach Break-Fee of C\$1,000,000.
- Arrangement Agreement Terms: PopReach and Federated's respective representations, warranties and covenants and the conditions to their respective obligations are reasonable in the judgment of the PopReach Board following consultation with its advisors, and are the product of extensive arm's length negotiations between the Parties and their respective advisors.

Recommendation of the PopReach Board

After substantive diligence and careful consideration, including a thorough review of, among other things, the terms and conditions of the Transaction, the key benefits and risks, the Business Combination Agreement, the Fairness Opinions delivered by the PopReach Board's financial advisors Echelon and Stifel, as well as other matters discussed in this Circular, the PopReach Board has unanimously determined that the Transaction is in the best interest of PopReach and has approved the transactions contemplated by the Business Combination Agreement. **Accordingly, the PopReach Board has unanimously approved the Transaction and unanimously recommends that the PopReach Shareholders vote FOR the Transaction Resolution.**

Shareholder Approvals and Voting Support Agreements

The Transaction must be approved by a majority of the votes cast at the Meeting by the PopReach Shareholders present in person or by proxy, voting separately as a single class.

Each of the PopReach Insiders, along with a number of other long-term unrelated PopReach Shareholders who first invested in PopReach prior to PopReach's Qualifying Transaction in July 2020, have entered into Voting Support Agreements with Federated, pursuant to which such PopReach Insiders and other PopReach Shareholders have agreed, subject to the terms and conditions of such Voting Support Agreements, to vote their PopReach Shares in favour of the Transaction, the Business Combination Agreement and each part thereof, including the Transaction Resolution. See "*Information Concerning the Transaction – Shareholder Approvals*".

Related Party Transaction

The Transaction does not constitute a Related Party Transaction for PopReach within the meaning of MI 61-101.

Escrowed Securities

Resulting Issuer Shares issued to or held by Federated Principals will be subject to escrow restrictions pursuant to the terms of the Value Escrow Agreement and will be released from escrow based upon the passage of time in accordance with the Escrow Policy.

Further, pursuant to the Escrow Policy, certain non-principal shareholders of Federated Shares, upon conversion into Resulting Issuer Shares, will be subject to SSRRs.

SSRRs are Exchange-mandated hold periods of various lengths that apply where seed shares are issued to non-Principals by private companies in connection with the Transaction. The terms of the SSRRs are based on the length of time such Federated Shares have been held and the price at which such shares were originally issued. Such Resulting Issuer Shares will be issued with a restrictive legend such that the securities may not be traded until released from the applicable SSRR.

For additional information concerning the escrow restrictions applicable to the securities of PopReach and the Resulting Issuer, see *“Information Concerning the Resulting Issuer – Escrowed Securities”*.

Exchange Approval

Documentation respecting the Transaction has been filed with the Exchange, and the Exchange conditionally accepted the Transaction. Acceptance of the Transaction by the Exchange will be subject to PopReach fulfilling all of the requirements of the Exchange. There can be no assurances that the Exchange will approve the Transaction or the listing of the Resulting Issuer. See *“Risk Factors Associated with the Transaction”*.

Arm’s Length Transaction

The Transaction is an Arm’s Length Transaction.

Board and Management of the Resulting Issuer

The PopReach Board and management are anticipated to change in connection with the Transaction. As of August 16, 2021, each of Chris Schnarr, Ray Sharma and Ron Patterson resigned from the PopReach Board. Following the Closing, the individuals below will hold the following positions with the Resulting Issuer:

Mr. Ben Colabrese – Director
Mr. Jeff Collins – Chief Development Officer
Ms. Natasha De Masi – Director
Mr. Greg Donaldson – Chief Financial Officer
Mr. Kevin Ferrell – Chief Operating Officer
Ms. Amy Hastings – General Counsel, and Corporate Secretary
Mr. Ted Hastings – Executive Chairman, and Director
Mr. Iain Klugman – Director
Mr. Christopher Locke – President, and Director
Mr. Mike Vorhaus – Director
Mr. Jon Walsh – Chief Executive Officer, and Director

See *“Information Concerning the Resulting Issuer – Directors, Officers and Promoters”*.

Interests of Insiders, Promoters or Control Persons

As of the date of this Circular, Insiders of PopReach hold an aggregate of 18,223,741 PopReach Shares, representing 24.81% of the issued and outstanding PopReach Shares.

The following table shows the names of the Insiders of PopReach and the number and percentage of PopReach Shares they currently hold and are expected to hold on completion of the Transaction. None of the Insiders of PopReach will receive additional Resulting Issuer Shares in connection with the Transaction.

Name of Insider	PopReach Shares as at the date of this Circular	% of PopReach Shares as at the date of this Circular	% of Shares of the Resulting Issuer after giving effect to the Transaction⁽⁵⁾
Greg Donaldson <i>Chief Financial Officer</i>	44,568	0.06	0.02

Name of Insider	PopReach Shares as at the date of this Circular	% of PopReach Shares as at the date of this Circular	% of Shares of the Resulting Issuer after giving effect to the Transaction ⁽⁵⁾
Trevor Fencott ⁽¹⁾ <i>Director</i>	4,070,582 ⁽²⁾	5.54	1.74
Christopher Locke <i>President, Chief Operating Officer, Corporate Secretary and Director</i>	9,965,391 ⁽³⁾	13.56	4.25
Mike Vorhaus <i>Interim Chair and Director</i>	4,000	0.01	0.01
Jon Walsh <i>Chief Executive Officer and Director</i>	4,139,200 ⁽⁴⁾	5.63	1.76
TOTAL	18,223,741	24.81	7.77

Notes:

- (1) While Mr. Fencott is a current director and Insider of PopReach, subject to election by the shareholders at the Meeting of the New Slate, Mr. Fencott will cease to be a director and will not be an Insider of the Resulting Issuer.
- (2) Mr. Fencott owns 114,300 PopReach Shares, and controls 3,831,282 PopReach Shares through Millstone Investment Limited Partnership and 125,000 PopReach Shares through Millstone Ventures Inc. In addition, Mr. Fencott also holds a 25% ownership interest in Push Capital Limited, a private corporation that holds an additional 7,179,379 PopReach Shares. Mr. Fencott does not exercise any direct control over Push Capital Limited other than as a 25% shareholder.
- (3) Mr. Locke owns 228,600 PopReach Shares, and controls 9,736,791 PopReach Shares through AD2101 Inc. In addition, Mr. Locke also holds a 25% ownership interest in Push Capital Limited, a private corporation that holds an additional 7,179,379 PopReach Shares. Mr. Locke does not exercise any direct control over Push Capital Limited other than as a 25% shareholder.
- (4) Mr. Walsh owns 62,500 PopReach Shares, and controls 4,076,700 PopReach Shares through Walsh Enterprises Inc. In addition, Mr. Walsh also holds a 25% ownership interest in Push Capital Limited, a private corporation that holds an additional 7,179,379 PopReach Shares. Mr. Walsh does not exercise any direct control over Push Capital Limited other than as a 25% shareholder.
- (5) This is an estimate, based on current assumptions and projections for the amounts of assumed debt and Federated consolidated working capital as at Closing (which, solely for the purposes of these calculations and not as any guidance or projection of the Closing Date, is deemed to be April 1, 2022), both of which result in a purchase price adjustment.

Assuming no conversion of convertible securities, the current Insiders of PopReach will hold approximately 7.77% of the issued and outstanding Resulting Issuer Shares upon completion of the Transaction.

See “*Information Concerning the Resulting Issuer – Escrowed Securities*” and “*Pro Forma Consolidated Capitalization*”.

Estimated Funds Available

The following table sets out information respecting the Resulting Issuer’s expected sources of cash following the completion of the Transaction. The amounts shown in the table are estimated only and are based upon the information available to PopReach and Federated as of January 31, 2022. See “*Information Concerning the Resulting Issuer – Available Funds and Principal Purposes*”.

Estimated Funds Available	PopReach (US\$)	Federated (US\$)	Total (US\$)
Funds as at September 30, 2021	\$11,582,698	\$2,042,182	\$13,624,880
Funds of CIHI as at October 1, 2021		\$977,443	\$977,443
Funds from operations, investing activities, and working capital to closing	\$150,000	\$1,794,000	\$1,944,000
Proceeds from PopReach stock option exercises	\$43,796		\$43,796
Funds from Fiera Facility		\$12,500,000	\$12,500,000
Funds from Federated \$2.5 Million Note		\$2,500,000	\$2,500,000
Principal and interest payments	\$(560,000)	\$(15,735,000)	\$(16,295,000)

Estimated Funds Available	PopReach (US\$)	Federated (US\$)	Total (US\$)
Estimated costs of the Transaction (i.e. Exchange filing fees and expenses, professional (including audit and legal) fees and expenses, etc.)	\$(600,000)	\$(650,000)	\$(1,250,000)
Total			\$14,045,119

Principal Purposes of Funds

The following table sets out information respecting the Resulting Issuer's intended principal uses of funds for the 12 months following the completion of the Transaction. The intended use of funds may vary based upon a number of facts and variances may be material. The amounts shown in the table are estimates only and are based upon the information available to PopReach and Federated as of January 31, 2022:

Use of Funds	Amount (US\$)
Principal and interest payments on PopReach New Facility	\$1,610,000
Principal and interest payments on Federated Borrowings	\$7,008,000
Working capital and general corporate purposes	\$5,427,119
Total	\$14,045,119

Selected Pro Forma Consolidated Financial Information

The following table sets forth certain pro forma financial information for PopReach, Federated and the Resulting Issuer, on a consolidated basis, after giving effect to the Transaction and certain other adjustments and subject to the assumptions described in the notes to the unaudited consolidated pro forma financial statements of the Resulting Issuer which are attached as Schedule R hereto. The unaudited pro forma consolidated balance sheets have been prepared based on the assumption that, among other things, the Transaction occurred on September 30, 2021.

The following financial information of PopReach has been derived from the unaudited financial statements of PopReach as at and for the 3 and 9 month periods ended September 30, 2021, and the audited financial statements of PopReach as at and for the year end December 31, 2021. The financial information of Federated has been derived from the audited financial statements of Federated as at and for the period ended September 30, 2021, and the financial information for CIHI has been derived from the unaudited financial statements of CIHI as at and for the 3 and 9 month periods ended September 30, 2021, and the audited financial statements of CIHI as at and for the year end December 31, 2021. This information should be read in conjunction with the financial statements and reports thereon included in this Circular, all of which are incorporated by referenced into this Circular and available on SEDAR. See "Forward Looking Statements" and "Risk Factors".

Balance Sheet Data	PopReach as at September 30, 2021 (\$) (unaudited)	Federated as at September 30, 2021 (\$) (audited)	CIHI as at September 30, 2021 (\$) (unaudited)	Pro Forma as at September 30, 2021 (\$)
Assets:				
Current Assets	14,130,470	9,637,053	2,711,593	24,306,875
Non-current Assets	13,657,805	56,248,326	75,751	107,324,452
Total Assets	27,788,275	65,885,379	2,787,344	131,631,327
Liabilities:				
Current Liabilities	6,471,296	30,115,293	4,069,141	34,306,783
Non-current Liabilities	6,314,665	7,250,910	2,243,765	12,172,034
Total Liabilities	12,785,961	37,366,203	6,312,906	46,063,386
Shareholder's Equity:				

Balance Sheet Data	PopReach as at September 30, 2021 (\$) (unaudited)	Federated as at September 30, 2021 (\$) (audited)	CIHI as at September 30, 2021 (\$) (unaudited)	Pro Forma as at September 30, 2021 (\$)
Share Capital	24,644,738	28,547,998	2,226,365	88,397,932
Reserves	1,425,636	-	448,693	2,300,718
Accumulated other comprehensive (loss) income	(17,122)	91,842	16,698	91,842
Deficit	(11,050,938)	(120,664)	(6,217,318)	(5,223,960)
Total Equity (Deficit)	15,002,314	28,519,176	(3,525,562)	85,152,510

Market for Securities

The PopReach Shares are currently listed on the Exchange for trading under the symbol “POPR”. The price of the PopReach Shares on August 16, 2021, being the last day on which the PopReach Shares traded prior to the halt of trading of the PopReach Shares pending the announcement of the Transaction was C\$0.63. The PopReach Shares have been halted from trading on the Exchange since August 17, 2021. See “*Information Concerning the Issuer – Stock Exchange Price*” for more information.

Upon completion of the Transaction, the Resulting Issuer Shares will continue to be listed on the Exchange.

Risk Factors

In considering approval of the Transactions, PopReach Shareholders should carefully consider certain risks relating to the Transaction and risks involved in the business of the Resulting Issuer.

PopReach Shareholders should consider a number of risks relating to the Transactions, which include: (i) uncertainty over whether all conditions precedent in the Business Combination Agreement will be satisfied; (ii) the anticipated benefits of the Transaction may not be realized by the Resulting Issuer; (iii) failure to obtain all regulatory requirements for completion of the Transaction; (iv) the Business Combination Agreement may be terminated in certain circumstances; (v) risks concerning acquisitions generally, and (vi) following completion of the Transaction, the Resulting Issuer may issue additional equity securities. PopReach Shareholders of the Resulting Issuer must rely on the ability, expertise, judgment, discretion, integrity and good faith of the management of the Resulting Issuer.

An investment in Resulting Issuer following completion of the Transaction, involves a substantial degree of risk and should be regarded as highly speculative due to the nature of the proposed business of the Resulting Issuer. The risks, uncertainties and other factors, many of which are beyond the control of PopReach or the Resulting Issuer, that could influence actual results include, but are not limited to: (i) risks related to the COVID-19 pandemic; (ii) risks relating to changes in laws and regulations; (iii) the Resulting Issuer’s reliance on key employees; (iv) competitive risks; (v) intellectual property risks; (vi) customer retention risks; (vii) risks relating to the Resulting Issuer’s additional funding requirements, and other factors beyond the control of PopReach or the Resulting Issuer.

See “*Risk Factors*” for a more detailed description of these risk factors and other risks, which should be carefully considered before making an investment decision.

Sponsorship and Agent Relationship

Pursuant to the Sponsorship Policy, sponsorship is generally required in conjunction with a Reverse Takeover. PopReach has received an exemption from the Exchange from the sponsorship requirement. See “*General Matters – Sponsorship*”.

Conflicts of Interest

As of the date of this Circular, to the best of its knowledge, PopReach is not aware of the existence of any conflicts of interest between PopReach, as the case may be and any of the directors or officers of PopReach.

For information concerning the director and officer positions held by the proposed directors and officers of the Resulting Issuer, see “*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*”.

Experts

To the best of PopReach’s knowledge, no direct or indirect interest in PopReach is held or will be received by any experts responsible for opinions or reports referred to in this Circular. No expert is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer. See “*General Matters – Experts*” for more information.

Accompanying Documents

This Circular is accompanied by several Schedules which are incorporated by reference into, form an integral part of, and should be read in conjunction with this Circular. It is recommended that PopReach Shareholders read this Circular and the attached Schedules in their entirety.

GENERAL PROXY INFORMATION

Solicitation of Proxies

The solicitation of proxies is being made by or on behalf of management of the Company. It is expected that the solicitation of proxies will be made primarily by mail, but may be supplemented by telephone or other form of correspondence. The cost of solicitation of proxies will be borne by the Company. The Company will also pay the fees and costs of intermediaries for their services in transmitting proxy-related material in accordance with NI 54-101. This cost is expected to be nominal.

No person is authorized to give any information or to make any representation other than those contained in this Circular and, if given or made, such information or representation should not be relied upon as having been authorized by the Company. The delivery of this Circular shall not, under any circumstances, create any implication that there has not been any change in the information set forth herein since the date hereof.

Non-Registered PopReach Shareholders

Only registered shareholders of the Company, or the persons they appoint as their proxies, are entitled to attend and vote at the Meeting. However, in many cases, PopReach Shares beneficially owned by a person (a “**Non-Registered Shareholder**”) are registered either:

- (1) in the name of a broker, securities dealer, bank, trust company or similar entity (an “**Intermediary**”) with whom the Non-Registered Shareholder deals in respect of the PopReach Shares; or
- (2) in the name of a clearing agency (such as The Canadian Depository for Securities Limited, in Canada, and the Depository Trust Company, in the United States) of which the Intermediary is a participant.

The meeting materials are being sent to both registered and non-registered owners of PopReach Shares. The Company is sending this Circular and the form of proxy (the “**Meeting Materials**”) directly to non-objecting beneficial owners under NI 54-101.

In accordance with the requirements of NI 54-101, the Company is sending the Meeting Materials to the Intermediaries and clearing agencies for onward distribution to objecting beneficial owners. Intermediaries are required to forward the Meeting Materials to objecting beneficial owners unless the objecting beneficial owners have waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to objecting beneficial owners. The Company intends to pay for Intermediaries to forward the Meeting Materials to objecting beneficial owners under NI 54-101. Generally, objecting beneficial owners who have not waived the right to receive Meeting Materials will either:

- (1) be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the objecting beneficial owners and returned to the Intermediary or its service company, will constitute voting instructions which the Intermediary must follow; or
- (2) be given a form of proxy which has already been signed by the Intermediary, which is restricted as to the number of PopReach Shares beneficially owned by the objecting beneficial owners but which is otherwise not completed by the Intermediary. Because the Intermediary has already signed the form of proxy, this form of proxy is not required to be signed by the objecting beneficial owners when submitting the proxy.

The purpose of these procedures is to permit Non-Registered Shareholders to direct the voting of the PopReach Shares they beneficially own. Should a Non-Registered Shareholder who receives either a voting instruction form or a form of proxy wish to attend the Meeting and vote in person (or have another person attend and vote on behalf of the Non-Registered Shareholder), the Non-Registered Shareholder should insert the Non-Registered Shareholder’s (or such other person’s) name in the blank space provided or, in the case of a voting instruction form, follow the directions indicated on the form. **In either case, Non-Registered Shareholders should carefully follow the instructions of**

their Intermediaries and their service companies, including those regarding when and where the voting instruction form or the proxy is to be delivered.

The Company is not relying on the “notice-and-access” provisions set out in NI 54-101 to distribute copies of the proxy-related materials in connection with the Meeting.

All references to shareholders in this Circular and the accompanying proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.

Appointment and Revocation of Proxies – Registered Shareholders

To limit attendance at the Meeting, the Company encourages shareholders to vote by proxy. A form of proxy for use at the Meeting or any adjournment thereof was mailed to shareholders as part of the Meeting Materials.

The persons named in the form of proxy accompanying this Circular are directors and/or officers of the Company. A shareholder of the Company has the right to appoint a person or company (who need not be a shareholder), other than the persons whose names appear in such form of proxy, to attend and act for and on behalf of such shareholder at the Meeting and at any adjournment thereof. Such right may be exercised by either inserting the name of the person or company to be appointed in the blank space provided in the form of proxy, or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to TSX Trust Company in time for use at the Meeting in the manner specified in the Notice of Meeting.

A registered shareholder of the Company who has given a proxy may revoke the proxy at any time prior to use by depositing an instrument in writing, including another completed form of proxy, executed by such registered shareholder or by his or her attorney authorized in writing or by electronic signature or, if the registered shareholder is a corporation, by an officer or attorney thereof properly authorized, with TSX Trust Company at 301-100 Adelaide Street West, Toronto, ON M5H 4H1 not later than 11:00 a.m. (Toronto time) on March 21, 2022 (or at least 48 hours, excluding Saturdays, Sundays and statutory holidays in the Province of Ontario, prior to the time set for the Meeting or any adjournment thereof). Late proxies may be accepted or rejected by the chair of the Meeting (the “Chair”) in his or her discretion, and the Chair is under no obligation to accept or reject any particular late proxy. The deadline for the deposit of proxies may be waived or extended by the Chair at his or her discretion, without notice.

Only registered shareholders have the right to revoke a proxy. Non-Registered Shareholders who wish to change their vote must, in sufficient time in advance of the Meeting, arrange for their Intermediaries to change the vote and if necessary revoke their proxy.

Exercise of Discretion by Proxies

PopReach Shares represented by an appropriate form of proxy will be voted or withheld from voting on any ballot that may be conducted at the Meeting, or at any adjournment thereof, in accordance with the instructions of the shareholder thereon. **In the absence of instructions, such PopReach Shares will be voted for each of the matters referred to in the Notice of Meeting as specified thereon.**

The enclosed form of proxy, when properly completed and signed, confers discretionary authority upon the persons named therein to vote on any amendments to or variations of the matters identified in the Notice of Meeting and on other matters, if any, which may properly be brought before the Meeting or any adjournment thereof. At the date hereof, management of the Company knows of no such amendments or variations or other matters to be brought before the Meeting. However, if any other matters which are not now known to management of the Company should properly be brought before the Meeting, or any adjournment thereof, the PopReach Shares represented by such proxy will be voted on such matters in accordance with the judgment of the person named as proxy therein.

Signing of Proxy

The form of proxy must be signed by the shareholder of the Company or the duly appointed attorney of the shareholder of the Company authorized in writing or, if the shareholder of the Company is a corporation, by a duly authorized officer of such corporation. A form of proxy signed by the person acting as attorney of the shareholder of the Company or in some other representative capacity, including an officer of a corporation which is a shareholder of the Company, should indicate the capacity in which such person is signing and should be accompanied by the appropriate instrument evidencing the qualification and authority to act of such person, unless such instrument has previously been filed with the Company. A shareholder of the Company or his or her attorney may sign the form of proxy or a power of attorney authorizing the creation of a proxy by electronic signature provided that the means of electronic signature permits a reliable determination that the document was created or communicated by or on behalf of such shareholder or by or on behalf of his or her attorney, as the case may be.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Company has been indebted to the Company or any of its Subsidiaries during the financial year ended December 31, 2021, or the current financial year.

INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Except for any interest arising from the ownership of shares of the Company where the shareholder will receive no extra or special benefit or advantage not shared on a *pro rata* basis by all holders of shares in the capital of the Company, or as otherwise disclosed herein, no (i) director or executive officer of the Company at any time since the beginning of the Company's last financial year, (ii) proposed nominee for election as a director of the Company, or (iii) any associate of a person in (i) or (ii) has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise in the matters to be acted upon at the Meeting other than the election of directors or the appointment of auditors, the matters set out under the heading "*Particulars of Matters to be Acted Upon at the Meeting*".

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as set out herein or in their capacity as a PopReach Shareholder and being treated equally to all other PopReach Shareholders, no informed person of the Company, any proposed director of the Company, or any associate or affiliate of any informed person or proposed director has any material interest, direct or indirect, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its Subsidiaries.

VOTING SHARES AND REQUISITE SHAREHOLDER APPROVALS

The authorized capital of PopReach consists of an unlimited number of common shares without par value. As at the time of close of business on the Record Date, there were 73,466,154 fully paid and non-assessable PopReach Shares outstanding. Each PopReach Share carries the right to one vote per PopReach Share. Each holder of outstanding PopReach Shares of record at the time of close of business on the Record Date will be given notice of the Meeting and is entitled to vote at the Meeting the number of PopReach Shares of record held by him, her or it on the Record Date.

In order to be effective, the Transaction Resolution to be submitted to the PopReach Shareholders at the Meeting and the resolution approving the New Equity Incentive Plan must each be approved by the affirmative vote of a simple majority of the votes cast by disinterested PopReach Shareholders thereon. In order to be effective, the election of directors must also be approved by the affirmative vote of a simple majority.

A quorum at the Meeting will consist of at least two PopReach Shareholders present in person or represented by proxy, each entitled to vote thereat.

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of PopReach, only the following persons beneficially own, directly or indirectly, or exercise control or direction over shares carrying more than 10% of the voting rights attached to all outstanding PopReach Shares, which have the right to vote in all circumstances.

Name	Number of Common Shares	Percentage of Common Shares Owned
Christopher Locke	9,965,391	13.56%

Notes:

(1) Mr. Locke owns 228,600 PopReach Shares, and controls 9,736,791 PopReach Shares through AD2101 Inc.

INFORMATION CONCERNING THE ISSUER

Corporate Structure

On September 25, 2018, the Company was incorporated as Mithrandir Capital Corp. under the OBCA. In connection with its Qualifying Transaction (as defined in the policies of the Exchange), the Company filed articles of amendment on June 30, 2020 to change its name from Mithrandir Capital Corp. to PopReach Corporation.

The Company's head and registered office is located at 1 University Avenue, 3rd Floor, Toronto, Ontario M5J 3P1.

General Development of the Business

PopReach Incorporated, a wholly-owned Subsidiary of the Company, was incorporated under the OBCA on May 26, 2015, as 2467910 Ontario Inc. Articles of amendment were filed on July 21, 2015, changing its name to PopReach Incorporated. PopReach Incorporated's original business objective was to develop and publish FTP video games based on original and licensed intellectual property. Its focus was to offer its games for download on a variety of platforms, including the Google Play Store, Apple App Store and Amazon Appstore.

During 2018, PopReach Incorporated changed its business strategy from developing and publishing new FTP games, to focusing on the acquisition and operation of existing FTP games and game franchises. PopReach Incorporated would continue to honor existing contractual obligations, but would no longer seek to develop new games based on original and licensed intellectual property, and would focus on the acquisition, consolidation, operation, publishing and enhancing of acquired games and game franchises.

On June 30, 2020, the Company completed its Qualifying Transaction consisting of the acquisition of all of the issued and outstanding securities in the capital of PopReach Incorporated by way of a three-cornered amalgamation.

On October 2, 2020, PopReach Incorporated entered into a new non-revolving term facility of US\$6,500,000 with The Bank of Nova Scotia in order to refinance its prior bank credit facility and entered into an operating line of credit of US\$1,000,000 with the same lender (collectively, the "New Facility"). The interest rate charged on the non-revolving term facility is equal to its US Base Lending Rate plus 3.50% per annum, and the interest rate charged on the operating line of credit is equal to its US Base Lending Rate plus 2.00% per annum. The New Facility matures 24 months from the closing date. PopReach Incorporated, as borrower, and the Company, as guarantor, have agreed to secure all of PopReach Incorporated's obligations under the New Facility by granting the Bank of Nova Scotia a first-ranking security interest on all of their respective assets.

On October 2, 2020, in conjunction with the closing of the New Facility, the Company retired its prior bank credit facility by paying down the entire outstanding principal balance of US\$6,134,832, plus applicable interest, premium and legal expenses.

On October 5, 2020, the Company commenced trading on the OTCQX® Best Market under the symbol "POPRF".

On November 5, 2020, the Company closed a non-brokered private placement (the “**Private Placement**”) of C\$5,000,000 with New Insight Incentive Plan Company (“**New Insight**”), a 100% owned Subsidiary of eWTP Tech Innovation Fund LP, the global investment arm of Alibaba Group. On November 9, 2020, New Insight acquired ownership and control over 5,798,611 common shares of the Company for C\$0.72 per share. On December 4, 2020, the remaining portion was released from trust and New Insight acquired ownership and control over an additional 1,145,833 common shares for C\$0.72 per share. Thereafter, New Insight held, directly or indirectly, an aggregate of 6,944,444 common shares.

On November 27, 2020, the Company completed a public offering of its common shares, conducted by a syndicate of underwriters led by Beacon Securities Limited on a bought deal basis. A total of 13,800,000 common shares of the Company were issued at a price of C\$1.25 per share for aggregate proceeds of C\$17,250,000, which includes the full exercise of the over-allotment option granted to the underwriters.

On January 8, 2021, the Company filed a preliminary short form base shelf prospectus with the securities commissions in each of the provinces and territories of Canada. On January 15, 2021, the Company filed a final base shelf prospectus, which is valid for a 25-month period and allows the Company to issue common shares, preferred shares, units, debt securities, subscription receipts and warrants, pursuant to terms set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to C\$150,000,000.

On March 18, 2021, the Company acquired substantially all of the assets relating to the “Peak – Brain Training” app (“Peak”) from Brainbow Limited. On March 18, 2021, the Company made a US\$3,000,000 cash payment to Brainbow Limited, with an additional US\$2,000,000 payable on completion of certain post-closing transitional matters, to be completed within two months of closing. In connection with the acquisition, the Company incorporated PopReach UK limited, a wholly-owned Subsidiary of PopReach Incorporated. Peak contributed US\$2,229,835 to revenue and a net loss of US\$219,953 over the period of March 18, 2021 through September 30, 2021.

On April 13, 2021, the Company signed an asset purchase agreement and licensing agreement with New Starbreeze Publishing AB (“**Starbreeze**”) for the re-launch of mobile title PAYDAY Crime War. Under the terms of the asset purchase agreement, Starbreeze received a payment of US\$250,000 in exchange for all rights and title to the existing PAYDAY Crime War source code and game assets. Concurrently, the parties entered into a five year licensing agreement granting the Company the right to publish PAYDAY Crime War worldwide, and access to assets from the PAYDAY 2 PC game for use in PAYDAY Crime War. PopReach will be responsible for completing development, marketing, live operations and user acquisition for PAYDAY Crime War. Starbreeze will receive tiered royalties on PAYDAY Crime War net sales, and retains all IP rights to the PAYDAY franchise.

On November 1, 2021, the Company announced an amendment to the New Facility. The amendment was entered into, in part, to account for the Transaction whereby certain terms of the facility were amended to add back one-time fees and expenses of the Company in connection with the Transaction and the Company’s other acquisition transactions, as well as to account for the Company’s available cash. On February 11, 2022, the Company announced another amendment to the New Facility to extend the maturity of the Facility from the initial two-year term, to a three-year term.

Selected Consolidated Financial Information and Management’s Discussion and Analysis

The following table sets out selected financial information for PopReach as at and for the fiscal year ended December 31, 2020 (audited), and the nine months ended September 30, 2021 (unaudited):

	Fiscal Year Ended December 31, 2020 (audited) (US\$)	For the nine months ended September 30, 2021 (unaudited) (US\$)
Total expenses	\$24,311,509	\$10,568,073
Amounts deferred in connection with the Transaction	Nil	Nil

The Company's MD&A for the financial year ended December 31, 2020 and the interim period of September 30, 2021 are available on SEDAR and are hereby incorporated by reference.

Description of Securities

In connection with the Transaction, Resulting Issuer Shares will be distributed to the Federated Shareholders. Such Resulting Issuer Shares shall have the same attributes and characteristics as the existing PopReach Shares, which, for clarity, do not include any pre-emptive rights, conversion or exchange rights, redemption or retracting rights, or any similar right.

The holders of the PopReach Shares are entitled to receive notice of and to attend and vote at all meetings of the PopReach Shareholders and each PopReach Share confers the right to one vote in person or by proxy at all meetings of the PopReach Shareholders. The holders of the PopReach Shares, subject to the prior rights, if any, of any other class of shares of PopReach are entitled to receive such dividends in any financial year as the PopReach Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of PopReach, whether voluntary or involuntary, the holders of the PopReach Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of PopReach, the remaining property and assets of PopReach.

Stock Option Plan

On October 20, 2020, the Company's shareholders approved the Company's amended and restated stock option plan (the "**Existing Option Plan**"). The Existing Option Plan provides flexibility to the Company to grant equity-based incentive awards in the form of options to attract, retain and motivate qualified directors, officers, employees and consultants of the Company. A summary of the Existing Option Plan, which is qualified in its entirety by reference to the full text of the Existing Option Plan, which is available in the Management Information Circular of the Company dated September 16, 2020 on SEDAR under the heading "*Equity Compensation Plan Information – Key Terms of the Existing Option Plan*".

The Company proposes to replace the Existing Option Plan with a new omnibus equity incentive plan (the "**New Equity Incentive Plan**") to provide for the flexibility to grant equity-based incentive awards in the form of both stock options and restricted stock units. A copy of the New Equity Incentive Plan is attached hereto as Schedule C and is subject to the approval of the Exchange. For a summary of the New Equity Incentive Plan, see "*Particulars of Matters to be Acted Upon at the Meeting – Approval of New Equity Incentive Plan*".

Prior Sales

The following table sets out all the securities of the Company that have been sold within the 12 months before the date hereof, and the number of securities of the class sold at each price.

Date of Issuance	Security	Exercise Price per Security (C\$)	Number of Securities
March 29, 2021	Common Shares	0.80	10,000
April 9, 2021	Common Shares	0.80	10,000
April 15, 2021	Common Shares	0.80	10,000
April 26, 2021	Options	0.85	45,000 ⁽¹⁾
September 1, 2021	Options	0.80	649,200 ⁽²⁾
December 1, 2021	Options	0.80	225,000
December 1, 2021	Common Shares	0.1627	228,600 ⁽³⁾
December 15, 2021	Common Shares	0.1627	114,300 ⁽⁴⁾

Notes:

(1) Issued to Mike Vorhaus pursuant to the Company's compensation framework for independent directors.

- (2) 130,000 options were issued to each of Trevor Fencott and Mike Vorhaus pursuant to the Company's compensation framework for independent directors. 214,200 options were issued to Greg Donaldson, the Chief Financial Officer of the Company.
- (3) Issued upon exercise of stock options by Christopher Locke.
- (4) Issued upon exercise of stock options by Trevor Fencott.

Stock Exchange Price

The PopReach Shares are listed and posted for trading on the Exchange under the symbol "POPR". In connection with the announcement of the Transaction, trading in the PopReach Shares were halted on August 17, 2021 pursuant to the policies of the Exchange. Trading remains halted as of the date of this Circular.

The following table shows the monthly range of high and low prices per PopReach Share and total monthly volumes traded on the Exchange for the periods indicated:

Month	High (C\$)	Low (C\$)	Volume
July ⁽¹⁾ to September 2020	1.05	0.74	8,621,422
October to December 2020	1.71	0.83	11,018,547
January to June 2021	1.55	0.9	4,247,716
July 2021	1.00	0.68	2,837,772
August 2021 ⁽²⁾	0.73	0.60	926,145

Notes:

- (1) Beginning on July 8, 2020.
- (2) Trading halted August 17, 2021.

EXECUTIVE COMPENSATION

Director and Named Executive Officer Compensation, Excluding Compensation Securities

The following table sets forth direct and indirect compensation (excluding compensation securities) paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Company, or a Subsidiary of the Company, to each NEO and each director of the Company, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided and services to be provided, directly or indirectly, to the Company, for each of the two most recently completed financial years.

Table of compensation excluding compensation securities

Name and Position	Year	Salary, consulting fee, retainer or commission (C\$)	Bonus (C\$)	Commit tee or meeting fees (C\$)	Value of perquisites (C\$)	Value of all other compensation (C\$)	Total compensation (C\$)
Greg Donaldson Chief Financial Officer	2021	244,468	Nil	Nil	Nil	Nil	244,468
	2020	232,931	Nil	Nil	Nil	Nil	232,931
Christopher Locke President, Chief Operating Officer, Corporate Secretary and Director	2021	427,039	Nil	Nil	Nil	Nil	427,039
	2020	413,344	Nil	Nil	Nil	Nil	413,344

Table of compensation excluding compensation securities

Name and Position	Year	Salary, consulting fee, retainer or commission (C\$)	Bonus (C\$)	Committee or meeting fees (C\$)	Value of perquisites (C\$)	Value of all other compensation (C\$)	Total compensation (C\$)
Jon Walsh	2021	432,818	Nil	Nil	Nil	Nil	432,818
Chief Executive Officer and Director	2020	413,298	Nil	Nil	Nil	Nil	413,298
Mike Vorhaus	2021	Nil	Nil	24,176	Nil	Nil	24,176
Interim Chairman and Director	2020	Nil	Nil	Nil	Nil	Nil	Nil
Trevor Fencott	2021	Nil	Nil	34,158	Nil	Nil	34,158
Director	2020	Nil	Nil	17,079	Nil	Nil	17,079
Ron Patterson	2021	Nil	Nil	19,706	Nil	Nil	19,706
Director ⁽¹⁾	2020	Nil	Nil	15,765	Nil	Nil	15,765
Chris Schnarr	2021	Nil	Nil	26,275	Nil	Nil	26,275
Director ⁽¹⁾	2020	Nil	Nil	21,020	Nil	Nil	21,020
Ray Sharma	2021	Nil	Nil	19,706	Nil	Nil	19,706
Director ⁽¹⁾	2020	Nil	Nil	15,765	Nil	Nil	15,765

Notes:

(1) Resigned as a director of the Company on August 16, 2021.

Stock Options and Other Compensation Securities

The following table discloses all compensation securities granted or issued to each director and NEO by the Company or one of its Subsidiaries in the most recently completed financial year, for services provided or to be provided, directly or indirectly, to the Company or any of its Subsidiaries.

Compensation Securities

Name and position⁽¹⁾	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (C\$)	Closing price of security or underlying security on date of grant (C\$)	Closing price of security or underlying security at year end (C\$)	Expiry date
Greg Donaldson	Stock Options	214,200 options for 214,200 common shares, 0.29% of class	Sept 1, 2021	0.80	0.63	N/A	Sept 1, 2026

Compensation Securities

Name and position ⁽¹⁾	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (C\$)	Closing price of security or underlying security on date of grant (C\$)	Closing price of security or underlying security at year end (C\$)	Expiry date
Christopher Locke President, Chief Operating Officer, Corporate Secretary and Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Jon Walsh Chief Executive Officer and Director	Stock Options	Nil	N/A	N/A	N/A	N/A	N/A
Mike Vorhaus Interim Chair and Director	Stock Options	45,000 options for 45,000 common shares, 0.06% of class	April 26, 2021	0.85	0.90	N/A	April 26, 2026
	Stock Options	130,000 options for 130,000 common shares, 0.18% of class	Sept 1, 2021	0.80	0.63	N/A	Sept 1, 2026
Trevor Fencott Director	Stock Options	130,000 options for 130,000 common shares, 0.18% of class	Sept 1, 2021	0.80	0.63	N/A	Sept 1, 2026

Exercise of Compensation Securities by Directors and NEOs

No compensation securities were exercised by directors or NEOs during the most recently completed financial year.

For further details on the stock option plan of the Company, please refer to “*Information Concerning the Issuer – Stock Option Plan*”.

Employment, Consulting and Management Agreements

During the most recently completed financial year, the Company was not a party to any agreement or arrangement under which compensation was provided or is payable in respect of services provided to the Company or any of its Subsidiaries that were performed by a director or NEO, or performed by any other party but are services typically provided by a director or a NEO.

Arm's Length Transaction

The Transaction is an Arm's Length Transaction. No person who or which is a Non-Arm's Length Party of PopReach has any direct or indirect beneficial interest in Federated, its shareholders or its assets prior to giving effect to the Transaction and no such persons are also Insiders of Federated. Similarly, there is no known relationship between or among any person who or which is a Non-Arm's Length Party of PopReach and any person who or which is a Non-Arm's Length Party to Federated.

Legal Proceedings

As of the date hereof, the Company is not aware of any legal proceedings material to the Company to which the Company is a party or of which any of PopReach's property is the subject matter.

Auditor, Transfer Agent and Registrar

Auditor

The auditor of the Company is MNP. MNP was first appointed as the auditor of the Company on November 28, 2019. The address of MNP is 3-139 Northfield Drive West, Waterloo, Ontario, Canada, M2L 5A6.

Transfer Agent and Registrar

The Company's transfer agent and registrar for the PopReach Shares is TSX Trust Company located at 301-100 Adelaide Street West, Toronto, Ontario M5H 4H1.

Material Contracts

The following are all the material contracts of the Company that are still in effect, other than contracts entered into in the ordinary course of business:

- Service Agreement dated September 26, 2019, between the Company and TSX Trust Company, pursuant to which the TSX Trust Company is appointed as the Company's transfer agent and registrar.
- CPC Escrow Agreement dated September 26, 2019, between the Company, TSX Trust Company and each undersigned securityholder of the Company, pursuant to which the TSX Trust Company is appointed to act as escrow agent for certain CPC securities (the "**CPC Escrow Agreement**").
- Amended and Restated Stock Option Plan of the Company approved October 20, 2020, pursuant to which the Company may grant options to its directors, officers, consultants, and employees.
- Value Security Escrow Agreement dated June 30, 2020, between the Company, TSX Trust Company and each undersigned securityholder of the Company, pursuant to which the TSX Trust Company is appointed to act as escrow agent for certain value securities (the "**Existing Value Security Escrow Agreement**").
- Commitment Letter dated September 18, 2020, between the Company, PopReach Incorporated and its lender, with respect to a US\$7.5 million senior secured credit facility, as amended October 27, 2021 and February 11, 2022.

- Asset Purchase Agreement dated February 28, 2021, between PopReach Incorporated and Brainbow Limited, pursuant to which the Company acquired assets relating to the “Peak – Brain Training” application.
- The Business Combination Agreement.

Copies of the foregoing documents are available under the Company’s profile on SEDAR.

INFORMATION CONCERNING FEDERATED

Corporate Structure

Name, Address and Incorporation

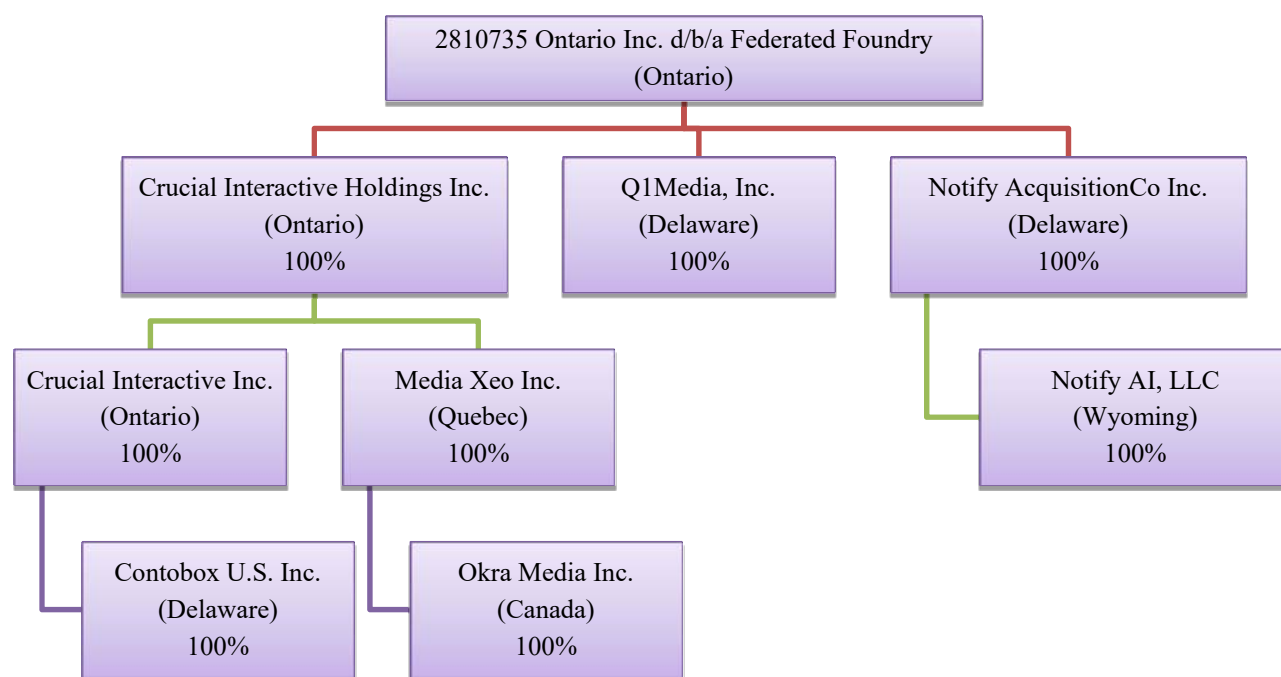
Federated was incorporated under the *Business Corporations Act* (Ontario) on January 25, 2021, under the name “2810735 Ontario Inc.” On July 28, 2021, Federated registered the business name “Federated Foundry” under the *Business Names Act* (Ontario). Federated’s registered office is located at 50 Queen Street North, #1020, Kitchener, Ontario N2H 6M2.

Organizational Structure of Federated

Federated has eight, indirect or direct, wholly-owned subsidiaries, being:

- Q1Media, Inc. (“**Q1Media**”), a corporation incorporated under the laws of the State of Delaware, on December 12, 2012. Q1Media’s registered office is located at 2140 S, DuPont Highway, Camden, Delaware, USA 19934.
- Notify AcquisitionCo Inc., (“**Notify AcqCo**”), a corporation incorporated under the laws of the State of Delaware, on July 20, 2021. Notify AcqCo’s registered office is located at 251 Little Falls Drive, Wilmington, Delaware, USA 19808.
- Notify AI, LLC (“**Notify**”), a limited liability company organized under the laws of the State of Wyoming, on February 23, 2018. Notify’s registered office is located at 1712 Pioneer Avenue, Ste. 115, Cheyenne, Wyoming, USA 82001.
- Crucial Interactive Holdings Inc. (“**CIHI**”), a corporation incorporated under the laws of the Province of Ontario on September 4, 2014. CIHI’s registered office is located at 21 Camden Street, 5th Floor, Toronto, Ontario M5V 1V2.
- Crucial Interactive Inc. (“**CII**”), a corporation incorporated under the laws of the Province of Ontario on June 11, 2007. CII’s registered office is located at 21 Camden Street, 5th Floor, Toronto, Ontario M5V 1V2.
- Media Xeo Inc. (“**Xeo**”), a corporation formed under the laws of the Province of Quebec pursuant to articles of amalgamation dated January 1, 2016. Xeo’s registered office is located at 3575 Boulevard Saint-Laurent, Suite 218, Montreal, Quebec, H2X 2T7.
- Contobox U.S. Inc. (“**Contobox**”), a corporation formed under the laws of the State of Delaware on February 7, 2014. Contobox’s registered office is located at 1209 Orange Street, Wilmington, Delaware 19801.
- Okra Media Inc. (“**Okra**”), a corporation formed under the federal laws of Canada on October 20, 2011. Okra’s registered office is located at 3575 Boulevard Saint-Laurent, Suite 218, Montreal, Quebec, H2X 2T7.

The following chart depicts the corporate structure of Federated:



General Development of the Business

Business Overview

Founded in January 2021, and headquartered in Waterloo, Ontario, Federated is a diversified acquirer and operator of digital technology companies. Federated identifies businesses with the potential of scale and longevity and provides them with the platform, personnel and synergistic assets to accelerate their growth.

Federated was established with the goal of bringing together the synergistic components of advertising technology, marketing technology, e-commerce and content platforms that often sub-optimally reside in siloed companies across the digital technology industry. Three companies were acquired by Federated, two in the third quarter of 2021 and one in the fourth quarter of 2021, to lay the foundation of Federated's access to tools, technology, expertise and business model scales required to further advance its business purpose. The result is a digital advertising technology company serving over 30 billion monthly ad impressions for more than 500 advertisers across more than 1,900 publisher properties and reaching over 650 million monthly unique users.

Federated has two pillars to its current business model:

- (1) Federated supplies leading advertising technology solutions and deep creative expertise for optimized campaign management across all digital media channels for advertisers and the agencies representing them; and
- (2) Federated allows for the enhancement of monetization for digital publishers through its machine learning push notification platform concurrently with the direction of the demand of sourcing advertisers, through its dedicated advertising sales team. This combination allows Federated to provide the supply side of digital publishers with exclusively sourced demand while offering tools and technology to provide the demand side of sourcing advertisers with incremental monetization avenues.

Federated's growth strategy includes both continued organic growth and growth through acquisitions based on three key objectives: diversification, sustainability and scalability.

Market

Global consumers were ushered online as the COVID-19 pandemic restrictions were implemented by various government entities. Enterprises needed to accelerate their digital marketing strategies, and not just the availability of e-commerce options, to reach digital media consumers. A recent KPMG survey of chief executive officers showed that 63% of those surveyed have increased their digital advertising budgets to account for the change in consumer trends.⁴

The average time spent by a consumer with digital media continues to increase at over 8 hours a day.⁵ According to eMarketer, online sales in the United States are expected to reach US\$6.4 trillion in 2024, as compared to US\$4.9 trillion in 2021.⁶

Increases in time spent online by consumers and the surge in dollars spent by companies on online advertising have increased the complexity for enterprises to reach their targeted consumers. As the number of digital channels expands and the expectations of consumers with their digital experiences elevate, single point solutions from disparate vendors are no longer able to satisfactorily service their clients. Federated's consolidated platform provides the targeted reach required to effectively respond to advertisers' growing needs and to optimize monetization paths for digital publishers.

The rapid growth of digital advertising campaigns compounded with massive volume and real-time creation, sophisticated data-integration tools and highly complex computing infrastructures are required in order to provide advertisers with valuable and timely insights to effectively execute transactions on a large scale while enabling data driven decision making capabilities. Advertisers need to be able to target audiences while respecting consumer privacy.

There has been growing awareness around the collection and use of personal data through the internet to improve advertising targeting effectiveness. A proliferation of laws and regulations have been introduced, including GDPR in the European Union and CCPA in the United States. Further, digital advertising is largely dependent on established technology companies and their operation of the most commonly used Internet browsers (Chrome, Firefox, Internet Explorer and Safari), devices and operating systems (Android and iOS), and these companies continue to make changes to the operations or policies of their browsers, devices and operating systems regarding the collection and use of data. For example, Apple introduced new rules around the tracking of data with their rollout of their iOS 14 operating system and browser providers recently enacted changes restricting the use of third-party cookies in their browsers, which may cause instability in the digital advertising market.⁷

While Federated cannot predict the future of the regulatory landscape regarding the protection of personal information or further changes to the operations or policies of Internet browsers and operating system providers on which the advertising industry relies, Federated believes these consumer data protection measures are accelerating and continuing to push the need for more robust digital media platforms that promote transparency and careful 'opt-in' use of consumer data. This is driving an industry shift towards solutions that can help brands utilize their own data while respecting consumer privacy.

Acquisition Strategy

Technological obsolescence has been an ever-present factor in the digital advertising ecosystem. Federated combines acquired technologies with its personnel resources, including a management team that have vast experience in M&A and subsequently scaling operations of technology companies in the digital media industry.

⁴ KPMG: Going digital, faster (January 2021) - <https://assets.kpmg/content/dam/kpmg/au/pdf/2021/going-digital-faster.pdf>

⁵ Statista Research Department: Time spent with digital vs. traditional media in the U.S. 2011-2021 (September 7, 2021) - <https://www.statista.com/statistics/565628/time-spent-digital-traditional-media-usa>

⁶ eMarketer (June 2021) - <https://www.emarketer.com/content/us-ecommerce-forecast-revised-upward-18-growth-expected-2021>

⁷ Bloomberg: Facebook Users Said No to Tracking. Now Advertisers are Panicking (July 14, 2021) - <https://www.bloomberg.com/news/articles/2021-07-14/facebook-fb-advertisers-impacted-by-apple-aapl-privacy-ios-14-changes>

Federated recognizes that technology in the digital media landscape can rapidly become outdated given the accelerated pace of change in the industry. It further recognizes that one of the ways in which to remain at the forefront is to ensure that it has meaningful expertise within the industry to be able to identify trends, rapidly respond with investments in existing technology or identify emerging technology companies to acquire to fill gaps in this constantly changing industry.

Federated follows a formula for completing acquisitions and unlocking the scale potential of acquired businesses, which it calls “TAOS”.

- Target – Identify qualified acquisition targets in adjacent markets with proven revenue scale, positive EBITDA and accretive terms.
- Acquire – Streamlined acquisition process developed over the course of more than 50 deals completed by its management team.
- Optimize – Leverage tech, finance, admin, human resources and other core competencies across its investment and asset portfolio to create margin efficiencies through operational synergies across businesses leveraging data across its portfolio.
- Scale – Apply growth accelerators to expand markets and other revenue opportunities while providing funding for investment requirements.

Acquisition Process

Businesses that Federated acquires are typically owned by founders and management seeking an acquirer with the resources and expertise to help propel the business to the next stage of growth. Acquisitions range in size and structure depending on the financial profile, underlying revenue streams and growth potential of the target company.

Federated strives to provide a high-probability transaction process to vendors through its templated transaction documentation and due diligence process, and attractive deal consideration components that typically includes an amount of cash to the vendors on closing of the transaction.

Acquisition Criteria

Federated typically seeks target companies holding a niche market leadership position that are EBITDA positive and have strong organic growth rates. Additionally, Federated looks for opportunities to enter adjacent or complementary markets to its existing assets or investments as a means of diversifying revenues and adding complementary technology platforms to its portfolio.

Significant Acquisitions and Dispositions

1. Acquisition of Q1Media

a) Summary of Acquisition

Federated completed the Q1Media Acquisition on July 9, 2021, whereby Federated acquired all of the issued and outstanding securities of Q1Media. The consideration payable by Federated to the Q1Media Vendors in connection with the Q1Media Acquisition was comprised of a US\$5,000,000 vendor take-back note and the Q1Media Convertible Debenture, plus an additional US\$1,259,000 in respect of a net working capital adjustment, for an aggregate deemed transaction value of US\$14,259,000.

Federated paid the vendor take-back note on July 12, 2021 using a combination of the proceeds from the Seed Share Financing and the Initial Nye Note. The Q1Media Debenture was converted into 15,873,016 Federated Shares on November 9, 2021, based on a conversion price per Federated Share of US\$0.504. The net working capital adjustment was paid in cash on January 6, 2022 from Q1Media’s net working capital.

All material obligations in connection with the Q1Media Acquisition have been satisfied. No valuation opinion was obtained in connection with the Q1Media Acquisition. The Q1Media Acquisition was an Arm's Length Transaction for Federated. See "*Information Concerning Federated – Narrative Description of the Business – Q1Media*" for additional information regarding Q1Media and its business.

b) *Adjustments under IFRS*

The fair value of consideration for the Q1Media Acquisition as set out in the Federated Financial Statements as determined under IFRS reflects the vendor take-back note at a fair value of US\$4,887,000 to reflect its fair value as future consideration at the time of closing, resulting in a deemed transaction value of \$14,146,000.

2. Acquisition of Notify

a) *Summary of Acquisition*

Federated completed the Notify Acquisition on August 6, 2021, whereby Federated acquired all of the membership interests of Notify from the Notify Vendors through Notify AcqCo, a wholly owned subsidiary of Federated. The consideration payable by Federated to the Notify Vendors in connection with the Notify Acquisition was comprised of US\$5,000,000 in cash, the Notify VTB Note, US\$1,096,000 in contingent consideration, plus an additional US\$1,321,673 in respect of a net working capital adjustment, for an aggregate deemed transaction value of US\$18,017,673.

Federated paid the cash consideration on closing of the Notify Acquisition using the proceeds from the Subsequent Nye Note.

The Notify VTB Note was repaid on December 6, 2021 in full using Notify's working capital and a portion of the proceeds from the Fiera Facility (as defined below). See "*Information Concerning Federated – General Development of the Business – Financing Arrangements*". The contingent consideration, calculated based on 65% of the EBITDA of Notify during the period commencing on August 6, 2021 and continuing until December 6, 2021, was paid in cash in four monthly installments between September 2021 and December 2021 using Notify's working capital. The net working capital adjustment was paid in cash on August 12, 2021 using Notify's working capital.

All material obligations in connection with the Notify Acquisition have been satisfied. No valuation opinion was obtained in connection with the Notify Acquisition.

b) *Adjustments under IFRS*

On January 25, 2021, 99,206,349 Federated Shares were issued to certain Notify Vendors and parties related to the Notify Vendors based on a subscription price of \$0.00001 per Federated Share (the "**Notify Subscription Shares**") all of which were subject to voting trust arrangements entered into by such subscribers. See "*– c) Related Party Transactions*" below. Discussions between Federated and the Notify Vendors regarding the potential acquisition of Notify commenced prior to the issuance of the Notify IFRS Consideration Shares and a non-binding letter of intent in respect of the Notify Acquisition was executed on March 11, 2021. Notwithstanding that neither the subscription by the Notify Vendors and related parties for the Notify Subscription Shares, nor the definitive documents in respect of the Notify Acquisition were conditional upon the other, pursuant to IFRS rules, the issuance of the Notify IFRS Consideration Shares have been deemed to be in contemplation of the Notify Acquisition and, therefore, included in the fair value of consideration for Notify in the Federated Financial Statements. For the purpose of calculating the fair value of consideration, the Notify IFRS Consideration Shares have, pursuant to IFRS rules, been valued at US\$0.252 per Federated Share based on a deemed value of the Federated Shares as at the time of closing of the Notify Acquisition. The total deemed value of the Notify IFRS Consideration Shares is US\$25,000,000.

Further, the value of Notify VTB Note and the contingent consideration as set out in the Federated Financial Statements have been adjusted downwards to US\$10,425,552 and US\$1,011,049, respectively, to reflect the fair value thereof as determined under IFRS rules for valuing future consideration.

Based on the foregoing adjustments the deemed transaction value, as determined under IFRS and as reflected in the Federated Financial Statements, is US\$42,758,274.

c) *Related Party Transaction*

The Notify Acquisition may be deemed a Related Party Transaction for Federated. On the date of the Notify Acquisition, certain of the Notify Vendors may have been deemed to be either Control Persons or Insiders of Federated. As of the date of the Notify Acquisition, each of Michael Fitzgerald, James Mansfield and Paul Mansfield held the corresponding percentage of Notify membership interests and percentage of Federated Shares as set out in the table below.

Notify Vendor	Percentage of Notify Membership Interests	Percentage of Federated Shares
Michael Fitzgerald	63.33% ⁽¹⁾	30.40% ⁽²⁾
James Mansfield	63.33% ⁽¹⁾	30.40% ⁽²⁾
Paul Mansfield ⁽³⁾	31.67%	10.40%

Notes:

- (1) Each of Mr. Fitzgerald and Mr. J. Mansfield indirectly owned 10,000,000 Class A membership units in Notify via their controlling membership interest in SMT.
- (2) Each of Mr. Fitzgerald and Mr. J. Mansfield own 18,365,893 Federated Shares directly and an additional 38,156,288 Federated Shares indirectly via their controlling membership interest in Secure Ventures LLC. Such Federated Shares held directly and indirectly by Mr. Fitzgerald and Mr. J. Mansfield form a part of the Notify Subscription Shares. See “*Information Concerning Federated – General Development of the Business – Financing Arrangements*”.
- (3) Mr. P. Mansfield is the brother of Mr. J. Mansfield.

The Federated Shares held by each such Notify Vendor were, however, at all relevant times, and currently remain, subject to Voting Trust Agreements, and thus do not carry with them voting rights, other than a right of consent specific to the Transaction where the deemed price per PopReach Share in connection therewith is less than US\$0.6552. Such consent was obtained on September 5, 2021, but ultimately may not have been required if the deemed issue price per PopReach Share in connection with the Transaction, being C\$0.80, is greater than US\$0.6552 after conversion from Canadian dollars to United States dollars based on the daily exchange rate on closing of the Transaction. In connection with the Notify Acquisition, each of Mr. Fitzgerald and Mr. J. Mansfield received, through their indirect holdings of membership interests in Notify, an aggregate of US\$3,166,667 in cash and US\$6,713,333 of the Notify VTB Note, and Mr. P. Mansfield received US\$1,583,333 in cash and US\$3,356,667 of the Notify VTB Note.

See “*Information Concerning Federated – Narrative Description of the Business – Notify*” for additional information regarding Notify and its business.

3. *Acquisition of CIHI*

a) *Summary of Acquisition*

Federated completed the CIHI Acquisition on October 1, 2021, whereby Federated acquired all of the securities of CIHI from the CIHI Vendors. The consideration payable by Federated to the CIHI Vendors in connection with the CIHI Acquisition was satisfied by the issuance of the CIHI Convertible Debenture on October 1, 2021. Additionally, in connection with the CIHI Acquisition, certain indebtedness owed to the CIHI Shareholder Lenders under the CIHI Prior Debentures were superseded and replaced by the CIHI Amended and Restated Loan issued by CIHI to the CIHI Shareholder Lenders on October 1, 2021. Federated has agreed to purchase the CIHI Convertible Shareholder Debt owing to the CIHI Shareholders Lenders under the CIHI Amended and Restated Loan pursuant to the terms of the CIHI Debt Assignment immediately prior to the completion of the Transaction in exchange for the issuance to the CIHI Shareholder Lenders of 1,706,347 Federated Shares, based on a deemed price per Federated Share equal to the CIHI Conversion Price. The aggregate deemed transaction value of the CIHI Acquisition was C\$9,000,000.

Federated's obligations pursuant to the CIHI Convertible Debt and CIHI's obligations pursuant to the CIHI Amended and Restated Loan are secured by security interests granted to the CIHI Vendors and the CIHI Shareholder Lenders, as the case may be, in the shares and assets of CIHI and the assets of CIHI's subsidiaries, being CII, Xeo, Contobox and Okra, which security interests are subordinate to the security interests granted to Fiera in connection with the Fiera Facility. Further, the security interest granted to the CIHI Vendors and CIHI Shareholder Lenders over the shares of CIHI ranks in priority over the security interest granted therein to Timothy Nye in connection with the Subsequent Nye Note.

The CIHI Convertible Debt will convert, pursuant to the terms of the CIHI Convertible Debenture and the CIHI Debt Assignment, into an aggregate of 9,126,978 Federated Shares immediately prior to the completion of the Transaction, based on a price per Federated Share equal to the CIHI Conversion Price.

An initial repayment in the amount of C\$725,000 was made pursuant to the CIHI Amended and Restated Loan on October 8, 2021 using CIHI working capital and a portion of the proceeds from the Seed Share Financing, a subsequent repayment of C\$888,301.48 was made on December 6, 2021 using proceeds from the Fiera Facility (See "*Information Concerning Federated – General Development of the Business – Financing Arrangements*"), and repayment of the final balance owing under the CIHI Amended and Restated Loan less the CIHI Convertible Shareholder Debt (being C\$1,636,698.52) is expected to be made from the working capital of CIHI prior to the completion of the Transaction. Following the conversion of the CIHI Convertible Debt and the repayment of the CIHI Amended and Restated Shareholder Loan as contemplated above, all material obligations in connection with the CIHI Acquisition will have been satisfied. No valuation opinion was obtained in connection with the CIHI Acquisition.

b) *Related Party Transaction*

The CIHI Acquisition is a Related Party Transaction for Federated. On October 1, 2021, Jeff Collins was an executive officer of Federated and an executive officer, director and Control Person of CIHI. In connection with the CIHI Acquisition, Mr. Collins received C\$1,246,403.22 of the CIHI Convertible Debenture and C\$1,221,415 of the CIHI Amended and Restated Shareholder Loan (of which C\$337,231 forms part of the CIHI Shareholder Debt).

See "*Information Concerning Federated – Narrative Description of the Business – CIHI*" for additional information regarding CIHI and its business.

Financing Arrangements

On May 26, 2021, Federated issued an unsecured promissory note to a third-party lender in the principal amount of \$1,000,000, bearing interest at 12.00% per annum and with a maturity date of September 1, 2021 (the "**Federated \$1 Million Note**"). In connection with the issuance of the Federated \$1 Million Note, Federated issued 1,488,095 Federated Shares to the lender as a loan bonus. The purpose of the Federated \$1 Million Note was to fund the working capital requirements of Federated. The Federated \$1 Million Note was repaid in full on September 1, 2021 using the proceeds from the Wiemann Note (as defined below). Federated has no further obligation of any kind owing under the Federated \$1 Million Note.

On June 17, 2021, Federated issued a promissory note to Timothy Nye in the principal amount of \$1,500,000 with a maturity date of December 15, 2021 and bearing interest at the rate of 10.00% per annum (the "**Initial Nye Note**"). The proceeds from the Initial Nye Note were used by Federated to fund a portion of the cash consideration payable in connection with the Q1Media Acquisition. The Initial Nye Note was repaid in full on December 15, 2021 using the proceeds from the Federated \$2.5 Million Note (as defined below). Federated has no further obligation of any kind owing under the Initial Nye Note.

Between July 8, 2021 and September 23, 2021, Federated completed the Seed Share Financing raising aggregate gross proceeds of \$3,742,000. The proceeds of the Seed Share Financing were used by Federated to fund a portion of the cash consideration payable in connection with the Q1Media Acquisition and to fund Federated's working capital requirements.

On August 4, 2021, Federated issued an additional promissory note to Mr. Nye in the principal amount of \$5,000,000 with a maturity date of August 4, 2024 and bearing interest at the rate of 8.00% per annum (the “**Subsequent Nye Note**”). A loan fee of \$1,000,000 is also payable by Federated to Mr. Nye under the terms of the Subsequent Nye Note on the maturity thereof. Federated’s obligations under the Subsequent Nye Note are secured by a security interest over all of the assets of Federated, which security interest is subordinate to the security interest granted to Fiera in connection with the Fiera Facility and is also subordinate to the security interest granted to the CIHI Vendors and the CIHI Shareholder Lenders over the shares of CIHI in connection with the CIHI Convertible Debt and the CIHI Amended and Restated Loan. The proceeds from the Subsequent Nye Note were used by Federated to fund the cash consideration payable in connection with the Notify Acquisition. On January 19, 2022, a repayment was made against the Subsequent Nye Note in the amount of \$400,000 using the proceeds from the Federated Hastings Note.

On September 1, 2021, Federated issued an unsecured promissory note to William Wiemann in the principal amount of \$750,000 with a maturity date of January 3, 2022 (the “**Wiemann Note**”). A loan fee of \$75,000 is also payable by Federated to Mr. Wiemann under the terms of the Wiemann Note on the maturity thereof. The proceeds from the Wiemann Note were used by Federated to repay the Federated \$1 Million Note. The Wiemann Note was repaid in full on December 15, 2021 using the proceeds from the Federated \$2.5 Million Note. Federated has no further obligation of any kind owing under the Wiemann Note.

On November 19, 2021, Federated entered into a commitment letter (the “**Fiera Commitment Letter**”) with Fiera in respect of a term loan in the principal amount of \$12,500,000, which matures on the 8-month anniversary of the Disbursement Date (as defined below) and bears interest at the prime rate of interest (as determined by the National Bank of Canada), plus 7.50% per annum (the “**Fiera Facility**”). A commitment fee of \$282,500 is payable by Federated under the terms of the Fiera Facility and was fully satisfied by Federated on the Disbursement Date. Federated’s obligations under the Fiera Facility are secured by a first-ranking security interest over all of the assets of Federated and each of the Federated Subsidiaries. The purpose of the Fiera Facility is to repay the Notify VTB Note, the Q1Media 2020 LOC (as defined below) and a portion of the CIHI Amended and Restated Loan. Proceeds under the Fiera Facility were disbursed on December 6, 2021 (the “**Disbursement Date**”). Among other terms, conditions and covenants customarily for a credit facility of this kind, Fiera’s prior consent is required for Federated to consummate the Transaction.

On December 12, Federated issued an unsecured promissory note to SMT (as defined below), Paul Mansfield and Ohad Sasson in the principal amount of \$2,500,000 with a maturity date of June 12, 2022 and bearing interest at the rate of 10.00% per annum (the “**Federated \$2.5 Million Note**”). The purpose of the Federated \$2.5 Million Note is to repay the Initial Nye Note and the Wiemann Note, and the balance remaining thereunder, to fund the working capital requirements of Federated.

On January 18, 2022, Federated issued an unsecured promissory note to Ted Hastings in the principal amount of C\$500,000 with a maturity date of January 18, 2025 (the “**Federated Hastings Note**”) and bearing interest at the rate of 8.00% per annum. The proceeds from the Federated Hastings Note were used by Federated to repay a portion of the Subsequent Nye Note.

As of the date of this Circular, the only obligations pursuant to the foregoing financial arrangements that remain outstanding are Federated’s obligations under the Fiera Facility, the Federated \$2.5 Million Note, the Subsequent Nye Note and the Federated Hastings Note.

Narrative Description of the Business

Notify

General

Notify has developed a proprietary push messaging platform and related services (the “**Notify Platform**”) that serves (i) publishers, (ii) advertisers, and (iii) other push notification providers, in the following ways:

- Publishers – to collect subscribers, manage and monetize their subscriber databases and manage content delivery to their subscriber audience.
- Advertisers – to reach highly targeted users for better conversions and return on investment.
- Push notification providers – to access advertiser supply from Notify’s direct advertiser and channel partner relationships.

Push notifications are a type of native advertising offering a user-friendly way for any publisher, website or app to re-engage with their users with higher conversion rates and lower acquisition costs than new users.

Messages can be sent directly to a user’s mobile or desktop device anytime and anywhere. A publisher, website or app can only send a push notification if the user has opted in as a subscriber to receive the notifications. Subscribers can also opt out at any time.

Notify generates revenue from consumer activity that occurs in response to the delivery of targeted advertisements to opted-in subscribers via the Notify Platform. Notify offers its service to advertising channel partners, as well as direct advertisers seeking to display their advertisements to relevant audiences. Revenue from channel partners is typically based on a cost-per-click (“**CPC**”) model while direct advertisers are typically based on either a fixed CPC, cost-per-action (“**CPA**”) or cost-per-thousand impressions (“**CPM**”) model that is agreed upon with the advertiser prior to the execution and delivery of the associated advertising campaign. Revenue is generated when the consumer clicks an advertisement to visit the advertiser’s designated website for CPC or CPM campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser’s website for CPA campaigns.

Notify’s cost of goods sold is the traffic costs it pays to publishers and websites and other push service providers using the Notify Platform. For users of Notify’s “Subscription Widget”, there are two types of pricing models: a cost per subscriber model under which Notify pays a fixed fee for each subscriber opting in using the Notify Platform, or a revenue share of the advertising revenue generated from subscribers. For users of Notify’s “Monetization Widget” and “Monetization API”, pricing is based on a revenue share model.

Principal Products or Services

The Notify Platform provides a solution to publishers, websites and other push notification providers in three forms:

- (1) **Subscription Widget:** This form allows publishers and websites to create a database of subscribers in the Notify Platform for monetization and engagement via push notifications.
- (2) **Monetization Extension:** This form gives publishers or websites already using another push notification provider access to Notify’s advertising solutions.
- (3) **Monetization API:** This form allows other push notification providers to access Notify’s advertisements in real time.

Direct advertisers, advertising channel partners and performance agency ads are all delivered through the Notify Platform.

The Notify Platform utilizes artificial intelligence (“AI”) to predict optimal delivery times and content or offers aimed at maximizing customer lifetime value. Notify has developed several proprietary technologies, including the following which are key to delivering a differentiated product offering in the marketplace:

- a proprietary system and method for just-in-time optimal message delivery, which determines which message to display to the user at the time the message is delivered to the user’s device. The decision is informed by both current and historical data about the user including current and historical context, past message interactions and other behaviors. Thousands of possible messages are modeled against the data set in real-time and the message that is predicted to maximize the value of the user interaction is delivered;
- a unique system and method for adaptive trigger sequencing, which sends a series of push messages to the user at intervals determined to be optimal by modeling their current context and historical interactions. The system will adjust message intervals and frequency based on maximizing lifetime interactions with the user and minimizing opt-outs; and
- a unique system and method for identifying fraudulent push notification subscribers that compares a candidate subscriber against a set of known good subscribers across a series of interactions to identify anomalous interaction patterns, context changes and touchpoint intervals.

The Notify Platform is fully developed and in commercial use; however, developments and improvements are, by necessity, ongoing for the continued success of Notify.

Operations

Notify’s products and services are provided online via a SaaS method and through the installation of code on publisher sites. Notify is reliant on the skills and specialization of its employees, who play an integral role in the development and maintenance of its products and services. Notify believes that skilled employees are available in the market and as a tech company, it is not geographically restricted in its hiring practices. As of September 30, 2021, Notify had eight full-time employees in the United States, nine full time employees in Israel, one full-time contractor in the Netherlands and one full-time contractor in Canada.

Notify’s revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of its control, including seasonality and cyclicalities. Seasonality may be affected by customer mix and certain holidays such that retail advertisers may concentrate their advertising spending with Notify in the fourth quarter of each calendar year, while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies that are typically launched in the third or fourth quarters.

Notify’s identifiable intangibles are proprietary and internally developed, which mitigates the risks associated with the expiry or termination of any third party intangible. The client list of Notify is expanding and Notify is not overly dependent on any one major customer. The growth of Notify comes from expanding its sales team, which drives revenue growth.

Market

As internet usage has increased over time, the number of publishers with a significant inventory of impressions has increased. However, the vast majority of publishers lack the scale and capabilities to effectively monetize their inventory.

Management of Notify believes that advertisers that want to conduct digital advertising campaigns face several challenges, including:

- difficulty measuring the results of their campaigns;

- effectively selecting the appropriate digital channel for communicating their message to their target consumer in ever-changing consumer digital media habits and connected devices;
- large amounts of complex data are making it more and more difficult for advertisers to gain valuable and timely insights to effectively manage advertising campaigns. Advertisers need sophisticated data-integration tools and highly complex computing infrastructure, neither of which are typically within their core competencies; and
- the massive volume and real-time creation of data generally preclude effective human review, analysis, optimization and implementation of advertising campaigns. Existing providers of solutions for digital advertising are typically slow to make strategic adjustments in their campaigns and are often unable to take full advantage of the abundance of available data.

These challenges, along with the rapid growth of the online advertising industry, have generated demand for technology-driven solutions:

- Machine learning systems can now be developed in a manner that is cost effective and highly scalable. Such systems can rapidly process large amounts of data and execute transactions on a large scale, enabling decision-making capabilities that generally are not otherwise feasible or economical.
- The continuing increase in online activity across the globe creates enormous amounts of data that can be collected and analyzed to provide valuable insights for business processes.

For publishers, digital advertising opportunities can be short lived, as users move frequently among different websites and applications. To efficiently monetize these perishable digital advertising opportunities, publishers are seeking solutions that expose their inventory to large pools of advertisers who purchase inventory.

See “*Information Concerning Federated – General Development of the Business – Market*” for additional information.

Marketing Plans and Strategies

Notify promotes its products and services through digital advertising campaigns that are targeted at advertisers and publishers to sign up for a demonstration account and sales introduction call. This is accompanied by other collateral materials such as case studies for advertisers and publishers, press releases, and email newsletter updates. Notify prices its products and services consistent with market rates in the industry for similar products and services.

Notify’s direct sales team is centered around growing those two channels of publisher and advertiser account development and is organized into three distinct geographical areas: (i) the Americas, (ii) the Middle East and Asia, and (iii) Europe.

For publisher development, the team has been successful in establishing business collaborations and partnerships with some of the leading content and media companies in the industry by integrating push notification products to their websites for monetization purposes. Notify offers a managed service approach. Each client is assigned a dedicated account manager that develops a launch strategy to ensure the client’s goals are achieved and expanded on as key performance indicators are hit whether they are an advertiser or a publisher.

As part of its growth strategy, Notify focuses on generating new publisher and advertiser leads. To do so, Notify has maintained a consistent presence as a sponsor or attendee at various industry conferences and tradeshows around the world. While exhibiting at tradeshows was paused during the height of the COVID-19 pandemic, Notify has resumed this activity in 2021.

Competitive Conditions

Notify’s current principal competitors include Pushnami, Aimtel (PushPros), and OneSignal. Competition is based on a variety of factors, including price, service, technology features, functionality and product performance. These

competitors primarily derive their revenue by charging a monthly licence fee as opposed to Notify which derives the majority of its revenue from advertising revenue share.

Notify believes that there is a low probability that it will lose business to new competitors entering the market. The Notify Platform is difficult and time consuming to replicate, Notify's relationships with both advertisers and publishers are hard-won and Notify's early leadership position and scale in the market has created an economic moat.

The Notify Platform was developed in-house by a team of engineers with decades of experience building online advertising platforms that leverage terabytes of transactional data to maximize monetization yield. Notify's founders and business development personnel have decades of experience in the advertising technology industry with longstanding commercial relationships and Notify has leveraged those relationships to win trials for key advertisers and publishers and the performance of the Notify platform has turned those trials into long term partnerships.

Notify was one of the first companies to enter the push market with a fully-managed monetization solution. As an early entrant, Notify has developed a superior ability to monetize push subscribers through acquiring high performance advertisers, push creative optimization and algorithmic targeting. New entrants would need time to improve their monetization rates to become competitive.

Notify benefits from network effects in two ways. First, premium performance advertisers prefer to buy from established companies that have sufficient scale. This makes it more difficult for startups to acquire the relationships they need in order to monetize subscribers at competitive rates. Second, as Notify serves push ads it collects data on how subscribers with different characteristics interact with different advertisements. The more data that is collected, the more effective the predictive algorithms become, resulting in increased monetization rates.

Publishers using Notify's products and offerings must complete a technology integration to access the monetization solution, which results in switching costs for them. Once that's completed, a publisher would need to invest in the integration of a competing solution amidst the uncertainty of the performance of that competing solution.

Proprietary Protection

As at the date hereof, Notify has not applied for patent protection on its technology or registered any trademarks but instead may, as necessary, rely on a combination of trade secret, copyright law, nondisclosure agreements, passing off laws and other common law intellectual property protections in the geographical regions in which it conducts its business. In addition, Notify uses contracts, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements, other contractual rights and technical measures to protect its intellectual property. The rights to the Notify Platform, other than certain aspects which have been licensed from third parties, are owned by Notify.

Circumstances outside of Notify's control could pose a threat to its intellectual property rights. Effective intellectual property protection may not be available in the geographical regions in which it conducts its business or in which it may be offered in the future. In addition, the efforts that have been taken to protect Notify's intellectual property rights may not be sufficient or effective. Any impairment of Notify's intellectual property rights could harm its business, its ability to compete and harm its operating results.

Notify believes the technologies it has developed may be novel and patentable. Notify evaluates its intellectual property strategy quarterly and may elect to pursue patent applications, depending on cost, market conditions, resource availability and other factors.

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to Notify's supply chain and operations. The COVID-19 pandemic has impacted and could further impact Notify's operations and the operations of Notify's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The

extent to which the COVID-19 pandemic impacts Notify's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on Notify's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Notify's management team is closely following the progression of COVID-19 and its potential impact on Notify. Even after the COVID-19 pandemic has subsided, Notify may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, Notify cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

Q1Media

General

Q1Media is a digital media services company that focuses on the small and medium business ("SMB") category, with headquarters located at 8240 North Mopac Expressway, Suite 250, Austin, TX 78759.

Q1Media's revenues are derived from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between invoicing and when payment is due is not significant and none of Q1Media's contracts contain a significant financing component. Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Q1Media obligations remain, fees are fixed and determinable, and collection of the related receivable is probable.

Principal Products or Services

Q1Media provides custom digital advertising campaign solutions across all major advertising platforms.

To support its service offerings, Q1Media built out its own customer relationship management ("CRM") and operations console in 2019 and 2020, Q1Media.io, that also has a customer facing element for reporting on campaigns (collectively, the "**Q1Media CRM Platform**"). The Q1Media CRM Platform was built by Q1Media utilizing outsourced development services.

Throughout 2019 and 2020, Q1Media also expanded its product offerings to include a variety of digital media marketing techniques on new and growing social advertising platforms including Tiktok, Pinterest, and SnapChat. Q1Media's products and services are fully developed and in commercial use; however, developments and improvements are, by necessity, ongoing and are undertaken as necessary for the continued success of Q1Media

Operations

All of Q1Media's products and services are provided online via third party advertising platform user interfaces. Each of Q1Media's clients has an account manager overseeing the advertising campaigns being managed for the client. As of September 30, 2021, Q1Media has 48 full-time employees, all located in United States and primarily in Austin, Texas.

Q1Media's revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of Q1Media's control, including seasonality and cyclicity. The fourth quarter ending December 31 historically reflects increased advertising activity during the holiday season. Seasonality may be affected by customer mix, such that retail advertisers may concentrate their advertising spending with Q1Media in the fourth quarter of each calendar year, while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies.

As Q1Media grows through additional investments in sales and account management headcount, there is a lag between the additional compensation costs related to headcount increases and when those resources begin to produce

incremental revenue. This lag can lead to fluctuating overall operating results from quarter-to-quarter. As a result of these factors, one quarter's operating results are not necessarily indicative of a future quarter's operating results.

Q1Media's customer list continues to grow and is not dependent on any one major customer. The growth of Q1Media comes from the expansion of its sales team, which ultimately drives revenue growth. Q1Media utilizes more than a dozen third party advertising platforms, including without limitation, Google, The Trade Desk and LinkedIn, allowing it flexibility between mediums to target the needs of its customers. Q1Media's success in onboarding new customers is primarily based on the efforts of Q1Media's sales staff in account management, lead generation and new business development, especially as it strives to penetrate new markets.

Q1Media is not dependent upon foreign operations and has utilized various debt facilities to support the operation of the business.

Line of Credit

On December 15, 2020, Q1Media entered into a loan and security agreement with a third-party lender in respect of a revolving line of credit (the "**Q1Media 2020 LOC**") of up to US\$3,000,000, for an initial term of 12 months. The Q1Media 2020 LOC bears interest until maturity at a variable annual interest rate equal to 4.25%. Accrued interest is due and payable on a monthly basis during the term of the Q1Media 2020 LOC and at maturity. The Q1Media 2020 LOC is collateralized by substantially all of Q1Media's assets. As at September 30, 2021, the principal amount outstanding was \$1,300,000. Q1Media is subject to financial covenants under the Q1Media 2020 LOC. All borrowing costs were expensed during the period. On December 6, 2021, the Q1Media 2020 LOC was repaid in full using a portion of the proceeds from the Fiera Facility (See "*Information Concerning Federated – General Development of the Business – Financing Arrangements*"). Q1Media has no further obligation of any kind owing under the Q1Media 2020 LOC.

Paycheck Protection Program Loan

On April 16, 2020, Q1Media was approved to receive loan proceeds in the amount of approximately US\$773,400 under the United States Paycheck Protection Program ("**PPP**"). The PPP, established as part of the United States *Coronavirus Aid, Relief and Economic Security Act* ("**CARES Act**"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Q1Media has used the proceeds for purposes consistent with the PPP. On January 22, 2021, subsequent to year end, Q1Media received confirmation from First United Bank that the loan had been forgiven in full. As a result, Q1Media treated the loan as forgiven on December 31, 2020, and the gain on forgiveness on loan is recorded in the statement of income and comprehensive income.

Related Party Promissory Note 1

On February 20, 2018, Q1Media entered into a promissory note agreement with a shareholder of Q1Media for US\$350,000 (the "**Related Party Promissory Note 1**"). The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10%. The promissory note is unsecured. Accrued interest is payable monthly on the last day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon was originally due on December 31, 2019.

On January 1, 2019, Related Party Promissory Note 1 and Related Party Promissory Note 2 (as defined below) were combined into one new note. See "Related Party Promissory Note 3" below.

Related Party Promissory Note 2

On July 27, 2018, Q1Media entered into a promissory note agreement with the same shareholder as the Related Party Note 1 for an additional US\$350,000 (the “**Related Party Promissory Note 2**”). The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10%. The promissory note is unsecured. Accrued interest is payable monthly on the 15th day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon was originally due on August 15, 2021.

On January 1, 2019, Related Party Promissory Note 1 and Related Party Promissory Note 2 were combined into one new note. See “Related Party Promissory Note 3” below.

Related Party Promissory Note 3

On January 1, 2019, Q1Media entered into a promissory note agreement with the holder of Related Party Promissory Note 1 and Related Party Promissory Note 2 to combine the two separate notes into one consolidated note. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10% starting April 1, 2019. The promissory note is unsecured. Accrued interest is payable monthly on the 1st day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due August 31, 2021. As at December 31, 2020, the outstanding principal balance was US\$218,790 (2019 – US\$596,158). The promissory note was settled in full in June 2021.

Q1Media Warrants and Warrant Put Liability

On February 20, 2014, Q1Media issued an aggregate of 425,772 common stock purchase warrants to certain arm’s length third-party lenders (the “**Q1Media Initial Warrants**”), and on April 9, 2015, Q1Media issued an additional 315,972 common stock purchase warrants to the same arm’s length third-party lenders (the “**Q1Media Subsequent Warrants**” and together with the Q1Media Initial Warrants, collectively, the “**Q1Media Warrants**”).

Each Q1Media Initial Warrant was exercisable for one common share of Q1Media at an exercise price of \$1.00 until February 20, 2021 and, further entitled the holders to surrender the Q1Media Initial Warrants to Q1Media in exchange for the aggregate amount of \$500,000, payable in cash, upon the occurrence of certain events, including the acquisition of Q1Media and the expiry of the Q1Media Initial Warrants (the “**Q1Media Initial Put Price**”). The Q1Media Initial Warrants have expired and were not surrendered in exchange for payment of the Q1Media Initial Put Price.

Each Q1Media Subsequent Warrant is exercisable for one common share of Q1Media at an exercise price of \$1.50 until April 9, 2022 and, further entitles the holders to surrender the Q1Media Subsequent Warrants to Q1Media in exchange for the aggregate amount of \$500,000, payable in cash, upon the occurrence of certain events, including the acquisition of Q1Media and the expiry of the Q1Media Subsequent Warrants (the “**Q1Media Subsequent Put Price**” and together with the Q1Media Initial Put Price, collectively, the “**Q1Media Warrant Put Liability**”). The Q1Media Subsequent Warrants were not exercised, nor were they surrendered in exchange for payment, upon Federated’s acquisition of Q1Media on July 9, 2021.

Federated has recognized the Q1Media Warrant Put Liability as an accrued liability in the Federated Financial Statements. See “*Q1Media Interim Financial Statements*” and the “*Q1Media Interim MD&A*”.

Market

Q1Media operates in the United States and focuses on smaller regional and local markets, targeting small and medium sized businesses (SMBs) and other agencies representing those brands. Q1Media estimates that it currently serves approximately 1% of its total addressable market, leaving significant scale potential.

Q1Media’s flexible campaign creation model, as well as its expertise in each major advertising platform across social, native and search channels, is a differentiator from other larger agencies, which typically have more rigid models and focus more heavily on traditional search engine marketing (SEM). This competitive advantage has led to an increasing win rate in bidding for business against competitors.

Seasonality effects the customer mix of Q1Media, as previously disclosed. Depending on the season, Q1 Media's customer mix may vary. For example, retail advertisers may concentrate their marketing efforts during various holiday seasons as that is when the consumers are more inclined to purchase their products.

See "Information Concerning Federated – General Development of the Business – Market" for additional information.

Marketing Plans and Strategies

Q1Media's primary form of marketing is through the hiring of sales representatives with established sales and advertising pedigrees in their respective local markets. These individuals target their network of contacts and leverage their local market knowledge to win new business for Q1Media.

Q1Media spends a nominal amount on external marketing programs, all of which is digital. Q1Media concentrates its efforts on marketing the brand and highlighting some of the key verticals of its services. Q1Media typically allocates a significant portion of its brand advertising budget to the use of Google SEM and LinkedIn, but also has an always-on retargeting campaign that includes display advertising across the broader web.

Q1Media anticipates scaling up its digital marketing efforts in the coming years, and these expanded efforts could include targeted connected television ("CTV") and digital radio that would require additional production costs.

Sales and marketing expenses consist of all costs associated with selling and marketing Q1Media's services. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Q1Media prices its products and services consistent with market rates in the industry for similar products and services.

Competitive Conditions

Q1Media's competitors include similar sized marketing agencies, in-house media planning/buying teams, and local traditional broadcast/media companies. Examples of competitors include Goodway Group and Centro. These companies and Q1Media are not matched up in all designated market areas ("DMA") that Q1Media serves, and in those cases, Q1Media competes with larger broadcast media companies that have a larger headcount in almost every major DMA, such as ClearChannel, Sinclair, Entercom, Gannett and iHeartMedia. New broadcast media companies can also enter the digital advertising industry with relative ease given existing resources.

Q1Media is able to offer a more custom and flexible digital media solution across more advertising platforms at competitive pricing due to lower overhead and headcount than its larger competitors. Q1Media strives to remain on the cutting edge by continuously redefining what brands want and need and finding a way to provide for such needs through new advertising platforms, as well as new capabilities or offerings within existing platforms.

Q1Media is not beholden to a rigid proprietary advertising platform or fixed campaign budgets, so it can quickly and easily shift budgets across media channels via third party platforms to optimize campaign performance. Q1Media's success to date has been a result of its superior monetization capabilities through its advertiser relationships and overall knowledge of the industry and consumer trends.

Proprietary protection

The Q1Media CRM Platform is Q1Media's proprietary in-house CRM and operations platform with an external reporting element for clients. As the Q1 Media CRM Platform is largely an internal management tool that is not intended to be monetized on a standalone basis, Q1 Media has not applied for patent protection on its technology. Q1Media has a Class 9 and Class 35 Trademark pursuant to the laws of Canada for the name "Q1Media".

COVID-19

The COVID-19 pandemic has impacted and could further impact Q1Media's operations and the operations of Q1Media's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts Q1Media's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on Q1Media's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. Q1 Media's management team is closely following the progression of COVID-19 and its potential impact on Q1Media. Even after the COVID-19 pandemic has subsided, Q1Media may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Q1Media cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

CIHI

General

Prior to 2014, the CIHI business was focused on providing digital media solutions (banner and online video advertisement sales) to Canadian publishers and advertising agencies. In 2014, CIHI acquired Okra, a company that CIHI had partnered with to resell their media technology solutions, known as Contobox™ to media agencies in Canada and the United States.

From 2014 through 2017, CIHI invested in developing and launching new programmatic advertising and marketing technology solutions that were included in Contobox's Engagement Management Platform ("EMP"). In 2018, with the launch of the EMP and the speed with which agency's digital media spend was shifting towards programmatic executions and the increase in advertisers who were planning on moving their programmatic ad buying in house, CIHI made the decision to prioritize the sale of its Contobox technology directly to brands and strategic reseller partners and wind down its agency direct sales efforts.

By working directly with brands and reseller partners, CIHI was able to provide its technology solutions on a self-service, subscription or technology fee basis whereby Contobox provides its technology solutions, tailored to the client's needs, and the brand, reseller or agency packages up the Contobox technology with their proprietary data, media planning/buying expertise as part of an overall digital advertising solution.

CIHI's technology solutions enable businesses to personalize their messaging across video, mobile, social, and display advertising campaigns. CIHI's proprietary technology scores interest in products based on shopper engagements and purchase trends; uses predictive artificial intelligence to recommend products to new and existing shoppers; and enhances experiences across multiple channels throughout the customer purchasing journey, all while providing marketers with more accurate insights, full transparency into performance and machine learning solutions.

From 2018 to 2021, CIHI has expanded its product offerings to include performance advertising solutions with a specific focus on ecommerce brands. This expansion has helped CIHI offer a more diverse set of options and shift focus away from budgets designated for seasonal awareness campaigns towards year-round always-on initiatives.

CIHI has utilized various debt facilities to support the operation of its business.

CIHI Prior Debentures

Between April 2018 and February 2021, CIHI issued the CIHI Prior Debentures to the CIHI Shareholder Lenders in the aggregate principal amount of C\$3,556,390 for gross proceeds to CIHI of C\$3,450,00. In connection with the issuance of the CIHI Prior Debentures, CIHI issued an aggregate of 94,957,049 common share purchase warrants to the CIHI Shareholder Lenders (the "**CIHI Warrants**"), of which, as of the date hereof, \$nil remain outstanding. On

December 15, 2020, 4,519,226 of the CIHI Warrants were cancelled for no consideration, and on March 31, 2021, the balance remaining of the CIHI Warrants, being 90,437,823, were exercised by the CIHI Shareholder Lenders for an aggregate exercise price of C\$9,044 in exchange for the issuance of an aggregate of 90,437,823 common shares of CIHI to the CIHI Shareholder Lenders. Such common shares were transferred to Federated in connection with the CIHI Acquisition in exchange for the issuance to such CIHI Shareholder Lenders' of their pro rata portion of the CIHI Convertible Debenture. The CIHI Prior Debentures were subsequently replaced in their entirety by the CIHI Amended and Restated Shareholder Loan. See "*Information Concerning Federated – General Development of the Business – Acquisition of CIHI*" for additional information.

Government Assistance

During the year ended December 31, 2020, the Canadian federal government made certain government support programs available to eligible entities as part of its COVID-19 economic response plan. CIHI applied and received support under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS"). Each applicant's eligibility for these programs is subject to validation and detailed verification by the federal government. During the year ended December 31, 2020, CIHI was approved for the following benefits from government programs directly:

- C\$1,285,421 of wage subsidies in connection with the CEWS program were used for general and administrative expenses.
- C\$32,443 of rent subsidies in connection with the CERS program were used for general and administrative expenses.

Paycheck Protection Program (PPP) Forgiveness

On May 5, 2020, CIHI secured a loan of C\$53,259 pursuant to the PPP as part of the CARES Act. On March 8, 2021, CIHI applied for the loan forgiveness in accordance with the terms of that program, and the loan was fully forgiven on March 19, 2021. The total loan of C\$53,259 was used to reduce salary costs.

Revolving Line of Credit and Demand Loan

On January 13, 2020, CIHI entered into a credit agreement with an asset management firm ("**Firm**"), whereby the Firm may purchase, in their sole discretion eligible accounts receivable of CIHI, on a revolving basis, up to a maximum of C\$3,000,000. Under the terms of the credit agreement, the Firm purchases eligible receivables from CIHI with full recourse for the face amount of such eligible receivables. The Firm retains 20% of the purchase price of the purchased receivables as a reserve amount. CIHI is required to pay the Firm on the last business day of each calendar month (commencing on the last business day of October 2019) prior to the termination date of the credit agreement and on the termination date of the credit agreement, an aggregate fee equal to 2.4% per annum of the unutilized portion of the revolving line of credit. The credit agreement contains standard representations, warranties, indemnities and releases for agreements governing financing arrangements of this type. The credit agreement expired in July 2021, and CIHI provided the Firm with notice of non-renewal thereof. CIHI has repaid all amounts owing, and has no further obligation of any kind, under the credit agreement.

Principal Products or Services

CIHI has developed a proprietary advertising platform, the Contobox EMP, that allows advertisers to create personalized experiences across digital channels throughout the customer journey. CIHI's platforms provide the following functions for clients:

- create ad units with interactive features and dynamic capabilities;
- collect data about their creative, products and audiences;
- score user interest level in products and categories based on time, intent and engagement;

- create unified customer profiles with persistent identities in CIHI’s Customer Data Platform (“CDP”); and
- activate engagement data by turning it into segments for retargeting and personalization.

The Contobox EMP allows advertisers to create dynamic and interactive display, video and CTV ads that are served on desktop, over-the-top media services, and mobile devices. CIHI has developed several proprietary technologies:

- (1) Back-end Framework for the Contobox EMP and Ad Engine: The EMP is a client facing platform built to simplify the processes of submitting request for proposals, providing feedback to mockups and live units, improving communication between different departments, launching advertising campaigns and analyzing performance and collected audiences. The ad engine compiles and serves CIHI’s digital advertising campaigns.
- (2) Front-end Framework for CIHI Ads: CIHI’s JavaScript framework has been built in-house to be lightweight, cross-platform and fast. This ensures the Contobox EMP is in compliance with standards set by industry bodies (such as Interactive Advertising Bureau and Coalition of Better Ads), Demand Side Platforms (a programmatic buying tool that enables advertisers to purchase ad space across multiple Ad Exchanges), Supply Side Platforms (a programmatic sales tool that enables publishers to sell their advertising inventory across multiple ad exchanges), and Ad Exchanges.
- (3) Customer Data Platform: The CDP provides unified data collection across all channels, and provides intent scoring mechanisms based on engagement data that can be customized to a brand’s needs to create custom audience segments.
- (4) Multi-core Ad Engine server: Multiple independent ad engine instances are launched simultaneously across different processor cores of the same server. This gives the platform flexibility and allows for gracefully shutting down overloaded server instances and launching new ones all within the same server, which increases stability and speed.
- (5) Proprietary Extraction, Transformation and Loading Software: CIHI developed proprietary internal software for extracting, transforming and loading data collected across all creatives and third-party websites. It is very scalable and allows the processing and enrichment of data with weather, geographic, device, and contextual data for each engagement efficiently.
- (6) Reporting API and export functionality: All of the reporting data (impressions, clicks, unique engagements, video completions, interactions) can be pulled by third party reporting platforms through API or raw statistical data and can be pushed to a client’s data warehousing solution (such as Tableau or Google’s BigQuery).

CIHI’s product revenue can be separated into two categories, self service revenues and managed service revenues.

Self Service Revenues

In 2018, in order to better align with management’s long term vision of the industry, CIHI made a strategic decision to de-emphasize its managed services business and shift its focus to its self-service advertising business, which demonstrated significant growth on a year-over-year basis from 2018 through 2021. For its self-service clients, CIHI provides them with technology, services and products that allow them to build dynamic, data driven digital advertising units. CIHI made the decision to focus on its self-service advertising business, as management is of the view that clients would prefer to take their media planning in-house, while maintaining control over media buying and data ownership, in order to gain more transparency into where their advertising dollars are spent and where their ads are appearing.

According to a survey prepared by the Interactive Advertising Bureau (“IAB”) Programmatic+Data Center in collaboration with Accenture Interactive in August 2020⁸ this strategic shift was confirmed by the industry as more

⁸ iab. Programmatic + Data Center: IAB International Report on Programmatic In-Housing (August 2020) - https://www.iab.com/wp-content/uploads/2020/07/IAB_2020ProgrammaticInHousing_International_2020-08.pdf.

than two thirds of the brands surveyed globally have moved all or some function of their programmatic ad buying in-house as opposed to the traditional method of relying on third-party partners to manage their programmatic ad campaigns.

Self service revenues were US\$3,388,341 (96% of total revenue) in 2020 and US\$4,477,456 (87% of total revenue) in 2019.⁹

Managed Service Revenues

CIHI also generates revenue through managed advertising services, whereby it executes programmatic campaigns on behalf of agencies and brands, and provides them with ad operations expertise in optimizing campaign delivery and maximizing their return on ad spend. These turnkey services are offered to advertisers who prefer to outsource the advertisement buying process. CIHI expects to continue to offer managed services in situations where it believes that it will generate long term value for the business of CIHI and its customers.

Managed service revenues were US\$152,679 (4% of total revenue) in 2020 and US\$763,273 (33% of total revenue) in 2019.¹⁰ Management expects managed service revenues to continue to decline as a percentage of overall CIHI revenue.

Market

CIHI's products have been commercialized and are being used in Canada and the United States by Fortune 500 brands and reseller partners on behalf of their clients. CIHI developed its products and services with internal research led by senior management, namely, client focus groups and industry research. In addition, CIHI regularly tests its new technologies and services with the assistance of its clients and reseller partners who provide valuable feedback and product direction based on industry changes and specific challenges.

Due to the seasonal nature of CIHI's customers' spending on advertising campaigns, CIHI's revenue, cash flow, operating results and other key performance metrics may vary from quarter to quarter. For example, the first quarter of the calendar year has typically been the slowest in terms of advertising spend. In contrast, customers tend to devote more of their advertising budgets to the fourth calendar quarter to coincide with consumer holiday spending. Political advertising could also cause CIHI's revenue to increase during election cycles and decrease during other periods.

Advertisers are increasingly becoming directly involved in the selection of their advertising software solutions as they seek to reduce costs, better leverage their customer data and gain more control over their advertising. Due to these factors, an increasing number of advertisers are moving their programmatic ad buying functions in-house. A 2019 IAB survey of U.S brands found that 18% of all U.S. brands surveyed have completely moved programmatic ad buying in-house, and 51% of all U.S. brands surveyed have moved a portion of their programmatic ad buying in-house.¹¹

Programmatic buying via real-time-bidding has progressed beyond digital display advertising to include a wide range of advertising channels and formats, including desktop, mobile, CTV, linear television, streaming audio and digital billboards. According to eMarketer, U.S. programmatic advertising is expected to grow at a 21% compound annual growth rate from 2018 to 2022, reaching US\$140 billion by 2022, and is forecasted to represent 48% of total U.S. media spend by 2022.¹²

⁹ 2020 and 2019 revenue figures converted from Canadian Dollars to US Dollars based on average annual exchange rates of US\$0.7454 to C\$1.00 and US\$0.7536 to C\$1.00, respectively.

¹⁰ 2020 and 2019 revenue figures converted from Canadian Dollars to US Dollars based on average annual exchange rates of US\$0.7454 to C\$1.00 and US\$0.7536 to C\$1.00, respectively.

¹¹ iab. Programmatic + Data Center: IAB International Report on Programmatic In-Housing (August 2020) - https://www.iab.com/wp-content/uploads/2020/07/IAB_2020ProgrammaticInHousing_International_2020-08.pdf.

¹² eMarketer, US Programmatic Digital Display Advertising Outlook 2021- <https://on.emarketer.com/rs/867-SLG-901/images/eMarketer%20US%20Programmatic%20Digital%20Display%20Advertising%20Outlook%202021%20Report.pdf>.

Closed off platforms that restrict third party advertising technology companies from operating on their networks such as Facebook and Instagram are often referred to as “walled gardens”. These platforms represent a significant share of global digital advertising spend, but advertisers are becoming increasingly dissatisfied with the lack of transparency, accountability, control over the user-generated content that appears next to their advertising, and the inability to access and use their data outside of those platforms’ ecosystems. A survey from eMarketer found that this dissatisfaction will likely result in decreased advertiser spending in those channels going forward, with a large number of respondents stating this will impact Facebook (63%), YouTube (31%) and Instagram (28%).¹³

See “*Information Concerning Federated – General Development of the Business – Market*” for additional information.

Marketing Plan and Strategies

CIHI’s go-to-market strategy for its product and services is centered around two channels:

- enterprise direct, which requires a partnership directly with a brand. These contracts usually are offered as annual or monthly subscriptions that generate recurring revenues; and
- strategic partners that allow CIHI to leverage partners’ direct retail brand relationships or agency relationships and provide a sales channel to offer CIHI’s products to their clients and generate revenue on a campaign-by-campaign basis.

Both channels are serviced by client leads that assist clients with developing their strategy and identifying key performance indicators, and by servicing resellers by training their sales team, assisting with pitches, and finding campaign insights.

As part of its growth strategy, CIHI focuses on both lead generation and brand building. CIHI produces collateral materials such as case studies, press releases, and email newsletter updates. These materials are used to acquire new clients and to grow relationships with current clients through account-based marketing. CIHI uses several advertiser intelligence platforms to identify leads for potential direct clients or reseller partners, and its sales team uses these leads to solicit prospective clients. CIHI promotes its products through digital advertising campaigns (display, search engine marketing and search engine optimization) that are targeted at advertisers to book a product demonstration.

CIHI focuses on growing its brand and market awareness through trade events and award shows. Although exhibiting at trade shows was paused during the COVID-19 pandemic, CIHI hopes to resume this activity in 2022. CIHI’s marketing spend is broken out into three major components:

- lead generations via email marketing campaigns and online advertising spend,
- content marketing that includes company branded marketing assets, and
- third party marketing software tools such as Salesforce.

Sales and marketing expenses consist of all costs associated with selling and marketing CIHI’s services. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

CIHI prices its products and services competitively with market rates in the industry for similar products and services.

¹³ eMarketer, Inside walled gardens: The long-standing challenge of ad measurement and attribution - <https://www.emarketer.com/content/inside-walled-gardens-long-standing-challenge-of-ad-measurement-attribution>.

Competitive Condition

The advertising and marketing technology ecosystem is a complex space. There are many companies competing in varying verticals that often overlap and collectively are referred to as the advertising technology or marketing technology stack. Areas where CIHI offers solutions and faces competition are the following:

- creative technology and ad serving;
- creative service;
- data enrichment & activation; and
- analytics and measurement.

Some of CIHI's competitors include Celtra (interactive ads and ad creation), Criteo (performance campaigns: retargeting and prospecting), Flashtalking (dynamic ad serving), and MikMak (shoppable ads). Competition is based on a variety of factors, including price, service, technology features and functionality and product performance. Limited information is publicly disseminated regarding these factors, and accordingly, a precise comparison of relative competitive position is not feasible.

Proprietary Protection

On May 8, 2019, Okra, a subsidiary of CIHI, received a Canadian Certificate of Registration for the trademark "CONTOBOX". As at the date hereof, CIHI has not applied for patent protection on its technology but instead may, as necessary, rely on a combination of trade secret, copyright law, nondisclosure agreements, passing off laws and other common law intellectual property protections in the United States and Canada.

In addition, CIHI uses contracts, confidentiality procedures, non-disclosure agreements, employee disclosure and invention assignment agreements, other contractual rights and technical measures to protect its intellectual property. The rights to the Contobox EMP, other than certain aspects of the platform which have been licensed from third parties (estimated to be less than 10%), are owned by CIHI.

Circumstances outside of CIHI's control could pose a threat to its intellectual property rights. Effective intellectual property protection may not be available in the United States, Canada or other countries in which the Contobox EMP is offered in the future. In addition, the efforts that have been taken to protect CIHI's intellectual property rights may not be sufficient or effective. Any impairment of CIHI's intellectual property rights could harm its business, its ability to compete and harm its operating results.

Seasonality of the Business

CIHI's revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of CIHI's control, including seasonality and cyclicalities. The fourth quarter ending December 31, 2020, reflects increased advertising activity during the holiday season.

Seasonality may be affected by customer mix, such that retail advertisers may concentrate their advertising spending with CIHI in the fourth quarter of each calendar year, while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies. CIHI's rapid growth has led to fluctuating overall operating results due to investments in sales and marketing from quarter to quarter and increases in employee headcount. As a result of these factors, one quarter's operating results are not necessarily indicative of a future quarter's operating results.

Lending

Neither Federated, nor any of the Federated Subsidiaries, has been involved in any lending operations.

Bankruptcies, Receiverships and Similar Proceedings

Neither Federated, nor any of the Federated Subsidiaries, has been involved in any bankruptcy, receivership or similar proceedings or any voluntary bankruptcy, receivership or similar proceedings within the three most recently completed financial years, or the current financial year.

Restructuring Transactions

Other than as disclosed herein, neither Federated, nor any of the Federated Subsidiaries, has completed any material restructuring transaction within the three most recently completed financial years, or the current financial year, nor are any such transactions proposed for the current financial year.

Selected Consolidated Financial Information and Management's Discussion and Analysis

The following information should be read in conjunction with the Federated Financial Statements and associated MD&As attached as Schedule P and Schedule Q. The financial results are not necessarily indicative of the results that may be expected for any other period. The Federated Financial Statements are presented in Canadian dollars and are prepared in accordance with IFRS.

Selected Financial Information

The following table sets out selected financial information for Q1Media as at and for the fiscal years ended December 31, 2019 (audited), December 31, 2020 (audited), and the six months ended June 30, 2021 (unaudited):

	Fiscal Year ended December 31, 2019 (audited) (\$)	Fiscal Year ended December 31, 2020 (audited) (\$)	For the six months ended June 30, 2021 (unaudited) (\$)
Total revenues	\$19,804,362	\$20,963,933	\$11,724,324
Media costs	\$10,383,512	\$11,488,390	\$6,217,866
Expenses	\$8,050,468	\$8,421,390	\$7,904,070
Net income (loss) for the period and comprehensive income (loss) for the period	\$1,230,499	\$1,868,881	(\$2,691,642)
Basic income (loss) per share	\$0.09	\$0.14	(\$0.20)
Current assets	\$5,441,382	\$4,410,122	\$5,603,728
Total assets	\$6,026,423	\$5,136,301	\$6,163,777
Current liabilities	\$7,400,033	\$4,749,088	\$5,231,651
Total liabilities	\$7,763,014	\$5,003,521	\$5,416,184
Total shareholders' equity	(\$1,736,591)	\$132,780	\$747,593

The following table sets out selected financial information for Notify as at and for the fiscal years ended December 31, 2019 (audited), December 31, 2020 (audited), and the six months ended June 30, 2021 (unaudited):

	Fiscal Year ended December 31, 2019 (audited) (\$)	Fiscal Year ended December 31, 2020 (audited) (\$)	For the six months ended June 30, 2021 (unaudited) (\$)
Total revenues	\$4,165,593	\$14,038,384	\$11,931,274
Media costs	\$2,606,890	\$9,043,342	\$7,573,091
Expenses	\$1,188,187	\$2,861,696	\$2,268,239
Net income for the period and comprehensive income for the period	\$353,693	\$2,130,393	\$2,089,944
Basic income per unit	\$0.02	\$0.14	\$0.14
Current assets	\$2,306,794	\$3,595,598	\$3,949,115
Total assets	\$2,331,325	\$3,606,112	\$3,952,620
Current and total liabilities	\$1,977,482	\$1,501,876	\$1,983,996
Total partners' capital	\$353,843	\$2,104,236	\$1,968,624

Notes:

(1) Notify did not record any revenue for the fiscal year ended December 31, 2018.

The following table sets out selected financial information for CIHI as at and for the fiscal years ended December 31, 2019 (audited), December 31, 2020 (audited), and the six months ended September 30, 2021 (unaudited):

	Fiscal Year ended December 31, 2019 (audited) (C\$)	Fiscal Year ended December 31, 2020 (audited) (C\$)	For the nine months ended September 30, 2021 (unaudited) (C\$)
Total revenues	\$6,953,924	\$4,750,278	\$4,029,882
Media costs	\$1,020,552	\$474,756	\$196,214
Expenses	\$7,262,299	\$4,805,387	\$4,798,908
Net (loss) for the period and comprehensive (loss) for the period	(\$1,949,599)	(\$345,058)	(\$907,077)
Basic (loss) per share	(\$0.16)	(\$0.03)	(\$0.01)
Current assets	\$3,321,049	\$3,431,998	\$3,454,841
Total assets	\$3,842,861	\$3,742,531	\$3,551,356
Current liabilities	\$5,062,145	\$4,555,431	\$5,184,492
Total liabilities	\$7,515,247	\$7,759,975	\$8,043,273

Total shareholders' equity	(\$3,672,386)	(\$4,017,444)	(\$4,491,917)

The following table sets out selected financial information for Federated as at and for the period from incorporation on January 25, 2021, to September 30, 2021 (audited):

	From incorporation to September 30, 2021 (audited) (\$)
Total revenues	\$10,265,424
Media costs	\$5,624,907
Expenses	\$4,553,305
Net loss for the period	(\$28,822)
Basic loss per share	(\$0.00)
Current assets	\$9,637,053
Total assets	\$65,885,379
Current liabilities	\$30,115,293
Total liabilities	\$37,366,203
Total shareholders' equity	\$28,519,176

Summary of Quarterly Results

The following table summarizes certain financial information of Q1Media for the periods indicated below:

	Total Revenues (\$)	Income from continuing operations (\$)	Net income (loss) (\$)
Three month period ending June 30, 2021	\$6,680,737	\$444,973	\$444,973
Three month period ending December 31, 2020	\$7,505,844	\$1,519,249	\$1,519,249

The following table summarizes certain financial information of Notify for the periods indicated below:

	Total Revenues (\$)	Income from continuing operations (\$)	Net income (loss) (\$)
Three month period ending June 30, 2021	\$6,382,195	\$1,174,178	\$1,174,178
Three month period ending December 31, 2020	\$5,014,783	\$860,422	\$860,422

The following table summarizes certain financial information of CIHI for the periods indicated below:

	Total Revenues (C\$)	Income (loss) from continuing operations (C\$)	Net income (loss) (C\$)
Three month period ending September 30, 2021	\$1,359,970	(\$676,846)	(\$676,846)
Three month period ending December 31, 2020	\$1,791,077	\$853,902	\$853,902

Management's Discussion and Analysis

The management's discussion and analysis in connection with the Federated Financial Statements are attached as Schedule Q and should be read in conjunction with Federated Financial Statements.

Description of the Securities

Federated is authorized to issue an unlimited number of Federated Shares. As at the date of this Circular, there were 201,785,715 Federated Shares issued and outstanding.

Federated Shares

The holders of the Federated Shares are entitled to receive notice of and to attend and vote at all meetings of the Federated Shareholders and each Federated Share confers the right to one vote in person or by proxy at all meetings of the Federated Shareholders. The holders of the Federated Shares, subject to the prior rights, if any, of any other class of shares of Federated are entitled to receive such dividends in any financial year as the Federated Board may by resolution determine. In the event of the liquidation, dissolution or winding-up of Federated, whether voluntary or involuntary, the holders of the Federated Shares are entitled to receive, subject to the prior rights, if any, of the holders of any other class of shares of Federated, the remaining property and assets of Federated. The Federated Shares do not have pre-emptive rights, conversion rights or exchange rights and are not subject to redemption, retraction purchase for cancellation or surrender provisions. There are no sinking or purchase fund provisions, no provisions permitting or restricting the issuance of additional securities or any other material restrictions, and there are no provisions that are capable of requiring a security holder to contribute additional capital.

As of the date of this Circular, Federated Shareholders holding 90.64% of the total issued and outstanding Federated Shares have entered into Voting Trust Agreements, granting the trustee appointed thereunder, being the Chief Executive Officer of Federated, the right to facilitate the exercise of voting rights and rights of consent, approval and waiver of such holders' in respect of such Federated Shares, to the extent of and subject to the conditions as specifically set forth in such Voting Trust Agreements, including, without limitation, in respect of the Transaction. Notwithstanding the foregoing, the Voting Trust Agreements entered into by each Notify Vendor provide for a right of consent in respect of the Transaction where the deemed price per PopReach Share in connection therewith is less than US\$0.6552, which consents were obtained on September 5, 2021. See "*Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of Notify*" for additional information.

CIHI Convertible Debt

On October 1, 2021, in connection with the CIHI Acquisition, Federated issued the CIHI Convertible Debenture to the CIHI Vendors, which CIHI Convertible Debenture automatically converts into Federated Shares, based on the CIHI Conversion Price immediately prior to the consummation of the Transaction, being 7,420,631 Federated Shares, and matures on October 1, 2022, if not earlier converted. Federated also agreed, pursuant to the terms of the CIHI Debt Assignment, to purchase the CIHI Convertible Shareholder Debt from the holders thereof immediately prior to the consummation of the Transaction in exchange for the issuance to such holders of such number of Federated Shares as is equal to the CIHI Convertible Shareholder Debt divided by the CIHI Conversion Price, being an aggregate of

1,706,347 Federated Shares. Federated's obligations pursuant to the CIHI Convertible Debenture and the CIHI Debt Assignment are secured by a security interest over all of the shares and assets of CIHI and the assets of CIHI's subsidiaries, being CII, Xeo, Contobox and Okra. See "Information Concerning Federated – Narrative Description of the Business – CIHI" for additional information.

Consolidated Capitalization

There have been no material changes in the capital of Federated since September 30, 2021, except for (a) the issuance of 15,873,016 Federated Shares pursuant to the conversion of the Q1Media Debentures on November 9, 2021, (b) the issuance of the CIHI Convertible Debenture in the aggregate principal amount of C\$4,675,000 on October 1, 2021, (c) the CIHI Debt Assignment dated October 1, 2021, pursuant to which the CIHI Convertible Shareholder Debt, in the aggregate principal amount of C\$1,075,000, is expected to be assigned to Federated from the CIHI Shareholder Lenders with effect immediately prior to the consummation of the Transaction, and (d) the exchange and conversion of the CIHI Convertible Debenture and CIHI Debt Assignment into 9,126,978 Federated shares immediately prior to the consummation of the Transaction (collectively, the "Changes").

The table below outlines (a) the consolidated capitalization of Federated as at September 30, 2021; and (b) the pro forma consolidated capitalization of Federated as at the date of this Circular, after giving effect to the Changes. The table below should be read in conjunction with the Federated Financial Statements, together with the notes thereto, attached to Schedule P.

Designation	Amount Authorized	Amount Outstanding as of September 30, 2021	Amount Outstanding as of the Date of this Circular
Federated Shares	Unlimited	185,912,699	210,912,693 ⁽¹⁾
Q1Media Convertible Debenture ⁽²⁾	N/A	US\$8,000,000	Nil.

Notes:

- (1) Includes the issuance of 15,873,016 Federated Shares pursuant to the conversion of the Q1Media Debenture on November 9, 2021 and the issuance of 9,126,978 Federated Shares expected to be issued in connection with the conversion of the CIHI Convertible Debt immediately prior to the consummation of the Transaction. See "Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of Q1Media" and "Information Concerning Federated – Description of the Securities – CIHI Convertible Debt".
- (2) See "Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of Q1Media".

Prior Sales

The following table summarizes the issuances of Federated Shares and securities that are convertible or exchangeable into Federated Shares in the 12 months prior to the date of this Circular:

Date of Issue	Number and Type of Securities	Issue or Exercise Price per Security (\$)
January 25, 2021	169,575,398 Federated Shares	US\$0.00001
May 26, 2021	1,488,095 Federated Shares ⁽¹⁾	US\$0.00001
July 8, 2021	12,666,667 Federated Shares ⁽²⁾	US\$0.252
July 9, 2021	396,825 Federated Shares ⁽²⁾	US\$0.252
July 9, 2021	\$8,000,000 Q1Media Convertible Debenture ⁽⁴⁾	US\$0.504
September 23, 2021	1,785,714 Federated Shares ⁽²⁾	US\$0.252

Date of Issue	Number and Type of Securities	Issue or Exercise Price per Security (\$)
October 1, 2021	C\$4,675,000 CIHI Convertible Debenture ⁽³⁾	C\$0.63
October 1, 2021	C\$1,075,000 CIHI Debt Assignment ⁽³⁾	C\$0.63
November 9, 2021	15,873,016 Federated Shares ⁽⁴⁾	US\$0.504
Immediately prior to consummation of the Transaction	9,126,978 Federated Shares ⁽³⁾	C\$0.63

Notes:

- (1) On May 26, 2021, Federated issued the Federated \$1 Million Note, and in connection with the issuance of such promissory note, issued 1,488,095 Federated Shares as a loan bonus in consideration of the risk taken by the lender in connection with such loan. See “**Information Concerning Federated** – General Development of the Business – Financing Arrangements”.
- (2) Issued in connection with the Seed Share Financing.
- (3) See “*Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of CIHI*” and see “*Information Concerning Federated – Description of the Securities – CIHI Convertible Debt*”.
- (4) See “*Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of Q1Media*”. The Q1Media Convertible Debenture was converted into 15,873,016 Federated Shares on November 9, 2021.

Executive Compensation

As of the date of this Circular, Federated has the following NEOs: Ted Hastings, Chief Executive Officer of Federated; Jeff Collins, Chief Financial Officer of Federated, Farrukh Gaffarov, Chief Executive Officer of CIHI, William Wiemann, Chief Executive Officer of Q1Media and Matthew Bentley, Chief Operating Officer of Q1Media. For the purposes of determining the NEOs of Federated, NEO will have the definitions given to it in Form 51-102F6 – *Statement of Executive Compensation*.

Compensation Governance

Federated has not been a reporting issuer during any financial period to date. As of the date hereof, the sole director of Federated determines the compensation of Federated and the Federated Subsidiaries’ CEO and CFO and does so with reference to industry standards and the financial condition of Federated. The sole director of Federated does not plan to form a compensation committee to monitor and review the salary and benefits of the executive officers of Federated and the Federated Subsidiaries at the present time given the current stage of development of Federated and Federated’s limited operating history. The sole director of Federated will carry out these functions until such time as it deems the formation of a compensation committee is warranted.

Compensation, excluding and Compensation Securities

The following table sets forth direct and indirect compensation (excluding compensation securities) paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by Federated or a Federated Subsidiary, to each NEO and each director of Federated, in any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director for services provided, directly or indirectly, to Federated, for the fiscal year of Federated ended September 30, 2021.

Name and Principal Position	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Total Compensation (\$)
Ted Hastings Chief Executive Officer, Federated	C\$60,000	Nil	C\$60,000
Jeff Collins Chief Financial Officer, Federated Chief Financial Officer, CIHI	C\$230,956 ⁽¹⁾	C\$350,000 ⁽²⁾	C\$580,956
Farrukh Gaffarov Chief Executive Officer, CIHI	C\$136,765	C\$250,000 ⁽²⁾	C\$386,765
William Wiemann President and Chief Executive Officer, Q1Media	US\$227,750	US\$154,375 ⁽³⁾	US\$382,125
Matthew Bentley Chief Operating Officer, Q1Media	US\$216,062	US\$154,375 ⁽³⁾	US\$370,437

Notes:

- (1) Includes compensation payable to Mr. Collins by CIHI pursuant to his employment agreement with CIHI (C\$170,956) and by Federated pursuant to his consulting agreement with Federated (C\$60,000). See “*Information Concerning Federated – Employment, Consulting and Management Agreements - Jeff Collins*” for additional information.
- (2) Non-recurring extraordinary bonus awards approved by the board of directors of CIHI and accrued as at September 30, 2021.
- (3) Quarterly bonus program of up to 50% of annual base salary and up to a maximum 12.5% of annual base salary for each quarter, based on both employee and Q1media quarterly performance.

The compensation set out above is based on current conditions in Federated’s industry and on the associated approximate allocation of time for the Named Executive Officers listed above and is subject in future to adjustments based on changing market conditions and corresponding changes to required time commitments.

Other Compensation Securities

For the period from incorporation on January 25, 2021, to September 30, 2021, neither Federated nor any Federated Subsidiaries granted or issued any compensation securities to directors and/or NEOs.

External Management Companies

Other than as disclosed below and under “*Employment, Consulting and Management Agreements*”, Federated has not entered into any agreement with any external management company that employs or retains one or more of the NEOs or directors and, other than as disclosed below, and Federated has not entered into any understanding, arrangement or agreement with any external management company to provide executive management services to Federated, directly or indirectly, in respect of which any compensation was paid by Federated.

Notify is a party to an Independent Contractor Agreement with Social Media Technologies, LLC (“SMT”) dated January 1, 2019, as amended and restated on June 25, 2021, (the “SMT ICA”) in respect of the provision of services by SMT to Notify related to Notify’s business. Pursuant to Statement of Work #01 to the SMT ICA dated August 6, 2021, between Notify and SMT, Notify engaged SMT to make available to Notify certain personnel, namely, James Mansfield and Michael Fitzgerald, to perform such services as are ordinarily associated with the position of Chief Executive Officer and President of Notify, respectively (collectively, the “**Notify Management Services**”). As compensation for the Notify Management Services, Notify makes payment to SMT of US\$139,000 annually, plus ₪ 501,000 (Israel Shekel) annually in respect of the Notify Management Services provided by Mr. J. Mansfield, and US\$319,000 annually in respect of the Notify Management Services provided by Mr. Fitzgerald.

Employment, Consulting and Management Agreements

As of the date hereof, other than as described below, Federated does not have any contract, agreement, plan or arrangement that provides for payments to the NEOs at, following, or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of Federated or a change in a director or NEO's responsibilities.

Ted Hastings

Federated entered into a consulting agreement dated April 1, 2021, with Upper Deck Capital Corp. (a corporation controlled by Ted Hastings) ("**Upper Deck Capital**"), a corporation incorporated under the *Business Corporations Act* (Ontario), to provide such services to Federated as are ordinarily associated with the position of Chief Executive Officer, and whereby Federated will pay to Upper Deck Capital a monthly fee of C\$10,000, plus applicable taxes, for such services.

Each of Federated or Mr. Hastings may terminate such consulting agreement at any time at any time upon providing 90 days' written notice of such termination to the other party, or immediately if the other party is in breach of any material provision of the agreement. Upon any such termination Upper Deck Capital will be entitled only to accrued and unpaid consulting fees up to the termination date.

Jeff Collins

CIHI entered into an employment agreement dated April 1, 2017, with Jeff Collins. Pursuant to this employment agreement, Mr. Collins is employed as Chief Financial Officer and Chief Operating Officer of CIHI.

Mr. Collins may terminate his employment agreement upon providing CIHI with four weeks' written notice and upon such termination will be entitled to accrued and unpaid salary up to the termination date. CIHI may terminate Mr. Collins' employment without cause upon providing him with payment of an amount equal to six months of his then current salary, plus one month per every completed year of service commencing on his start date, up to a maximum, in the aggregate, of 12 months of his then current salary. In addition, Mr. Collins shall be entitled to the pro-rated portion of any earned but unpaid bonus amounts up to the termination date under any bonus plan. Mr. Collins' employment agreement provides that the payment to him of any amounts (other than under applicable employment laws) for termination without cause is conditional upon his execution of a final and full release in favour of CIHI and its affiliates. CIHI may terminate Mr. Collins' employment for cause without providing any notice, provided that Mr. Collins is paid his accrued and unpaid salary up to the termination date.

Federated entered into a consulting agreement dated April 1, 2021, with Mr. Collins, to provide Federated with general financial, tax and accounting related services, and whereby Federated will pay to Mr. Collins a monthly fee of C\$10,000, plus applicable taxes, for such services. Upon mutual agreement of Federated and Mr. Collins, this consulting agreement was terminated as of October 1, 2021, such that the only employment and/or consulting agreement currently in place between Mr. Collins, Federated and/or the Federated Subsidiaries is the above-noted employment agreement with CIHI.

Farrukh Gaffarov

Okra, a subsidiary of CIHI, entered into an employment agreement dated January 15, 2014, with Farrukh Gaffarov. Pursuant to this employment agreement, Mr. Gaffarov was originally employed as Vice President of Okra and later as Chief Executive Officer of Okra. He also was appointed to serve as the Chief Executive Officer of CIHI in June 2021.

Mr. Gaffarov may terminate his employment agreement upon providing Okra with sixty days' written notice and upon such termination will be entitled to accrued and unpaid salary up to the termination date. Okra may terminate Mr. Gaffarov's employment without cause upon providing him with payment of an amount equal to three months of his then current salary, plus one month per every completed year of service commencing on his start date, up to a maximum, in the aggregate, of six months of his then current salary. Mr. Gaffarov's employment agreement provides

that the payment to him of any amounts (other than under applicable employment laws) for termination without cause is conditional upon his execution of a final and full release in favour of Okra and its affiliates. Okra may terminate Mr. Gaffarov's employment for cause without providing any notice, provided that Mr. Gaffarov is paid his accrued and unpaid salary up to the termination date.

Mr. Gaffarov and Okra entered into a Non-Competition, Non-Solicitation and Confidentiality Agreement on January 15, 2014, containing non-competition and non-solicitation covenants in favour of Okra.

William Wiemann

Q1Media entered into an employment agreement dated July 9, 2021, with William Wiemann. Pursuant to this employment agreement, Mr. Wiemann is employed as President and Chief Executive Officer of Q1Media. Mr. Wiemann's employment is at-will and, as such, either Mr. Wiemann or Q1Media may terminate their employment relationship at any time for any reason or no reason. In connection with any such termination, Mr. Wiemann will be entitled to his accrued and unpaid salary up to the date of such termination.

Mr. Wiemann, Q1Media and Federated entered into a severance agreement dated July 9, 2021. Pursuant to the terms of such severance agreement, in the event Q1Media terminates Mr. Wiemann's employment without cause, Mr. Wiemann will be entitled to payment of an amount equal to 12 months of his annual base salary then in effect, plus continuation of health insurance coverage under the *Consolidated Omnibus Budget Reconciliation Act* ("COBRA") for a period of 12 months following the termination of his employment (or a cash payment in lieu thereof). The severance agreement provides that the foregoing entitlements are conditional upon Mr. Wiemann's execution of a final and full release in favour of Q1Media, Federated and each of their affiliates.

Mr. Wiemann, Q1Media and Federated entered into a Proprietary Information and Invention Assignment Agreement on July 9, 2021, containing non-competition and non-solicitation covenants in favour of Q1Media, Federated and each of their affiliates.

Matthew Bentley

Q1Media entered into an employment agreement dated July 9, 2021, with Matthew Bentley. Pursuant to this employment agreement, Mr. Bentley is employed as Chief Operating Officer of Q1Media. Mr. Bentley's employment is at-will and, as such, either Mr. Bentley or Q1Media may terminate their employment relationship at any time for any reason or no reason. In connection with any such termination, Mr. Bentley will be entitled to his accrued and unpaid salary up to the date of such termination.

Mr. Bentley, Q1Media and Federated entered into a severance agreement dated July 9, 2021. Pursuant to the terms of such severance agreement, in the event Q1Media terminates Mr. Bentley's employment without cause, Mr. Bentley will be entitled to payment of an amount equal to 12 months of his annual base salary then in effect, plus continuation of health insurance coverage under the COBRA for a period of 12 months following the termination of his employment (or a cash payment in lieu thereof). The severance agreement provides that the foregoing entitlements are conditional upon Mr. Bentley's execution of a final and full release in favour of Q1Media, Federated and each of their affiliates.

Mr. Bentley, Q1Media and Federated entered into a Proprietary Information and Invention Assignment Agreement on July 9, 2021, containing non-competition and non-solicitation covenants in favour of Q1Media, Federated and each of their affiliates.

Each NEO is subject to confidentiality obligations and obligations regarding the assignment of inventions to and in favour of Federated and the Federated Subsidiaries.

Pension Plan Benefits

As of the date hereof, other than described below, Federated does not currently have and does not anticipate having any deferred compensation plan or pension plan that provides for payments or benefits at, following or in connection with retirement.

Q1Media currently maintains a 401(k) retirement savings plan for its employees who satisfy certain eligibility requirements. The Code allows eligible employees to defer a portion of their compensation, within prescribed limits, on a pre-tax basis through contributions to the 401(k) plan. Currently, Q1Media does not match contributions made by participants in the 401(k) plan.

Director Compensation

Federated has not paid any compensation to its director, for his service as a director of Federated, since its incorporation.

Non-Arm's Length Party Transaction

Other than as described below, none of the directors, officers or shareholders of Federated have had a material interest, direct or indirect, in any transactions in which Federated has participated since incorporation.

Jeff Collins was an executive officer of Federated and an executive officer, director and Control Person of CIHI at the time of the CIHI Acquisition. See ***“Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of CIHI”***.

Each of Michael Fitzgerald, James Mansfield and Paul Mansfield may be deemed to have been Control Persons or Insiders of Federated and either executive officers and/or Control Persons of Notify, in each case, at the time of the Notify Acquisition. See ***“Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of Notify”***.

On September 1, 2021, Federated issued the Wiemann Note to William Wiemann and at the time of issuance, Mr. Wiemann was the Chief Executive Officer of Q1Media. See ***“Information Concerning Federated – General Development of the Business – Financing Arrangements”***.

SMT and Notify are each a party to the SMT ICA in respect of the provision of certain Notify Management Services by SMT to Notify. Each of Mr. Fitzgerald and Mr. J. Mansfield are Control Persons of SMT and at the time the SMT ICA was entered into were executive officers and directors of Notify. See ***“Information Concerning Federated – External Management Companies”*** for additional information. Mr. Fitzgerald and Mr. J. Mansfield are collectively anticipated to hold 57,185,310 Resulting Issuer Shares after the completion of the Transaction. See ***“Information Concerning the Resulting Issuer – Principal Securityholders”***.

Further to the above, on December 12, 2021, Federated issued the Federated \$2.5 Million Note to, among others, SMT. SMT is entitled to receive a portion of the principal amount owing thereunder which is equal 63.33% of the total principal amount, being \$1,583,333.30. Each of Mr. Fitzgerald and Mr. J. Mansfield are Control Persons of SMT and at the time of issuance of the Federated \$2.5 Million Note, Mr. Fitzgerald and Mr. J. Mansfield each owned 18,365,893 Federated Shares directly and an additional 38,156,288 Federated Shares indirectly via their controlling membership interest in Secure Ventures LLC, representing 28.01% of the total issued and outstanding Federated Shares held by each of them. All of such Federated Shares held by Mr. Fitzgerald and Mr. J. Mansfield were at such time, and remain currently, subject to a Voting Trust Agreement and thus do not carry with them voting rights, other than the right to, in certain circumstances, consent to the Transaction, which consent has been obtained. See ***“Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of Notify”*** and ***“Information Concerning Federated – General Development of the Business – Financing Arrangements”***.

On June 17, 2021, Federated issued the Initial Nye Note to Timothy Nye and on August 4, 2021, Federated issued the Subsequent Nye Note to Mr. Nye. See ***“Information Concerning Federated – General Development of the Business – Financing Arrangements”***. At the time of issuance of the Initial Nye Note and the Subsequent Nye Note, Mr. Nye held 10.43% and 9.60%, respectively, of the then issued and outstanding Federated Shares, all of which Federated Shares were at such time, and remain currently, subject to a Voting Trust Agreement and thus do not carry with them voting rights.

On January 19, 2022, Federated issued the Federated Hastings Note to Ted Hastings. See “**Information Concerning Federated – General Development of the Business – Financing Arrangements**”. At the time of issuance of the Federated Hastings Note, Mr. Hastings was an executive officer and director of Federated.

The proposed Transaction is an Arm’s Length Transaction. Federated is at arm’s length with the Company. No director, officer or other Insider of the Company beneficially owns, or controls or directs, directly or indirectly, any Federated Shares.

At this time, other than as disclosed above, to the knowledge of the prospective directors and executive officers of the Resulting Issuer, upon completion of the Transaction, no person or company beneficially will own, or control or direct, directly or indirectly, common shares of the Resulting Issuer carrying in excess of 10% of the voting rights attached to all outstanding common shares of the Resulting Issuer (on an undiluted basis).

Legal Proceedings

To Federated’s knowledge, there are no legal proceedings or regulatory actions material to Federated to which it is a party, or has been a party to, or of which any of its property is the subject matter of, or was the subject matter of, and no such proceedings or actions are known by Federated to be contemplated.

As of the date of this Circular, there have been no penalties or sanctions imposed against Federated by a court or regulatory authority, and Federated has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, since its incorporation.

Material Contracts

Except for contracts entered into in the ordinary course of business, the only material contracts Federated or any of the Federated Subsidiaries has entered into prior to or since the date of incorporation of Federated and which still remain in effect and material to Federated are the agreements listed below.

- Voting Trust Agreements.
- CIHI Convertible Debenture. See “**Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of CIHI**”.
- CIHI Amended and Restated Shareholder Loan. See “**Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of CIHI**”.
- CIHI Debt Assignment. See “**Information Concerning Federated – General Development of the Business – Significant Acquisitions and Dispositions – Acquisition of CIHI**”.
- Subsequent Nye Note. See “**Information Concerning Federated – General Development of the Business – Financing Arrangements**” and **Non-Arm’s Length Party Transaction**”.
- Fiera Commitment Letter. See “**Information Concerning Federated – General Development of the Business – Financing Arrangements**”.
- Federated \$2.5 Million Note. See “**Information Concerning Federated – General Development of the Business – Financing Arrangements**” and “**Information Concerning Federated – Non-Arm’s Length Party Transaction**”.

INFORMATION CONCERNING THE RESULTING ISSUER

The following information is presented on a post-Transaction basis and is reflective of the projected business, financial and share capital position of the Resulting Issuer, after giving effect to the Transaction. As the Resulting Issuer will be the same corporate entity as PopReach, this section only includes information respecting the Resulting Issuer after the Transaction that is materially different from information provided earlier in this Circular under

“Information Concerning the Issuer” and “**Information Concerning Federated**”, and should be read in conjunction with the information concerning the Transaction appearing elsewhere in this Circular.

Corporate Structure

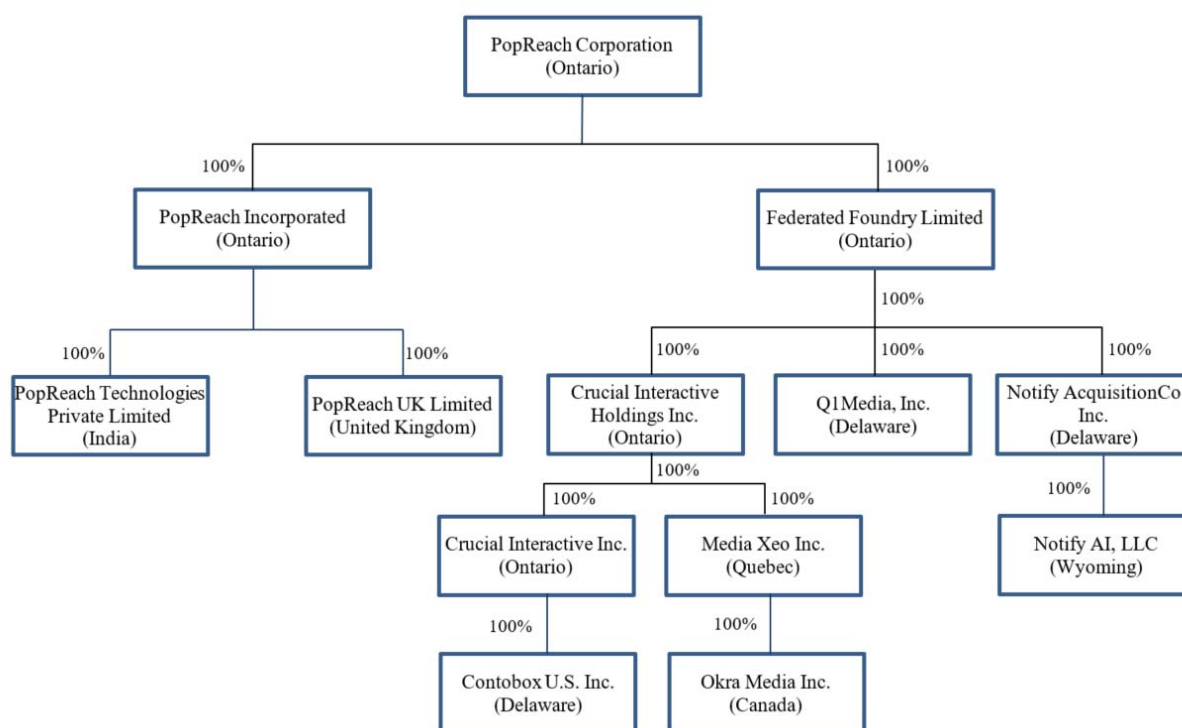
Name and Incorporation

The Resulting Issuer will remain named PopReach Corporation. The Resulting Issuer will continue to be a corporation governed by the provisions of the OBCA. It is expected that the head and registered office of the Resulting Issuer will be located at 1 University Avenue, 3rd Floor, Toronto, Ontario M5J 3P1.

As part of the Transaction, Subco will amalgamate with Federated pursuant to the provisions of the OBCA and Amalco will become a wholly-owned subsidiary of the Resulting Issuer.

Intercorporate Relationships

The following organizational chart reflects the proposed structure of the Resulting Issuer after completion of the Transaction:



Narrative Description of the Business

The Resulting Issuer will be a diversified technology company focused on acquiring, optimizing and growing companies and assets that provide services, technology, and products within the digital media ecosystem. The Resulting Issuer will be headquartered in Toronto, with offices in Vancouver, Montreal, Bangalore, India, Austin, United States, and Tel Aviv, Israel, and is expected to employ approximately 280 people worldwide.

The Resulting Issuer will be comprised of PopReach Incorporated (“**PopReach Games**”), Q1Media, Notify and CIHI, focusing on: (i) digital media services, (ii) advertising and marketing technology and (iii) content generating services.

The Resulting Issuer expects to acquire cash flow positive companies and assets in order to own more pieces of the digital media value chain, resulting in a fully unified digital media enterprise.

The Resulting Issuer will have a uniquely qualified team led by highly experienced digital media industry executives that have developed a repeatable and scalable approach to maximizing the Resulting Issuer's potential for success. Management believes the industry conditions are right to execute the Resulting Issuer's strategy to acquire and optimize financially and strategically accretive companies and assets, and deliver compelling returns for its shareholders.

Business Model

The Resulting Issuer will generate revenue from two primary sources: end consumers and advertisers.

End Consumers

End consumers are players of PopReach Games' content that primarily generate revenue from in-app purchases (IAPs). IAPs are payments from players in exchange for items or services in the game, including virtual goods like currency, items or energy, and monthly subscription fees.

PopReach Games will also place advertisements within its games from third party advertisers or advertising networks, who then pay for these advertising placements. The majority of advertising revenue is generated by rewarded video advertisements, which are video ads that players watch in exchange for some amount of virtual currency. Some games also include other forms of advertising such as non-rewarded interstitial ads, banner ads which are clickable static image ads that are placed within the game screen, and offer walls.

Advertisers

The digital media services and advertising and marketing technology business of the Resulting Issuer will be carried on through the subsidiaries Q1Media, Notify, and CIHI, and will generate revenue from direct advertisers, channel partner advertisers and other digital media agencies representing brand advertisers in the form of digital media service fees, advertising placement fees, and platform technology fees.

Digital media services revenues are primarily generated by Q1Media and CIHI. Brand advertisers and other digital media agencies representing brand advertisers engage Q1Media and CIHI to create, execute and manage digital media advertising campaigns across various channels including, but not limited to, search, social media, display, native, CTV and e-commerce applications. Service fees are typically charged in the form of executed insertion orders for items such as retainer fees and campaign management fees, which would factor in the cost of media purchased by Q1Media and CIHI on behalf of the client.

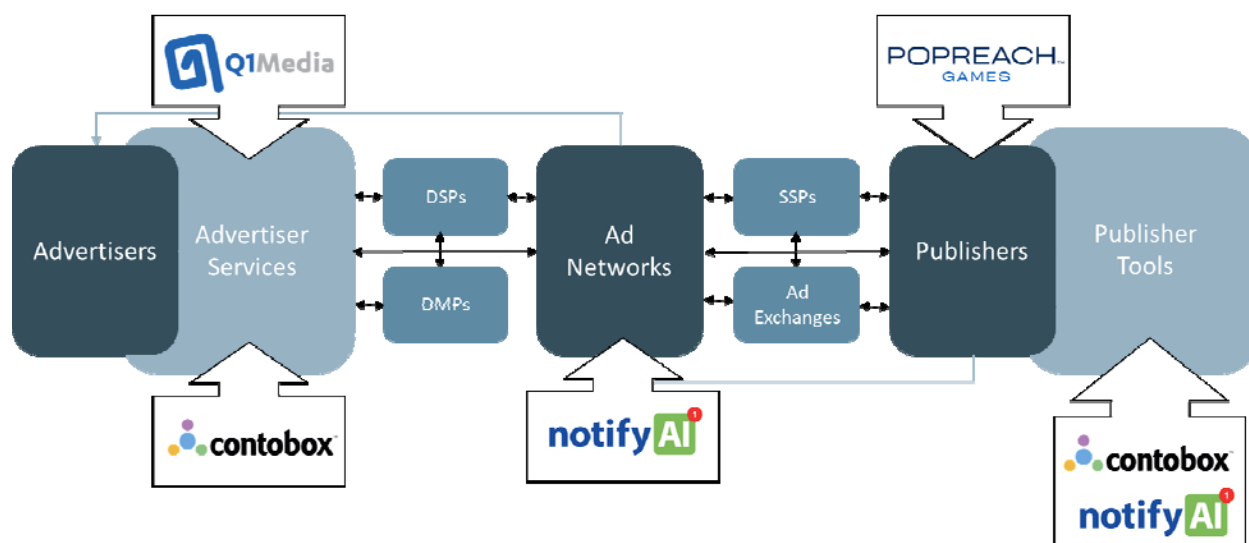
Advertising revenue is primarily generated by Notify from its direct advertiser relationships and large channel partners through the delivery of push notification-based advertisements to subscribed users of both third party content publishers and Notify owned and operated properties. Revenue is generated on agreed-upon CPC, CPA or CPM basis prior to the execution and delivery of the associated push notification advertising campaigns.

Platform technology fees are charged on a SaaS model by CIHI directly and through resellers to brand advertisers and other agencies for the use of the Contobox technology. CIHI provides its technology solutions tailored to the client's needs and packaged up with proprietary data insights on a self-service, subscription or technology fee basis.

Industry Landscape

Like the traditional media industry, digital companies are moving to full integration, where they consolidate, create and own content, manage distribution technologies, and drive revenue through advertising and direct consumer purchases. Structural shifts in the digital media industry have accelerated this trend. Apple's deprecation of their Identifier for Advertisers (IDFA) and replacement with SKAdNetwork 2.0, has shaken the industry by limiting the data that can be shared across applications and used by advertisers. This change, amongst others, combined with

legislated privacy regulations including GDPR, are permanently altering the digital media ecosystem. Consumer privacy protection is the stated purpose of these changes, but significant financial implications have resulted for many businesses. In 2016, Facebook and Google collectively generated 89% of all digital advertising revenue growth in the United States¹⁴ due to their ability to leverage consumer data via their platforms to more effectively target ads than their competitors. Since 2016, the model used by these large players that allowed them to capture so much market growth has lost some of its effectiveness, creating new opportunities for fully unified digital media businesses such as the Resulting Issuer.



This type of consolidation and full integration is accelerating in the technology industry. AppLovin', an ad tech company that began investing in and acquiring game studios, went public in Q2 of 2021 at a valuation in excess of \$20 billion. Other recent precedents illustrating this include Zynga, a free to play mobile games company, acquiring ad network Chartboost in Q2 of 2021; Skillz, a gaming competition platform, acquiring Aarki, an ad DSP (demand side platform) in Q2 of 2021; ironSource, a combined content and ad tech company, acquiring Tapjoy, an ad network, in Q4 of 2021; and AppLovin' acquiring MoPub, an ad SSP (supply side platform), from Twitter in Q4 of 2021. Management believes that this trend will continue, and that digital media companies that don't move in this direction will be disadvantaged.

Strategy

The Resulting Issuer's strategy will be to target, acquire, optimize and scale sub-scale but cash flow positive companies and assets, to build a fully unified digital media enterprise. To date, the Resulting Issuer has consolidated its acquisitions that each provide a piece of the puzzle, which combine to create an attractive initial financial profile to build upon.

The Resulting Issuer's immediate focus will be on executing on M&A, while driving organic growth across the consolidated enterprise. Upon close of the RTO, it is expected that the Resulting Issuer will ultimately move to a centralized services model supporting the consolidated enterprise and strategic direction, in order to optimize cost of capital, identify and capitalize on revenue synergies, cost synergies, and improve overall operational efficiency and governance of the Resulting Issuer.

Longer-Term; A Unified Digital Media Company

¹⁴ Reference: <https://mobiledevmemo.com/everything-is-an-ad-network/>

The Resulting Issuer's longer-term goal is to build a fully unified digital media company, providing reliable organic growth in the digital media services, advertising and marketing technology and content generation pillars, while maximizing revenue synergies and margin capture end-to-end across the value chain.

Resulting Issuer management believes that digital media companies with owned and operated content, along with the associated audience, can utilize first party data within their own walls, providing targeted reach and services that are more valuable to advertisers. By also owning the technology stacks to create, deliver and optimize advertisements, fully unified companies are able to acquire valuable consumers more effectively.

Emerging digital platforms and business models, including CTV and blockchain gaming, represent additional opportunities the Resulting Issuer intends to pursue. Management believes that PopReach Games content is well suited to blockchain-based gaming, as they have proven FTP economies that can convert well to 'pay to earn', along with a high value base of loyal players. By offering CTV media formats in both managed and self-serve offerings, Q1Media and CIHI are poised to capitalize on one of the fastest growing channels in digital advertising that is expected to see 213.7 million monthly users and a 48.6% growth in ad spending in 2021.¹⁵

Centralized Services, Synergies and Efficiencies

The Resulting Issuer will serve as a financing vehicle for the consolidated enterprise. Each part of the business of the Resulting Issuer and its subsidiaries will require capital to invest in organic growth initiatives, which the Resulting Issuer can provide via its improved access to debt and capital markets. The Resulting Issuer's overall scale, pedigree of its executive management, and credibility as an organization are key to optimizing cost of capital for each part of the business of the Resulting Issuer and its subsidiaries.

Additionally, the Resulting Issuer's access to capital markets is expected to be attractive to potential M&A targets, not only on the basis of its ability to provide financing, but also because management believes the liquidity and growth potential of the Resulting Issuer's shares make them an attractive currency for sellers to accept as a significant portion of their purchase consideration.

The Resulting Issuer's management will identify and provide strategic direction on revenue synergies that exist both organically and as new strategic initiatives or opportunities across the businesses of the enterprise. Examples include enabling cross-selling of complementary services and technology products to clients and customers, and providing direct and programmatic advertiser demand available through Q1Media to fill ad inventory of NotifyAI. Operational functions, such as Finance, Human Resources, and Information Technology, will be centralized using PopReach Games' established departments as the foundation. It is expected that cost synergies will result from efficiencies in dedicated internal and external resources for each of these functional areas. Additionally, management expects better overall risk management and governance as a result, with consistent financial reporting, human resources, and information technology policies, standards, and procedures across the consolidated enterprise.

M&A Strategy and Market

The Resulting Issuer's M&A strategy will require it to identify and acquire cash flow positive businesses and assets that not only contribute to its overall integration strategy, but are also immediately accretive to the Resulting Issuer's financial performance. Management expects to help drive growth for acquired companies and assets by providing expertise to improve operational efficiencies, and by unlocking the revenue and cost synergies across acquired businesses and the consolidated enterprise. As a result, management expects operating margins across all parts of the consolidated enterprise to improve over time.

Companies and Assets

The digital technology landscape is comprised of hundreds of sub-scale, sub \$50 million revenue companies and assets with overlapping technology, overhead, customers, and required investment. The Resulting Issuer will target, attract

¹⁵ Reference: <https://www.insiderintelligence.com/insights/ctv-fastest-growing-channel-digital-advertising/>

and acquire companies and assets across the spectrum of digital technology to provide an avenue for investors to participate in industry growth with a diversified yet complementary set of assets at scale.

Acquisition Network

Management will utilize its long established and deep professional networks, augmented by both formal and informal arrangements with agents and investment bankers, to source acquisition opportunities.

Target Evaluation

Management will look at a number of historical metrics and key performance indicators for each company or asset it evaluates. This data will allow the Resulting Issuer to generate a financial model that it will use to estimate future performance. This will be followed by detailed discussions with principals at the target, to identify potential revenue and cost synergies, cultural fit, and the potential for vertical integration within the Resulting Issuer's eco-system.

Acquisition Structure

The Resulting Issuer's acquisition offers will be based on historical performance and management's assessment of the potential of the business or asset under the Resulting Issuer's ownership. Payment will be spread over key transitional and operational milestones and is expected to be a combination of cash consideration and Resulting Issuer shares. The Resulting Issuer will also look to defer payment of a portion of the purchase price and make it contingent on a minimum performance level to protect the Resulting Issuer's downside. For asset purchases, the Resulting Issuer may offer an additional one-time revenue share payment to allow sellers to participate in the potential upside.

Business Cycle and Seasonality

The Resulting Issuer's revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of its control, including seasonality and cyclicity. Seasonality may be affected by customer mix and certain holidays such that retail advertisers may concentrate their advertising spending with the Resulting Issuer in the fourth quarter of each calendar year, while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies that are typically launched in the third or fourth quarters.

Historically, many new smartphones have been released in the fourth quarter of each calendar year, and sold through the holiday season. New phone owners download new games when they get their devices, resulting in game revenue increases. These increases can last into the early part of the subsequent quarter, as player spending lags the initial game download date.

Intellectual Property

Intellectual property will be a key part of the Resulting Issuer's business. The Resulting Issuer will use a combination of trademark, copyright, trade secret, confidentiality agreements and license agreements to protect its intellectual property. Its employees and independent contractors will sign agreements acknowledging that all inventions, trade secrets, works of authorship, developments and other processes generated by them on the Resulting Issuer's behalf are the Resulting Issuer's property, and assigning to the Resulting Issuer any ownership that they may claim in those works.

Competitive Conditions

The digital media industry is highly competitive, with thousands of companies competing for consumer attention and advertiser dollars. The industry is characterized by frequent product introductions and rapidly emerging new platforms, technologies, and legislation.

On the product and services front, the Resulting Issuer will compete primarily on the basis of product quality, price, brand awareness and customer reviews. The Resulting Issuer expects more competitors to emerge, both public and private, and a wider range of products and services to be introduced.

On the M&A front, the Resulting Issuer will compete with both public and private consolidators, including many who are better capitalized than the Resulting Issuer.

In addition, given the open nature of the development and distribution of technology and the relatively low barriers to entry, the Resulting Issuer will also compete with a vast number of small companies and individuals who are able to create and launch products or services using relatively limited resources and with relatively limited start-up time or expertise.

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Resulting Issuer's operations. The COVID-19 pandemic has impacted and could further impact the Resulting Issuer's operations and the operations of its customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic will impact the Resulting Issuer's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. Management will closely follow the progression of COVID-19 and its potential impact. Even after the COVID-19 pandemic has subsided, the Resulting Issuer may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future.

Description of the Securities

The authorized capital of the Resulting Issuer will consist of an unlimited number of Resulting Issuer Shares. Following completion of the Transaction, it is expected that there will be approximately 234,521,279 Resulting Issuer Shares issued and outstanding. The rights and restrictions attached to the Resulting Issuer Shares are expected to be identical to those of the PopReach Shares, as described in "Information Concerning the Issuer –Description of Securities".

Resulting Issuer Shares	Number of Shares
Resulting Issuer Shares to be held by current PopReach Shareholders	73,466,154
Resulting Issuer Shares issued to Federated Shareholders in connection with the Transaction	161,055,125 ⁽¹⁾
Total	234,521,279

Notes:

- (1) This is an estimate, based on current assumptions and projections for the amounts of assumed debt and Federated consolidated working capital as at Closing (which, solely for the purposes of these calculations and not as any guidance or projection of the Closing Date, is deemed to be April 1, 2022), both of which result in a purchase price adjustment.

No Resulting Issuer Options or Resulting Issuer Warrants are to be issued in connection with the Transaction.

Pro Forma Consolidated Capitalization

The following table sets out the pro forma share consolidated capitalization of the Resulting Issuer, after giving effect to the Transaction. The information is based on, and should be read in conjunction with, the pro forma consolidated financial statements of the Resulting Issuer attached as Resulting Issuer Pro Forma Financial Statements.

Description	Amount Authorized or to be Authorized	Amount Derived from Existing PopReach Securities	Amount Issued in connection with the Transaction	Total Amount Outstanding after giving effect to the Transaction
Resulting Issuer Shares	Unlimited	73,466,154	161,055,125 ⁽²⁾	234,521,279 ⁽¹⁾
Resulting Issuer Options	10% rolling plan ⁽³⁾	6,802,214 ⁽⁴⁾	0	6,802,214
Resulting Issuer Warrants	N/A	7,727,479 ⁽⁵⁾	0	7,727,479
Resulting Issuer Compensation Options	N/A	828,000 ⁽⁶⁾	0	828,000
Resulting Issuer Broker Warrants	N/A	71,810 ⁽⁷⁾	0	71,810
Total		88,895,657	161,055,125	249,950,782

Notes:

- (1) Certain of the Resulting Issuer Shares will be subject to escrow. See “*Information Concerning the Resulting Issuer – Escrowed Securities*”.
- (2) This is an estimate, based on current assumptions and projections for the amounts of assumed debt and Federated consolidated working capital as at Closing (which, solely for the purposes of these calculations and not as any guidance or projection of the Closing Date, is deemed to be April 1, 2022), both of which result in a purchase price adjustment.
- (3) Assuming approval of the New Equity Incentive Plan. See “*Particulars of Matters to be Acted Upon at the Meeting – Approval of New Equity Incentive Plan*”.
- (4) The exercise price of such Resulting Issuer Options ranges from \$0.1627 to \$1.40 per Resulting Issuer Share. The expiry dates range from August 16, 2022 to December 1, 2026.
- (5) 3,252,987 of the Resulting Issuer warrants are exercisable at \$0.4882 per Resulting Issuer Share and 4,446,718 of the Resulting Issuer Warrants are exercisable at \$0.864 per Resulting Issuer Share. The Resulting Issuer Warrants expire on June 30, 2022.
- (6) The Resulting Issuer Compensation Options are exercisable at \$1.25 per Resulting Issuer Share and expire on November 27, 2022.
- (7) The Resulting Issuer Broker Warrants are exercisable at \$0.576 per Resulting Issuer Share. The expiry dates range from February 28, 2022 to June 2, 2022.

Fully Diluted Share Capital

The following table sets out the fully diluted share capital of the Resulting Issuer after giving effect to the Transaction, based on 249,950,782 Resulting Issuer Shares expected to be issued and outstanding upon completion of the Transaction:

Resulting Issuer Shares	Fully Diluted Number of Shares	Percentage
Resulting Issuer Shares to be held by current PopReach Shareholders	88,895,657	35.6%
Resulting Issuer Shares issued to Federated Shareholders in connection with the Transaction	161,055,125 ⁽¹⁾	64.4%
Total	249,950,782	100%

Notes:

- (1) This is an estimate, based on current assumptions and projections for the amounts of assumed debt and Federated consolidated working capital as at Closing (which, solely for the purposes of these calculations and not as any guidance or projection of the Closing Date, is deemed to be April 1, 2022), both of which result in a purchase price adjustment.

Available Funds and Principal Purposes

Estimated Funds Available

The following table sets out information respecting the Resulting Issuer's expected sources of cash following the completion of the Transaction. The amounts shown in the table are estimated only and are based upon the information available to PopReach and Federated as of January 31, 2022:

Estimated Funds Available	PopReach (US\$)	Federated (US\$)	Total (US\$)
Funds as at September 30, 2021	\$11,582,698	\$2,042,182	\$13,624,880
Funds of CIHI as at October 1, 2021		\$977,443	\$977,443
Funds from operations, investing activities, and working capital to closing	\$150,000	\$1,794,000	\$1,944,000
Proceeds from PopReach stock option exercises	\$43,796		\$43,796
Funds from Fiera Facility		\$12,500,000	\$12,500,000
Funds from Federated \$2.5 Million Note		\$2,500,000	\$2,500,000
Principal and interest payments	\$(560,000)	\$(15,735,000)	\$(16,295,000)
Estimated costs of the Transaction (i.e. Exchange filing fees and expenses, professional (including audit and legal) fees and expenses, etc.)	\$(600,000)	\$(650,000)	\$(1,250,000)
Total			\$14,045,119

Principal Purposes of Funds

The following table sets out information respecting the Resulting Issuer's intended principal uses of funds for the 12 months following the completion of the Transaction. The intended use of funds may vary based upon a number of facts and variances may be material. The amounts shown in the table are estimates only and are based upon the information available to PopReach and Federated as of January 31, 2022:

Use of Funds	Amount (US\$)
Principal and interest payments on PopReach New Facility	\$1,610,000
Principal and interest payments on Federated Borrowings	\$7,008,000
Working capital and general corporate purposes	\$5,427,119
Total	\$14,045,119

The above sources and uses of funds are estimates only. Notwithstanding the proposed uses of available funds as discussed above, there may be circumstances where a reallocation of funds may be necessary. It is difficult at this time to definitively project the total funds necessary to execute the planned undertakings of the Resulting Issuer. For these reasons, management considers it to be in the best interests of the Resulting Issuer and its shareholders to permit a reasonable degree of flexibility as to how the Resulting Issuer's funds are employed among the above uses or for other purposes, as the need may arise.

Dividends

The Resulting Issuer does not expect to declare any dividends payable to the holders of the Resulting Issuer Shares. If the Resulting Issuer generates positive earnings in the foreseeable future, it expects that they will be retained to finance growth. The board of directors of the Resulting Issuer will determine if and when dividends should be declared and paid in future based upon the Resulting Issuer's financial position at the relevant time. All of the Resulting Issuer Shares will be entitled to an equal share in any dividends declared and paid.

Principal Securityholders

Other than as set out in the table below or elsewhere herein, no Person is anticipated to own, of record or beneficially, directly or indirectly, or to exercise control or direction over, more than 10% of any class of voting securities of the Resulting Issuer, on a fully diluted basis, after giving effect to the Transaction.

Name of Shareholder	Number of Resulting Issuer Shares	Percentage of Outstanding Shares ⁽³⁾
Michael Fitzgerald <i>Denver, Colorado</i>	43,160,924 ⁽¹⁾	17.27% ⁽²⁾
James Mansfield <i>Austin, Texas</i>	43,160,924 ⁽¹⁾	17.27% ⁽²⁾
Total	57,185,310 ⁽¹⁾	22.88%

Notes:

- (1) Mr. Fitzgerald and James Mansfield each own 18,365,893 Federated Shares directly, and collectively an additional 38,156,288 Federated Shares indirectly via their controlling membership interest in Secure Ventures LLC. Assuming an Exchange Ratio of 0.7636, it is anticipated that each of Mr. Fitzgerald and Mr. Mansfield will own 14,024,386 Resulting Issuer Shares directly, and collectively an additional 29,136,537 Resulting Issuer Shares indirectly via their controlling membership interest in Secure Ventures LLC.
- (2) 17.3% based on a fully-diluted capitalization of 249,950,782 Resulting Issuer Shares consisting of 88,895,657 Resulting Issuer Shares issuable in exchange for PopReach Shares, and an estimated 161,055,125 Resulting Issuer Shares issuable to the Federated Shareholders in connection with the Transaction based on a deemed issue price per Resulting Issuer Share of C\$0.80.
- (3) Assumes the issuance of an estimated aggregate of 161,055,125 Resulting Issuer Shares issuable to Federated Shareholders in connection with the Transaction based on a deemed issue price per Resulting Issuer Share of C\$0.80 and 249,950,782 Resulting Issuer Shares issued and outstanding on a fully diluted basis as of the date of this Circular.

Directors, Officers and Promoters

The following table and the notes thereto state the names of all of the proposed directors and officers of the Resulting Issuer upon completion of the Transaction, all other positions and offices with the Company now held by them, their principal occupations or employment for the past five years, their periods of service as directors of PopReach or Federated, as applicable, and the number and percentage of Resulting Issuer Shares proposed to be beneficially owned, directly or indirectly, or over which control or direction is proposed to be exercised by each of them assuming completion of the Transaction. The number of Resulting Issuer Shares proposed to be beneficially owned, directly or indirectly, or over which control or direction is proposed to be exercised by all directors and officers of the Resulting Issuer as a group, including the total number of shares held by associates⁽²⁾, is 58,869,770 Resulting Issuer Shares, representing 25.1% of the proposed issued and outstanding Resulting Issuer Shares. Each director elected at the Meeting will hold office until the next annual meeting of shareholders of the Resulting Issuer, or until their successors are elected or appointed in accordance with the provisions of the OBCA.

Name and municipality of residence	Periods of service as director of PopReach or Federated	Principal Occupation(s) During Past Five Years	Proposed position with Resulting Issuer	Proposed number and percent of Resulting Issuer Shares ⁽⁴⁾
Ben Colabrese Oakville, Ontario	-	Executive VP Finance, Toronto Blue Jays (2018 – Present); Senior VP Finance, Rogers Communications (2015 – 2018)	Director, Chair of Audit Committee	Nil

Name and municipality of residence	Periods of service as director of PopReach or Federated	Principal Occupation(s) During Past Five Years	Proposed position with Resulting Issuer	Proposed number and percent of Resulting Issuer Shares⁽⁴⁾
Jeff Collins <i>Waterloo, Ontario</i>	-	Chief Financial Officer, Federated (2021 – Present); Chief Financial Officer and Chief Operating Officer, CIHI (2017 – 2021); Chief Financial Officer, General Assembly Holdings Limited (2021 – 2022); Chief Executive Officer, CIHI (2017 – 2021); Chief Financial Officer, Perk Inc. (2015 – 2017)	Chief Development Officer	10,815,551 / 4.61%
Natasha De Masi <i>Austin, Texas</i>	-	Compensation Business Partner, Meta (2020 – Present); Director Global Talent Management, Visa (2018 – 2020); Chief of Staff to CHRO, Visa (2017 – 2018)	Director, member of Governance and Compensation Committee	Nil
Greg Donaldson <i>Toronto, Ontario</i>	-	Chief Financial Officer, PopReach (2019-Present); Director of Finance, ecobee (2018-2019); VP Finance & Operations, VarageSale (2016-2017)	Chief Financial Officer	44,568 / 0.02%
Kevin Ferrell <i>Oakville, Ontario</i>	-	Chief Operating Officer, Federated (2021 – Present); President, System1 Canada ULC (2019 – 2021); President of Publishing, System1, LLC (previously OpenMail, LLC) (2017 – 2021); President, Qool Media Inc. (2014 – 2019)	Chief Operating Officer	8,896,061 / 3.79%
Amy Hastings <i>Waterloo, Ontario</i>	-	General Counsel, Federated (2021 – Present); General Counsel, General Assembly Holdings Limited (2020 – Present); Legal Advisor, Beachfront Media, LLC (2018 – Present); Legal Advisor, TextNow, Inc. (2019-2021); Legal Advisor, Snapsort Inc. (2018-2021); General Counsel & VP Corporate Development, RhythmOne plc (2017-2018); General Counsel, Perk Inc. (2015-2017)	General Counsel and Corporate Secretary	8,896,061 / 3.79%
Ted Hastings <i>Waterloo, Ontario</i>	Director of Federated since January 25, 2021	Chief Executive Officer, Federated (2021 – Present); Chief Executive Officer, RhythmOne plc (2017 - 2018); Chief Executive Officer, Perk Inc. (2015 - 2017); President, Perk.com Inc. (2014 - 2015)	Executive Chairman and Director	8,967,295 / 3.82%
Iain Klugman <i>Kitchener, Ontario</i>	-	Strategic Advisor, Health Canada (2021 – Present); President & Chief Executive Officer, Communitech (2004-2021)	Director, member of Audit Committee and Governance and Compensation Committee	Nil

Name and municipality of residence	Periods of service as director of PopReach or Federated	Principal Occupation(s) During Past Five Years	Proposed position with Resulting Issuer	Proposed number and percent of Resulting Issuer Shares⁽⁴⁾
Christopher Locke <i>Etobicoke, Ontario</i>	Director of PopReach since June 30, 2020	President, PopReach (2015 – Present)	President and Director	9,965,391 ⁽¹⁾ / 4.25% Held by associate: 7,179,379 ⁽²⁾ / 3.06%
Mike Vorhaus <i>Los Angeles, California</i>	Director of PopReach since April 26, 2021	Chief Executive Officer, Vorhaus Advisors (2018 - Present); President, Magid Advisors (2008 - 2018)	Director, Chair of Governance and Compensation Committee, and member of Audit committee	4,000 / 0.01%
Jon Walsh <i>Oakville, Ontario</i>	Director of PopReach since June 30, 2020	Chief Executive Officer, PopReach (2017 – Present); President, Upsight (2016 – 2017)	Chief Executive Officer and Director	4,139,200 ⁽³⁾ / 1.76% Held by associate: 7,179,379 ⁽²⁾ / 3.06%

Notes:

- (1) Mr. Locke owns 228,600 PopReach Shares, and controls 9,736,791 PopReach Shares through AD2101 Inc.
- (2) 7,179,379 PopReach Shares are held by Push Capital Limited, of which Mr. Locke and Mr. Walsh are each a 25% owner. Messrs. Locke and Walsh do not exercise any direct control over Push Capital Limited other than as separate 25% shareholders.
- (3) Mr. Walsh owns 62,500 PopReach Shares, and controls 4,076,700 PopReach Shares through Walsh Enterprises Inc.
- (4) This is an estimate, based on current assumptions and projections for the amounts of assumed debt and Federated consolidated working capital as at Closing (which, solely for the purposes of these calculations and not as any guidance or projection of the Closing Date, is deemed to be April 1, 2022), both of which result in a purchase price adjustment

Board of Directors

The following is a brief description of each of the proposed members of the board of directors for the Resulting Issuer who are not also key members of management:

Ben Colabrese, Director

Mr. Colabrese is the Executive Vice President – Finance of The Toronto Blue Jays Baseball Club, which is wholly owned by Rogers Communications Inc. (NYSE: RCI). He is responsible for all financial matters at the Blue Jays including all reporting to the parent company and Major League Baseball. Mr. Colabrese has been with Rogers since 2015, where he held the roles of Vice President and General Manager of Mobilicity (which Rogers acquired in 2015), and then Senior Vice President Finance for the X1 Syndication Program, before moving to his current role with the Blue Jays.

Natasha De Masi, Director

Ms. De Masi is based in Austin, Texas, where she manages compensation for the global business group function at Meta. Previously she was chief of staff to the Chief People Officer at Visa, and also served as director of global talent management at Visa. Prior to transitioning to a human resource role, Ms. De Masi spent over a decade in investment banking and capital markets at Bank of America Merrill Lynch and Royal Bank of Canada. Additionally, she serves

as a venture partner at Impact Venture Capital. Ms. De Masi holds an AB from the University of Chicago and an MBA from the Wharton School at the University of Pennsylvania.

Iain Klugman, Director

Mr. Klugman is a world-leading innovation strategist and business advisor. For nearly two decades, he was the CEO of Communitel - one of North America's leading tech organizations. Under his leadership, Communitel supported the growth of more than 5,000 small, mid-sized and large technology companies that collectively raised over \$5B in venture capital while also creating 22,000 jobs. Over the past 30 years, Mr. Klugman has been involved as Board Member (or Board Chair) of 27 different organizations, including national & regional corporations and social, university & business organizations. Mr. Klugman holds an MBA from Laurier University, an MPA from Dalhousie University, and has completed executive education programs at Rotman School at University of Toronto and the Wharton School at the University of Pennsylvania.

Mike Vorhaus, Director

Mr. Vorhaus, currently a director of PopReach, is the founder and CEO of Vorhaus Advisors, a research and consultancy firm to media, internet and video game companies. Previously, he was President of Magid Advisors, where he founded their Internet and Gaming practices, and advised many of the top digital and gaming companies in the U.S. and abroad. Mr. Vorhaus is a director of Perion (NASDAQ: PERI), where he chairs the Nominations Committee and serves on the Audit Committee, a director of Altamar Acquisition Corp. III (NYSE: ATAQ), and an advisor to venture capital and private equity firms in regard to investments in the media and tech spaces.

Management

The following is a brief description of each of the proposed key members of management for the Resulting Issuer, all of which will work full time for the Resulting Issuer, except for Ted Hastings and Amy Hastings, who will devote 50% of their time to the Resulting Issuer.

Jeff Collins, (Age: 44), Chief Development Officer

Mr. Collins has more than 15 years experience in executive roles with technology companies and 20 years of experience managing private and public companies with extensive financial, strategic, operational and transaction experience in software, technology, and digital media industries. Mr. Collins currently serves as the Chief Financial Officer of Federated, and the Chief Financial Officer of CIHI. Prior to that, he served as CEO and COO of CIHI and has served as CFO of publicly traded companies, such as, Perk Inc. (TSX: PER) and Cyberplex (TSX: CX). Jeff is also a CPA and a graduate of Wilfrid Laurier University.

Greg Donaldson, (Age: 48), Chief Financial Officer

Mr. Donaldson, CPA, CA, currently Chief Financial Officer of PopReach, has held senior finance positions at technology companies including ecobee, Freshbooks and VarageSale. He also served as the most senior financial officer for Timminco Limited, a TSX listed company with revenue in excess of C\$150MM. Mr. Donaldson earned his BBA from Wilfrid Laurier University.

Kevin Ferrell, (Age: 47), Chief Operating Officer

Mr. Ferrell has more than 10 years' experience in executive roles with digital technology companies and more than 20 years' experience advising private and public companies in the technology space in the areas of finance, operations, M&A and tax. He was most recently President of System1 Canada and President of System1's global Publishing and Agency operations. Prior to that he was President and co-founder of Qool Media, a performance publisher and marketing agency which was acquired by System1 in March 2017. Mr. Ferrell is also a CPA, CA, a former Senior Tax Manager with PwC, LLP and a graduate of Wilfrid Laurier University.

Amy Hastings (Age: 39), General Counsel and Corporate Secretary

Ms. Hastings has been advising both public and private companies on M&A, financing transactions and general corporate matters for over 10 years. She has previously served as General Counsel to each of Perk Inc. (TSX: PER) and RhythmOne plc (LSE AIM: RTHM). She played a critical role in guiding Perk through a reverse take-over transaction and listing on the Toronto Stock Exchange in 2015, several M&A transactions and an eventual sale to RhythmOne plc (LSE AIM:RTHM) in 2017. At RhythmOne, she led several corporate development initiatives, including the company's acquisition of Yume, Inc. (NYSE: YUME). Ms. Hastings has recently served as Legal Advisor to a number of Ad Tech companies, including, TextNow, Inc., Beachfront Media, LLC and Snapsort Inc. She earned her LL.B. from University of Windsor and B.A. from Columbia University.

Ted Hastings (Age: 47), Executive Chairman and Director

Mr. Hastings has an 18-year career as a CEO/President including 30+ acquisitions in both the public and private markets. He has served as CEO of RhythmOne (LSE AIM: RTHM), CEO of Perk (TSX: PER), President of Cyberplex, CEO of Tsavo Media, and CEO of GBG (sold to NYSE: MMM) through his career in leadership positions in software and internet companies. He was named to Canada's Top 40 Under 40 for 2009, is a CPA and a graduate of Wilfrid Laurier University.

Christopher Locke (Age: 44), President and Director

Mr. Locke, currently President, Chief Operating Officer, Corporate Secretary and a director of PopReach, has led the development, publication and commercialization of industry defining FTP mobile games that have generated hundreds of millions of dollars in revenue, including Smurfs' Village and Kim Kardashian: Hollywood. Mr. Locke was the founder and Chief Executive Officer of Blammo Games, acquired by Glu Mobile (NASDAQ: GLUU), where he served as Senior Vice President.

Jon Walsh (Age: 50), Chief Executive Officer and Director

Mr. Walsh, currently Chief Executive Officer and a director of PopReach, is a veteran of game publishing and digital media technology industries. He has delivered more than 30 games across console, PC and mobile platforms that have collectively generated more than 50 million downloads. Prior to PopReach, he was the Founder and CEO of Fuse Powered, a mobile ad mediation and analytics platform used by hundreds of successful apps, which was acquired by Upsight, where he served as President. Prior to Fuse, Mr. Walsh founded Groove Games, a retail game publisher that produced over a dozen PC and console games that sold millions of units and generated tens of millions of dollars in revenue. He holds an HBA and MBA from the Richard Ivey School of Business at the University of Western Ontario.

Promoter Consideration

Other than (i) the Principals of the Resulting Issuer, (ii) the persons identified under "*Information Concerning the Resulting Issuer – Principal Securityholders*" herein and (iii) Damian Cristiani and Petar Bozinovski (who are promoters of CIHI), there are no promoters of the Resulting Issuer and there have not been any promoters of PopReach, Federated and their Subsidiaries within the two years immediately preceding the date of this Circular.

In addition to the consideration to be received as a vendor of their interests in Notify, Q1Media and CIHI respectively (as described in "*Information Concerning Federated – Significant Acquisitions and Dispositions*"), certain of these persons have entered into other transactions, and received certain consideration therefor, with Federated, Notify, Q1Media and CIHI, as the case may be, as described in "*Information Concerning Federated – Significant Acquisitions and Dispositions – Related Party Transaction*", "*Information Concerning Federated – Financing Arrangements*", "*Information Concerning Federated – Narrative Description of the Business – Q1Media – Related Party Promissory Notes 1, 2 and 3*", "*Information Concerning Federated – Narrative Description of the Business – CIHI – CIHI Prior Debentures*" and "*Information Concerning Federated – Non-Arm's Length Party Transaction*".

As noted above, Damian Cristiani and Petar Bozinovski are promoters of CIHI. They are not promoters of the Resulting Issuer.

Name of CIHI Promoter	Number of Resulting Issuer Shares	Percentage of Outstanding Shares⁽²⁾
Damian Cristiani <i>Toronto, Ontario</i>	2,880,658 ⁽¹⁾	1.15%
Petar Bozinovski <i>Toronto, Ontario</i>	147,219	0.06% ⁽¹⁾

Notes:

- (1) Mr. Cristiani will hold 1,450,476 Resulting Issuer Shares personally, and will control 272,527 Resulting Issuer Shares through Cristiani Family Trust and 1,157,655 Resulting Issuer Shares through 2299409 Ontario Inc.
- (2) Assumes the issuance of an estimated aggregate of 161,055,125 Resulting Issuer Shares issuable to Federated Shareholders in connection with the Transaction based on a deemed issue price per Resulting Issuer Share of C\$0.80 and 249,950,782 Resulting Issuer Shares issued and outstanding on a fully diluted basis as of the date of this Circular.

Corporate Cease Trade Orders or Bankruptcies

No director, officer or securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has, within the last 10 years before the date of this Circular, been a director or officer of any person or company that, while such person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the company access to any exemptions under applicable securities laws, for a period of more than 30 consecutive days; or became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Penalties or Sanctions

No proposed director, officer or promotor of the Resulting Issuer, or a securityholder anticipated to hold a sufficient number of securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, has (a) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (b) been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Transaction.

Personal Bankruptcies

No proposed director or officer of the Resulting Issuer, or a securityholder anticipated to hold sufficient securities of the Resulting Issuer to affect materially the control of the Resulting Issuer, or a personal holding company of any such persons, has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Conflicts of Interest

Directors and officers of the Resulting Issuer may also serve as directors and/or officers of other companies and may be presented from time to time with situations or opportunities which give rise to apparent conflicts of interest which cannot be resolved by arm's length negotiations but only through exercise by the officers and directors of such judgment as is consistent with their fiduciary duties to the Resulting Issuer which arise under applicable corporate law, especially insofar as taking advantage, directly or indirectly, of information or opportunities acquired in their capacities as directors or officers of the Resulting Issuer. It is expected that all conflicts of interest will be resolved in accordance with the OBCA. It is expected that any transactions with officers and directors will be on terms consistent with industry standards and sound business practice in accordance with the fiduciary duties of those persons to the Resulting Issuer, and, depending upon the magnitude of the transactions and the absence of any disinterested board members, may be submitted to the shareholders for their approval.

Other Reporting Issuer Experience

The following table sets out the proposed directors or officers of the Resulting Issuer that are, or have been within the last five years, directors, officers or promoters of other reporting issuers:

Name	Name and Jurisdiction of Reporting Issuer	Name of Trading Market	Position	Dates
Mike Vorhaus	Perion Network Ltd, Israel	NASDAQ	Director	2015 – present
	Altimar Acquisition Corp. I, United States	NYSE	Director	2020 – 2021
	Altimar Acquisition Corp. II, United States	NYSE	Director	2021 – present
	Altimar Acquisition Corp. III, United States	NYSE	Director	2021 - present
Ben Colabrese	Perk Inc., Canada	TSX	Director	2015 – 2017
	Vicima Networks Inc., Canada	TSX	Director	2017 - 2020
	Enthusiast Gaming Holdings Inc.	TSX	Director	2018 - Present
	General Assembly Holdings Limited.	TSXV	Director	2021 - Present
Ted Hastings	Perk Inc.	TSX	Director CEO	2015 - 2017
	RhythmOne plc	LSE AIM	President CEO	2017 – 2018
	General Assembly Holdings Limited	TSXV	Director	2021 - Present
Amy Hastings	General Assembly Holdings Limited	TSXV	Corporate Secretary	2021 - Present
Jeff Collins	Perk Inc.	TSX	CFO	2015 - 2017
	General Assembly Holdings Limited	TSXV	CFO	2021 - 2022

Executive Compensation

Disclosure of the executive compensation practices for PopReach is set forth in “*Information Concerning the Issuer – Executive Compensation*”. It is anticipated that the Resulting Issuer will continue the executive compensation practices of PopReach upon the closing of the Transaction.

Summary Compensation Table

The Resulting Issuer is expected to have seven executive officers following the Closing, all of whom will work for the Resulting Issuer on a full time basis except where otherwise noted. The following information outlines the anticipated compensation to be paid by the Resulting Issuer to each of such executive officers, which include the proposed CEO and CFO. It is anticipated that the following compensation will be reviewed by the board of directors of the Resulting Issuer following the completion of the Transaction.

Name and principal position	Salary, consulting fee, retainer or commission (C\$)	Bonus (\$) ⁽³⁾	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (C\$)
Jeff Collins <i>Chief Development Officer</i>	\$350,000	Nil	Nil	Nil	Nil	\$350,000
Greg Donaldson <i>Chief Financial Officer</i>	\$350,000	Nil	Nil	Nil	Nil	\$350,000

Name and principal position	Salary, consulting fee, retainer or commission (C\$)	Bonus (\$) ⁽³⁾	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (C\$)
Kevin Ferrell <i>Chief Operating Officer</i>	\$350,000	Nil	Nil	Nil	Nil	\$350,000
Amy Hastings ⁽¹⁾ <i>General Counsel and Corporate Secretary</i>	\$270,000	Nil	Nil	Nil	Nil	\$270,000
Ted Hastings ⁽²⁾ <i>Executive Chairman, Director</i>	\$120,000	Nil	Nil	Nil	Nil	\$120,000
Christopher Locke <i>President, Director</i>	\$450,000	Nil	Nil	Nil	Nil	\$450,000
Jon Walsh <i>Chief Executive Officer, Director</i>	\$450,000	Nil	Nil	Nil	Nil	\$450,000

Notes:

- (1) Part-time salary, based on devoting at least 75% of her working days to the Resulting Issuer.
- (2) Part-time salary, based on devoting at least 50% of his working days to the Resulting Issuer.
- (3) Bonus entitlement, if any, subject to the implementation of a performance based executive bonus plan duly approved by the Resulting Issuer board of directors.

In addition to the above, it is expected that all directors and officers of the Resulting Issuer will be entitled to participate in the New Equity Incentive Plan at the discretion of the board of directors of the Resulting Issuer. The Resulting Issuer may also pay directors' fees to its directors in amounts to be determined.

Indebtedness of Directors and Officers

No director or officer of PopReach or Federated, nor any proposed director or officer of the Resulting Issuer, is indebted to PopReach, Federated or will be indebted to the Resulting Issuer on the date of this Circular.

Investor Relations Arrangements

The Resulting Issuer will continue to retain LodeRock Advisors Inc. ("**LodeRock**") for strategic investor relations and capital markets communication services. Under the terms of its agreement with LodeRock dated August 12, 2020, which will continue until either party has terminated the agreement with thirty (30) days' notice, PopReach will pay LodeRock a monthly fee of C\$10,000 for ongoing strategic communication services. On November 26, 2020, LodeRock was granted an option to purchase 30,000 Shares at an exercise price of C\$1.40 per Share.

LodeRock is a Toronto-based group of senior capital markets communications executives who develop and execute communications programs in order to help companies achieve their capital markets objectives and capture the full potential of their public listing.

Options to Purchase Securities

The table below sets out the number of Resulting Issuer Options expected to be held by directors and officers of the Resulting Issuer following the Closing.

Persons	Number of Resulting Issuer Shares under option	Exercise price	Expiry date	Market value of Resulting Issuer Shares under option ⁽¹⁾
All proposed officers of the Resulting Issuer, as a group (7 persons) ⁽²⁾	3,927,014	\$0.1627 - \$0.80	Oct 2022 – Sep 2026	\$3,141,611
All proposed directors of the Resulting Issuer who are not also proposed officers, as a group (4 persons) ⁽³⁾	175,000	\$0.80 - \$0.85	Apr 2026 – Sep 2026	\$140,000
All other employees of the Resulting Issuer as a group	1,489,700	\$0.3136 - \$1.40	Jan 2024 – Dec 2026	\$1,191,760
All consultants of the Resulting Issuer as a group	30,000	\$1.40	Nov 2022	\$24,000
All other persons	1,180,500	\$0.3136 - \$0.80	Aug 2022 – Sep 2026	\$944,400

Notes:

- (1) Calculated at \$0.80 per Resulting Issuer Share.
- (2) Consists of Jeff Collins, Greg Donaldson, Kevin Ferrell, Amy Hastings, Ted Hastings, Christopher Locke, and Jon Walsh.
- (3) Consists of Mike Vorhaus and three additional independent directors, being Ben Colabrese, Natasha De Masi and Iain Klugman.

The Resulting Issuer expects to maintain the New Equity Incentive Plan following the Closing. See “*Particulars of Matters to be Acted Upon at the Meeting – Approval of New Equity Incentive Plan*”.

Escrowed Securities

As of January 6, 2022, all of the securities of PopReach originally deposited with the TSX Trust Company under the CPC Escrow Agreement and the Existing Value Security Escrow Agreement, as further described in PopReach’s annual information form for the year ended December 31, 2020, have been released from escrow.

The following table sets out the number of Resulting Issuer Shares issued to or held by those Resulting Issuer Principals and non-Principals who are anticipated to be subject to escrow restrictions pursuant to the terms of a new Value Security Escrow Agreement, which escrowed securities will be released from escrow based upon the passage of time in accordance with the Escrow Policy.

Name and Municipality of Residence of Securityholder	Number of Resulting Issuer Shares to be held in Escrow	Percentage of Resulting Issuer Shares (basic/FD) ⁽¹⁾⁽²⁾
<i>Value Security Escrow for the following Principals of the Resulting Issuer</i>		
Matthew Bentley Cedar Park, Texas	5,454,360	2.31%/2.18%
Jeff Collins Waterloo, Ontario	10,815,551	4.61%/4.33%

Name and Municipality of Residence of Securityholder	Number of Resulting Issuer Shares to be held in Escrow	Percentage of Resulting Issuer Shares (basic/FD)⁽¹⁾⁽²⁾
Ben Colabrese Oakville, Ontario	Nil.	Nil.
Natasha De Masi Austin, Texas	Nil.	Nil.
Kevin Ferrell Oakville, Ontario	8,896,061	3.79%/3.56%
Michael Fitzgerald Denver, Colorado	14,024,386	5.98%/5.61%
Farrukh Gaffarov Saint-Laurent, Quebec	814,402	0.35%/0.33%
Amy Hastings Waterloo, Ontario	8,896,061	3.79%/3.56%
Secure Ventures LLC ⁽³⁾ (Wyoming)	29,136,537	1.42%/1.66%
Ted Hastings Waterloo, Ontario	8,967,295	3.82%/3.59%
Iain Klugman Kitchener, Ontario	Nil.	Nil.
James Mansfield Austin, Texas	14,024,386	5.98%/5.61%
William Wiemann Austin, Texas	11,590,515	4.94%/4.64%
Subtotal	112,619,555	48.02%/45.06%
<i>Value Security Escrow for non-Principals pursuant to Seed Share Resale Restrictions</i>		
Various non-Principal shareholders	41,366,911	17.64%/16.55%
Subtotal	41,366,911	17.64%/16.55%
GRAND TOTAL	153,986,466	65.66%/61.61%

Notes:

- (1) Based on 234,521,279 Resulting Issuers Shares on a non-diluted basis and 249,950,782 Resulting Issuer Shares on a fully-diluted basis.
- (2) This is an estimate, based on current assumptions and projections for the amounts of assumed debt and Federated consolidated working capital as at Closing (which, solely for the purposes of these calculations and not as any guidance or projection of the Closing Date, is deemed to be April 1, 2022), both of which result in a purchase price adjustment.
- (3) Controlled by Michael Fitzgerald and James Mansfield. See “*Information Concerning the Resulting Issuer – Principal Securityholders*”.

Under the new Value Security Escrow Agreement (including, for greater certainty, for the non-Principals subject to Value Security Escrow pursuant to Seed Share Resale Restrictions reference above), 25% of the escrowed Resulting Issuer Shares will be released on the closing of the Transaction and an additional 25% will be released on each of the dates that is 6 months, 12 months and 18 months thereafter.

Auditor, Transfer Agent and Registrar

Auditor

It is expected that MNP, currently the auditors of both PopReach and Federated, will serve as the Resulting Issuer's auditors. The address of MNP is 3-139 Northfield Drive West, Waterloo, Ontario, Canada, M2L 5A6.

Transfer Agent and Registrar

It is expected that TSX Trust Company, who is currently PopReach's registrar and transfer agent, will continue to serve as the Resulting Issuer's registrar and transfer agent, located at 301-100 Adelaide Street West, Toronto, Ontario M5H 4H1.

PARTICULARS OF MATTERS TO BE ACTED UPON AT THE MEETING

Proposed Transaction

PopReach, Federated and Subco have entered into the Business Combination Agreement providing for the completion of the Transaction. At the Meeting, PopReach Shareholders will be asked to consider and, if deemed advisable, approve the Transaction Resolution set forth in Schedule A hereto to approve the Transaction. See "*Information Concerning the Transaction*" for further details. To be effective, the Transaction Resolution must be approved by the affirmative vote of at least the majority of the votes cast by the PopReach Shareholders present in person or by proxy at the Meeting.

Management of PopReach recommends that PopReach Shareholders vote in favor of the Transaction Resolution. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the Transaction Resolution.

Election of New Directors

It is desirable, in connection with the Transaction, to elect the directors of the Resulting Issuer to serve from the date of the Closing until the close of the next annual meeting of Shareholders of the Resulting Issuer or until their successors are elected or appointed (the "**New Slate**").

The New Slate is comprised of seven (7) individuals, three (3) of which are appointed by PopReach (being Christopher Locke, Mike Vorhaus, and Jon Walsh) and four (4) of which are appointed by Federated (being Ted Hastings and three independent directors, Ben Colabrese, Natasha De Masi, and Iain Klugman). At the time of the Meeting, the Transaction will not yet have been completed and there can be no assurance at that time that it will be completed. See "*Information Concerning the Resulting Issuer – Directors, Officers and Promoters*" for further details regarding the New Slate. The Shareholders will be asked at the Meeting to consider, and if thought appropriate, to pass an ordinary resolution, appointing the New Slate.

Management of PopReach recommends that PopReach Shareholders vote in favor of electing the New Slate. You can vote for all of these directors, vote for some of them and withhold for others, or withhold for all of them. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the election of each of the currently proposed nominees, or any replacement nominee duly put forth by management, as directors of the Company.

Approval of New Equity Incentive Plan

PopReach Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a resolution set forth in Schedule A hereto, approving the adoption of the New Equity Incentive Plan to replace the Existing Option Plan upon completion of the Transaction. The New Equity Incentive Plan will only take effect upon

the completion of the Transaction. A copy of the New Equity Incentive Plan is attached hereto as Schedule C and is subject to the approval of the Exchange.

Summary of New Equity Incentive Plan

Purpose

The purpose of the New Equity Incentive Plan is to, among other things: (i) provide the Company with an equity-related mechanism to attract, retain and motivate qualified directors, officers, employees and consultants of the Company, including its subsidiaries, (ii) reward directors, officers, employees and consultants that have been granted awards under the New Equity Incentive Plan for their contributions toward the long-term goals and success of the Company, and (iii) enable and encourage such directors, officers, employees and consultants to acquire PopReach Shares as long-term investments and proprietary interests in the Company.

The New Equity Incentive Plan provides flexibility to the Company to grant equity-based incentive awards in the form of options, restricted share units (“**RSUs**”), performance share units (“**PSUs**”) and deferred share units (“**DSUs**”), as described in further detail below. The following is a summary of the New Equity Incentive Plan, which is qualified in its entirety by the full text of the New Equity Incentive Plan.

Shares Subject to the New Equity Incentive Plan

The New Equity Incentive Plan is a “rolling” plan in that, subject to the adjustment provisions provided for therein (including a subdivision or consolidation of PopReach Shares), it provides that the aggregate maximum number of PopReach Shares that may be reserved for issuance under the New Equity Incentive Plan, at any time, shall not exceed ten percent (10%) of the Company’s issued and outstanding PopReach Shares as at such time (the “**Reserved Shares**”).

Following the Closing, all future awards will be issued pursuant to and governed by the New Equity Incentive Plan and no future awards will be issued pursuant to or governed by the terms of the Existing Option Plan.

To the extent any awards under the New Equity Incentive Plan or the Existing Option Plan are terminated or cancelled for any reason prior to exercise in full, the PopReach Shares subject to such awards (or any portion(s) thereof) shall be added back to the number of PopReach Shares reserved for issuance under the New Equity Incentive Plan.

Insider Participation Limit

The New Equity Incentive Plan provides that the aggregate number of PopReach Shares (a) issuable to Insiders at any time (under all of the Company’s security-based compensation arrangements, including the Existing Option Plan) cannot exceed ten (10%) percent of the Company’s issued and outstanding PopReach Shares, and (b) issued to Insiders within any one-year period (under all of the Company’s security-based compensation arrangements, including under the Existing Option Plan) cannot exceed ten (10%) percent of the Company’s issued and outstanding PopReach Shares.

Furthermore, the New Equity Incentive Plan provides that, within any one financial year of the Company, the aggregate fair market value on the date of grant of all awards granted to any one non-employee director under all of the Company’s security-based compensation arrangements shall not exceed \$150,000 (including an aggregate fair market value on the date of grant of no more than \$100,000 in options), provided that such limits shall not apply to (i) awards taken in lieu of any cash retainer or other director fees, and (ii) a one-time initial grant to a non-employee director upon such director joining the Board.

Additionally, for so long as the PopReach Shares are listed and posted for trading on the Exchange, (a) not more than two (2%) percent of the Company’s issued and outstanding PopReach Shares may be granted to any one consultant in any 12 month period, (b) investor relations service providers may not receive any awards other than options, (c) not more than an aggregate of two (2%) percent of the Company’s issued and outstanding PopReach Shares may be granted in aggregate pursuant to options to investor relations service providers in any 12 month period, (d) unless the Company has obtained disinterested shareholder approval, not more than five (5%) percent of the Company’s issued and

outstanding PopReach Shares may be issued to any one Person in any 12 month period and (e) unless the Company has obtained disinterested shareholder approval, the Company shall not decrease the exercise price or extend the term of options previously granted to Insiders.

Except for so long as the Shares are listed and posted for trading on the Exchange, any PopReach Shares issued by the Company through the assumption or substitution of outstanding stock options or other equity-based awards from an acquired company shall not reduce the number of PopReach Shares available for issuance pursuant to the exercise of awards granted under the New Equity Incentive Plan.

Administration of the New Equity Incentive Plan

The Plan Administrator (as defined in the New Equity Incentive Plan) is determined by the Board, and is initially the Governance and Compensation Committee. The New Equity Incentive Plan may in the future be administered by the Board itself or delegated to a committee of the Board. The Plan Administrator determines which directors, officers, consultants and employees are eligible to receive awards under the New Equity Incentive Plan, the time or times at which awards may be granted, the conditions under which awards may be granted or forfeited to the Company, the number of PopReach Shares to be covered by any award, the exercise price of any award, whether restrictions or limitations are to be imposed on the PopReach Shares issuable pursuant to grants of any award, and the nature of any such restrictions or limitations, any acceleration of exercisability or vesting, or waiver of termination regarding any award, based on such factors as the Plan Administrator may determine.

In addition, the Plan Administrator interprets the New Equity Incentive Plan and may adopt administrative rules, regulations, procedures and guidelines governing the New Equity Incentive Plan or any awards granted under the New Equity Incentive Plan as it deems appropriate.

Eligibility

All directors, officers, consultants and employees are eligible to participate in the New Equity Incentive Plan. The extent to which any such individual is entitled to receive a grant of an award pursuant to the New Equity Incentive Plan will be determined in the discretion of the Plan Administrator.

Types of Awards

Awards of options, RSUs, PSUs and DSUs may be made under the New Equity Incentive Plan. All of the awards described below are subject to the conditions, limitations, restrictions, exercise price, vesting, settlement and forfeiture provisions determined by the Plan Administrator, in its sole discretion, subject to such limitations provided in the New Equity Incentive Plan, and will generally be evidenced by an award agreement. In addition, subject to the limitations provided in the New Equity Incentive Plan and in accordance with applicable law, the Plan Administrator may accelerate or defer the vesting or payment of awards, cancel or modify outstanding awards, and waive any condition imposed with respect to awards or PopReach Shares issued pursuant to awards.

Options

An option entitles a holder thereof to purchase a prescribed number of treasury PopReach Shares at an exercise price set at the time of the grant. The Plan Administrator will establish the exercise price at the time each option is granted, which exercise price must in all cases be not less than the Discounted Market Price (as defined in Policy 1.1) for so long as the PopReach Shares are listed and posted for trading on the Exchange. Subject to any accelerated termination as set forth in the New Equity Incentive Plan, each option expires on its respective expiry date. The Plan Administrator will have the authority to determine the vesting terms applicable to grants of options, subject to the restrictions in the New Equity Incentive Plan relating to options granted to investor relations service providers. Once an option becomes vested, it shall remain vested and shall be exercisable until expiration or termination of the option, unless otherwise specified by the Plan Administrator, or as otherwise set forth in any written employment agreement, consulting agreement, award agreement or other written agreement between the Company or a subsidiary of the Company and the participant. The Plan Administrator has the right to accelerate the date upon which any option becomes exercisable. The Plan Administrator may provide at the time of granting an option that the exercise of that option is subject to

restrictions, in addition to those specified in the New Equity Incentive Plan, such as vesting conditions relating to the attainment of specified performance goals.

Unless otherwise specified by the Plan Administrator at the time of granting an option and set forth in the particular award agreement, an exercise notice must be accompanied by payment of the exercise price. To the extent permitted by and otherwise subject to the rules and policies of the Exchange, a participant may, in lieu of exercising an option pursuant to an exercise notice, elect to surrender such option to the Company (a “**Cashless Exercise**”) in consideration for an amount from the Company equal to (i) the Market Price (as defined in the New Equity Incentive Plan) of the PopReach Shares issuable on the exercise of such option (or portion thereof) as of the date such option (or portion thereof) is exercised, less (ii) the aggregate exercise price of the option (or portion thereof) surrendered relating to such PopReach Shares (the “**In-the-Money Amount**”) by written notice to the Company indicating the number of options such participant wishes to exercise using the Cashless Exercise, and such other information that the Company may require. Subject to the provisions of the New Equity Incentive Plan, the Company will satisfy payment of the In-the-Money Amount by delivering to the participant such number of PopReach Shares having an aggregate fair market value (based on the Market Price on the date of exercise) equal to the In-the-Money Amount. Any options surrendered in connection with a Cashless Exercise will not be added back to the number of PopReach Shares reserved for issuance under the New Equity Incentive Plan.

Restricted Share Units

A RSU is a unit equivalent in value to a PopReach Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one PopReach Share (or the value thereof) for each RSU after a specified vesting period. The Plan Administrator may, from time to time, subject to the provisions of the New Equity Incentive Plan and such other terms and conditions as the Plan Administrator may prescribe, grant RSUs to any participant in respect of services rendered by the applicable participant in a taxation year (the “**RSU Service Year**”).

The number of RSUs (including fractional RSUs) granted at any particular time under the New Equity Incentive Plan will be calculated by dividing (a) the amount of any bonus or similar payment that is to be paid in RSUs (including the elected amount, as applicable), as determined by the Plan Administrator, by (b) the greater of (i) the Discounted Market Price of a PopReach Share on the date of grant, or and (ii) such amount as determined by the Plan Administrator in its sole discretion. The Plan Administrator shall have the authority to determine any vesting terms applicable to the grant of RSUs, provided that the terms comply with Section 409A of Code, to the extent applicable.

Upon settlement, holders will receive (a) one fully paid and non-assessable PopReach Share in respect of each vested RSU, (b) a cash payment or (c) a combination of PopReach Shares and cash, in each case as determined by the Plan Administrator. Any such cash payments made by the Company shall be calculated by multiplying the number of RSUs to be redeemed for cash by the Market Price per PopReach Share as at the settlement date. Subject to the provisions of the New Equity Incentive Plan and except as otherwise provided in an award agreement, no settlement date for any RSU shall occur, and no PopReach Share shall be issued or cash payment shall be made in respect of any RSU any later than the final business day of the third calendar year following the applicable RSU Service Year.

Performance Share Units

A PSU is a unit equivalent in value to a PopReach Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one PopReach Share (or the value thereof) for each PSU after specific performance-based vesting criteria determined by the Plan Administrator, in its sole discretion, have been satisfied. The performance goals to be achieved during any performance period, the length of any performance period, the amount of any PSUs granted, the termination of a participant’s employment and the amount of any payment or transfer to be made pursuant to any PSU will be determined by the Plan Administrator and by the other terms and conditions of any PSU, all as set forth in the applicable award agreement. The Plan Administrator may, from time to time, subject to the provisions of the New Equity Incentive Plan and such other terms and conditions as the Plan Administrator may prescribe, grant PSUs to any participant in respect of a bonus or similar payment in respect of services rendered by the applicable participant in a taxation year (the “**PSU Service Year**”).

The Plan Administrator shall have the authority to determine any vesting terms applicable to the grant of PSUs. Upon settlement, holders will receive (a) one fully paid and non-assessable PopReach Share in respect of each vested PSU,

(b) a cash payment, or (c) a combination of PopReach Shares and cash, in each case as determined by the Plan Administrator. Any such cash payments made by the Company to a participant shall be calculated by multiplying the number of PSUs to be redeemed for cash by the Market Price per PopReach Share as at the settlement date. Subject to the provisions of the New Equity Incentive Plan and except as otherwise provided in an award agreement, no settlement date for any PSU shall occur, and no PopReach Share shall be issued or cash payment shall be made in respect of any PSU any later than the final business day of the third calendar year following the applicable PSU Service Year.

Deferred Share Units

A DSU is a unit equivalent in value to a PopReach Share credited by means of a bookkeeping entry in the books of the Company which entitles the holder to receive one PopReach Share (or, at the election of the holder and subject to the approval of the Plan Administrator, the cash value thereof) for each DSU on a future date. The Board may fix from time to time a portion of the total compensation (including annual retainer) paid by the Company to a director in a calendar year for service on the Board (the “**Director Fees**”) that are to be payable in the form of DSUs. In addition, each director is given, subject to the provisions of the New Equity Incentive Plan, the right to elect to receive a portion of the cash Director Fees owing to them in the form of DSUs.

The Plan Administrator shall have the authority to determine any vesting terms applicable to the grant of DSUs, provided that, for so long as the PopReach Shares are listed and posted for trading on the Exchange, no DSUs may vest before the date that is one year following the Date of Grant. The number of DSUs (including fractional DSUs) granted at any particular time will be calculated by dividing (a) the amount of any director fees that are paid in DSUs, by (b) the Market Price of a PopReach Share on the date of grant. Upon settlement, holders will receive (a) one fully paid and non-assessable PopReach Share in respect of each vested DSU, (b) a cash payment, or (c) a combination of PopReach Shares and cash, in each case as determined by the Plan Administrator in its sole discretion. Any cash payments made under the New Equity Incentive Plan by the Company to a participant in respect of DSUs to be redeemed for cash shall be calculated by multiplying the number of DSUs to be redeemed for cash by the Market Price per PopReach Share as at the settlement date.

Dividend Equivalents

Unless otherwise determined by the Plan Administrator, awards of RSUs, PSUs and DSUs shall be credited with dividend equivalents in the form of additional RSUs, PSUs and DSUs, as applicable. Dividend equivalents shall vest in proportion to, and settle in the same manner as, the awards to which they relate. Such dividend equivalents shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per PopReach Share by the number of RSUs, PSUs and DSUs, as applicable, held by the participant on the record date for the payment of such dividend, by (b) the Market Price at the close of the first business day immediately following the dividend record date, with fractions computed to three decimal places. For clarity, any dividend equivalents granted shall be included in calculating the limits prescribed by the New Equity Incentive Plan. If the Company does not have a sufficient number of available PopReach Shares under the New Equity Incentive Plan to grant such dividend equivalents, the Company shall make such dividend payment in cash.

Black-out Periods

If an award expires during, or within five business days after, a routine or special trading Blackout Period (as defined in the New Equity Incentive Plan), then, notwithstanding any other provision of the New Equity Incentive Plan, unless the delayed expiration would result in negative tax consequences to the holder of the award, the award shall expire five business days after the Blackout Period is lifted by the Company; and provided that, (i) the Blackout Period must be deemed to have expired upon the general disclosure of the undisclosed Material Information (as defined in the New Equity Incentive Plan, and (ii) the automatic extension of an award will not be permitted where the participant or the Company is subject to a cease trade order (or similar order under applicable securities laws) in respect of the Company’s securities.

Term

While the New Equity Incentive Plan does not stipulate a specific term for awards granted thereunder, other than the options, which are subject to a maximum term of 10 years from the date of grant, subject to certain adjustments, as discussed below, shareholder approval is required to permit an option award to be exercisable beyond 10 years from its date of grant, except where an expiry date would have fallen within a Blackout Period of the Company. All awards must vest and settle in accordance with the provisions of the New Equity Incentive Plan and any applicable award agreement, which award agreement may include an expiry date for a specific award.

Termination of Employment or Services

The following table describes the impact of certain events upon the participants under the New Equity Incentive Plan, including termination for cause, resignation, termination without cause, disability, death or retirement, subject, in each case, to the terms of a participant's applicable employment agreement, consulting agreement, award agreement or other written agreement and subject to applicable employment standards legislation or regulations applicable to the participant's employment or other engagement with the Company or any of its subsidiaries:

Event	Provisions
Termination for Cause	- Any unvested awards held that have not been exercised, settled or surrendered as of the Termination Date (as defined in the New Equity Incentive Plan) shall be immediately forfeited and cancelled for no consideration and the participant shall not be entitled to any damages or other amounts in respect of such cancelled awards. - Any vested awards may, subject to the terms of the New Equity Incentive Plan be exercised, settled or surrendered to the Company by the participant at any time during the period that terminates on the earlier of: (a) the expiry date of such award, and (b) the date that is 90 days after the Termination Date, with any award that has not been exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled for no consideration and the participant shall not be entitled to any damages or other amounts in respect of such cancelled awards.
Resignation	
Termination without Cause	
Disability	Any award held by the participant that has not vested as of the date of the Disability (as defined in the New Equity Incentive Plan) of such participant shall vest on such date and may, subject to the terms of the New Equity Incentive Plan, be exercised, settled or surrendered to the Company by the participant at any time until the expiration date of such award, provided that: (i) with respect to any PSUs held by such participant, the attainment of performance goals shall be assessed on the basis of actual achievement of the performance goals up to the Termination Date, if the applicable performance period has been completed and the Company can determine if the performance goals have been attained, failing which the Company will assume Target Performance (as defined in the New Equity Incentive Plan); and (ii) any awards subject to section 409A of the Code awarded to U.S. Taxpayers (as defined in the New Equity Incentive Plan) shall be exercised, settled or surrendered within the same calendar year as the participant's "separation from service". Any award that has not been exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled for no consideration and the participant shall not be entitled to any damages or other amounts in respect of such cancelled awards.
Death	Any award held by the participant that has not vested as of the date of the death of such participant shall vest on such date and may, subject to the terms of the New Equity Incentive Plan, be exercised, settled or surrendered to the Company by the participant at any time during the period that terminates on the earlier of: (a) the expiry date of such award, and (b) the first anniversary of the date of the death of such participant, provided that (i) with respect to any PSUs held by such participant, the attainment of performance goals shall be assessed on the basis of actual achievement of the performance goals up to the date of death of such participant, if the applicable performance period has been completed and the Company can determine if the performance goals have been attained, failing which the Company will

Event	Provisions
	assume Target Performance; and (ii) any awards subject to section 409A of the Code awarded to U.S. Taxpayers shall be exercised, settled or surrendered within the same calendar year as the participant's death. Any award that has not been exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled and the participant shall not be entitled to any damages or other amounts in respect of such cancelled awards.
Retirement	- Any award held by the participant that has not vested as of the date of Retirement (as defined in the New Equity Incentive Plan) shall continue to vest in accordance with its terms and, if any such awards vest, shall be exercised, settled or surrendered by the Company to the participant provided that (a) with respect to any PSUs held by such participant, the attainment of performance goals shall be assessed on the basis of actual achievement of the performance goals up to the Termination Date, if the applicable performance period has been completed and the Company can determine if the performance goals have been attained, failing which the Company will assume Target Performance, (b) any awards subject to section 409A of Code awarded to U.S. Taxpayers, shall be exercised, settled or surrendered within the same calendar year as the participant's "separation from service"; and (c) for so long as the PopReach Shares are listed and posted for trading on the Exchange, any such award shall expire within a reasonable period, not exceeding twelve (12) months from the Termination Date, following which the participant shall not be entitled to any damages or other amounts in respect of such expired awards. - Notwithstanding the foregoing, if, following his or her Retirement, the participant breaches the terms of any restrictive covenant in the participant's written or other applicable employment or other agreement with the Company or a subsidiary of the Company, any award held by the participant that has not been exercised, surrendered or settled shall be immediately forfeited and cancelled for no consideration and the participant shall not be entitled to any damages or other amounts in respect of such cancelled awards.

The Plan Administrator may, in its discretion, at any time prior to, or following the events listed above, or in an employment agreement, consulting agreement, award agreement or other written agreement between the Company or a subsidiary of the Company and a individual receiving an award under the New Equity Incentive Plan, permit the acceleration or vesting of any or all awards or waive termination of any or all awards, all in the manner and on the terms as may be authorized by the Plan Administrator; provided that, for so long as the PopReach Shares are listed and posted for trading on the Exchange, (a) no acceleration of the vesting of options granted to investor relations service providers is permitted without prior Exchange acceptance; and (b) no awards (other than options) may vest before the date that is one year following the date it is granted or issued, other than as may be permitted or not prohibited pursuant to Exchange policies.

Change in Control

Subject to certain rules and restrictions of the Exchange, under the New Equity Incentive Plan, except as may be set forth in an employment agreement, consulting agreement, award agreement or other written agreement between the Company or a subsidiary of the Company and a participant:

- If within 12 months following the completion of a transaction resulting in a Change in Control (as defined in the New Equity Incentive Plan), a participant's employment, consultancy or directorship is terminated without Cause (as defined in the New Equity Incentive Plan) or the participant resigns with Good Reason (as defined in the New Equity Incentive Plan):
 - a portion of any unvested awards shall immediately vest, such portion to be equal to the number of unvested awards held by the participant as of the Termination Date multiplied by a fraction, the numerator of which is the number of days between the date of grant and the Termination Date and the denominator of which is the number of days between the date of grant and the date any unvested awards were originally scheduled to vest, which vested awards may be exercised, settled

or surrendered to the Company by such participant at any time during the period that terminates on the earlier of: (A) the expiration date of such award; and (B) the date that is 90 days after the Termination Date, provided that (1) with respect to any PSU held by such participant, the attainment of performance goals shall be assessed on the basis of actual achievement of the performance goals up to the Termination Date, if the applicable performance period has been completed and the Company can determine if the performance goals have been attained, failing which the Company will assume Target Performance, and (2) any awards subject to section 409A of the Code awarded to U.S. Taxpayers, shall, if such awards vest, be exercised, settled or surrendered within the same calendar year as the participant's "separation from service", with any award that has not been exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled for no consideration and the participant shall not be entitled to any damages or other amounts in respect of such cancelled awards; and

- any vested awards may, subject to the terms of the New Equity Incentive Plan, be exercised, settled or surrendered to the Company by the participant at any time during the period that terminates on the earlier of: (A) the expiration date of such award; and (B) the date that is 90 days after the Termination Date, with any award that has not been exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled for no consideration and the participant shall not be entitled to any damages or other amounts in respect of such cancelled awards.
- Unless otherwise determined by the Plan Administrator, if, as a result of a Change in Control, the PopReach Shares will cease trading on the Exchange or any other exchange, the Company may terminate all of the awards, other than an option held by a Canadian Taxpayer (as defined in the New Equity Incentive Plan) for the purposes of the Tax Act, granted under the New Equity Incentive Plan at the time of, and subject to the completion of, the Change in Control transaction by paying to each holder an amount equal to the fair market value of his or her respective award (as determined by the Plan Administrator, acting reasonably) at or within a reasonable period of time following completion of such Change in Control transaction.

Non-Transferability of Awards

Except as permitted by the Plan Administrator, and to the extent that certain rights may pass to a beneficiary or legal representative upon the death of a participant by will or as required by law, no assignment or transfer of awards granted under the New Equity Incentive Plan, whether voluntary, involuntary, by operation of law or otherwise, is permitted.

Amendments to the New Equity Incentive Plan

The Plan Administrator may also from time to time, without notice and without approval of the holders of voting shares, amend, modify, change, suspend or terminate the New Equity Incentive Plan or any awards granted pursuant thereto as it, in its discretion, determines appropriate, provided that (a) no such amendment, modification, change, suspension or termination of the New Equity Incentive Plan or any award granted pursuant thereto may materially impair any rights of a participant or materially increase any obligations of a participant under the New Equity Incentive Plan without the consent of such participant, unless the Plan Administrator determines such adjustment is required or desirable in order to comply with any applicable securities laws or stock exchange requirements, and (b) any amendment that would cause an award held by a U.S. to be subject to the additional tax penalty under Section 409A(1)(b)(i)(II) of the Code, as amended, shall be null and void *ab initio*.

Notwithstanding the above, and subject to the rules of the Exchange, the approval of shareholders is required to effect any of the following amendments to the New Equity Incentive Plan:

- (a) increasing the percentage of the Company's issued and outstanding PopReach Shares reserved for issuance under the New Equity Incentive Plan, except pursuant to the provisions in the New Equity Incentive Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;
- (b) increasing or removing the 10% limits on PopReach Shares issuable or issued to Insiders;

Incentive Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;

- (b) increasing or removing the 10% limits on PopReach Shares issuable or issued to Insiders;
- (c) reducing the exercise price of an option award (for this purpose, a cancellation or termination of an award of a participant prior to its expiry date for the purpose of reissuing an award to the same participant with a lower exercise price shall be treated as an amendment to reduce the exercise price of an award) except pursuant to the provisions in the New Equity Incentive Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;
- (d) extending the term of an option award beyond the original expiry date (except where an expiry date would have fallen within a blackout period applicable to the participant or within five business days following the expiry of such a blackout period);
- (e) permitting an option award to be exercisable beyond 10 years from its date of grant (except where an expiry date would have fallen within a blackout period);
- (f) increasing or removing the limits on the participation of non-employee directors;
- (g) permitting awards to be transferred to a person;
- (h) changing the eligible participants;
- (i) pertaining to a matter expressly subject to approval of the shareholders pursuant to the applicable rules of the Exchange; and
- (j) deleting or otherwise limiting the amendments which require approval of the shareholders.

Except for the items listed above, amendments to the New Equity Incentive Plan will not require shareholder approval. Such amendments include (but are not limited to): (a) amending the general vesting provisions of an award, (b) adding covenants of the Company for the protection of the participants, (c) amendments that are desirable as a result of changes in law in any jurisdiction where a participant resides, and (d) curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error.

Anti-Hedging Policy

Participants are restricted from purchasing financial instruments such as prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of awards granted to them.

Accordingly, at the Meeting the shareholders will be asked to vote on, and the PopReach Board believing it to be in the best interests of the Company, recommend that the shareholders approve the following resolution, with or without variation:

The affirmative vote of a simple majority of the votes cast in respect thereof by disinterested PopReach Shareholders is required in order to pass such resolution.

Unless authority to vote is withheld, the persons named in the accompanying form of proxy intend to vote FOR the foregoing resolution approving the New Equity Incentive Plan.

Management of PopReach recommends that PopReach Shareholders vote in favor of the resolution to approve the New Option Plan. Unless you give other instructions, the persons named in the enclosed form of proxy intend to vote FOR the annual approval of the New Option Plan.

Other Business

The Company knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting.

INFORMATION CONCERNING THE TRANSACTION

General

The parties to the Transaction are PopReach, Subco and Federated. The Transaction is an Arm's Length Transaction for the purposes of the Exchange Policies and not a Related Party Transaction for the purposes of MI 61-101. The Transaction will result in Reverse Takeover of PopReach by Federated and the acquisition of all of the issued and outstanding securities of Federated by PopReach via a three-cornered amalgamation.

Principal Steps of the Transaction

Pursuant to the Business Combination Agreement, PopReach will acquire all of the outstanding securities of Federated via the Amalgamation of Subco, a wholly owned Subsidiary of PopReach incorporated solely for the purposes of completing the Transaction, with Federated pursuant to Section 174 of the OBCA. Under the terms of the Business Combination Agreement, the following steps will occur on the Effective Date:

- (a) each issued and outstanding Subco Share shall be exchanged for one fully paid and non-assessable Amalco Share, and all such Subco Shares shall be cancelled;
- (b) each issued and outstanding Federated Share (including, for clarity, each Federated Share issuable upon due exercise, conversion and/or exchange of all Federated securities exercisable, convertible and/or exchangeable for or into Federated Shares) shall be exchanged for the number of PopReach Shares equal to the Exchange Ratio, such PopReach Shares to be fully paid and non-assessable and issued by PopReach from treasury, and all such Federated Shares shall be cancelled;
- (c) in consideration of the issuance by PopReach of the PopReach Shares, Amalco shall issue to PopReach 999,999 fully paid and non-assessable Amalco Shares;
- (d) PopReach shall reconstitute the PopReach Board, in compliance with the regulations of the TSXV and applicable Securities Laws, to consist of three (3) directors appointed by PopReach (being Christopher Locke, Mike Vorhaus, and Jon Walsh) and four (4) directors appointed by Federated (being Ted Hastings and three independent directors, Ben Colabrese, Natasha De Masi and Iain Klugman), which directors shall hold office until the next annual or annual and special meeting of the PopReach Shareholders or until their successors are elected or appointed in accordance with the provisions of PopReach's articles and bylaws; and
- (e) PopReach shall reconstitute the management of PopReach, in compliance with the regulations of the Exchange and applicable Securities Laws, to consist of Jeff Collins, Chief Development Officer; Greg Donaldson, Chief Financial Officer; Kevin Ferrell, Chief Operating Officer; Amy Hastings, General Counsel and Corporate Secretary; Ted Hastings, Executive Chairman; Christopher Locke, President; Jon Walsh, Chief Executive Officer, in each case subject to the receipt of all applicable regulatory approvals.

No fractional securities will be issued. Any fractions resulting will be rounded down to the next whole number and no cash or other consideration shall be paid or payable in lieu of such fraction of a Federated Share.

The Business Combination Agreement

The Transaction will be effected in accordance with the Business Combination Agreement, a copy of which has been filed under PopReach's profile on SEDAR as a material document. The description of the Business Combination Agreement, both below and elsewhere in this Circular is a summary only, is not exhaustive and is qualified in its entirety by reference to the terms of the Business Combination Agreement, which is incorporated by reference herein.

Representations and Warranties

The Business Combination Agreement contains representations and warranties made by each of PopReach and Federated. The assertions embodied in those representations and warranties are solely for the purposes of the Business

Combination Agreement and may be subject to important qualifications, limitations and exceptions agreed to by the parties in connection with negotiating its terms and as set out in the disclosure letters delivered in connection with the Business Combination Agreement. Certain representations and warranties may not be accurate or complete as of any specified date because they are qualified by certain disclosure provided by the Parties or are subject to a standard of materiality or are qualified by a reference to the concept of a “Material Adverse Event” (which concept is defined in the Business Combination Agreement and in some respects are different from the materiality standards generally applicable under Securities Laws). Therefore, PopReach Shareholders should not rely on the representations and warranties as statements of factual information at the time they were made or otherwise.

The Business Combination Agreement contains representations and warranties of the Parties relating to certain matters including, among other things: organization and qualification; authority to execute and deliver the Business Combination Agreement and perform its obligations under the Business Combination Agreement; absence of conflict with or violation of constating documents, agreements or applicable laws; due authorization and enforceability of the Business Combination Agreement; composition of share capital; options or other rights for the purchase of securities; indebtedness; receipt of all required consents and approvals; financial statements; records, accounts, minute books and corporate records; material contracts; permits and licenses; employment matters; compliance with laws, absence of adverse litigation, judgment or order; absence of undisclosed liabilities; absence of adverse material change; taxation matters; environmental matters; reporting issuer and listing status; and matters related to the Amalgamation.

Conditions to the Transaction

The respective obligations of the Parties to complete the transactions contemplated by the Business Combination Agreement are subject to a number of conditions which must be satisfied or waived in order for the Transaction to become effective, which conditions are summarized below. There is no assurance that these conditions will be satisfied or waived on a timely basis. Unless all of the conditions are satisfied or waived, the Transaction will not proceed.

Mutual Conditions

The respective obligations of the Parties to complete the transactions contemplated in the Business Combination Agreement are subject to the fulfillment of the following conditions on or before the Effective Date or such other time as is specified below:

- (a) Receipt of all shareholder, regulatory and other approvals, authorizations and consents for the Transaction (and the parts thereof), as applicable, including, but not limited to:
 - (i) requisite approval by the Exchange;
 - (ii) requisite approval by the PopReach Shareholders and the PopReach Board;
 - (iii) requisite approval by the Federated Shareholders and the Federated Board; and
 - (iv) other approvals as set forth in the Business Combination Agreement.

Conditions for the Benefit of PopReach

The obligation of PopReach to complete the transactions contemplated by the Business Combination Agreement is subject to the fulfillment or waiver of the following additional conditions, as set forth in the Business Combination Agreement, at or before the Closing Date or such other time as is specified below, including, but not limited to:

- (a) the representations and warranties of Federated being true and correct as of the date of the Business Combination Agreement and true and correct as of the Effective Date, in each case in all material respects, with the same force and effect as if such representations and warranties had been made on and as of such Effective Date, except where such representations and warranties are made as of a specified date;
- (b) Federated and its Subsidiaries having performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in the Business Combination Agreement to be fulfilled or complied with by it or any one or more of them at or prior to the Effective Date;

- (c) all approvals, consents and authorizations of third parties required to be obtained by Federated in respect of the Transaction (including consent of Fiera pursuant to the terms of the Fiera Commitment Letter in respect of the Fiera Facility) being obtained on terms acceptable to PopReach, acting reasonably;
- (d) Federated having delivered, or cause to be delivered, to PopReach and Subco the Federated Closing Documents (as defined in the Business Combination Agreement) in a form satisfactory to PopReach and Subco, acting reasonably;
- (e) from the date of the Business Combination Agreement, there shall not have occurred any Material Adverse Effect with respect to Federated and its Subsidiaries, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect with respect to Federated and its Subsidiaries;
- (f) Federated Shareholders shall not have exercised their right to dissent in connection with the Transaction, with respect to more than 1% of the issued and outstanding Federated Shares;
- (g) all proceedings to be taken in connection with the Transaction shall be satisfactory in form and substance to PopReach and Subco, acting reasonably, and PopReach and Subco shall have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation or completion of such transactions and the taking of all necessary proceedings in connection therewith;
- (h) no Action (as defined in the Business Combination Agreement) or proceeding (whether legal, regulatory or otherwise, formal or informal) shall be pending or threatened by any Person (other than by PopReach or Subco, directly or indirectly) in any jurisdiction (i) to enjoin, restrict or prohibit any of the transactions contemplated by the Business Combination Agreement, (ii) in relation to Federated, any of its Subsidiaries or any one of their officers, directors or principal shareholders, or (iii) that would, if determined against Federated or any of its Subsidiaries, have, or reasonably be expected to have, a Material Adverse Effect with respect to Federated and its Subsidiaries, in the reasonable opinion of PopReach and Subco;
- (i) all approvals and consents from the PopReach Lender (as defined in the Business Combination Agreement) required to be obtained by PopReach in respect of PopReach's assumption of the Closing Debt (as defined in the Business Combination Agreement) and, as may be required by the PopReach Lender, the Closing Debt being duly subordinated to PopReach's existing senior secured debt to the satisfaction of the PopReach Lender; and
- (j) other than the Closing Debt, the amount of other Debt that is fully accounted for in the Closing Date Working Capital (each term as defined in the Business Combination Agreement) and such other Debt as may be acceptable to PopReach, in its sole and absolute discretion, none of Federated or any of its Subsidiaries having any Debt as at the Effective Date.

Conditions for the Benefit of Federated

The obligation of Federated to complete the transactions contemplated by the Business Combination Agreement is subject to the fulfillment or waiver of the following addition conditions, as set forth in the Business Combination Agreement, at or before the Effective Date or such other time specified below, including, but not limited to:

- (a) the representations and warranties of PopReach and Subco contained in the Business Combination Agreement being true and correct as of the date of the Business Combination Agreement and true and correct as of the Effective Date, in each case in all material respects, with the same force and effect as if such representations and warranties had been made on and as of such Effective Date, except where such representations and warranties are made as of a specified date;
- (b) PopReach and Subco having performed, fulfilled or complied with, in all material respects, all of their obligations, covenants and agreements contained in the Business Combination Agreement to be fulfilled or complied with by PopReach and Subco at or prior to the Effective Date;

- (c) all approvals, consents and authorizations of third parties in respect of the transactions contemplated by the Business Combination Agreement required to be obtained by PopReach and/or Subco, including without limitation all necessary shareholder approvals and approvals for the Meeting, being obtained on terms acceptable to Federated acting reasonably;
- (d) PopReach and Subco having delivered to Federated the PopReach and Subco Closing Documents (as defined in the Business Combination Agreement) in a form satisfactory to Federated acting reasonably;
- (e) from the date of the Business Combination Agreement, there shall not have occurred any Material Adverse Effect with respect to PopReach and its Subsidiaries, nor shall any event or events have occurred that, individually or in the aggregate, with or without the lapse of time, could reasonably be expected to result in a Material Adverse Effect with respect to PopReach and its Subsidiaries;
- (f) all proceedings to be taken in connection with the transactions contemplated in the Business Combination Agreement shall be satisfactory in form and substance to Federated, acting reasonably, and Federated shall have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation or completion of such transactions and the taking of all necessary proceedings in connection therewith; and
- (g) no Action or proceeding (whether legal, regulatory or otherwise, formal or informal) shall be pending or threatened by any Person (other than by Federated, directly or indirectly) in any jurisdiction (i) to enjoin, restrict or prohibit any of the transactions contemplated by the Business Combination Agreement, (ii) in relation to PopReach or Subco or any one of its respective officers, directors or any of its principal shareholder, or (iii) that would, if determined against PopReach or Subco, have, or reasonably be expected to have, a Material Adverse Effect with respect to PopReach and its Subsidiaries, in the reasonable opinion of Federated.

Covenants of Federated

Federated has agreed with PopReach that it will, among other things, the following:

- (a) Federated shall, in a timely and expeditious manner, cause Ted Hastings, and three additional independent directors, being Ben Colabrese, Natasha De Masi and Iain Klugman to be nominated by Federated pursuant to the Business Combination Agreement;
- (b) Federated shall enter into the Amalgamation Agreement forthwith after receipt of the requisite approvals of the Federated Shareholders, Subco and PopReach to the Meeting Matters. In furtherance of the foregoing, subject to the approval of the shareholders of Federated, PopReach and Subco being obtained with respect to the Meeting Matters, as applicable, and subject to the obtaining of all applicable regulatory approvals, including the conditional approval of the Exchange, thereafter jointly with Subco, Federated shall file with the Director the articles of amalgamation and such other documents as may be required to give effect to the Amalgamation upon and subject to the terms and conditions of the Business Combination Agreement;
- (c) except as otherwise provided in the Business Combination Agreement, Federated shall, and cause each of its Subsidiaries to, furnish promptly to PopReach a copy of any filing made under any Applicable Laws (as defined in the Business Combination Agreement) and any dealings or communications with any Governmental Authority, Securities Authority (each as defined in the Business Combination Agreement) or stock exchange in connection with, or in any way affecting, the Transaction (except where such material is confidential or competitively or commercially sensitive, in which case it shall be provided (subject to Applicable Laws) to the other Party's outside counsel on an "external counsel" basis);
- (d) Federated shall, and cause each of its Subsidiaries to, use commercially reasonable efforts to obtain from Federated's, and each of its Subsidiaries', directors and shareholders and from all applicable Governmental Authorities (including the Exchange) such approvals or consents as are required to complete the Transaction. Federated will afford PopReach with an opportunity to review all material

disclosure and information Federated intends to provide to its shareholders in respect of such requisite approval, and shall make all such changes as are reasonably requested by PopReach;

- (e) Federated shall, and cause each of its Subsidiaries to, maintain its respective corporate status in good standing and comply with all applicable securities and the Exchange requirements (including any applicable filing requirements) until the Effective Date;
- (f) other than in contemplation of, or as required to give effect to the Transaction, Federated shall, and shall cause its Subsidiaries to, until the earlier of the Effective Time and the time that the Business Combination Agreement is terminated in accordance with its terms, use commercially reasonable efforts to maintain and preserve Federated and its Subsidiaries' business, assets, operations, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons, in each case with which Federated or any of its Subsidiaries have material business relations, in the ordinary course;
- (g) Federated shall, and shall cause and ensure that each of its Subsidiaries to, not take any action, refrain from taking any commercially reasonable action, and not permit any action to be taken or not taken, that would reasonably be expected to materially impede the completion of the Transaction;
- (h) Federated shall promptly notify PopReach of: (i) any Material Adverse Effect with respect to Federated and its Subsidiaries; (ii) any notice or other written communication from any Person alleging that the consent of such Person (or another Person) is required in connection with the Transaction, or (iii) any material filings, Actions (as defined in the Business Combination Agreement), suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving Federated or any of its Subsidiaries that relate to the Business Combination Agreement or the Transaction;
- (i) Federated shall use commercially reasonable best efforts to structure the Transaction in a manner that will be a tax-deferred transaction for Canadian tax purposes; and
- (j) Federated shall use reasonable efforts to cause each of the conditions precedent in the Business Combination Agreement be complied with.

Covenants of PopReach

PopReach has agreed with Federated, among other things, the following:

- (a) concurrently with the execution of the Business Combination Agreement, PopReach will deliver to Federated a duly executed copy of each of the Voting Support Agreements with PopReach Insiders;
- (b) PopReach will include all information as required by Applicable Laws with respect to PopReach and its Subsidiaries and their respective businesses and properties for inclusion in this Circular, including the PopReach Financial Statements and related management discussion and analysis' (the "**PopReach Information**") required to be disclosed in this Circular or in any amendment or supplement to this Circular (including any pro forma financial statements) and Federated shall ensure that all PopReach Information does not contain any Misrepresentation (as defined in the Business Combination Agreement) with respect thereto. PopReach shall use commercially reasonable efforts to obtain, if necessary, consents of auditors and other advisors to use financial, technical or expert information in this Circular;
- (c) in a timely and expeditious manner, PopReach shall:
 - (i) set the record date for PopReach Shareholders entitled to vote at the Meeting;
 - (ii) subject to compliance by Federated with its obligations under Sections 7.1(b) and 7.1(c) of the Business Combination Agreement, prepare this Circular in the form and containing the information required by all Applicable Laws, including without limiting the generality of the foregoing, a copy of the Fairness Opinions and a statement that the PopReach Insiders, on an aggregate basis, have entered into the Voting Support Agreements, pursuant to which, *inter alia* and subject to the terms and conditions thereof, each PopReach Insider

- shall agree to vote in favour of the Meeting Matters all PopReach Shares now held or hereafter held by them that are entitled to vote on such matters, and not containing any Misrepresentation with respect thereto, other than with respect to any information relating to and provided by Federated, provide Federated with a reasonable opportunity to comment thereon, reasonably consider all comments provided thereon by Federated, incorporate all information relating to Federated and its Subsidiaries included in this Circular to the satisfaction of Federated, and subsequently file this Circular, together with any other documents required by Applicable Laws, in all jurisdictions where this Circular is required to be filed and mail this Circular to all PopReach Shareholders to whom this Circular is required to be mailed;
- (iii) subject to compliance by Federated with its obligations under the Business Combination Agreement, convene and conduct the Meeting in accordance with PopReach's constating documents and Applicable Laws as soon as reasonably practicable;
 - (iv) provide notice to Federated of the Meeting and allow representatives of Federated to attend the Meeting;
 - (v) solely for the purpose of completing the Transaction, at the reasonable request of Federated from time to time, provide Federated with a list (in both written and electronic form) of the registered PopReach Shareholders, together with their addresses and respective holdings of PopReach Shares, with a list of the names and addresses and holdings of all Persons having rights issued by PopReach to acquire PopReach Shares and a list of non-objecting beneficial owners of PopReach Shares, together with their addresses and respective holdings of PopReach Shares, as well as updates thereto as Federated may reasonably request from time to time;
 - (vi) provide Federated with information on the proxies received and the PopReach Shareholders votes on the Transaction Resolution on a bi-weekly basis commencing at least ten Business Days before the date of the Meeting to the extent that such information is available to PopReach; and
 - (vii) promptly advise Federated of any material communication (written or oral) from or claims brought by (or threatened to be brought by) any Person in opposition to the Meeting Matters.
- (d) in a timely and expeditious manner, subject to compliance by Federated with its obligations under the Business Combination Agreement, and subject to providing Federated with a reasonable opportunity to comment thereon, PopReach shall prepare and file any mutually agreed (or as otherwise required by Applicable Laws) amendments or supplements to this Circular (which amendments or supplements shall be in a form satisfactory to the Parties, acting reasonably), complying in all material respects with all Applicable Laws on the date of the filing thereof;
 - (e) PopReach shall promptly notify Federated if it becomes aware that this Circular contains a Misrepresentation, or otherwise requires an amendment or supplement;
 - (f) PopReach covenants and agrees to enter into the Amalgamation Agreement forthwith after receipt of the requisite approvals of the shareholders of Federated, Subco and PopReach to the Meeting Matters, as applicable, and subject to the obtaining of all applicable regulatory approvals, including the conditional approval of the Exchange, thereafter jointly with Federated, PopReach shall cause Subco to file with the Director the articles of amalgamation and such other documents as may be required to give effect to the Amalgamation upon and subject to the terms and conditions of the Business Combination Agreement;
 - (g) except as otherwise provided herein, PopReach shall furnish promptly to Federated a copy of any filing made under any Applicable Laws and any dealings or communications with any Governmental Authority, Securities Authority or stock exchange in connection with, or in any way affecting, the Transaction (except where such material is confidential or competitively or commercially sensitive, in which case it shall be provided (subject to Applicable Laws) to the other Party's outside counsel on an "external counsel" basis). Federated and/or its directors, officers,

auditors, counsel and other authorized representatives shall be permitted to make such commercially reasonable investigations of the property, assets and business of PopReach and of its financial and legal condition as Federated reasonably deems necessary or desirable, provided that such investigations shall not unduly interfere with the operations of PopReach. If reasonably requested, PopReach shall provide copies, at the cost of Federated, of PopReach's corporate records, including its minute books, share ledgers and the records maintained in connection with the business of PopReach. Such investigations will not, however, affect or mitigate in any way the representations and warranties contained in the Business Combination Agreement, which representations and warranties shall continue in full force and effect for the benefit of Federated;

- (h) PopReach shall use commercially reasonable efforts to obtain from the PopReach Board and the PopReach Shareholders and from all applicable Governmental Authorities (including the Exchange) such approvals or consents as are required to complete the transactions contemplated in the Business Combination Agreement;
- (i) PopReach will maintain its corporate status in good standing and comply with all applicable securities and the Exchange requirements (including any applicable filing requirements) until the Effective Date;
- (j) other than in contemplation of, or as required to give effect to the Transaction, PopReach shall, and shall cause its Subsidiaries to, until the earlier of the Effective Time and the time that the Business Combination Agreement is terminated in accordance with its terms, use commercially reasonable efforts to maintain and preserve PopReach and its Subsidiaries' business, assets, operations, properties, employees, goodwill and business relationships with customers, suppliers, partners and other Persons, in each case with which PopReach or any of its Subsidiaries have material business relations, in the ordinary course;
- (k) other than in connection with the Transaction, PopReach shall not, and will cause its Subsidiaries to not, engage in any transaction, or enter into any agreements in respect of: (i) the purchase of any material property or Assets or the sale, transfer or other disposition of any material property or Assets currently owned by PopReach or any of its Subsidiaries; or (ii) the change of control of PopReach or any of its Subsidiaries;
- (l) PopReach shall not take any action, or refrain from taking any commercially reasonable action, or permit any action to be taken or not taken, that would reasonably be expected to materially impede the completion of the Transaction.
- (m) PopReach shall promptly notify Federated of: (i) any Material Adverse Effect with respect to PopReach and its Subsidiaries; (ii) any notice or other written communication from any Person alleging that the consent of such Person (or another Person) is required in connection with the Transaction, or (iii) any material filings, Actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving PopReach or any of its Subsidiaries that relate to the Business Combination Agreement or the Transaction;
- (n) PopReach shall use commercially reasonable best efforts to structure the Transaction in a manner that will be a tax-deferred transaction for Canadian tax purposes; and
- (o) PopReach shall use commercially reasonable efforts to cause each of the conditions precedent in the Business Combination Agreement be complied with.

Alternative Transactions

The Parties agree that they will not, and will not permit any of its Affiliates and its Affiliates' respective agents, directors, officers, employees, consultants, advisors (including, without limitation, financial, legal and accounting advisors) and representatives (collectively, the "**Representatives**") to, without the prior consent of the other Parties, directly or indirectly, solely or jointly with any other Person:

- (a) solicit, initiate or encourage, engage, participate or assist in, or respond positively to or take any action to facilitate any Alternative Proposal;

- (b) encourage, induce, engage, participate or assist in any discussions or negotiations regarding any Alternative Proposal;
- (c) provide any information to, or cooperate in any way with, any Person (other than the Representatives of the other Party) in connection with any Alternative Proposal;
- (d) enter into any commitment, arrangement or agreement for an Alternative Proposal; or
- (e) take or omit to take any actions that would reasonably be expected to reduce the likelihood of the Transaction's success.

Each Party shall promptly notify the other Parties of any Alternative Proposal of which it or any of its Representatives is or becomes aware of, or any request for information relating to it. Such notice shall include a description of the material terms and conditions of any such proposal and the identity of the Person making such proposal, inquiry, request or contact. Notwithstanding the foregoing, nothing contained in the Business Combination Agreement shall prohibit the PopReach Board or PopReach from taking any action, making any disclosure and otherwise responding or reacting if the PopReach Board, acting in good faith and upon the advice of outside legal advisors, shall have first determined that the failure to do so would be inconsistent with the fiduciary duties of the PopReach Board or such action, disclosure, response or reaction is required by Applicable Law, provided that, to the extent permitted by Applicable Law, PopReach shall provide Federated and its outside legal counsel with a reasonable opportunity to review and comment on the form and content of any action or disclosure to be made pursuant to this paragraph, and shall give reasonable consideration to comments made by Federated and its outside legal counsel. Notwithstanding the foregoing or anything else in the Business Combination Agreement, and for greater certainty, in connection with or in furtherance of the proper discharge of their fiduciary duties, the directors and officers of PopReach may consider, participate in any discussions or negotiations with, or provide information to, any Person who has delivered or issued a Superior Proposal that did not result from a breach by PopReach of the Business Combination Agreement, provided that PopReach shall promptly advise Federated in writing of the existence of such Superior Proposal and, to the extent not otherwise restricted, provide material details thereof to Federated.

Break Fee

If the Business Combination Agreement is terminated by PopReach after receipt of a Superior Proposal, whether accepted by PopReach or not, as a condition to the right of PopReach to terminate the Business Combination Agreement, PopReach shall pay to Federated a cash payment equal to C\$1,000,000, all in immediately available Canadian funds within ten (10) Business Days of such termination (the “**PopReach Break-Fee**”). The obligation of PopReach to pay the PopReach Break Fee above shall survive the termination of the Business Combination Agreement.

Termination

The Business Combination Agreement may, prior to the Closing Date, be terminated, in certain circumstance, including:

- (a) by mutual written agreement by PopReach, Federated and Subco;
- (b) subject to notice and cure provisions within the Business Combination Agreement:
 - (i) by PopReach, if any condition for its benefit is not satisfied or waived at or prior to May 10, 2022, at 5:00 p.m. (Toronto time) (the “**Termination Deadline**”),
 - (ii) by Federated, if any condition for its benefit is not satisfied or waived at or prior to the Termination Deadline, or
 - (iii) by PopReach or by Federated, if any of the mutual conditions for the benefit of the terminating party is not satisfied or waived at or prior to the Termination Deadline;
- (c) by PopReach if there is a material breach of a representation, warranty or covenant of Federated contained in the Business Combination Agreement by Federated or any of its directors, officers, employees, agents, consultants or other representatives, in each case on or before the Closing Date,

- which breach cannot be cured or is not cured within 30 days of written notice from PopReach to Federated specifying such breach;
- (d) by PopReach as the result of a Superior Proposal, provided that PopReach pay the PopReach Break-Fee;
 - (e) by PopReach if there has occurred a Material Adverse Effect with respect to Federated and its Subsidiaries;
 - (f) by Federated if there is a material breach of a representation, warranty or covenant of PopReach or Subco contained in the Business Combination Agreement by PopReach or Subco or any of their respective directors, officers, employees, agents, consultants or other representatives, in each case on or before the Closing Date, which breach cannot be cured or is not cured within 30 days of written notice from Federated to PopReach or Subco specifying such breach; or
 - (g) by Federated if there has occurred a Material Adverse Effect with respect to PopReach and its Subsidiaries.

Expenses

All expenses incurred in connection with the Business Combination Agreement and the transactions contemplated thereby shall be paid by the Party incurring such expense.

Background to the Transaction

In May 2021, management of PopReach began discussions with management of Federated. In August, 2021, the PopReach Board then met with Federated's management, and PopReach's legal and financial advisors to review the opportunity as it had developed to that time. PopReach's legal advisors provided advice with respect to the PopReach Board's duties and certain legal matters relating to the proposed transaction.

The seven member PopReach Board then approved the proposed transaction by majority vote, and the engagement of Echelon to review the Transaction and if merited, prepare a fairness opinion. The Parties continued their negotiations respecting the terms of the proposed Transaction and consulted with legal counsel to obtain corporate, securities and tax advice.

On August 16, 2021, PopReach and Federated entered into the Letter of Intent.

The PopReach Board subsequently approved the engagement of Stifel to review the Transaction and if merited, prepare a second fairness opinion.

Throughout August to October of 2021, PopReach and Federated completed due diligence reviews of the other party and held a number of conference calls among their respective advisors, directors and management teams to facilitate the reviews.

On October 15, 2021, the PopReach Board met again with management and PopReach's advisors to review the proposed Transaction, the draft Business Combination Agreement and analysis of the Transaction prepared by the PopReach Board's financial advisors. In addition, the PopReach Board's financial advisors delivered their oral Fairness Opinions (which were subsequently confirmed by the delivery of their respective written Fairness Opinions). Following discussion and review of the Fairness Opinions and various other factors, the PopReach Board unanimously approved the Transaction, the Business Combination Agreement and matters ancillary thereto.

On October 15, 2021, the Federated Board consulted with Federated's legal advisors with respect to the terms of the Business Combination Agreement and the effect of the Transaction on outstanding securities of Federated. The Federated Board approved the Transaction and the Business Combination Agreement pursuant to a resolution dated 15, 2021.

On October 18, 2021, PopReach, Subco and Federated executed the definitive Business Combination Agreement.

Fairness Opinions

On August 13, 2021, the PopReach Board engaged Echelon to act as financial advisor to the PopReach Board in respect of the fairness, from a financial point of view, of the consideration to be paid pursuant to the Transaction.

On September 23, 2021, the PopReach Board engaged Stifel to act as financial advisor to the PopReach Board in respect of the fairness of the terms of the Transaction, from a financial point of view, to PopReach and the PopReach Shareholders.

In addition, the PopReach Board's financial advisors delivered their oral Fairness Opinions (which were subsequently confirmed by the delivery of their respective written Fairness Opinions).

On October 15, 2021, each of Echelon and Stifel delivered their oral Fairness Opinions (which were subsequently confirmed by the delivery of their respective written Fairness Opinions).

The complete text of the Fairness Opinions, which sets forth the assumptions made, matters considered and limitations on the review undertaken in connection with the opinions are attached to this Circular as Schedule B. PopReach Shareholders are encouraged to and should read the Fairness Opinion in its entirety.

Neither Echelon, Stifel, nor any of their affiliates is an Insider, Associate or Affiliate PopReach or Federated or any of their respective Associates or Affiliates. Echelon and Stifel were paid a fixed fee upon delivery of the Fairness Opinion to the PopReach Board, which was not contingent upon completion of the Transaction.

Echelon and Stifel have consented to the inclusion in this Circular of the Fairness Opinions in its entirety, together with the summary herein and other information relating to Echelon, Stifel, and the Fairness Opinions. The Fairness Opinions were provided to the PopReach Board for their exclusive use only in considering the Transaction and may not be relied upon by any other person or for any other purpose or published or disclosed to any other person, relied upon by any other person or used for any other purpose without Echelon's or Stifel's, as applicable, written consent.

The Fairness Opinion addresses only the fairness of the consideration due under the Transaction from a financial point of view and is not and should not be construed as a valuation of PopReach or Federated or any of their respective assets or securities or a recommendation to any PopReach Shareholder as to whether to vote in favour of the Transaction Resolution.

Considerations of Fairness Advisor

Echelon and Stifel have assumed and relied upon, without independent verification, the completeness, accuracy and fair presentation of all of the information (financial or otherwise) data, documents, opinions, appraisals, valuations or other information and materials of whatsoever nature or kind reviewed by Echelon and Stifel and all information respecting the Transaction, PopReach and Federated and their Subsidiaries, if any, obtained from public sources and from senior management of PopReach and Federated.

Reasons for the Transaction

The PopReach Board, in unanimously determining that the Transaction is in the best interests of the Corporation and recommending that PopReach Shareholders vote FOR the Transaction Resolution, considered and relied upon a number of factors, including the following.

- ***Combined Synergistic Platform & Increased Scale:*** the Resulting Issuer will be a multi-platform digital media company with meaningful size and scale, with strategic alignment to acquire, optimize and scale digital technology assets. Synergies are expected from the combination of PopReach's portfolio of gaming assets enjoyed by millions of players and Federated's portfolio of companies that deliver 30 billion monthly advertising impressions to 650 million unique users.

- *Large Growth Trends*: the Resulting Issuer will operate in a large and rapidly expanding market of over \$500 billion, comprised of a \$455 billion¹⁶ digital advertising market and a \$91 billion¹⁷ mobile gaming market. The Resulting Issuer will have access to a deep pool of high-quality acquisition targets across the digital media, gaming and AdTech landscape, which will maximize return on invested capital.
- *Capital Markets Profile*: the Resulting Issuer will have an improved capital markets profile with improved financial strength, and increased access to capital to facilitate and accelerate growth.
- *Management*: the combined management team will bring complementary strengths and deep experience in M&A, digital media and advertising, mobile user acquisition, and digital content monetization.
- *Significant and Immediate Premium*: the Exchange Ratio for the Transaction will be determined based on, among other things, a fixed C\$0.80 price per PopReach Share, representing a premium of approximately 27% based on the closing prices of the PopReach Shares on the Exchange on August 16, 2021, the last trading day prior to the announcement of the proposed Transaction.
- *Pro Forma Ownership*: consideration payable by PopReach in the Transaction consists entirely of PopReach Shares, which enables PopReach Shareholders the opportunity to continue to participate in the future potential growth and increase in value of the Resulting Issuer, with an anticipated aggregate *pro forma* ownership interest of approximately 31.3% (on a non-diluted basis) for PopReach Shareholders.
- *Fairness Opinions*: the Fairness Opinions delivered by the PopReach Board's financial advisors Echelon and Stifel, each to the effect that, as of the date therein, and based upon and subject to the analyses referred to, and assumptions, explanations and limitations set forth therein, the consideration to be paid by PopReach pursuant to the Transaction is fair from a financial perspective to PopReach and the PopReach Shareholders, copies of which are attached as Schedule B to this Circular.
- *Shareholder Support*: holders of over 50% of the PopReach Shares entered into voting and support agreements indicating their support for the Transaction.
- *Ability to Accept a Superior Offer*: the ability of the PopReach Board, in certain circumstances, to consider, accept and enter into a definitive agreement with respect to a Superior Proposal, provided that PopReach terminates the Combination Agreement and pays the PopReach Break-Fee of C\$1,000,000.
- *Arrangement Agreement Terms*: PopReach and Federated's respective representations, warranties and covenants and the conditions to their respective obligations are reasonable in the judgment of the PopReach Board following consultation with its advisors, and are the product of extensive arm's length negotiations between the Parties and their respective advisors. Recommendation of the PopReach Board.

After careful consideration, including a thorough review of, among other things, the terms and conditions of the Transaction, the key benefits and risks, the Business Combination Agreement, the Fairness Opinions delivered by the PopReach Board's financial advisors Echelon and Stifel, as well as other matters discussed in this Circular, the PopReach Board has unanimously determined that the Transaction is in the best interests of PopReach, respectively, and that the Transaction is fair, from a financial point of view, to the PopReach Shareholders. Accordingly, the PopReach board has unanimously approved the terms of the transaction and recommends that you vote FOR the Transaction Resolution at the Meeting.

Shareholder Approvals and Voting Support Agreements

The Transaction must be approved by a simple majority of the votes cast at the Meeting by disinterested PopReach Shareholders present in person or by proxy, voting separately as a single class.

Notwithstanding the foregoing, the Transaction Resolution authorizes the PopReach Board, without further notice to or approval of the PopReach Shareholders, subject to the terms of the Business Combination Agreement to decide not

¹⁶ eMarketer.

¹⁷ NewZoo.

to proceed with the Transaction and to revoke the Transaction Resolution, respectively at any time prior to the Closing Date.

Voting Support Agreements

Each of the PopReach Insiders, along with a number of other long-term unrelated PopReach Shareholders who first invested in PopReach prior to PopReach's Qualifying Transaction in July 2020, has entered into Voting Support Agreements with Federated, pursuant to which such PopReach Insiders and other PopReach Shareholders have agreed, subject to the terms and conditions of such Voting Support Agreements, to vote their PopReach Shares in favour of the Transaction, the Business Combination Agreement and each part thereof, including the Transaction Resolution.

Approval of the Exchange

The Business Combination Agreement provides that receipt of all regulatory approvals, including without limitation, the approval of the Exchange of the Transaction, is a condition precedent to the completion of the Transaction. Acceptance by the Exchange will be conditional upon receipt of various documents and information, including evidence of requisite Shareholder approval, all of which will be filed by PopReach in connection with the Meeting.

As of the date of this Circular, PopReach has received conditional approval of the Exchange. There is no assurance that the Transaction will receive final approval of the Exchange.

RISK FACTORS

The Resulting Issuer's securities should be considered highly speculative due to the nature of the Resulting Issuer's business and the uncertainty related to completion of the Transaction. An investor should consider carefully the risk factors set out below as well as those in PopReach's public disclosure filings including its most recent AIF and MD&A, all of which are incorporated by reference into this Circular and are available on SEDAR. In addition, investors should carefully review and consider all other information contained in this Circular (including all Schedules hereto) before making an investment decision. An investment in securities of the Resulting Issuer should only be made by persons who can afford a significant or total loss of their investment.

The following are certain risk factors relating to the business of the Resulting Issuer assuming completion of the Transaction, which factors investors should carefully consider when making an investment decision concerning the PopReach or the Resulting Issuer. These risks and uncertainties are not the only ones facing the Resulting Issuer. Additional risks and uncertainties not currently known to PopReach or Federated, or that PopReach or Federated currently deem immaterial, may also impair the operations of the Resulting Issuer. If any such risks actually occur, the financial condition, liquidity and results of operations of the Resulting Issuer could be materially adversely affected and the ability of the Resulting Issuer to implement its growth plans could be adversely affected.

Risk Factors Associated with the Transaction

No certainty that all conditions precedent will be satisfied.

The completion of the Transaction is subject to a number of conditions precedent set out in the Business Combination Agreement, some of which are outside the control of PopReach and Federated, including receipt of the applicable shareholder approval or Exchange approval. There can be no certainty, nor can PopReach or Federated provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of PopReach, Federated or the Resulting Issuer or the trading price of the PopReach Shares.

If the Transaction is not completed, the market price of the PopReach Shares may decline to the extent that the market price reflects a market assumption that the Transaction will be completed. Additionally, if the Transaction is not completed and PopReach decides to seek another merger or amalgamation, there can be no assurance that it will be

able to find a party willing to pay an equivalent or more attractive price than the consideration to be received by the PopReach Shareholders, as applicable pursuant to the Transaction.

Anticipated benefits of the Transaction may not be realized.

PopReach and Federated are proposing to complete the Transaction to strengthen the position of the Resulting Issuer and to create the opportunity to realize certain benefits including, among other things, those set forth in this Circular. Achieving the benefits of the Transaction depends in part on the ability of the Resulting Issuer to effectively capitalize on its assets, to realize the anticipated capital and operating synergies, to profitably sequence the growth prospects of its asset base and to maximize the potential of its improved growth opportunities and capital funding opportunities as a result of the Transaction. A variety of factors, including those risk factors set forth in this Circular and the Schedules attached hereto, may adversely affect the ability to achieve the anticipated benefits of the Transaction.

Failure to obtain all regulatory requirements.

Completion of the Transaction is subject to, among other things, the final acceptance of the Exchange and the approval of each of the PopReach Shareholders and the Federated Shareholders. As of the date of this Circular, PopReach has received conditional approval of the Exchange. There can be no certainty, nor can either party provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. The requirement to take certain actions or to agree to certain conditions to satisfy such requirements or obtain any such approvals may have a material adverse effect on the business and affairs of the Resulting Issuer or the trading price of the Resulting Issuer Shares.

Termination of the Business Combination Agreement.

Each of PopReach and Federated has the right to terminate the Business Combination Agreement in certain circumstances. Accordingly, there is no certainty, nor can either party provide any assurance, that the Business Combination Agreement will not be terminated before the completion of the Transaction. In addition, the completion of the Transaction is subject to a number of conditions precedent, certain of which are outside the control of the Parties. There is no certainty, nor can any party provide any assurances, that these conditions will be satisfied.

Transaction costs.

Certain costs related to the Transaction, such as legal, accounting and certain financial advisor fees, must be paid by the Parties even if the Transaction is not completed.

Acquisitions generally.

While PopReach conducted due diligence in connection with the Transaction, there are risks inherent in any acquisition. Specifically, there could be unknown or undisclosed risks or liabilities of the Federated for which PopReach is not sufficiently indemnified pursuant to the provisions of the Business Combination Agreement. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Resulting Issuer's financial performance and results of operations. The Resulting Issuer could encounter additional transaction and integration related costs or other factors such as the failure to realize all of the benefits anticipated in the Transaction. All of these factors could cause a delay of the anticipated accretive effect of Transaction and cause a decrease in the market price of the Resulting Issuer Shares.

Dilution.

Following completion of the Transaction, the Resulting Issuer may issue equity securities to finance its activities, including acquisitions. If the Resulting Issuer were to issue common shares, existing holders of such shares may experience dilution in the Resulting Issuer. Moreover, when the Resulting Issuer's intention to issue additional equity securities becomes publicly known, the Resulting Issuer's share price may be materially adversely affected.

Tax Consequences.

a. General

The transactions described herein may have tax consequences in Canada, the U.S. or elsewhere, both to the Resulting Issuer and to its shareholders, depending on each particular existing or prospective shareholder's specific circumstances. Apart from the summary of certain tax-related risks in connection with the transactions described herein, such tax consequences are not described herein. This Circular is not intended to be, nor should it be construed to be, legal or tax advice to any particular shareholder. Existing and prospective shareholders should consult their own tax advisors with respect to any such tax considerations.

b. Tax Status of the Resulting Issuer under U.S. Federal Income Tax Law

Federated is a Canadian corporation that is expected to be treated as a U.S. corporation for U.S. federal income tax purposes under section 7874(b) of the Code related to its acquisition of Notify. As a result of the Transaction on a standalone basis, the Resulting Issuer should be classified as a "surrogate foreign corporation" under section 7874(a)(2)(B) of the Code. As a result, the Resulting Issuer should be respected as a foreign corporation for U.S. federal income tax purposes, but it is subject to certain provisions of section 7874 that can have negative tax consequences for the Resulting Issuer and its shareholders. Since the Resulting Issuer should be considered a "surrogate foreign corporation," Federated and its U.S. subsidiaries should be considered "expatriated entities." An expatriated entity's U.S. taxable income cannot be less than its "inversion gain" for the ten-year period following the date that the Transaction closes. Generally, the inversion gain is income from the transfer or license of property by an expatriated entity that occurs as part of the domestic entity acquisition or occurs after the completion date of the domestic entity acquisition if the transfer or license is to a related foreign person such as the Resulting Issuer.

In addition to certain other consequences in U.S. Treasury Regulations, the Tax Cuts and Jobs Act added additional specific penalties for domestic corporations such as Federated that engage in inversion transactions. Among the penalties that are relevant for the Resulting Issuer are the following: (i) the excise tax on stock compensation of insiders such as directors and officers of Federated is increased from 15% to 20%, (ii) dividends paid by the foreign acquiring corporation (i.e., the Resulting Issuer) are taxable to U.S. non-corporate shareholders at a 37% tax rate (rather than the 20% qualified dividend income tax rate), and (iii) for purposes of the Base Erosion Anti-Abuse Tax, base erosion payments will include payments to non-U.S. affiliates for costs of goods sold.

The Resulting Issuer intends to continue to grow through acquisitions and, as a result, it is possible that the Resulting Issuer will become treated as a domestic corporation for U.S. federal income tax purposes under section 7874(b) of the Code. If this occurs, the Resulting Issuer will be treated as migrating to the United States for U.S. federal income tax purposes (a "**Domestication**") even though it will also remain taxable in Canada as a Canadian resident corporation.

In the event of Domestication, the Resulting Issuer will generally be subject to U.S. income tax on its worldwide income. The Resulting Issuer anticipates it will also remain subject to Canadian income tax on its worldwide income as a Canadian-resident corporation. It is unclear how the foreign tax credit rules under the Code will operate in certain circumstances, given the treatment of the Resulting Issuer as a U.S. domestic corporation for U.S. federal income tax purposes and the taxation of the Resulting Issuer in Canada. Consequently, it is possible that the Resulting Issuer will be liable for both U.S. and Canadian income tax with respect to all or part of its taxable income, which could have a material adverse effect on its financial condition and results of operations. However, given the Resulting Issuer is a holding corporation of its various operating subsidiaries, it is not expected to generate a significant amount of taxable income on a standalone entity basis. It is anticipated that such U.S. and Canadian tax treatment will continue indefinitely and that the Resulting Issuer Shares will be treated indefinitely as shares in a U.S. domestic corporation for U.S. federal income tax purposes.

If the Resulting Issuer Shares are treated as shares of a U.S. domestic corporation, the U.S. gift, estate and generation-skipping transfer tax rules will generally apply to a Non-U.S. Holders.

c. Tax Implications for U.S. Persons if a Domestication Occurs

A U.S. Person who, on the date of a Domestication owns (actually or constructively) 10% or more of the total combined voting power of all classes of stock of the Resulting Issuer entitled to vote or 10% or more of the total value of all classes of stock of the Resulting Issuer (a “**U.S. Shareholder**”) is generally required to include in gross income as a deemed dividend the “all earnings and profits amount” (the “**All E&P Amount**”) with respect to the Resulting Issuer. If a U.S. Person acquires stock in the Resulting Issuer as a result of the inbound reorganization but does not own sufficient stock that gives rise to U.S. Shareholder status, the U.S. Person must recognize any realized gain (but not loss) with respect to the stock of the Resulting Issuer or, provided certain requirements are met, may elect to include the All E&P Amounts in income instead. A U.S. Person’s ownership of options or warrants of the Resulting Issuer will be taken into account in determining whether such U.S. Person is a U.S. Shareholder. Complex attribution rules apply in determining whether a U.S. Person is a U.S. Shareholder and all U.S. Persons who hold Resulting Issuer Shares are urged to consult their tax advisors with respect to these attribution rules.

A U.S. Person who, on the date of a Domestication, owns (actually or constructively) Resulting Issuer Shares with a fair market value of \$50,000 or more and is not a U.S. Shareholder will recognize gain (but not loss) with respect to its Resulting Issuer Shares in a Domestication or, in the alternative, may elect to recognize the “all earnings and profits” amount attributable to such holder’s Resulting Issuer Shares as described below.

Unless a U.S. Person makes the “all earnings and profits election” as described below, such U.S. Person generally must recognize gain (but not loss) with respect to Resulting Issuer Shares such U.S. Person owns on the date of a Domestication in an amount equal to the excess of the fair market value of such Resulting Issuer Shares over the U.S. Person’s adjusted tax basis in such Resulting Issuer Shares.

In lieu of recognizing any gain as described in the preceding paragraph, a U.S. Person may elect to include in income the “all earnings and profits amount” attributable to its Resulting Issuer Shares under Section 367(b) of the Code. There are, however, strict conditions for making this election. This election must comply with applicable Treasury Regulations and generally must include, among other things:

- (i) a statement that the Domestication is a section 367(b) exchange (within the meaning of the applicable Treasury Regulations);
- (ii) a complete description of the Domestication;
- (iii) a description of any stock, securities or other consideration deemed transferred or received in the Domestication;
- (iv) a statement describing the amounts required to be taken into account for U.S. federal income tax purposes;
- (v) a statement that the U.S. Person is making the election that includes (A) a copy of the information that the U.S. Person received from the Resulting Issuer establishing and substantiating the U.S. Person’s All E&P Amount with respect to the U.S. Person’s Resulting Issuer Shares, and (B) a representation that the U.S. Person has notified the Resulting Issuer that the U.S. Person is making the election; and
- (vi) certain other information required to be furnished with the U.S. Person’s tax return or otherwise furnished pursuant to the Code or the Treasury Regulations.

In addition, the election must be attached by an electing U.S. Person to such U.S. Person’s timely filed U.S. federal income tax return for the year of a Domestication, and the U.S. Person must send notice of making the election to the Resulting Issuer no later than the date such tax return is filed. In connection with this election, the Resulting Issuer intends to provide each U.S. Person eligible to make such an election with information regarding the Resulting Issuer’s earnings and profits upon request.

d. Withholding Tax on Dividends

The Resulting Issuer does not currently intend to pay dividends to holders of Resulting Issuer Shares in the foreseeable future, however, in the event of a Domestication, dividends received by holders of Resulting Issuer Shares who are residents of Canada for purposes of the Tax Act will be subject to U.S. withholding tax at a 30% rate or such lower rate as provided in an applicable treaty. In addition, a foreign tax credit under the Tax Act in respect of such U.S. withholding taxes may not be available to such holder. Dividends received by Non-Resident Holders of Resulting Issuer Shares who are U.S. Holders will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Since the Resulting Issuer will be considered to be a U.S. domestic corporation for U.S. federal income tax purposes, dividends paid by the Resulting Issuer will be characterized as U.S. source income for purposes of the foreign tax credit rules under the Code and a foreign tax credit may not therefore be available under the Code. A holder that is both a Non-Resident Holder and a Non-U.S. Holder may be subject to (a) Canadian withholding tax, and (b) United States withholding tax on dividends paid on the Resulting Issuer Shares. Such holders should consult their own tax advisors with respect to the availability of any foreign tax credits or deductions in respect of any Canadian or United States withholding tax applicable to dividends on the Resulting Issuer Shares.

e. U.S. Tax Classification – United States Real Property Holding Corporation

If the Resulting Issuer is treated as a U.S. domestic corporation for U.S. federal income tax purposes, the taxation of the Non-U.S. Holders upon a disposition of Resulting Issuer Shares generally depends on whether the Resulting Issuer is classified as a United States Real Property Holding Corporation (“USRPHC”) as defined in section 897(c) of the Code. The Resulting Issuer does not believe that it is currently a USRPHC and does not anticipate becoming one in the foreseeable future. However, the Resulting Issuer has not sought and does not intend to seek formal confirmation of its status as a non-USRPHC from the Internal Revenue Service. If the Resulting Issuer ultimately is determined by the Internal Revenue Service to constitute a USRPHC, its Non-U.S. Holders may be subject to U.S. federal income tax on any gain associated with the disposition of their Resulting Issuer Shares.

Risk Associated with the Capital Markets

The price of Resulting Issuer Shares may be volatile and may decline regardless of operating performance.

The price of PopReach Shares has fluctuated in the past and the Resulting Issuer expects the Resulting Issuer Shares to fluctuate in the future, and to potentially even decline. The trading prices of technology and media companies’ securities are highly volatile. The market price of the Resulting Issuer Shares may fluctuate significantly in response to numerous factors, many of which are beyond the Resulting Issuer’s control, including, among others:

- actual or anticipated fluctuations in the Resulting Issuer’s revenue and other results of operations, including as a result of the addition or loss of any number of customers;
- announcements by the Resulting Issuer or its competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- the financial projections the Resulting Issuer may provide to the public, any changes in these projections, or the Resulting Issuer’s failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of the Resulting Issuer, changes in ratings and financial estimates and the publication of other news by any securities analysts who follow the Resulting Issuer, or the Resulting Issuer’s failure to meet these estimates or the expectations of investors;
- changes in operating performance and stock market valuations of other technology companies, or those in the Resulting Issuer’s industry in particular;
- the size of the Resulting Issuer’s public float;
- price and volume fluctuations in the trading of the Resulting Issuer Shares and in the overall stock market, including as a result of trends in the economy as a whole;

- new laws or regulations or new interpretations of existing laws or regulations applicable to the Resulting Issuer's business or industry, including data privacy, data protection, and information security;
- lawsuits threatened or filed against the Resulting Issuer for claims relating to intellectual property, employment issues, or otherwise;
- changes in the Resulting Issuer's board of directors or management;
- short sales, hedging, and other derivative transactions involving the Resulting Issuer Shares;
- sales of large blocks of the Resulting Issuer Shares including sales by the Resulting Issuer's executive officers, directors, and significant shareholders; and
- other events or factors, including changes in general economic, industry, and market conditions, and trends, as well as any natural disasters, which may affect the Resulting Issuer's operations.

Share price volatility and limited market for securities.

The Resulting Issuer Shares will be listed on the Exchange. However, in recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for Resulting Issuer Shares will be subject to market trends generally, notwithstanding the Resulting Issuer's potential success in creating revenues, cash flows or earnings. The value of the Resulting Issuer Shares will be affected by such volatility. An active public market for the Resulting Issuer Shares might not develop or be sustained. If an active public market for the Resulting Issuer Shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

In addition, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many gaming companies. Share prices of many technology and media companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. If the Resulting Issuer were to become involved in securities litigation, it could subject the Resulting Issuer to substantial costs, divert resources and the attention of management, and harm the Resulting Issuer's business.

Future sales of Resulting Issuer Shares by existing shareholders could cause the price of Resulting Issuer Shares to decline.

Sales of a substantial number of Resulting Issuer Shares by existing shareholders in the public market could occur at any time. If such shareholders sell, or the market perceives that such shareholders intend to sell, substantial amounts of Resulting Issuer Shares in the public market, the market price of Resulting Issuer Shares could decline. The magnitude of this risk will be inversely proportional to the size of the public float.

If securities or industry analysts do not publish research or reports about the Resulting Issuer's business, or if they downgrade Resulting Issuer Shares, the price of Resulting Issuer Shares could decline.

The trading market for Resulting Issuer Shares depends, in part, on the research and reports that securities or industry analysts publish about us or the Resulting Issuer's business. The Resulting Issuer does not have any control over these analysts. If one or more of the analysts who cover the Resulting Issuer downgrade the Resulting Issuer's stock or publish inaccurate or unfavorable research about the Resulting Issuer's business, the price of Resulting Issuer Shares would likely decline. In addition, if the Resulting Issuer's results of operations fail to meet the forecast of analysts, the price of Resulting Issuer Shares would likely decline. If one or more of these analysts cease coverage of the Resulting Issuer or fail to publish reports on the Resulting Issuer regularly, demand for Resulting Issuer Shares could decrease, which might cause the price and trading volume of Resulting Issuer Shares to decline.

Issuance of additional Resulting Issuer Shares in connection with financings, acquisitions, investments, the Resulting Issuer's equity incentive plans, or otherwise will dilute all other shareholders.

The Resulting Issuer expects to issue additional common shares in the future that will result in dilution to all other shareholders. The Resulting Issuer expects to grant equity awards to employees, directors, and consultants under its equity incentive plans. As part of its business strategy, the Resulting Issuer may acquire or make investments in complementary companies, products, or technologies, and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional common shares may cause shareholders to experience significant dilution of their ownership interests and the per share value of Resulting Issuer Shares to decline.

The Resulting Issuer may also raise capital through equity financings in the future. Any additional capital raised through the sale of equity may dilute existing shareholders' percentage ownership of Resulting Issuer Shares and shareholders could be asked in the future to approve the creation of new equity securities which could have rights, preferences and privileges superior to those of holders of Resulting Issuer Shares. Capital raised through debt financing would require the Resulting Issuer to make periodic interest payments and may impose restrictive covenants on the conduct of the Resulting Issuer's business. Furthermore, additional financings may not be available on terms favourable to the Resulting Issuer, or at all. A failure to obtain additional funding could prevent the Resulting Issuer from making expenditures that may be required to implement its growth strategy and grow or maintain its operations.

The Resulting Issuer does not currently intend to pay dividends for the foreseeable future.

The Resulting Issuer generally does not intend to pay dividends to the holders of Resulting Issuer Shares for the foreseeable future. The Resulting Issuer's ability to pay dividends on Resulting Issuer Shares is limited by its existing indebtedness, and may be further restricted by the terms of any future debt incurred or preferred securities issued by it or its Subsidiaries or law. Payments of future dividends, if any, will be at the discretion of its board of directors after taking into account various factors, including the Resulting Issuer's business, financial condition, and results of operations, current and anticipated cash needs, plans for expansion and any legal or contractual limitation on its ability to pay dividends. As a result, any capital appreciation in the price of Resulting Issuer Shares may be your only source of gain on your investment in Resulting Issuer Shares. Dividends paid by the Resulting Issuer would be subject to tax and, potentially, withholdings.

Shareholders of the Resulting Issuer will have limited control over the Resulting Issuer's operations.

Shareholders of the Resulting Issuer will have limited control over changes in the Resulting Issuer's policies and operations, which increases the uncertainty and risks of an investment in the Resulting Issuer. The board of directors of the Resulting Issuer will determine major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, the board of directors of the Resulting Issuer will be able to amend or revise these and other policies without a vote of the shareholders. Shareholders of the Resulting Issuer will only have a right to vote in limited circumstances. The board of directors of the Resulting Issuer will have discretion in setting policies and the limited ability of shareholders to exert control over those policies increases the uncertainty and risks of an investment in the Resulting Issuer.

Risks Related to the Business of the Resulting Issuer

The Resulting Issuer's business will suffer if it is unable to entertain its players, acquire new games, improve the experience of its existing games, and successfully monetize its games.

The Resulting Issuer's business will depend on acquiring, consolidating, operating, publishing, enhancing and continuing to service FTP games that consumers will download and spend time and money playing. The Resulting Issuer will be focused on mobile gaming, offering its games on mobile devices, including smartphones and tablets on Apple's iOS and Google's Android operating systems, and on social networking platforms such as Facebook. The Resulting Issuer expects to devote substantial resources to the research, development, analytics and marketing of its existing and acquired games. The Resulting Issuer's development and marketing efforts are focused on both improving the experience of its existing games (frequently through new content and feature releases for its live services) and acquiring and consolidating new games. The Resulting Issuer will generate revenue primarily through the sale of in-

game virtual items and advertising. For games distributed through third-party platforms, the Resulting Issuer is required to share a portion of its revenues from in-game sales with the platform providers. These costs are expected to remain a significant operating expense. In order to remain profitable, the Resulting Issuer needs to generate sufficient bookings and revenues from its existing and new game offerings to offset its ongoing development, marketing and operating costs.

Successfully monetizing FTP games is difficult, and requires that the Resulting Issuer deliver valuable and entertaining player experiences that a sufficient number of players will pay for or the Resulting Issuer is able to otherwise sufficiently monetize its games (for example, by serving in-game advertising). The most successful FTP games tend to include socio-competitive gameplay, deep meta game features, player versus player activities, regularly updated content and other complex technological and creative attributes. While the Resulting Issuer will work to include such features in its games, it may not successfully update its games to include these features or they may not be well received by its players. The success of the Resulting Issuer's games depends, in part, on unpredictable and volatile factors beyond the Resulting Issuer's control including consumer preferences, competing games, new mobile platforms and the availability of other entertainment experiences. If the Resulting Issuer's games do not meet consumer expectations, or if they are not brought to market in a timely and effective manner, the Resulting Issuer's ability to grow revenue and the Resulting Issuer's financial performance will be negatively affected.

In addition to the market factors noted above, the Resulting Issuer's ability to successfully acquire, consolidate, operate, publish and enhance FTP games and enhance its existing games and their ability to achieve commercial success will depend on the Resulting Issuer's ability to:

- continually anticipate and respond to changes in the applications industry, particularly in the mobile and social platforms;
- effectively market its games to existing and new players;
- achieve benefits from its player acquisition costs;
- successfully navigate and adapt to changes in digital platform and OS policies, such as Apple's change to iOS 14 in relation to IDFA (Identifier for Advertisers), and Facebook's closure of Gameroom;
- achieve viral organic growth and gain customer interest in its games through free or more efficient channels;
- adapt to changing player preferences;
- adapt to new technologies and feature sets for mobile and other devices;
- expand and enhance games;
- attract, retain and motivate talented and experienced game designers, product managers and engineers;
- achieve a positive return on its advertising investments;
- partner with mobile platforms and obtain featuring opportunities;
- continue to adapt game feature sets for an increasingly diverse set of devices, including various operating systems and specifications, limited bandwidth, and varying processing power and screen sizes;
- minimize cost overruns on the development of acquired games and new features;
- achieve and maintain successful customer engagement and effectively monetize its games;
- maintain a quality social game experience and retain its players;
- acquire games that can build upon or become franchise games;
- compete successfully against a large and growing number of existing market participants;
- accurately forecast the timing and expense of its operations, including game and feature development, marketing and customer acquisition, customer adoption, and success of bookings growth;

- minimize and quickly resolve bugs or outages; and
- acquire and successfully integrate high quality FTP game assets, personnel or companies.

The Resulting Issuer's efforts to acquire, consolidate, operate, publish, and enhance games may prove unsuccessful or, even if successful, it may take more time than the Resulting Issuer anticipates to achieve significant revenue because, among other reasons:

- players may not widely download its games for a variety of reasons, including:
 - competition for downloads not only with other games but also with social media and other non-gaming related applications;
 - limits on the number of applications players are willing to download to and maintain on their devices;
 - poor consumer reviews or other negative publicity;
 - ineffective or insufficient marketing efforts;
 - lack of sufficient social and community features; and
 - lack of prominent storefront featuring.
- even if its games are widely downloaded, the Resulting Issuer may fail to retain users or optimize the monetization of these games; this may occur for a variety of reasons, including poor game design or quality, lack of social and community features, gameplay issues such as game unavailability, long load times or an unexpected termination of the game due to data server or other technical issues, lack of differentiation from predecessor games or other competitive games, lack of innovative features that surprise and delight the Resulting Issuer's players, differences in user demographics and purchasing power or its failure to effectively respond and adapt to changing user preferences through game updates;
- the Resulting Issuer may encounter difficulties in generating sufficient consumer interest in and downloads of its original intellectual property games;
- well-funded public and private companies have or may plan to release games in the same genres as its games or games incorporating the same licensed brands that the Resulting Issuer intends to use in its games, and this competition may make it more difficult for the Resulting Issuer to differentiate its games and derive significant revenue from them;
- the Resulting Issuer may have difficulty hiring the experienced monetization, live operations, server technology, user experience and product management personnel that it requires to develop and support its games, and may, as a result, face difficulties in developing unique gameplay; and
- the Resulting Issuer depends on the proper and continued functioning of servers and third-party infrastructure to operate its connected games that are delivered as a service.

If the Resulting Issuer does not achieve a sufficient return on its investment with respect to its FTP business model, it will negatively affect its operating results and may require the Resulting Issuer to formulate a new business strategy.

These and other uncertainties make it difficult to know whether the Resulting Issuer will succeed in continuing to acquire, consolidate, operate, publish and enhance successful games and features in accordance with its strategic and operating plans. If the Resulting Issuer does not succeed in doing so, its business, financial condition, results of operations or reputation will suffer.

The Resulting Issuer's business depends on their ability to maintain the quality of content for clients and publishers.

Clients' satisfaction depends on the Resulting Issuer's ability to place advertisements with publisher content that is well-suited to the client's product or service. If the Resulting Issuer is unable to keep its clients' advertisements from being placed in unlawful or inappropriate content, its reputation and business may suffer. In particular, the Resulting Issuer could be treated as a spammer and blocked by internet service providers or regulators. In addition, if the

Resulting Issuer places advertisements on websites containing content that is not permitted under the terms of the applicable agreements with a client, it may be unable to charge the client for impressions or clicks generated on those sites, the client may terminate their campaign, the client may require the Resulting Issuer to indemnify them for any resulting third party claims, or the client may allege breach of contract. Further, publishers and exchange partners rely upon the Resulting Issuer not to place advertisements with inappropriate or unlawful content on their websites. As the Resulting Issuer grows its business to serve a larger number of smaller clients using self-service tools with less intervention, it could become more challenging to prevent inappropriate or unlawful advertisements from being shown. If the Resulting Issuer is unable to maintain the quality of its client and publisher content as the number of clients and publishers it works with continues to grow, the Resulting Issuer's reputation and business may suffer and it may not be able to retain or secure additional clients or publisher relationships.

The Resulting Issuer's revenue and results of operations are highly dependent on the overall demand for advertising. Factors that affect the amount of advertising spending, such as economic downturns and the COVID-19 pandemic, can make it difficult to predict its revenue and could adversely affect its business, results of operations, and financial condition.

The Resulting Issuer's business depends on the overall demand for advertising and on the economic health of its current and prospective publishers and buyers. Various macroeconomic factors could cause advertisers to reduce their advertising budgets, including adverse economic conditions and general uncertainty about economic recovery or growth; instability in political or market conditions generally; and any changes in the tax treatment of advertising expenses and the deductibility thereof. Reductions in overall advertising spending as a result of these factors could make it difficult to predict the Resulting Issuer's revenue and could adversely affect its business, results of operations, and financial condition.

Market pressure may reduce the Resulting Issuer's revenue per impression.

The Resulting Issuer's revenue may be affected by market changes, new demands by publishers and buyers, new solutions, and competitive pressure. Solutions may be priced too high or too low, either of which may carry adverse consequences. The Resulting Issuer may receive requests from publishers for discounts, fee revisions, rebates, and refunds, or from demand-side platforms, agencies and advertisers for volume discounts, fee revisions, and rebates. Any of these developments could adversely affect the Resulting Issuer's business, results of operations, or financial condition.

The Resulting Issuer's industries are intensely competitive and subject to rapid changes. If consumers prefer current or future competitors' products or services over the Resulting Issuer's, its operating results could suffer.

The market for internet advertising solutions is highly competitive and rapidly changing. New technologies and methods of buying advertising present a dynamic competitive challenge as market participants develop and offer multiple new products and services aimed at facilitating and/or capturing advertising spend. With the introduction of new technologies and the influx of new entrants to the market, including large established companies and companies that the Resulting Issuer does not yet know about or does not yet exist, the Resulting Issuer expects competition to persist and intensify in the future, which could harm its ability to increase sales and maintain its profitability.

The Resulting Issuer generally has flexible agreements in place with its customers. Such agreements allow its customers to change the amount of spend through its platform or terminate its services with limited notice. As a result, the introduction of new entrants or technology that are superior to or that achieve greater market acceptance than the Resulting Issuer's products and solutions could negatively impact our revenue. In such an event, the Resulting Issuer may experience a reduction in market share and may have to respond by reducing our prices, resulting in lower profit margins.

Large and established internet and technology companies may have the power to significantly change the very nature of the digital advertising marketplaces in ways that could materially disadvantage the Resulting Issuer. These companies could leverage their positions to make changes to their web browsers, mobile operating systems, platforms, exchanges, networks or other solutions or services that could be significantly harmful to the Resulting Issuer's business and results of operations. These companies also have significantly larger resources than the Resulting Issuer does, and in many cases have advantageous competitive positions in popular products and services like Gmail, YouTube,

Chrome, Facebook and Instagram, which they can use to their advantage. Furthermore, competitors include large and established internet and technology companies that have invested substantial resources in innovation, which could lead to technological advancements that change the competitive dynamics of our business in ways that the Resulting Issuer may not be able to predict.

In addition to competing for advertising spend, the Resulting Issuer competes with many companies for advertising inventory, some of whom also operate their own advertising networks or exchanges from which the Resulting Issuer buys advertising inventory. Some of these companies that the Resulting Issuer competes with, either for advertising spend or for advertising inventory, may also be the Resulting Issuer's clients or affiliated with the Resulting Issuer's clients or important sources of advertising inventory. Competitive pressure may incentivize such companies to cease to be clients of the Resulting Issuer or cease to provide access to their advertising inventory. If this were to occur, the Resulting Issuer's ability to place advertisements would be significantly impaired and our results of operations would be adversely affected. Competition could also hinder the success of new advertising solutions that the Resulting Issuer offers in the future.

If any of these risks were to materialize and the Resulting Issuer is unable to compete effectively or the Resulting Issuer is not as successful as its competitors in its target markets, its sales could decline, its margins could decline and it could lose market share, any of which would materially harm the Resulting Issuer's business, operating results and financial condition. Any of these developments would make it more difficult for the Resulting Issuer to sell their offerings and could result in increased pricing pressure, reduced gross margins, increased sales and marketing expense and/or the loss of market share.

If the use of digital advertising is rejected by consumers, through opt-in, opt-out or ad-blocking technologies or other means, it could have an adverse effect on the Resulting Issuer's business, results of operations, and financial condition.

Consumers may download free or paid "ad blocking" software on their computers or mobile devices, not only for privacy reasons, but also to counteract the adverse effect advertisements can have on the consumer experience, including increased load times, data consumption, and screen overcrowding. Ad-blocking technologies and other global privacy controls may prevent some third-party cookies, or other tracking technologies, from being stored on a consumer's computer or mobile device. If more consumers adopt these measures, the Resulting Issuer's business, results of operations, and financial condition could be adversely affected. Ad-blocking technologies could have an adverse effect on the Resulting Issuer's business, results of operations, and financial condition if they reduce the volume or effectiveness and value of advertising. Even if ad blockers do not ultimately have an adverse effect on the Resulting Issuer's business, investor concerns about ad blockers could cause the Resulting Issuer's stock price to decline.

In addition, internet-connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of advertising on their devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. For example, when Apple announced that UDID, a standard device identifier used in some applications, was being superseded and would no longer be supported, application developers were required to update their apps to utilize alternative device identifiers such as universally unique identifier, or, more recently, identifier-for-advertising, which simplify the process for Apple users to opt out of behavioral targeting. If users elect to utilize the opt-out mechanisms in greater numbers, the Resulting Issuer's ability to deliver effective advertising campaigns on behalf of its advertisers would suffer, which could cause the Resulting Issuer's business, financial condition, or results of operations to suffer.

Resulting Issuer's success and revenue growth depends on its ability to add new customers and retain its existing customers.

The Resulting Issuer's success is dependent on regularly adding new customers and increasing its customers' usage of its platform. Many of the Resulting Issuer's contracts and relationships with customers do not include automatic renewal or exclusive obligations requiring them to use its platform or maintain or increase their use of its platform. The Resulting Issuer's customers typically have relationships with numerous providers and can use both the Resulting Issuer's platform and those of its competitors without incurring significant costs or disruption. The Resulting Issuer's customers may also choose to decrease their overall marketing spend for any reason, including if they do not believe

they are generating a sufficient return on their marketing spend. Accordingly, the Resulting Issuer must continually work to win new customers and retain existing customers, increase their usage of our platform and capture a larger share of their marketing spend. The Resulting Issuer may not be successful at educating and training its new and existing customers on how to use its platform in order for them to benefit from it and generate revenues.

If the Resulting Issuer's customers decide not to continue to use its platform or decrease their usage of our platform for any reason, or if the Resulting Issuer fails to attract new customers, its revenue could decline, which would materially and adversely harm its business, operating results and financial condition. The Resulting Issuer cannot assure investors that its customers will continue to use and increase their spend on its platform or that the Resulting Issuer will be able to attract a sufficient number of new customers to continue to grow its revenue. If customers representing a significant portion of the Resulting Issuer's business decide to materially reduce their use of its platform or cease using its platform altogether, the Resulting Issuer's revenue could be significantly reduced, which could have a material adverse effect on its business, operating results and financial condition. The Resulting Issuer may not be able to replace customers who decrease or cease their usage of our platform with new customers that will use its platform to the same extent.

If the Resulting Issuer fails to make the right investment decisions in its platform, or if they fail to innovate and develop new solutions that are adopted by its customers, they may not attract and retain customers, which could have an adverse effect on their business, results of operations, and financial condition.

The Resulting Issuer faces intense competition in the marketplace and is confronted by rapidly changing technology, evolving industry standards, and consumer preferences, regulatory changes, and the frequent introduction of new solutions by its competitors that it must adapt and respond to. The Resulting Issuer needs to continuously update its platform and the technology it invests in and develop, including machine learning and other proprietary algorithms, in order to attract publishers and buyers and keep ahead of changes in technology, evolving industry standards and regulatory requirements. The Resulting Issuer's platform is complex and new solutions can require a significant investment of time and resources to develop, test, introduce, and enhance. These activities can take longer than expected. Moreover, the Resulting Issuer may not make the right decisions regarding these investments. New formats and channels, such as mobile header bidding and connected television, present unique challenges that must be addressed in order to succeed. The Resulting Issuer's success in new formats and channels depends upon its ability to integrate its platform with these new formats and channels. If the Resulting Issuer's new formats are not widely adopted by publishers, they may not retain publishers. In addition, new demands from publishers and buyers, superior offerings by competitors, changes in technology, or new industry standards or regulatory requirements could render the Resulting Issuer's platform or existing solutions less effective and require them to make unanticipated changes to its platform or business model. Failure to adapt to a rapidly changing market, anticipate publisher and buyer demand, or attract and retain publishers would cause the Resulting Issuer's revenue or revenue growth rate to decline, and adversely affect its business, results of operations, and financial condition.

The Resulting Issuer relies on third-party hosting and cloud computing providers to operate certain aspects of its business. Any failure, disruption or significant interruption in its network or hosting and cloud services could adversely impact the Resulting Issuer's operations and harm its business.

The Resulting Issuer's technology infrastructure is critical to the performance of its platform, as well as its corporate functions. The Resulting Issuer's platform and company systems run on a complex distributed system, or what is commonly known as cloud computing. Significant elements of this system are operated by third-parties that it does not control and which would require significant time and expense to replace. The Resulting Issuer expects this dependence on third-parties to continue. The Resulting Issuer may suffer interruptions in service, including when releasing new software versions or bug fixes, and if any such interruption were significant and/or prolonged it could adversely affect the Resulting Issuer's business, financial condition, results of operations or reputation.

Any failure, disruption or interference with the Resulting Issuer's use of hosted cloud computing services and systems provided by third-parties could adversely impact the Resulting Issuer's business, financial condition or results of operations. To the extent the Resulting Issuer does not effectively respond to any such interruptions, upgrade its systems as needed and continually develop its technology and network architecture to accommodate traffic, the Resulting Issuer's business, financial condition or results of operations could be adversely affected. Furthermore, the Resulting Issuer's disaster recovery systems and those of third-parties with which it does business may not function

as intended or may fail to adequately protect its critical business information in the event of a significant business interruption, which may cause interruption in service of its platform, security breaches or the loss of data or functionality, leading to a negative effect on the Resulting Issuer's business, financial condition or results of operations. If customers are unable to access the Resulting Issuer's platform for any period of time, the Resulting Issuer may receive negative publicity, the Resulting Issuer may lose customers, the Resulting Issuer may be required to issue refunds, and the Resulting Issuer may become subject to regulatory investigation or class action litigation, any of which would negatively affect the Resulting Issuer's business. Any of these problems could require the Resulting Issuer to incur substantial repair costs, distract management from operating its business and result in a loss of revenue.

The Resulting Issuer's operating results may be volatile and difficult to predict, and the Resulting Issuer's stock price may decline if it fails to meet the expectations of securities analysts or investors.

The Resulting Issuer's operating results may fluctuate and could vary significantly from quarter-to-quarter and year-to-year, and may fail to match the expectations of securities analysts or investors because of a variety of factors, some of which are outside of the Resulting Issuer's control.

The Resulting Issuer's liquidity and revenue can fluctuate quarter to quarter as certain of its customers have seasonal marketing spend. The varying nature of the Resulting Issuer's pricing mix between periods, customers and products may also make it more difficult for it to forecast its future operating results. Further, these factors may make it more difficult to make comparisons between prior, current and future periods. As a result, period-to-period comparisons of the Resulting Issuer's operating results should not be relied upon as an indication of its future performance.

In addition, the following factors may cause the Resulting Issuer's operating results to fluctuate:

- its ability to attract new customers and retain and increase sales to existing customers;
- changes in its pricing policies, the pricing policies of our competitors and the pricing or availability of data or other third-party services;
- the seasonal budgeting cycles and internal marketing budgeting and strategic purchasing priorities of its customers;
- its ability to continue to develop and offer products and solutions that are superior to those of its competitors;
- its ability to develop its existing platform and introduce new solutions on its platform;
- its ability to retain and attract top talent;
- its ability to anticipate or respond to changes in the competitive landscape, or improvements in the functionality of competing solutions that reduce or eliminate one or more of its competitive advantages;
- its ability to maintain and expand our relationships with data centers and strategic third-party technology vendors, who provide floor space, bandwidth, cooling and physical security services on which its platform operates;
- its ability to successfully expand its business internationally;
- the emergence of significant privacy, data protection, security or other threats, regulations or requirements applicable to its business and shifting views and behaviors of consumers concerning use of data and data privacy;
- extraordinary expenses, such as litigation or other dispute-related settlement payments; and
- future accounting pronouncements or changes in our accounting policies.

Any one of the factors referred to above or the cumulative effect of any combination of factors referred to above may result in the Resulting Issuer's operating results being below its expectations and the expectations of securities analysts and investors, or may result in significant fluctuations in our quarterly and annual operating results, including

fluctuations in the Resulting Issuer's key performance indicators. This variability and unpredictability could result in our failure to meet the Resulting Issuer's business plan or the expectations of securities analysts or investors for any period. In addition, a significant percentage of the Resulting Issuer's operating expenses are fixed in nature in the short term and based on forecasted revenue trends. Accordingly, in the event of revenue shortfalls, the Resulting Issuer is generally unable to mitigate the negative impact on its results of operations in the short term.

If the Resulting Issuer is unable to maintain effective internal control over financial reporting, the accuracy and timeliness of its financial reporting may be adversely affected.

Maintaining effective internal control over financial reporting is necessary for the Resulting Issuer to produce reliable financial statements. If the Resulting Issuer is unable to maintain such internal controls, or if its independent registered public accounting firm is unable to express an opinion as to the effectiveness of its internal controls, it could result in a material misstatement of the Resulting Issuer's financial statements that would require a restatement, and investor confidence in the accuracy and timeliness of its financial reports and the market price of its common stock could be negatively impacted.

Future acquisitions or strategic investments could be difficult to identify and integrate, divert the attention of management and could disrupt the Resulting Issuer's business, dilute stockholder value and adversely affect its business, results of operations and financial condition.

The Resulting Issuer intends to evaluate and pursue acquisitions and strategic investments. Each of these acquisitions requires unique approaches to integration due to, among other reasons, the structure of the acquisitions, their locations and cultural differences among their teams and the Resulting Issuer's, and will require, attention from the Resulting Issuer's management team. If the Resulting Issuer is unable to obtain the anticipated benefits from these acquisitions and strategic investments, or the Resulting Issuer encounters difficulties in integrating their operations with the acquisitions, the Resulting Issuer's financial condition and results of operations could be materially harmed.

Challenges and risks from such investments and acquisitions include:

- negative effects on products and product pipeline from the changes and potential disruption that may follow the acquisition;
- diversion of the Resulting Issuer's management's attention;
- declining employee morale and retention issues resulting from changes in compensation, or changes in management, reporting relationships, or future prospects;
- the need to integrate the operations, systems, technologies, products and personnel of each acquired company or asset, the inefficiencies and lack of control that may result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise in connection with integration;
- the difficulty in determining the appropriate purchase price of acquired companies or assets may lead to the overpayment for certain acquisitions and the potential impairment of intangible assets and goodwill acquired in the acquisitions;
- the difficulty in successfully evaluating and utilizing the acquired products, technology or personnel;
- the potential incurrence of debt, contingent liabilities, amortization expenses or restructuring charges in connection with any acquisition;
- the need to implement controls, procedures and policies appropriate for a larger public company at companies that prior to acquisition may not have as robust controls, procedures and policies;
- the difficulty in accurately forecasting and accounting for the financial impact of an acquisition transaction, including accounting charges and integrating and reporting results for acquired companies that follow different accounting methods;

- the fact that the Resulting Issuer may be required to pay contingent consideration in excess of the initial fair value, and contingent consideration may become payable at a time when the Resulting Issuer does not have sufficient cash available to pay such consideration;
- under purchase accounting, the Resulting Issuer may be required to write off deferred revenue which may impair its ability to recognize revenue that would have otherwise been recognizable which may impact its financial performance or that of the acquired company;
- risks associated with the Resulting Issuer's expansion into new international markets and doing business internationally;
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- the need to transition operations and customers onto the Resulting Issuer's existing or new platforms and the potential loss of, or harm to, its relationships with employees, customers and other suppliers as a result of integration of new technologies;
- the implications of the Resulting Issuer's management team balancing levels of oversight over acquired businesses which continue their operations under earnout provisions in acquisition agreements;
- the Resulting Issuer's dependence on the accuracy and completeness of statements and disclosures made or actions taken by the companies it acquires or their representatives, when conducting due diligence and evaluating the results of such due diligence; and
- liability for activities of an acquired company before an acquisition, including intellectual property and other litigation claims or disputes, information security vulnerabilities, violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

The benefits of an acquisition or investment may also take considerable time to develop, and the Resulting Issuer cannot be certain that any particular acquisition or investment will produce the intended benefits, which could adversely affect the Resulting Issuer's business, financial condition or results of operations. The Resulting Issuer's ability to grow through future acquisitions will depend on the availability of suitable acquisition and investment candidates at an acceptable cost, its ability to compete effectively to attract these candidates and the availability of financing to complete larger acquisitions. Acquisitions could result in potential dilutive issuances of equity securities, use of significant cash balances or incurrence of debt (and increased interest expense), contingent liabilities or amortization expenses related to intangible assets or write-offs of goodwill and/or intangible assets, which could adversely affect the Resulting Issuer's results of operations and dilute the economic and voting rights of its stockholders.

If the Resulting Issuer does not manage its growth effectively, the quality of its platform and solutions may suffer, and its business, results of operations and financial condition may be adversely affected.

The continued growth in the Resulting Issuer's business may place demands on its infrastructure and our operational, managerial, administrative and financial resources. The Resulting Issuer's success will depend on the ability of its management to manage growth effectively. Among other things, this will require the Resulting Issuer at various times to:

- strategically invest in the development and enhancement of its platform and data center infrastructure;
- improve coordination among its engineering, product, operations and other support organizations;
- manage multiple relationships with various partners, customers and other third parties;
- manage international operations;
- develop its operating, administrative, legal, financial and accounting systems and controls; and

- recruit, hire, train and retain personnel, especially those possessing extensive engineering skills and experience in complex technologies and data sciences, of which there is limited supply and increasing demand.

If the Resulting Issuer does not manage its growth well, the efficacy and performance of its platform may suffer, which could harm our reputation and reduce demand for its platform and solutions. Failure to manage future growth effectively could have an adverse effect on its business, results of operations and financial condition.

If the Resulting Issuer fails to detect or prevent fraud or malware intrusion on its platform, devices, or systems, or into the systems or devices of its customers and their consumers, publishers could lose confidence in the Resulting Issuer's platform, and the Resulting Issuer could face legal claims, any of which could adversely affect its business, results of operations and financial condition.

The Resulting Issuer may be the target of fraudulent or malicious activities undertaken by persons seeking to use its platform for improper purposes. For example, someone may attempt to divert or artificially inflate customer purchases through its platform, or to disrupt or divert the operation of the systems, and devices of its publishers, and their consumers in order to misappropriate information, generate fraudulent billings or stage cyberattacks, or for other unauthorized or illicit purposes. Those activities could also introduce malware through the Resulting Issuer's platform in order to commandeer or gain access to confidential information or personal information. The Resulting Issuer uses third-party tools and proprietary technology to identify non-human traffic and malware, and may reduce or terminate relationships with customers that it finds to be engaging in such activities. Perpetrators of fraudulent impressions and malware frequently change their tactics and may become more sophisticated over time, requiring both us and third parties to improve processes for assessing the quality of publisher inventory and controlling fraudulent activity. In the meantime, new or changing data privacy laws (in particular outside the U.S.) could potentially interfere with the data collection required in order to detect fraud. If the Resulting Issuer fails to detect or prevent fraudulent or malicious activity of this sort, the Resulting Issuer's reputation could be damaged, customers may contest payment, demand refunds or fail to give the Resulting Issuer future business, or the Resulting Issuer could face legal claims from customers. Even if the Resulting Issuer is not directly involved in fraud or malicious activity, any sustained failures of others in the Resulting Issuer's industry to adequately detect and prevent fraud could generate the perception that digital marketing is unsafe and lead the Resulting Issuer's customers to avoid digital marketing products like those of the Resulting Issuer.

The Resulting Issuer is subject to payment-related risks if customers dispute or do not pay their invoices, and any decreases or significant delays in payments could have a material adverse effect on our business, results of operations and financial condition. These risks may be heightened as a result of the COVID-19 pandemic and resulting economic downturn.

The Resulting Issuer may become involved in disputes with its customers over the operation of its platform, the terms of its agreements or its billings for purchases made by them through the Resulting Issuer's platform. Customers may seek to slow their payments to the Resulting Issuer or be forced into filing for bankruptcy protection, resulting in delay or cancellation of their pending payments to the Resulting Issuer. These challenges may be exacerbated by the COVID-19 pandemic and the resulting economic impact as a number of customers experience financial difficulties and liquidity constraints. Certain of the Resulting Issuer's contracts with marketing agencies state that if their customer does not pay the agency, the agency is not liable to the Resulting Issuer, and the Resulting Issuer must seek payment solely from their customer, a type of arrangement called sequential liability. Contracting with these agencies, which in some cases have or may develop higher-risk credit profiles, may subject the Resulting Issuer to greater credit risk than if the Resulting Issuer were to contract directly with the customer.

If the Resulting Issuer is unable to collect customers' fees on a timely basis or at all, the Resulting Issuer could incur write-offs for bad debt, which could have a material adverse effect on its results of operations for the periods in which the write-offs occur. In the future, bad debt may exceed reserves for such contingencies, and the Resulting Issuer's bad debt exposure may increase over time. Any increase in write-offs for bad debt could have a materially negative effect on the Resulting Issuer's business, financial condition and operating results. Even if the Resulting Issuer is not paid by its customers on time or at all, it may still be obligated to pay for the inventory it has purchased for its customers' marketing campaigns, and consequently, the Resulting Issuer's results of operations and financial condition would be adversely impacted.

The Resulting Issuer is subject to laws and regulations concerning privacy, information security, data protection, consumer protection and protection of minors, and these laws and regulations are continually evolving. The Resulting Issuer's actual or perceived failure to comply with these laws and regulations could harm its business.

The Resulting Issuer receives, stores and processes personal information from and about consumers in addition to personal information and other data from and about its customers, employees and service providers. There are numerous federal, state, provincial and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. In addition, in some cases, the Resulting Issuer will be dependent upon its platform providers to solicit, collect and provide information regarding consumers that is necessary for compliance with these various types of regulations.

Various government and consumer agencies have called for new regulation and changes in industry practices and are continuing to review the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. For example, the GDPR, which became effective in May 2018, created new individual privacy rights and imposes worldwide obligations on companies processing personal data of European Union users, which may create a greater compliance burden for the Resulting Issuer and other companies with European users, and subjects violators to substantial monetary penalties. Another example is the State of California's passage of CCPA, which became effective in 2020 and created new privacy rights for consumers residing in the state. There is also increased attention being given to the collection of data from minors. For instance, the *Children's Online Privacy Protection Act (Canada)* ("COPPA") requires companies to obtain parental consent before collecting personal information from children under the age of 13. Compliance with GDPR, CCPA, COPPA and similar legal requirements may require the Resulting Issuer to devote significant operational resources and incur significant expenses.

The Resulting Issuer strives to comply with all applicable laws, policies, legal obligations and industry standards and codes of conduct relating to privacy and data protection, to the extent reasonably attainable. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the Resulting Issuer's practices. It is also possible that new laws, policies, legal obligations or industry codes of conduct may be passed, or existing laws, policies, legal obligations or industry codes of conduct may be interpreted in such a way that could prevent the Resulting Issuer from being able to offer services to citizens of a certain jurisdiction or may make it costlier or more difficult for it to do so. Any failure or perceived failure by the Resulting Issuer to comply with its privacy policy and terms of service, its privacy-related obligations to consumers or other third parties, or its privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other consumer data, may result in governmental enforcement actions, litigation or public statements against the Resulting Issuer by consumer advocacy groups or others and could cause customers to lose trust in the Resulting Issuer, which could have an adverse effect on the business, financial condition or results of operations of the Resulting Issuer. Additionally, if third parties it works with, such as advertisers, publishers, vendors or developers violate applicable laws or its policies, such violations may also put consumer information at risk and could, in turn, have an adverse effect on the business, financial condition or results of operations of the Resulting Issuer.

The Resulting Issuer's business depends on its ability to collect, use, and disclose data to deliver advertisements. Any limitation imposed on the Resulting Issuer's collection, use or disclosure of this data could significantly diminish the value of its solution and cause it to lose publishers, buyers, and revenue. Consumer tools, regulatory restrictions and technological limitations all threaten the Resulting Issuer's ability to use and disclose data.

As the Resulting Issuer processes transactions through its platform, it collects large amounts of data about advertisements and where they are placed, such as advertiser and publisher preferences for media and advertising content. The Resulting Issuer also collects data on ad specifications such as placement, size and format, ad pricing, and auction activity such as price floors, bid response behavior, and clearing prices. Further, the Resulting Issuer collects data on consumers that does not identify the individual, including browser, device location and characteristics, online browsing behavior, exposure to and interaction with advertisements, and inferential data about purchase intentions, and preferences. This data is collected through various means, including from the Resulting Issuer's own systems, pixels that publishers allow the Resulting Issuer to place on its websites to track consumer visits, software development kits installed in mobile applications, cookies, and other tracking technologies. The Resulting Issuer's

publishers, buyers, and data providers may choose to provide the Resulting Issuer with their proprietary data about consumers.

This data is aggregated and analyzed in order to enhance the Resulting Issuer's services, including the pricing, placement, and scheduling of advertisements. The Resulting Issuer's ability to collect, use and share data about advertising transactions and consumer behavior is critical to the value of its services. Any limitations on this ability could impair the Resulting Issuer's ability to deliver effective solutions, which could adversely affect its business, results of operations, and financial condition.

Cybersecurity attacks, including breaches, computer viruses and computer hacking attacks could harm the Resulting Issuer's business, financial condition, results of operations or reputation.

Cybersecurity attacks, including breaches, computer malware and computer hacking have become more prevalent in the Resulting Issuer's industry. Any cybersecurity breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, or the inadvertent transmission of computer viruses could adversely affect the business, financial condition, results of operations or reputation of the Resulting Issuer. The Resulting Issuer believes that it is taken reasonable steps to protect the security, integrity and confidentiality of the information collected, used, stored and disclosed, but there is no guarantee that in the future inadvertent (e.g., software bugs or other technical malfunctions, employee error or malfeasance, or other factors) or unauthorized data access or use will not occur despite its efforts in the past and in the future. The Resulting Issuer will experience hacking attacks of varying degrees from time to time, including denial-of-service attacks. Techniques used to obtain unauthorized access to personal information, confidential information and/or the systems on which such information are stored and/or to sabotage systems change frequently and generally are not recognized until launched against a target. As a result, the Resulting Issuer may be unable to anticipate these techniques or to implement adequate preventative measures.

In addition, the Resulting Issuer relies on third-party data centers, systems and technologies to operate its business. The Resulting Issuer is dependent on these third-party providers to provide industry standard protection against potential damages such as cyber intrusions, natural disasters, criminal acts and technical maintenance. In the event of damage or interruption, it is unlikely that the Resulting Issuer would be appropriately compensated for the reputational harm that such an interruption would create regardless of any damages we may recover from such third parties or any insurance policy in place. This would in turn reduce the Resulting Issuers revenue, subject it to liability and may cause it to lose customers, any of which could materially adversely affect its business.

The Resulting Issuer is subject to a number of laws, rules and regulations requiring it to provide notification to consumers, investors, regulators and other affected parties in the event of a security breach of certain personal data, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to practically implement. The costs of compliance with these laws have increased and may increase in the future. The Resulting Issuer's corporate systems, third-party systems and security measures may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, and, as a result, an unauthorized party may obtain access to its data, its employees' data, its players' data or any third party data it may possess. Any such security breach could require the Resulting Issuer to comply with various breach notification laws and may expose the Resulting Issuer to litigation, remediation and investigation costs, increased costs for security measures, loss of revenue, damage to the Resulting Issuer's reputation and potential liability.

If an actual or perceived security breach occurs, the market perception of the Resulting Issuer's security measures could be harmed and it could lose sales and customers and/or suffer other negative consequences to its business. A security breach could adversely affect the operation of the Resulting Issuer's platform and cause the loss or corruption of data, which could harm the Resulting Issuer's business, financial condition and operating results. Any failure to maintain the security of the Resulting Issuer's infrastructure could result in loss of personal information and/or other confidential information, damage to its reputation and customer relationships, early termination of its contracts and other business losses, indemnification of its customers, financial penalties, litigation, regulatory investigations and other significant liabilities. In the event of a major third-party security incident, the Resulting Issuer may incur losses in excess of its insurance coverage. Further, certain incidents that Resulting Issuer can experience may not be covered by the insurance coverage in place at the time.

Moreover, if a high profile security breach occurs with respect to the Resulting Issuer or another digital advertising company, the Resulting Issuer's customers and potential customers may lose trust in the security of its business model generally, which could adversely impact its ability to retain existing customers or attract new ones.

Catastrophic events may disrupt the Resulting Issuer's business.

The Resulting Issuer's systems and operations are vulnerable to damage or interruption from fires, floods, power losses, telecommunications failures, cyber-attacks, terrorist attacks, acts of war, human errors, break-ins and similar events. Additionally, the Resulting Issuer will rely on data centers and third-party infrastructure and enterprise applications, internal technology systems and its website for development, marketing and operational support activities. In the event of a catastrophic event, the Resulting Issuer may be unable to continue its operations and may endure system interruptions, reputational harm, delays in application development, lengthy interruptions in services, breaches of data security and loss of critical data, all of which could have an adverse effect on the Resulting Issuer's future operating results.

If the Resulting Issuer does not successfully invest in, establish and maintain awareness of its brand and platform, if it incurs excessive expenses promoting and maintaining its brand, or its platform or if its platform contain defects or objectionable content, the business, financial condition, results of operations or reputation of the Resulting Issuer could be harmed.

The Resulting Issuer believes that establishing and maintaining its brand is critical to maintaining and creating favorable relationships with its customers, as well as competing for key talent. In addition, globalizing and extending its brand and recognition of its platform requires significant investment and extensive management time to execute successfully. Although the Resulting Issuer will make significant sales and marketing expenditures in connection with promoting its platform, these efforts may not succeed in increasing awareness of its brand or platform. Brand promotion activities may not generate consumer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses the Resulting Issuer will incur in building its brand. In addition, the Resulting Issuer's brand can be harmed if it experiences adverse publicity for its platform for any reason, including due to "bugs", outages, security breaches or violations of laws. If the Resulting Issuer fails to increase and maintain brand awareness and customer recognition of its platform, its potential revenues could be limited, its costs could increase and its business, financial condition, results of operations or reputation could suffer.

The Resulting Issuer's revenue, and operating margins may decline. The Resulting Issuer also may incur substantial net losses in the future and may not achieve or sustain profitability.

The industry in which the Resulting Issuer operates is highly competitive and rapidly changing, and relies heavily on successful new product launches and continually introducing compelling products and services. As such, if the Resulting Issuer fails to acquire, consolidate, operate, publish, enhance or otherwise deliver such products and services, does not execute its strategy successfully or if its new products and services are delayed, the Resulting Issuer's revenue may decline, and its operating results will suffer.

In addition, the Resulting Issuer's operating margin may experience downward pressure as a result of increasing competition and the other risks discussed in this Circular. The Resulting Issuer expects to continue to expend substantial financial and other resources on industry acquisitions and consolidation as well as platform development and marketing. The Resulting Issuer's operating costs will increase and its operating margins may decline if it does not effectively manage costs, launch new products and features on schedule that monetize successfully and enhance its platform so that it continues to monetize successfully. In addition, weak economic conditions or other factors could cause the Resulting Issuer's business to further contract, requiring it to implement significant additional cost cutting measures, including a decrease in research and development and sales and marketing, which could harm the Resulting Issuer's long-term prospects.

In addition, as a public company, the Resulting Issuer incurs significant accounting, legal and other expenses that, as a private company, it did not incur. As a result of these increased expenditures, the Resulting Issuer's profitability may take longer than anticipated to achieve. While the Resulting Issuer's revenue is expected to grow, this growth may take longer than anticipated to realize and it may not be sustainable, and the Resulting Issuer may not achieve sufficient revenue growth in future periods to achieve or maintain profitability. In future periods, the Resulting Issuer's

revenue could decline or grow more slowly than expected. The Resulting Issuer may also incur significant losses in the future for a number of reasons, including due to the other risks described herein, and it may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors. Accordingly, the Resulting Issuer may not be able to maintain profitability, and it may incur losses in the future.

If the Resulting Issuer's revenues do not increase to offset any additional expenses, if it fails to manage or experience unexpected increases in operating expenses or if it is required to take additional charges related to impairments or restructurings, the Resulting Issuer's financial results and results of operations may suffer.

The Resulting Issuer relies on assumptions and estimates to calculate certain of its key metrics, and real or perceived inaccuracies in such metrics may harm the Resulting Issuer's reputation and negatively affect its business.

Certain of the Resulting Issuer's key metrics are calculated using internal company data from multiple analytics systems that have not been independently verified. While these numbers are based on what the Resulting Issuer believes to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across its user base and its recently acquired operations, and factors relating to user activity and systems may impact these numbers.

The Resulting Issuer relies on the accuracy and transparency of data provided by individuals and reported by third parties to calculate its metrics and eliminate duplication of data. The Resulting Issuer's advertisers and investors rely on its key metrics as a representation of its performance. The Resulting Issuer regularly reviews and may adjust its processes for calculating its internal metrics to improve their accuracy, but these efforts may not prove successful and the Resulting Issuer may discover material inaccuracies. In addition, its methodology for calculating these metrics may differ from the methodology used by other companies to calculate similar metrics. If the Resulting Issuer determines that it can no longer calculate any of its key metrics with a sufficient degree of accuracy, and it cannot find an adequate replacement for the metric, the Resulting Issuer's business, financial condition or results of operations may be harmed. In addition, if advertisers, platform partners or investors do not perceive the Resulting Issuer's user metrics to be accurate representations of its user base or user engagement, or if the Resulting Issuer discovers material inaccuracies in its user metrics, the Resulting Issuer's reputation may be harmed and advertisers and platform partners may be less willing to allocate their budgets or resources to its products and services, which could negatively affect the Resulting Issuer's business, financial condition or results of operations.

Any restructuring actions and cost reduction initiatives that the Resulting Issuer undertakes may not deliver the expected results and these actions may adversely affect the Resulting Issuer's business.

The Resulting Issuer may implement a number of restructurings in which it implement certain restructuring actions and cost reduction initiatives to streamline operations and improve cost efficiencies to better align its operating expenses with its revenue. The Resulting Issuer plans to continue to manage costs to better and more efficiently manage its business. Any restructuring plans and other such efforts could result in disruptions to the Resulting Issuer operations and adversely affect its business, financial condition or results of operations.

The Resulting Issuer actively monitors its costs, however, if it does not fully realize or maintain the anticipated benefits of any restructuring actions and cost reduction initiatives, the Resulting Issuer's business, financial condition or results of operations could be adversely affected, and additional restructuring initiatives may be necessary. In addition, the Resulting Issuer cannot be sure that any cost reduction initiatives will be as successful in reducing its overall expenses as expected or that additional costs will not offset any such reductions. If its operating costs are higher than it expects or if it does not maintain adequate control of its costs and expenses, the Resulting Issuer's operating results will suffer.

In addition, any cost cutting measures by the Resulting Issuer could negatively impact its business, financial condition or results of operations including but not limited to, delaying the introduction of new games, features or events, interrupting live services, impairing its control environment, delaying introduction of new technology, impacting its ability to react nimbly to game or technology issues, or impacting employee retention and morale.

The Resulting Issuer's business and growth may suffer if it fails to attract, retain and motivate key personnel.

The Resulting Issuer's ability to compete and grow depends in large part on the efforts and talents of its employees and executives. Its success depends in a large part upon the continued service of its senior management team. The Resulting Issuer's management team is critical to the Resulting Issuer's vision, strategic direction, culture, products and technology, and the continued retention of its entire senior management team is important to the success of its operating plan. The loss of any member of its senior management team could cause disruption and harm the business, financial condition, results of operations or reputation of the Resulting Issuer.

In addition, the Resulting Issuer's ability to execute its strategy depends on its continued ability to identify, hire, develop, motivate and retain highly skilled employees, particularly in the competitive fields of game and feature design, product management and engineering. These employees are in high demand, and the Resulting Issuer devotes significant resources to identifying, recruiting, hiring, training, successfully integrating and retaining them. Any significant turnover in the Resulting Issuer's headcount may place significant demands on its management and its operational, financial and technological infrastructure.

As the Resulting Issuer operates as a public company, volatility of its stock price, changes in its compensation structure for its executive officers that significantly relies on performance linked stock awards, and any headcount reductions may make it more difficult for the Resulting Issuer to attract and retain top talent. In particular, should the Resulting Issuer's stock price decline it might be difficult for it to attract and retain qualified personnel, since individuals may elect to seek employment with other companies that they believe have better long-term prospects or that present better opportunities for earning equity-based compensation. If the Resulting Issuer is unable to identify, hire and retain its senior management team and its key employees, the Resulting Issuer's business, financial condition or results of operations could be harmed. Moreover, if the Resulting Issuer's team fails to work together effectively to execute its plans and strategies on a timely basis, the Resulting Issuer's business, financial condition or results of operations could be harmed.

The Resulting Issuer may hire a number of key personnel through acquisitions, and as competition with other game companies for attractive target companies with a skilled employee base persists and increases, the Resulting Issuer may incur significant expenses and difficulty in continuing this practice. In addition, volatility in the Resulting Issuer's operating results and the trading price of its common stock may negatively impact its perceived reputation and make it more difficult and more expensive to successfully retain employees through acquisitions. The loss of talented employees with experience in the assets it acquires could result in significant disruptions to the Resulting Issuer's business and the integration of acquired assets and businesses. If it does not succeed in recruiting, retaining, and motivating these key employees, the Resulting Issuer may not achieve the anticipated results of acquisitions.

The Resulting Issuer's core values of focusing on its customers and acting for the long-term may conflict with the short-term expectations of analysts.

The Resulting Issuer believes that exceeding its customers' expectations is essential to its success and serves the best, long-term interests of the Resulting Issuer and its shareholders. Therefore, the Resulting Issuer may make in the future, significant investments or changes in strategy that it thinks will benefit the Resulting Issuer in the long-term, even if its decision has the potential to negatively impact its operating results in the short term. In addition, the Resulting Issuer's decisions may not result in the long-term benefits that it expects, in which case the success of its business, financial condition or results of operations could be harmed.

The Resulting Issuer's ability to acquire and maintain licenses to intellectual property may affect its revenue and profitability. Competition for these licenses may make them more expensive and increase the Resulting Issuer's costs.

Competition for proprietary licenses is intense, and may result in increased advances, minimum payment guarantees and royalties that the Resulting Issuer must pay to the licensor. If the Resulting Issuer is unable to obtain and remain in compliance with the terms of these licenses or obtain additional licenses on reasonable economic terms, its revenue and profitability may be adversely impacted. In addition, use of these intellectual properties may require that it pay a royalty to the licensor, which decreases its profitability. If the mix of player purchases shifts towards games in which the Resulting Issuer uses licensed intellectual properties increases, its overall margins may be reduced.

In addition, many of the Resulting Issuer's games are built on proprietary source code of third parties. If the Resulting Issuer is unable to renew licenses to proprietary source code underlying its games, or the terms and conditions of these licenses change at the time of renewal its business, financial condition or results of operations could be negatively impacted. If a third party from whom the Resulting Issuer licenses source code discontinues support for one or more of these platforms, the Resulting Issuer's business, financial condition or results of operations could be negatively impacted.

Failure to protect or enforce the Resulting Issuer's intellectual property rights or the costs involved in such enforcement could harm the Resulting Issuer's business, financial condition or results of operations.

The Resulting Issuer regards the protection of its trade secrets, copyrights, trademarks, service marks, trade dress, domain names, patents, and other product rights as critical to its success. The Resulting Issuer strives to protect its intellectual property rights by relying on federal, provincial and common law rights, as well as contractual restrictions and business practices. The Resulting Issuer enters into confidentiality and invention assignment agreements with its employees and contractors and confidentiality agreements with parties with whom it conducts business in order to limit access to, and disclosure and use of, its proprietary information. However, these contractual arrangements and business practices may not prevent the misappropriation of the Resulting Issuer's proprietary information or deter independent development of similar technologies by others. Further, in some instances the Resulting Issuer may be required to obtain licenses to intellectual property in lieu of ownership. Such licenses may be limited in scope and require the Resulting Issuer to renegotiate on a frequent basis for additional use rights.

The Resulting Issuer pursues the registration of its copyrights, trademarks, service marks, domain names, and patents in Canada, the United States and in certain locations outside of Canada and the United States. This process can be expensive and time-consuming, may not always be successful depending on local laws or other circumstances, and the Resulting Issuer also may choose not to pursue registrations in every location depending on the nature of the project to which the intellectual property rights pertain. The Resulting Issuer may, over time, increase its investments in protecting its creative works and innovations through patent filings that are expensive and time-consuming and may not result in issued patents that can be effectively enforced.

Despite such efforts to protect intellectual property rights, unauthorized parties may attempt to copy or otherwise to obtain and use technology used or offered by the Resulting Issuer. Monitoring unauthorized use of its technology is difficult and costly, and the Resulting Issuer cannot be certain that the steps it has taken in the past or the future will prevent piracy and other unauthorized distribution and use of the technology and applications used or offered by the Resulting Issuer. To the extent the Resulting Issuer expands its activities worldwide, exposure to unauthorized copying and use of its technology and proprietary information may increase. In the future, litigation may be necessary to enforce intellectual property rights, protect trade secrets to determine the validity and scope of proprietary rights claimed by others or to defend against claims of infringement or invalidity. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs, adverse publicity or diversion of management and technical resources, any of which could adversely affect the Resulting Issuer's business and operating results. If the Resulting Issuer fails to maintain, protect and enhance its intellectual property rights, its business and operating results may be harmed.

There can be no assurance that the Resulting Issuer's means of protecting its proprietary rights will be adequate or that its competitors will not independently develop similar technology. Furthermore, the Resulting Issuer's efforts to enforce its intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of its intellectual property rights. These steps may be inadequate to protect its intellectual property. The Resulting Issuer will not be able to protect its intellectual property if it is unable to enforce its rights or if it does not detect unauthorized use of its intellectual property.

The Resulting Issuer may be subject to intellectual property disputes, which are costly to defend and could require the Resulting Issuer to pay significant damages and could limit its ability to use certain technologies in the future.

From time to time, the Resulting Issuer may face allegations that it has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from its competitors, non-practicing entities and former employers of its personnel. Intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the Resulting Issuer faces increasing competition and as litigation becomes a more common way to

resolve disputes, the Resulting Issuer faces a higher risk of being the subject of intellectual property infringement claims. The Resulting Issuer cannot make any assurances that it will not become, in the future, subject to claims that it has misappropriated or misused other parties' intellectual property rights. If the Resulting Issuer is sued by a third-party that claims that the Resulting Issuer's technology infringes its rights, the litigation (with or without merit) could be expensive and could divert management resources.

As the result of any court judgment or settlement, the Resulting Issuer may be obligated to do one or more of the following:

- cease making, selling, offering for sale or using technologies that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or
- redesign technology to avoid infringement.

If the Resulting Issuer is required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against the Resulting Issuer, such payments or costs could have a material adverse effect upon the Resulting Issuer's business and financial results.

In addition, the Resulting Issuer uses open source software in its business and expect to continue to use open source software in the future. From time to time, the Resulting Issuer may face claims from companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require the Resulting Issuer to purchase a costly license or require the Resulting Issuer to devote additional research and development resources to change its technology, any of which would have a negative effect on the Resulting Issuer's business, financial condition or results of operations.

The Resulting Issuer may be involved in legal proceedings that may result in adverse outcomes.

The Resulting Issuer may be involved in claims, suits, government investigations, and proceedings arising in the ordinary course of its business, including actions with respect to intellectual property claims, privacy, data protection or law enforcement matters, tax matters, labor and employment claims, commercial and acquisition-related claims, as well as shareholder derivative actions, class action lawsuits, and other matters. Such claims, suits, government investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of their outcomes, such legal proceedings can have an adverse impact on the Resulting Issuer because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing the Resulting Issuer from offering certain features, functionalities, products, or services, or requiring a change in its business practices, products or technologies, which could in the future materially and adversely affect the Resulting Issuer's business, financial condition or results of operations.

The Resulting Issuer's business is subject to a variety of Canadian, United States and foreign laws, many of which are unsettled and still developing and which could subject the Resulting Issuer to claims or otherwise harm its business.

The Resulting Issuer is subject to a variety of laws in different jurisdictions that affect its business, including provincial, state and federal laws regarding consumer protection, electronic marketing, protection of minors, data protection, competition, taxation, intellectual property, export and national security, that are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to the Resulting Issuer are often uncertain and may be conflicting, particularly laws outside Canada and the United States. There is a risk that these laws may be interpreted in a manner that is not consistent with the Resulting Issuer's current practices, and could have an adverse effect on the Resulting Issuer's business. It is also likely that as the Resulting Issuer's business grows and

evolves and its offerings are made available in a greater number of countries, it will become subject to laws and regulations in additional jurisdictions or other jurisdictions may claim that it is required to comply with their laws and regulations. This may require the Resulting Issuer to expend substantial resources or to modify its products or services, which would harm its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Resulting Issuer's reputation or otherwise impact the growth of its business. Any costs incurred as a result of this potential liability could harm the Resulting Issuer's business and operating results.

If the Resulting Issuer is not able to comply with new or existing laws or regulations or if it becomes liable under these laws or regulations, the Resulting Issuer could be directly harmed, and it may be forced to implement new measures to reduce its exposure to this liability. This may require the Resulting Issuer to expend substantial resources or to modify its products or services, which would harm its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Resulting Issuer's reputation or otherwise impact the growth of its business. Any costs incurred as a result of this potential liability could harm the Resulting Issuer's business, financial condition or results of operations.

The Resulting Issuer's international operations are subject to increased challenges and risks.

The Resulting Issuer has entered into several international markets and expects to enter into additional markets in the future. The Resulting Issuer's ability to expand its business in additional international markets will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Expanding its international focus may subject the Resulting Issuer to risks that it has not faced before or increase risks that it currently faces, including risks associated with:

- burdens of complying with a variety of foreign laws in multiple jurisdictions;
- potential damage to its brand and reputation due to compliance with local laws;
- recruiting and retaining talented and capable management and employees in foreign countries;
- recruiting and working through local partners;
- challenges caused by distance, language and cultural differences;
- acquiring, consolidating, operating, publishing, enhancing and customizing its platform and other offerings that appeal to the tastes and preferences of customers in international markets;
- new and different sources of competition;
- utilizing, protecting, defending and enforcing its intellectual property rights;
- negotiating agreements with local distribution platforms that are sufficiently economically beneficial to the Resulting Issuer and protective of its rights;
- the inability to extend proprietary rights in its brand, content or technology into new jurisdictions;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content and consumer protection (for example, the United Kingdom's Office of Fair Trading's 2014 principles relating to in-app purchases in FTP games that are directed toward children 16 and under);
- compliance with anti-bribery laws;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- exposure to local banking, currency control and other financial-related risks;
- protectionist laws and business practices that favor local businesses in some countries;

- double taxation of its international earnings and potentially adverse tax consequences due to changes in the tax laws of the jurisdictions in which the Resulting Issuer operates;
- political, economic and social instability;
- natural disasters, including earthquakes, tsunamis and floods;
- inadequate local infrastructure;
- higher costs associated with doing business internationally;
- export or import regulations; and
- trade and tariff restrictions.

If the Resulting Issuer is unable to manage the complexity of its global operations successfully, its business, financial condition and operating results could be adversely affected. Additionally, the Resulting Issuer's ability to successfully gain market acceptance in any particular market is uncertain, and the distraction of its senior management team could harm the Resulting Issuer's business, financial condition or results of operations.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect the Resulting Issuer's business and operating results.

The Resulting Issuer currently transacts business in several countries and in different currencies. Conducting business in different currencies subjects the Resulting Issuer to fluctuations in currency exchange rates that could have a negative impact on its reported operating results. To date, the Resulting Issuer has not engaged in exchange rate hedging activities, and it does not expect to do so in the foreseeable future.

The delivery of the Resulting Issuer's products and services and a portion of the Resulting Issuer's revenues are dependent on the continued use and expansion of third-party-owned communication networks, including wireless networks and the Internet.

No assurance can be given of the continued use and expansion of these networks as a medium of communications for the Resulting Issuer.

Effective delivery of the Resulting Issuer's products and services through the Internet is dependent on Internet service providers continuing to expand high-speed Internet access, maintaining reliable networks with the necessary speeds, data capacity and security, and developing complementary products and services for providing reliable and timely access and services. Changes in access fees (for example, revising the application of bandwidth caps or other metered usage schemes) to users may adversely affect the ability or willingness of users to access the Resulting Issuer's products and services. Changes in access fees to distributors, such as the Resulting Issuer or its service providers, or a departure from "net neutrality" (the principle that all forms of Internet traffic (including video, voice, and text) are subject to equal treatment in transmission speed and quality) or its governing regulations could result in increased costs to the Resulting Issuer. All of these factors are out of the Resulting Issuer's control and the manifestation of any of them could ultimately have a material adverse effect on the Resulting Issuer's prospects, business, financial condition or results of operations.

In addition, increasing traffic, user numbers or bandwidth requirements may result in a decline in Internet (or a subset thereof, including in particular mobile Internet) performance and/or Internet reliability. Internet outages or delays or loss of network connectivity may result in partial or total failure of the Resulting Issuer's services, additional and unexpected expenses to fund further product development or to add programming personnel to complete a development project, loss of revenue because of the inability of customers use the Resulting Issuer's products or services, or the cancellation by customers of their service with the Resulting Issuer, any of which could have a material adverse effect on the Resulting Issuer's prospects, business, financial condition or results of operations.

Changes in the tax treatment of companies engaged in Internet commerce may adversely affect the commercial use of the Resulting Issuer's services and its financial results.

Due to the global nature of the Internet, it is possible that various countries might attempt to regulate transmissions or levy sales, income, consumption, use or other taxes relating to its activities, or impose obligations on the Resulting Issuer to collect such taxes. Tax authorities in various jurisdictions are reviewing the appropriate treatment of companies engaged in Internet commerce such as the sale of virtual items and the provision of online services. The imposition of new or revised tax laws or regulations may subject the Resulting Issuer or the players of its applications or games to additional sales, income, consumption, use or other taxes. The Resulting Issuer cannot predict the effect of current attempts to impose such taxes on commerce over the Internet. New or revised taxes and, in particular, sales, use or consumption taxes, the Value Added Tax and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling virtual items over the Internet. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have an adverse effect on the business and results of operations of the Resulting Issuer.

The Resulting Issuer may have exposure to greater than anticipated tax liabilities.

The Resulting Issuer's income tax obligations are based in part on its corporate operating structure and intercompany arrangements, including the manner in which the Resulting Issuer develops, values, manages, and uses its intellectual property and the valuation of its intercompany transactions. The tax laws applicable to its business, including the laws of Canada and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue. The Resulting Issuer's existing corporate structure and intercompany arrangements have been implemented in a manner that the Resulting Issuer believes is in compliance with current prevailing tax laws. However, the taxing authorities of the jurisdictions in which the Resulting Issuer operate may challenge its methodologies for valuing developed technology or intercompany arrangements, which could impact the Resulting Issuer's worldwide effective tax rate and harm its financial position and results of operations. In addition, changes to the Resulting Issuer's corporate structure and intercompany agreements, including through acquisitions, could impact its worldwide effective tax rate and harm its financial position and results of operation.

The Resulting Issuer must charge, collect and/or pay taxes other than income taxes, such as payroll, value-added, sales and use, net worth, property and goods and services taxes, in both Canadian and foreign jurisdictions. If tax authorities assert that the Resulting Issuer has a taxable nexus in a jurisdiction, they may seek to impose past as well as future tax liability and/or penalties. Any such impositions could also cause significant administrative burdens and decrease the Resulting Issuer's future sales.

The Resulting Issuer may require additional capital to meet its financial obligations and support business growth, and this capital might not be available on acceptable terms or at all.

The Resulting Issuer intends to make significant investments to support its business growth and may require additional funds to respond to business challenges. Accordingly, the Resulting Issuer may need to engage in equity or debt financings to secure additional funds. If the Resulting Issuer raises additional funds through future issuances of equity or convertible debt securities, its existing shareholders could suffer significant dilution, and any new equity securities the Resulting Issuer issues could have rights, preferences and privileges superior to those of holders of its common shares. Any debt financing that the Resulting Issuer secures in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for the Resulting Issuer to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Resulting Issuer may not be able to obtain additional financing on terms favorable to it, if at all. If the Resulting Issuer is unable to obtain adequate financing or financing on terms satisfactory to the Resulting Issuer when the Resulting Issuer requires it, the Resulting Issuer's ability to support its business growth and to respond to business challenges could be significantly impaired, and the Resulting Issuer's business, financial condition or results of operations may be harmed.

Risks Related to COVID-19

COVID-19 and the potential global outbreak of a contagious disease.

The Resulting Issuer's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Resulting Issuer cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Resulting Issuer, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. Depending on the duration and severity of the current COVID-19 pandemic, it may also have the effect of heightening many of the other risks described herein and in any other disclosure documents of the Resulting Issuer including, but not limited to, those risks relating to the successful completion of growth and expansion projects, the ability to obtain any required regulatory approvals in the future, the ability to raise additional capital to meet financial obligations and support business growth, the ability to service obligations under any debt securities and other debt obligations; and complying with the covenants contained in the agreements that govern indebtedness.

The outbreak of COVID-19 may cause also disruptions to the Resulting Issuer's business and operational plans. These disruptions may include disruptions resulting from (i) shortages of employees, (ii) restrictions that governments impose to address the COVID-19 outbreak, and (iii) restrictions that the Resulting Issuer impose to ensure the safety of employees and others. Further, it is presently not possible to predict the extent or durations of these disruptions. These disruptions may have a material adverse effect on the Resulting Issuer's business, financial condition and results of operations.

In addition, the COVID-19 pandemic has created a dramatic slowdown in the global economy. The duration of the COVID-19 outbreak and the resultant travel restrictions, physical distancing, government response actions, business closures and business disruptions, can all have an impact on the Resulting Issuer's operations and access to capital.

GENERAL MATTERS

Sponsorship

The Exchange has provided PopReach with an exemption from the requirement to obtain a sponsor in connection with the Transaction.

Experts

MNP prepared the auditor's reports for the PopReach Financial Statements, and the auditor's report for the Federated Financial Statements, as well as the financial statements of Notify AI and CIHI. MNP is independent with respect to PopReach and, Federated, Notify AI and CIHI within the meaning of the CPA Ontario Code of Professional Conduct.

Echelon and Stifel prepared the Fairness Opinions, as further described under "*Information Concerning the Transaction – Fairness Opinion*".

Other Independent Auditors

The financial statements of Q1Media as of December 31, 2020 and 2019, and for the years then ended, included in this Circular, have been audited by BKD, LLP. BKD, LLP is independent with respect to Q1Media in accordance with the standards of the Public Company Accounting Oversight Board (United States), as stated in its auditor's reports included in this Circular.

To the knowledge of PopReach and Federated, none of the experts or independent auditors above or their respective Associates or Affiliates, beneficially owns, directly or indirectly, any one percent or more of the securities of PopReach and Federated, has received or will receive any direct or indirect interests in the property of PopReach and

Federated or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or any Associate or Affiliate thereof.

Additional Information

Additional information relating to the Company is available on SEDAR and on the Company's website at www.popreach.com. PopReach Shareholders may contact the Company to request copies of the Company's financial statements and MD&A for the financial year ending December 31, 2020, and any documents incorporated by reference herein without charge by emailing invest@popreach.com. Financial information regarding the Company is provided in the Company's comparative financial statements and the related MD&A for its most recently completed financial year.

Other Material Facts

To the knowledge of management of PopReach, there are no other material facts relating to PopReach, Federated, the Resulting Issuer or the Transaction that are not otherwise disclosed in this Circular and are necessary in order for the Circular to contain full, true and plain disclosure of all material facts relating to PopReach, Federated and the Resulting Issuer, assuming completion of the Transaction.

APPROVAL OF DIRECTORS

The contents and the sending of this Circular have been approved by the Board.

No person is authorized to give any information or to make any representations in respect of the matters addressed herein other than those contained in this Circular and, if given or made, such information must not be relied upon as having been authorized.

DATED at Toronto, Ontario as at the 14th day of February, 2022.

By Order of the Board of Directors

(signed) “Mike Vorhaus”

Mike Vorhaus

Interim Chairman

SCHEDULE A RESOLUTIONS

Transaction Resolution

“BE IT RESOLVED as an ordinary resolution of the shareholders of PopReach Corporation (the **“Company”**) that:

1. the execution and delivery of the business combination agreement dated October 18, 2021, as amended February 14, 2022, and the amalgamation agreement in the form attached thereto (the **“Agreements”**) among the Company, 2810735 Ontario Inc. d/b/a Federated Foundry (**“Federated”**) and 2873766 Ontario Limited, a wholly-owned subsidiary of the Company, as applicable, be and is hereby ratified, confirmed and approved;
2. the performance by the Company of its obligations under the Agreements, including the acquisition of all of the outstanding securities of Federated and the issuance of common shares in the capital of the Company, which will result in a Reverse Takeover (as defined in the policies of the TSX Venture Exchange (the **“Exchange”**)) of the Company by Federated, be and is hereby authorized and approved;
3. subject to the approval of the Exchange, the completion of the transactions contemplated by the Agreements (the **“Transactions”**), on such terms and conditions as the board of directors of the Company (the **“Board”**) may determine, in its sole discretion, and all matters related thereto, be and are hereby authorized and approved;
4. notwithstanding that this resolution has been passed (and the Agreements adopted) by the shareholders of the Company, the Board is hereby authorized and empowered, without further approval of the shareholders of the Company, at any time prior to the issuance under the *Business Corporations Act* (Ontario) (the **“OBCA”**) of a certificate of amalgamation in respect of the Amalgamation: (i) to amend, modify or supplement the Agreements to the extent permitted by the Agreements, and (ii) not to proceed with the Transactions, or otherwise give effect to these resolutions; and
5. any officer or director of the Company is hereby authorized and directed, for and on behalf of and in the name of the Company to execute, under the seal of the Company or otherwise, and to deliver, all documents, agreements and instruments and to do all such other acts and things, including delivering such documents as are necessary or desirable to the director appointed under the OBCA for filing in accordance with the Agreements, as such officer or director, may deem necessary or desirable to implement the foregoing resolutions and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such documents, agreements or instruments or doing of any such act or thing.

Resolution approving New Equity Incentive Plan

“BE IT RESOLVED as an ordinary resolution of the shareholders of Company that:

1. the Company’s new equity incentive plan (the **“New Plan”**), attached as Schedule C to the management information circular of the Company dated February 14, 2022, replacing PopReach’s existing amended and restated stock option plan, effective upon the completion of the Transaction, is hereby approved, confirmed and ratified, subject to such amendments as the board may consider appropriate and subject to acceptance by the Exchange;
2. that number of common shares of the Company that are issuable pursuant to the New Plan are hereby allotted, set aside and reserved for issuance pursuant thereto;
3. any director or officer of the Company is hereby authorized to amend the New Plan should such amendments be required by applicable regulatory authorities including, but not limited to, the Exchange; and

4. any director or officer of the Company is hereby authorized and directed, for and on behalf of the Company, to do all things and execute and deliver all such agreements, documents and instruments necessary or desirable in connection with the foregoing.”

SCHEDULE B
FAIRNESS OPINIONS

(see attached)

Echelon Wealth Partners Inc.
1 Adelaide Street East, Suite 2100
Toronto, Ontario, M5C 2V9

October 18th, 2021

Board of Directors
PopReach Corporation
1 University Avenue, 3rd Floor
Toronto Ontario, M5J 3P1

To the Board of Directors:

Echelon Wealth Partners Inc. ("**Echelon**") understands that PopReach Corporation ("**PopReach**" or the "**Company**"), its wholly-owned subsidiary 2873766 Ontario Limited ("**Subco**"), and 2810735 Ontario Inc. d/b/a Federated Foundry ("**Federated**"), propose to enter into a business combination agreement to be dated October 18th, 2021 (the "**Combination Agreement**") pursuant to which, among other things:

- The Company will acquire all of the issued and outstanding common shares of Federated ("**Federated Shares**") on a fully-diluted basis (including Federated Shares issuable upon due exercise, conversion and/or exchange of all Federated securities exercisable, convertible and/or exchangeable for or into Federated Shares), for a purchase price equal to C\$160 million, subject to certain adjustments for assumed debt, working capital and other customary items to be set out in the Combination Agreement (the "**Consideration**") (the "**Transaction**");
- The Transaction will be implemented as a reverse takeover of the Company by the Federated shareholders;
- PopReach and Federated intend to effect the Transaction by way of an amalgamation of Subco and Federated; and
- The Company will pay the Consideration to Federated shareholders through the issuance of common shares of the Company ("**Shares**", each individually a "**Share**"), with the number of Shares issued to Federated shareholders equal to the Consideration divided by a fixed Share price of \$0.80.

The terms and conditions of the Transaction will be summarized in the Company's management proxy circular (the "**Circular**") to be mailed to holders of Shares (the "**Shareholders**") in connection with a general and special meeting of the Shareholders to approve, among other things, the Transaction.

Echelon has been retained to provide an opinion (the "**Opinion**") to the board of directors of the Company (the "**Board**") as to the fairness from a financial point of view of the Consideration to be paid by the Company pursuant to the Transaction.



ENGAGEMENT OF ECHELON

The Company initially contacted Echelon regarding a potential advisory assignment in August 2021. Echelon was formally engaged by the Company pursuant to an agreement dated August 13th, 2021 (the “**Engagement Agreement**”). The Engagement Agreement provides the terms upon which Echelon has agreed to provide the Board with the Opinion.

Echelon will receive a fixed fee for rendering the Opinion, no part of which is contingent upon the Opinion being favorable or upon completion of the Transaction. The Company has also agreed to reimburse us for reasonable out-of-pocket expenses and to indemnify, among others, Echelon in certain circumstances, against certain expenses, losses, claims, actions, suits, proceedings, damages and liabilities which may arise directly or indirectly out of our engagement.

CREDENTIALS OF ECHELON

Echelon is an independent Canadian financial services firm that offers an integrated platform of corporate finance, mergers and acquisitions, equity research, institutional sales and trading, and private client services. Echelon has been a financial advisor in a significant number of transactions, and is regularly engaged in providing financial advice to public and private companies across a variety of sectors and has extensive experience preparing fairness opinions.

This Opinion represents the opinion of Echelon and its form and content have been approved for release by a committee of our senior officers, each of whom is experienced in merger and acquisition, divestiture, valuation, fairness opinion and capital markets matters.

RELATIONSHIP WITH INTERESTED PARTIES

Neither Echelon nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the Securities Act (Ontario) (the “**Securities Act**”) or the rules made thereunder) of the Company or Acquiror or any of their respective associates or affiliates (collectively, the “**Interested Parties**”).

Neither Echelon nor any of its affiliates has been engaged to provide financial advisory services, nor has it participated in any financings involving the Interested Parties within the past two years, other than acting as financial advisor to the Company pursuant to the Engagement Agreement, and as an underwriter in connection with the Company’s \$17.3 million bought deal offering of common shares that closed in November 2020.

Echelon acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have and may in the future have positions in the securities of any Interested Party, and, from time to time, may have executed or may execute transactions on behalf of any Interested Party or other clients for which it may have received or may receive compensation. As an investment dealer, Echelon conducts research on securities and may, in the ordinary course of its business, provide



research reports and investment advice to its clients on investment matters, including matters with respect to one or more Interested Parties or the Transaction.

Other than as set forth above, there are no understandings, agreements or commitments between Echelon and the Interested Parties with respect to future business dealings. Echelon may, in the future, in the ordinary course of its business, perform financial advisory, investment banking or other financial services to one or more of the Interested Parties from time to time.

SCOPE OF REVIEW

In connection with the Opinion, Echelon reviewed and relied upon or carried out, among other things, the following:

1. a draft of the Combination Agreement dated October 18th, 2021;
2. publicly available information related to the business, operations, financial conditions and trading history of the Company and Federated and other selected publicly available information Echelon considered relevant;
3. internal forecasts, projections, estimates and budgets prepared or provided by or on behalf of the management of the Company;
4. other internal financial, operating, corporate, and other information concerning the Company, its subsidiaries and Federated, that was prepared and provided by management of the Company;
5. discussions with management of the Company regarding the Company's past and current business plan, operations and financial conditions and prospects;
6. discussions with management of Federated regarding Federated's past and current business plan, operations and financial conditions and prospects;
7. select publicly available financial information and statistics regarding precedent transactions we considered relevant;
8. various reports published by equity research analysis and industry sources we considered relevant;
9. a letter of representation as to certain factual matter and the completeness and accuracy of certain information upon which the Opinion is based, addressed to Echelon and dated as of the date hereof, provided by the President and Chief Financial Officer of the Company; and
10. such other information, investigations, analysis and discussion as we considered necessary or appropriate in the circumstances.



Echelon has not, to the best of its knowledge, been denied access by the Company to any information under the Company's control requested by Echelon.

ASSUMPTIONS AND LIMITATIONS

Echelon has relied upon the accuracy, completeness and fair presentation of all the information, data, representations, opinions, financial statements, management discussion and analysis, internal financial information, and other materials prepared by the Company relevant to the subject matter of the Transaction or the Opinion and provided to Echelon by or on behalf of the Company for the purpose of Echelon preparing the Opinion pursuant to and in accordance with the Engagement Agreement (the "**Information**"). The Opinion is conditional upon such accuracy, completeness, and fair presentation. We have assumed that forecasts, projections, estimates, and budgets provided to us and used in our analysis were reasonably prepared on bases reflecting the best currently available assumptions, estimates and judgments of management of the Company, having regard to the Company and Federated's business, plans, financial condition, and prospects.

Senior officers of the Company have represented to Echelon in a certificate dated the date hereof, among other things, that: except for the budgets, strategic plans, financial forecasts, projections, models, estimates and other forward-looking information referenced below, (i) the Information provided to Echelon by or on behalf of the Company relevant to the subject matter of the Transaction or the Opinion were true, accurate, complete and correct in all material respects at the date the Information was provided (or supplemented in writing following the date originally provided), (ii) the financial statements, were prepared in accordance with generally accepted accounting principles consistently applied (except as to the absence of full note disclosure in non-audited financial statements and except as disclosed by the Company); (iii) the Information did not and as of the date hereof does not contain any untrue statement of a material fact (as such term is defined in the Securities Act) in respect of or involving the Company, the Company's assets or the Transaction; (iv) the Information did not and as of the date hereof does not omit to state a material fact in respect of the Company, its assets or the Transaction necessary to make the Information (or any statement therein) not misleading in light of the circumstances under which the Information was made or provided; (v) since the date that the Information was provided to Echelon and as of the date thereof, there has been no material change (as such term is defined in the Securities Act), financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company that has not been disclosed in writing to Echelon and there has been no change in any material fact or new material fact which is of a nature so as to render the Information untrue or misleading in any material respect, or which would reasonably be expected to have a material effect on the Opinion, that has not been disclosed in writing to Echelon; and (vi) any portions of the Information provided to Echelon by the Company which constitute forecasts, projections, estimates or other forward-looking information was, based on data available to the Company at such time, reasonable and reflected the assumptions disclosed therein (which assumptions the Company and its management believed and continue to believe as of the date hereof to be reasonable in the



circumstances) and did not and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make such portions of the Information not misleading, in each case in light of the circumstances (including assumptions and developments) in which such portions of the Information were made or provided.

In preparing the Opinion, Echelon has made several assumptions, including that all final or executed versions of documents will conform in all material respects to the drafts provided to Echelon, all conditions precedent to be satisfied to complete the Transaction can and will be satisfied or waived, that all approvals, authorizations, consents, permissions, exemptions or orders of relevant regulatory authorities required in respect of or in connection with the Transaction will be obtained, without adverse condition or qualification, that all steps or procedures being followed to implement the Transaction are valid and effective.

The Opinion has been provided for the exclusive use of the Board in considering the Transaction and is not intended to be, and does not constitute, a recommendation as to how any Shareholder should vote their Shares or act on any matter relating to the Transaction and we express no opinion as whether holders of convertible securities should exercise any conversion or other rights. The Opinion must not be used by any other person or relied upon by any other person other than the Board without the express prior written consent of Echelon. The Opinion does not address the relative merits of the Transaction as compared to other strategic alternatives that might be available to the Company. Except for the inclusion of the Opinion in the Circular, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without our prior written consent.

The Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing on that date hereof and the condition and prospects, financial and otherwise, of the Company and its subsidiaries as they were reflected in the Information provided to Echelon. In our analysis and in preparing the Opinion, Echelon made numerous judgments and assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond our control or that of any party involved in the Transaction.

We have not been asked to prepare and have not prepared a formal valuation or appraisal of the securities or assets of the company or of any of its affiliates, and the Opinion should not be construed as such. Echelon has not undertaken an independent evaluation, appraisal or, other than as disclosed above, physical inspection of any assets or liabilities of the Company or its subsidiaries, is not an expert on, and did not render advice to the Company regarding, and assumes no and disclaims all liability and obligation in respect of, legal, accounting, regulatory or tax matters.

The Opinion is given as of the date hereof and, although Echelon reserves the right to change or withdraw the Opinion if we learn that any of the information that we relied upon in preparing the Opinion was inaccurate, incomplete or misleading in any material respect, we disclaim any obligation



to change or withdraw the Opinion, to advise any person of any change that may come to our attention or to update the Opinion after the date hereof.

Echelon believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create an incomplete view of the process underlying the Opinion. Accordingly, the Opinion should be read in its entirety.

CONCLUSION

Based upon and subject to the foregoing and such other matters that Echelon considered relevant, Echelon is of the opinion that, as of the date hereof, the Consideration to be paid by the Company pursuant to the Transaction is fair from a financial point of view to the Company and Shareholders.

Yours truly,

Echelon Wealth Partners Inc.

ECHELON WEALTH PARTNERS INC.

October 18, 2021

The Board of Directors
PopReach Corporation
1 University Avenue, 3rd Floor
Toronto, Ontario
M5J 2P1

Dear Sirs / Madams:

Stifel Nicolaus Canada Inc. ("**Stifel GMP**") understands that PopReach Corporation ("**PopReach**" or the "**Company**") has entered into a business combination agreement dated October 18, 2021 (the "**Transaction Agreement**") with Federated Foundry ("**Federated**") pursuant to which, among other things, PopReach will acquire all the issued and outstanding common shares of Federated in exchange for common shares of PopReach (the "**Transaction**"). Defined terms used in this Opinion but not otherwise defined herein have the meaning specified in the Transaction Agreement.

The Transaction

Pursuant to the Transaction, PopReach will acquire all of the issued and outstanding common shares of Federated (including each Federated common shares issuable upon due exercise, conversion and/or exchange of all Federated securities exercisable, convertible and/or exchangeable for or into Federated common shares, collectively, the "**Federated Shares**") from the holders of such Federated Shares (collectively, the "**Federated Shareholders**") in exchange for the issuance by PopReach of that number of common shares of PopReach (the "**Consideration Shares**") as is equal to the Exchange Ratio (the "**Consideration**"). Under the terms of the Transaction Agreement, the "**Exchange Ratio**" shall be equal to the quotient of (i) the Purchase Price divided by \$0.80; divided by (ii) the number of Federated Shares issued and outstanding on the Effective Date; and the "**Purchase Price**" shall be equal to \$160 million minus (i) the Closing Debt and (ii) the amount by which, if any, the Closing Date Working Capital is less than \$5 million. The Transaction will constitute a reverse takeover of PopReach by the Federated Shareholders and will be completed by way of an Amalgamation under the *Business Corporations Act* (Ontario).

All of the Consideration Shares will be subject to a lock-up, with 25% released upon issuance of the TSXV Bulletin for the Transaction, and an additional 25% at the end of each 6-month period thereafter.

Immediately upon completion of the Transaction (i) the board of directors of PopReach shall consist of seven (7) members, with three (3) appointed by PopReach (being Jon Walsh, Christopher Locke and Mike Vorhaus) and four (4) appointed by Federated (being Ted Hastings plus three independent directors); and (ii) the executive management of PopReach shall include Ted Hastings as Executive Chairman, Jon Walsh as Chief Executive Officer, Christopher Locke as President, Greg Donaldson as Chief Financial Officer and Amy Hastings as General Counsel and Corporate Secretary. All existing directors and officers of Federated shall have resigned and executed customary releases prior to the completion of the Transaction.

Stifel GMP's Engagement

The Board of Directors of PopReach (the "**Board**") formally retained Stifel GMP to act as its financial advisor pursuant to an engagement letter (the "**Engagement Letter**") dated as of September 23, 2021. Pursuant to the Engagement Letter, Stifel GMP has agreed to, among other things, deliver, at the request of the Board, an opinion (the "**Opinion**") as to whether the Consideration is fair, from a financial point of view, to PopReach Shareholders other than Federated. Pursuant to the Engagement Letter, on October 15, 2021, Stifel GMP orally delivered to the Board its opinion that, as of October 15, 2021 and subject to the assumptions, qualifications and limitations as

Stifel GMP considers relevant, the value of the Consideration to be paid by PopReach pursuant to the Transaction is fair from a financial point of view to the PopReach Shareholders (other than Federated).

The Engagement Letter provides that Stifel GMP will be paid a fixed-fee by PopReach for the services provided thereunder, no portion of which is contingent upon this Opinion being favourable or upon the successful outcome of the Transaction, as well as reimbursement of all reasonable legal and out-of-pocket expenses. In addition, Stifel GMP and its affiliates and their respective directors, officers, employees, agents and controlling persons are to be indemnified by PopReach under certain circumstances from and against certain liabilities arising out of the performance of professional services rendered to PopReach. In the future, Stifel GMP may in the ordinary course of business, seek to perform financial advisory services or corporate finance services for PopReach and their associates from time to time. Stifel GMP has not been engaged to prepare, and has not prepared, a formal valuation or appraisal of PopReach or Federated, or any of their respective assets, securities or liabilities (whether on a standalone basis or as a combined entity), and the Opinion should not be construed as such.

Stifel GMP was similarly not engaged to review any legal, tax or accounting aspects of the Transaction and, accordingly, expresses no views thereon. Stifel GMP has assumed, with PopReach's agreement, that the Transaction is not subject to the delivery of a formal valuation pursuant to the requirements of Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**") and Stifel GMP's engagement does not include and should not be considered to involve, a formal valuation under MI 61-101.

Credentials of Stifel GMP

Stifel GMP is a leading independent Canadian investment dealer focused on investment banking and institutional equities for corporate clients and institutional investors. As part of our investment banking activities, we are regularly engaged in the valuation of securities in connection with mergers and acquisitions, public offerings and private placements of listed and unlisted securities and regularly engage in market making, underwriting and secondary trading of securities in connection with a variety of transactions. Stifel GMP is not in the business of providing auditing services and is not controlled by a financial institution. Stifel GMP and Stifel FirstEnergy are brand names of Stifel Nicolaus Canada Inc.

The Opinion expressed herein represents the opinion of Stifel GMP and the form and content hereof have been approved for release by a group of professionals of Stifel GMP, each of whom is experienced in merger, acquisition, divestiture, restructurings, valuation and fairness opinion matters.

Independence of Stifel GMP

None of Stifel GMP, its affiliates or associates, is an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Ontario)) of PopReach or Federated or any of their respective associates or affiliates (collectively, the "**Interested Parties**"). Stifel GMP has not acted in various capacities for both PopReach and Federated over the past 24 months.

There are no understandings, agreements or commitments between Stifel GMP and any Interested Parties with respect to any future business dealings, however, Stifel GMP may in the future in the ordinary course of business seek to perform financial advisory services for any one or more of them from time to time. Stifel GMP has been retained by PopReach to, among other things, provide the Opinion to the Board in respect of the Transaction. In the ordinary course of its business, Stifel GMP acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have, today, or in the future, positions in the securities of PopReach, Federated and, from time to time, may have executed or may execute transactions on behalf of PopReach, and Federated or other clients for which it received or may receive compensation. In addition, as an investment dealer, Stifel GMP conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including research with respect to PopReach or Federated and/or their respective affiliates or associates.

Scope of Review

Stifel GMP has not acted as a financial advisor to the Board in respect of the Transaction and certain related matters. In this context, and for the purpose of preparing the Opinion, we have analyzed financial, operational and other information relating to PopReach and Federated, including information derived from meetings and discussions with the management of PopReach. Except as expressly described herein, Stifel GMP has not conducted any independent investigations to verify the accuracy and completeness thereof.

In connection with rendering the Opinion, and among other things, we have reviewed and relied upon (without having attempted to independently verify the completeness or accuracy of) or carried out, among other things:

- (a) A draft Transaction Agreement dated October 13, including a draft amalgamation agreement and draft disclosure letters of PopReach and Federated;
- (b) Letter of Intent between PopReach and Federated signed on August 16, 2021;
- (c) Draft audited financial statements of Federated subsidiaries for the period ended December 31, 2020;
- (d) Certain internal financial information of Federated as provided by Federated management;
- (e) PopReach's unaudited quarterly financial statements for the period ended June 30, 2021;
- (f) PopReach's audited financial statements and associated management discussion and analysis for the period ended December 31, 2020;
- (g) Certain internal financial information of PopReach as provided by PopReach management;
- (h) Public market data and investment dealer equity research reports with respect to publicly traded comparable companies relevant to Federated;
- (i) Public market data and investment dealer equity research reports with respect to PopReach and other publicly traded comparable companies;
- (j) Data with respect to other transactions of a comparable nature considered by Stifel GMP to be relevant;
- (k) Discussions with management of PopReach regarding the Company's past and current business plan, operations and financial condition and prospects;
- (l) A letter of representation as to certain factual matters and the completeness and accuracy of certain information upon which the Opinion is based, addressed to us and dated as of the date hereof, provided by the Chief Executive Officer and Chief Financial Officer of the Company;
- (m) Certain other publicly available information related to the business, operations, financial condition and trading history of PopReach and Federated and other selected publicly available information Stifel GMP considered relevant; and
- (n) Other economic, financial market, industry and corporate information, analyses and investigations as Stifel GMP considered appropriate in the circumstances.

Stifel GMP was not engaged to conduct due diligence on PopReach, Federated or any other party on behalf of the Company or the Board.

Stifel GMP has not, to the best of its knowledge, been denied access by PopReach to any information requested by Stifel GMP. Stifel GMP did not meet with the auditors of PopReach and as stipulated below, has assumed, without independent investigation, the accuracy and fair presentation of the audited comparative consolidated financial statements of PopReach and the reports of the auditors thereon.

Approach to Fairness

In considering the fairness, from a financial point of view, of the Consideration to the PopReach Shareholders, Stifel GMP considered several methodologies, analyses and techniques and used a combination of those approaches in order to produce its Opinion. In arriving at our conclusion, we did not attribute any particular weight to any specific approach or analysis, but rather developed qualitative and quantitative judgements on the basis of our experience in rendering such opinions and on the information presented as a whole. Stifel GMP based the Opinion upon a number of quantitative and qualitative factors as deemed appropriate based on Stifel GMP's professional experience.

Prior Valuations

The Company has represented to Stifel GMP that no independent appraisals or valuations (as defined in MI 61-101) or material non-independent appraisals or valuations relating to the Company, any of its subsidiaries or any of their respective material assets or liabilities have been prepared within the two years preceding the date hereof that have not been provided to Stifel GMP (if any).

Assumptions and Limitations

With PopReach's approval and as provided for in the Engagement Letter, Stifel GMP has relied upon and has assumed the completeness, accuracy and fair representation of all financial and other information, data, advice, opinions and representations and other materials obtained by Stifel GMP from public sources, including information relating to PopReach and Federated, or provided to Stifel GMP by PopReach, and their affiliates or advisors or otherwise obtained pursuant to our engagement (collectively, referred to as the "Information"). The Opinion is conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, Stifel GMP has not attempted to verify independently the accuracy or completeness of any such information, data, advice, opinions and representations.

Stifel GMP is not a legal, tax, accounting or regulatory advisor or expert. Stifel GMP is a financial advisor only and has relied upon, without independent verification, the assessment of PopReach and Federated and their respective legal, tax, accounting and/or regulatory advisors with respect to legal, tax, accounting and/or regulatory matters. Stifel GMP has not made any independent valuation or appraisal of the assets or liabilities of PopReach and/or Federated, nor has Stifel GMP been furnished with any such appraisals. As such, Stifel GMP was not engaged to review any legal, tax, accounting or regulatory aspects of the Transaction and accordingly expresses no view thereon. The Transaction is subject to a number of conditions outside the control of PopReach and Federated, and Stifel GMP has assumed all conditions precedent to the completion of the Transaction can and will be satisfied in due course and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualification and that the Transaction can and will be completed as currently planned without additional material costs or liabilities to PopReach or Federated. Stifel GMP has also assumed that the Transaction will be completed in accordance with the terms and conditions of the Transaction without wavier of, or amendment to, any term or condition that is any way material to our analyses or the Opinion, that the Transaction will be completed in compliance with applicable laws and that the disclosure relating to PopReach, Federated and the Transaction in any disclosure documents will be accurate and will comply with the requirements of applicable laws. In rendering the Opinion, Stifel GMP expresses no view as to the likelihood that the conditions respecting the Transaction will be satisfied or waived or that the Transaction will be implemented on a timely basis or at all.

The Opinion is rendered as of the date of this letter and on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof, and the condition and prospects, financial and otherwise, of PopReach and Federated as they were reflected in the Information and as they were represented to Stifel GMP in discussions with management of PopReach. In rendering the Opinion, Stifel GMP has relied on the letter of representation of the Chief Executive Officer and Chief Financial Officer of the Company (without independent verifications of the matters addressed therein) and has assumed that there are no undisclosed material facts relating to PopReach, or Federated, or their respective businesses, operations, capital or future prospects. Any changes therein may affect the Opinion and, although Stifel GMP reserves the right to change or withdraw the Opinion in such event, we disclaim any obligation to advise any person of any change that may come to our attention or to update the Opinion after today. Except as contemplated herein or in the Engagement Letter, any reference to the Opinion or the engagement of Stifel GMP by PopReach is expressly prohibited without the express prior written consent of Stifel GMP.

Stifel GMP believes that the analyses and factors considered in arriving at the Opinion must be considered as a whole and is not amenable to partial analyses or summary description and that selecting portions of the analyses and the factors considered, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In arriving at the Opinion, Stifel GMP has not attributed any particular weight to any specific analyses or factor but rather based the Opinion on a number of qualitative and quantitative factors deemed appropriate by Stifel GMP based on Stifel GMP's experience in rendering such opinions.

Stifel GMP has not been asked to prepare and has not delivered a formal valuation or appraisal of the securities or assets of PopReach, Federated, or of any of their respective affiliates, and the Opinion should not be construed as such. Stifel GMP does not express any view on, and the Opinion does not address, any other term or aspect of the Transaction, the Transaction or any term or aspect of any other Transaction or instrument contemplated by the Transaction or entered into or amended in connection with the Transaction, or the fairness of the Transaction, or any consideration received in connection therewith by, the holders of any other class of securities, creditors, or other constituencies of PopReach. The Opinion is not, and should not be construed as, advice as to the price at which the securities of PopReach may trade at any time, nor as to the impact of the Transaction the solvency or viability of PopReach, or Federated or the ability of PopReach, or Federated to pay their respective obligations when they come due. In addition, the Opinion does not address the relative merits of the Transaction as compared to any strategic alternatives that may be available to PopReach.

In our analyses and in connection with the preparation of the Opinion, Stifel GMP made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Transaction. While in the opinion of Stifel GMP, the assumptions used in preparing the Opinion are reasonable in the current circumstances, some or all of these assumptions may prove to be incorrect.

Conclusion and Fairness Opinion

Based upon our analysis and subject to all of the foregoing and such other matters as we have considered relevant, it is the opinion of Stifel GMP that, as of the date hereof, the value of the Consideration to be paid by PopReach under the Transaction is fair, from a financial point of view, to the PopReach Shareholders.

The Opinion has been provided solely for the use of the Board for the purposes of considering the Transaction and may not be used or relied upon by any other person or for any other purpose without the prior written consent of Stifel GMP.

Other than as authorized herein or in the Engagement Letter¹, the Opinion is not to be reproduced, disseminated, quoted from or referred to (in whole or in part) without Stifel GMP's prior written consent.

Yours very truly,

Stifel Nicolaus Canada Inc.

Stifel Nicolaus Canada Inc.

¹ Engagement Letter provides as follows: Stifel GMP agrees that the Opinion, if rendered by Stifel GMP pursuant to this agreement, may be summarized and a copy of the Opinion may be reproduced in its entirety, and that a description of the fees payable to, and services provided by, Stifel GMP under this engagement may be included, in any document that is required to be filed with any of the provincial securities commissions and required to be mailed by the Company to its shareholders relating to the Transaction in respect of which the Opinion was rendered. We consent to such inclusion, disclosure and filing, provided that all references to Stifel GMP or any such Opinion in any such documents are approved in writing by Stifel GMP, which approval shall not be unreasonably withheld, delayed or conditioned, and that the form and contents of these documents comply with all applicable law

SCHEDULE C
NEW EQUITY INCENTIVE PLAN

(see attached)

POPREACHTM

POPREACH CORPORATION

**OMNIBUS EQUITY INCENTIVE PLAN
[●], 2022**

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1 PURPOSE	1
1.1 Purpose.....	1
ARTICLE 2 INTERPRETATION.....	1
2.1 Definitions.....	1
2.2 Interpretation.....	10
ARTICLE 3 ADMINISTRATION	11
3.1 Administration	11
3.2 Delegation to Committee	12
3.3 Determinations Binding.....	12
3.4 Eligibility	12
3.5 Plan Administrator Requirements.....	12
3.6 Total Shares Subject to Awards.....	13
3.7 Limits on Grants of Awards.....	13
3.8 Hold Period	14
3.9 Awards Granted to Corporations	14
3.10 Award Agreements	15
3.11 Non-Transferability of Awards.....	15
ARTICLE 4 OPTIONS	15
4.1 Granting of Options	15
4.2 Exercise Price.....	15
4.3 Term of Options.....	16
4.4 Vesting	16
4.5 Exercisability	16
4.6 Payment of Exercise Price	17
ARTICLE 5 RESTRICTED SHARE UNITS.....	18
5.1 Granting of RSUs.....	18
5.2 RSU Account	18
5.3 Vesting of RSUs	18
5.4 Settlement of RSUs.....	18
ARTICLE 6 PERFORMANCE SHARE UNITS	19
6.1 Granting of PSUs	19
6.2 Terms of PSUs	19
6.3 Performance Goals.....	20
6.4 PSU Account.....	20
6.5 Vesting of PSUs.....	20
6.6 Settlement of PSUs	20
ARTICLE 7 DEFERRED SHARE UNITS	21
7.1 Granting of DSUs	21
7.2 DSU Account	22

7.3	Vesting of DSUs	22
7.4	Settlement of DSUs.....	23
7.5	No Additional Amount or Benefit	23
ARTICLE 8 ADDITIONAL AWARD TERMS		24
8.1	Dividend Equivalents.....	24
8.2	Blackout Period.....	24
8.3	Withholding Taxes.....	24
8.4	Recoupment	25
ARTICLE 9 TERMINATION OF EMPLOYMENT OR SERVICES.....		25
9.1	Termination of Officer, Employee, Consultant or Director.....	25
9.2	Discretion to Permit Acceleration.....	27
ARTICLE 10 EVENTS AFFECTING THE CORPORATION		28
10.1	General.....	28
10.2	Change in Control	28
10.3	Reorganization of Corporation's Capital	30
10.4	Other Events Affecting the Corporation	30
10.5	Immediate Acceleration of Awards	30
10.6	Issue by Corporation of Additional Shares.....	31
10.7	Fractions.....	31
ARTICLE 11 U.S. TAXPAYERS		31
11.1	Provisions for U.S. Taxpayers	31
11.2	ISOs.....	31
11.3	ISO Grants to 10% Shareholders	31
11.4	\$100,000 Per Year Limitation for ISOs.....	32
11.5	Disqualifying Dispositions.....	32
11.6	Section 409A of the Code	32
11.7	Section 83(b) Election.....	33
11.8	Application of Article 11 to U.S. Taxpayers	33
ARTICLE 12 AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN.....		33
12.1	Amendment, Suspension, or Termination of the Plan	33
12.2	Shareholder Approval	34
12.3	Permitted Amendments.....	34
ARTICLE 13 MISCELLANEOUS		35
13.1	Legal Requirement.....	35
13.2	No Other Benefit.....	35
13.3	Rights of Participant	35
13.4	Corporate Action.....	36
13.5	Conflict	36
13.6	Anti-Hedging Policy	36
13.7	Participant Information	36
13.8	Participation in the Plan	36
13.9	International Participants	36
13.10	Successors and Assigns.....	37

13.11	General Restrictions or Assignment	37
13.12	Severability	37
13.13	Rights to Compensation or Damages.....	37
13.14	Notices	37
13.15	Effective Date	38
13.16	Governing Law	38
13.17	Submission to Jurisdiction	38

PopReach Corporation
Omnibus Equity Incentive Plan

ARTICLE 1
PURPOSE

1.1 Purpose

The purpose of this Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified Directors, Officers, Employees and Consultants of the Corporation and its subsidiaries, to reward such of those Directors, Officers, Employees and Consultants as may be granted Awards under this Plan by the Board from time to time for their contributions toward the long term goals and success of the Corporation and to enable and encourage such Directors, Officers, Employees and Consultants to acquire Shares as long term investments and proprietary interests in the Corporation.

ARTICLE 2
INTERPRETATION

2.1 Definitions

When used herein, unless the context otherwise requires, the following terms have the indicated meanings, respectively:

“**Affiliate**” means any entity that is an “affiliate” for the purposes of National Instrument 45-106 – *Prospectus Exemptions*, as amended from time to time;

“**Associate**” has the meaning set forth in the *Securities Act* (Ontario);

“**Award**” means any Option, RSU, PSU or DSU granted under this Plan which may be denominated or settled in Shares or cash;

“**Award Agreement**” means a signed, written agreement between a Participant and the Corporation, in the form or any one of the forms approved by the Plan Administrator, evidencing the terms and conditions on which an Award has been granted under this Plan (including written or other applicable employment agreements) and which need not be identical to any other such agreements;

“**Blackout Period**” means a period during which the Corporation restricts trades in the securities of the Corporation for any reason from time to time, including pursuant to the Corporation’s insider trading policy;

“**Board**” means the board of directors of the Corporation as it may be constituted from time to time;

“**Business Day**” means a day, other than a Saturday or Sunday, on which the principal commercial banks in the City of Toronto are open for commercial business during normal banking hours;

“**Canadian Taxpayer**” means a Participant that is resident of Canada for purposes of the Tax Act;

“Cash Fees” has the meaning set forth in Subsection 7.1(a);

“Cashless Exercise” has the meaning set forth in Subsection 4.6(b);

“Cause” means, with respect to a particular Participant:

- (a) “cause” (or any similar term) as such term is defined in the employment or other written agreement between the Corporation or a subsidiary of the Corporation and the Employee;
- (b) in the event there is no written or other applicable employment or other agreement between the Corporation or a subsidiary of the Corporation or “cause” (or any similar term) is not defined in such agreement, “cause” as such term is defined in the Award Agreement; or
- (c) in the event neither (a) nor (b) apply, then “cause” as such term is defined by applicable law or, if not so defined, such term shall refer to circumstances where (i) an employer may terminate an individual’s employment without notice or pay in lieu thereof or other damages, or (ii) the Corporation or any subsidiary thereof may terminate the Participant’s contract without notice or without pay in lieu thereof or other termination fee or damages, except, in each case, to the extent required under ESL, and provided that the failure by a Participant to meet performance targets or similar measures shall not, in and of itself, constitute cause for purposes of such termination of employment or contract;

“Change in Control” means the occurrence of any one or more of the following events:

- (a) any transaction at any time and by whatever means pursuant to which any Person or any group of two (2) or more Persons acting jointly or in concert (other than the Corporation or a subsidiary of the Corporation) hereafter acquires the direct or indirect “beneficial ownership” (as defined in the *Securities Act* (Ontario)) of, or acquires the right to exercise Control or direction over, securities of the Corporation representing more than 50% of the total voting power represented by the then issued and outstanding voting securities of the Corporation, including, without limitation, as a result of a take-over bid, an exchange of securities, an amalgamation of the Corporation with any other entity, an arrangement, a capital reorganization or any other business combination or reorganization;
- (b) the sale, assignment or other transfer of all or substantially all of the consolidated assets of the Corporation to a Person other than a subsidiary of the Corporation;
- (c) the dissolution or liquidation of the Corporation, other than in connection with the distribution of assets of the Corporation to one (1) or more Persons which were Affiliates of the Corporation prior to such event;
- (d) the occurrence of a transaction requiring approval of the Corporation’s shareholders whereby the Corporation is acquired through consolidation, merger, exchange of securities, purchase of assets, amalgamation, statutory arrangement or otherwise by any other Person (other than a short form amalgamation or exchange of securities with a subsidiary of the Corporation); or

- (e) individuals who comprise the Board as of the meeting of the shareholders at which this Plan was first considered and approved by the shareholders of the Corporation (the “**Incumbent Board**”) for any reason cease to constitute at least a majority of the members of the Board, unless the election, or nomination for election by the Corporation’s shareholders, of any new director was approved by a vote of at least a majority of the Incumbent Board, and in that case such new director shall be considered as a member of the Incumbent Board,

provided that, notwithstanding clauses (a), (b), (c) and (d) above, a Change in Control shall be deemed not to have occurred if immediately following the transaction set forth in clauses (a), (b), (c) or (d) above: (A) the holders of securities of the Corporation that immediately prior to the consummation of such transaction represented more than 50% of the combined voting power of the then outstanding securities eligible to vote for the election of directors of the Corporation hold (x) securities of the entity resulting from such transaction (including, for greater certainty, the Person succeeding to assets of the Corporation in a transaction contemplated in clause (b) above) (the “**Surviving Entity**”) that represent more than 50% of the combined voting power of the then outstanding securities eligible to vote for the election of directors or trustees (“**voting power**”) of the Surviving Entity, or (y) if applicable, securities of the entity that directly or indirectly has beneficial ownership of 100% of the securities eligible to elect directors or trustees of the Surviving Entity (the “**Parent Entity**”) that represent more than 50% of the combined voting power of the then outstanding securities eligible to vote for the election of directors or trustees of the Parent Entity, and (B) no Person or group of two or more Persons, acting jointly or in concert, is the beneficial owner, directly or indirectly, of more than 50% of the voting power of the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) (any such transaction which satisfies all of the criteria specified in clauses (A) and (B) above being referred to as a “**Non-Qualifying Transaction**” and, following the Non-Qualifying Transaction, references in this definition of “Change in Control” to the “Corporation” shall mean and refer to the Parent Entity (or, if there is no Parent Entity, the Surviving Entity) and, if such entity is a company or a trust, references to the “Board” shall mean and refer to the board of directors or trustees, as applicable, of such entity).

Notwithstanding the foregoing, for purposes of any Award that constitutes “deferred compensation” (within the meaning of Section 409A of the Code), the payment of which is triggered by or would be accelerated upon a Change in Control, a transaction will not be deemed a Change in Control for Awards granted to any Participant who is a U.S. Taxpayer unless the transaction qualifies as “a change in control event” within the meaning of Section 409A of the Code;

“**Code**” means the United States Internal Revenue Code of 1986, as amended from time to time. Any reference to a section of the Code shall be deemed to include a reference to any regulations promulgated thereunder;

“**Committee**” has the meaning set forth in Section 3.2(b);

“**Consultant**” has the meaning set forth in Policy 4.4;

“Control” means the relationship whereby a Person is considered to be “controlled” by a Person if:

- (a) when applied to the relationship between a Person and a corporation, the beneficial ownership by that Person, directly or indirectly, of voting securities or other interests in such corporation entitling the holder to exercise control and direction in fact over the activities of such corporation;
- (b) when applied to the relationship between a Person and a partnership, limited partnership, trust or joint venture, means the contractual right to direct the affairs of the partnership, limited partnership, trust or joint venture; and
- (c) when applied in relation to a trust, the beneficial ownership at the relevant time of more than 50% of the property settled under the trust, and

the words **“Controlled by”**, **“Controlling”** and similar words have corresponding meanings; provided that a Person who controls a corporation, partnership, limited partnership or joint venture will be deemed to Control a corporation, partnership, limited partnership, trust or joint venture which is Controlled by such Person and so on;

“Corporation” means PopReach Corporation, a corporation duly incorporated under the laws of the Province of Ontario, and its Affiliates, if any, and includes any successor or assignee entity or entities into which the Corporation may be merged, changed, or consolidated; any entity for whose securities the securities of the Corporation shall be exchanged; and any assignee of or successor to substantially all of the assets of the Corporation;

“Date of Grant” means, for any Award, the date specified by the Plan Administrator at the time it grants the Award or if no such date is specified, the date upon which the Award was granted;

“Deferred Share Unit” or **“DSU”** means a unit equivalent in value to a Share, credited by means of a bookkeeping entry in the books of the Corporation in accordance with Article 7;

“Director” means a director of the Corporation or a subsidiary of the Corporation who is not an Employee;

“Director Fees” means the total compensation (including annual retainer and meeting fees, if any) paid by the Corporation to a Director in a calendar year for service on the Board;

“Disabled” or **“Disability”** means, with respect to a particular Participant:

- (a) “disabled” or “disability” (or any similar terms) as such terms are defined in the employment or other written agreement between the Corporation or a subsidiary of the Corporation and the Participant;
- (b) in the event there is no written or other applicable employment or other agreement between the Corporation or a subsidiary of the Corporation, or “disabled” or “disability” (or any similar terms) are not defined in such agreement, “disabled” or “disability” as such term are defined in the Award Agreement; or
- (c) in the event neither (a) or (b) apply, then the incapacity or inability of the Participant, by reason of mental or physical incapacity, disability, illness or disease

(as determined by a legally qualified medical practitioner or by a court) that prevents the Participant from carrying out his or her normal and essential duties as an Employee, Director or Consultant for a continuous period of six months or for any cumulative period of 180 days in any consecutive twelve month period and is expected to continue, the foregoing subject to and as determined in accordance with procedures established by the Plan Administrator for purposes of this Plan;

“Discounted Market Price” has the meaning set forth in Policy 1.1;

“Effective Date” means the effective date of this Plan, being [●], 2022;

“Elected Amount” has the meaning set forth in Subsection 7.1(a);

“Electing Person” means a Participant who is, on the applicable Election Date, a Director;

“Election Date” means the date on which the Electing Person files an Election Notice in accordance with Subsection 7.1(b);

“Election Notice” has the meaning set forth in Subsection 7.1(b);

“Employee” has the meaning set forth in Policy 4.4;

“ESL” means the employment standards legislation, as amended or replaced, applicable to a Participant who is an Employee or Officer;

“Exchange” means the TSXV and any other exchange on which the Shares are or may be listed from time to time;

“Exercise Notice” means a notice in writing, signed by a Participant and stating the Participant’s intention to exercise a particular Option;

“Exercise Price” means the price at which an Option Share may be purchased pursuant to the exercise of an Option;

“Expiry Date” means , in respect of Options, the expiry date specified in the Award Agreement for an Option (which shall not be later than the tenth anniversary of the Date of Grant) or, if not so specified, means the tenth anniversary of the Date of Grant;

“Good Reason” means, with respect to a particular Participant:

- (a) “good reason” (or any similar term) as such term is defined in the employment or other written agreement between the Corporation or a subsidiary of the Corporation and the Participant;
- (b) in the event there is no written or other applicable employment or other agreement between the Corporation or a subsidiary of the Corporation, or “good reason” is not defined in such agreement, “good reason” as such term is defined in the Award Agreement; or

- (c) in the event neither (a) or (b) apply, the occurrence of any one or more of the following events without the Participant's prior written consent, which, if capable of being cured, remains uncured by the Corporation within 30 days following receipt of written notice from the Participant specifying in reasonable detail the nature of such occurrence, which notice shall be provided by the Participant no later than 90 days after the occurrence of such event giving rise to the right to resign for Good Reason:
- (i) there is a material diminution in the Participant's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, excluding for this purpose any isolated, insubstantial or inadvertent actions not taken in bad faith and which are remedied by the Participant's Employer promptly after receipt of notice thereof given by the Participant;
 - (ii) the Participant's Employer's reduction of the Participant's base salary, as the same may be increased from time to time, or the percentage on which any short-term incentive payment is based, as such terms are defined in the Participant's employment agreement, other than any across the board reduction of 10% or less which may be implemented by such employer in respect of its senior employees from time to time;
 - (iii) the Participant's Employer's reduction or elimination of benefits granted to the Participant in his or her employment agreement or granted to the Participant during his or her employment, save and except any change or elimination of any benefits due to a change in the benefit plan or provider, provided that the new benefits are substantially similar in the aggregate to the current benefits;
 - (iv) a material change in the geographic location of the principal location of employment of the Participant, which shall, in any event, include only a relocation of such principal location by more than one hundred (100) kilometers from its existing location; or
 - (v) the Participant's Employer's material breach of the employment agreement between the Participant's Employer and the Participant.

In order for a resignation to qualify as a resignation for "Good Reason" hereunder, the Participant must resign for such event no later than 90 days after the Corporation's cure period has expired. For greater certainty, "Good Reason" shall not include year-over-year variations in the amount of, or percentage entitlement to, if any, Awards awarded to the Participant based on the Corporation's and the Governance and Compensation Committee's determination of achievement. In addition, "Good Reason" shall not include any change in title or reporting other than a change which would generally be considered to constitute a demotion by the Participant's peers in the industry and "Good Reason" shall not include any change in the Participant's duties and responsibilities provided that such changes do not result in a diminution of the scope or dignity of the Participant's overall duties and responsibilities;

"Governance & Compensation Committee" means the Governance & Compensation of the Board and any replacement or successor committee of the Board that is responsible for governance, compensation and nomination matters, or the Board if there is no such committee;

“In-the-Money Amount” has the meaning given to it in Subsection 4.6(b);

“Insider” means an “insider” as defined in the rules of the Exchange from time to time;

“Investor Relations Service Provider” has the meaning ascribed to such term in Policy 4.4;

“ISOs” has the meaning set forth in Section 11.1;

“Market Price” at any date in respect of the Shares shall be the volume weighted average trading price of the Shares on the Exchange, for the five (5) trading days immediately preceding the Date of Grant (or, if such Shares are not then listed and posted for trading on the Exchange, on such stock exchange on which the Shares are listed and posted for trading as may be selected for such purpose by the Board); provided that, for so long as the Shares are listed and posted for trading on the TSXV, the Market Price shall be as defined in Policy 1.1; and provided, further, that with respect to an Award made to a U.S. Taxpayer, such Participant and the number of Shares subject to such Award shall be identified by the Board or the Committee prior to the start of the applicable five (5) trading day period. In the event that such Shares are not listed and posted for trading on any Exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion and, with respect to an Award made to a U.S. Taxpayer, in accordance with Section 409A of the Code;

“Material Information” has the meaning set forth in Policy 1.1;

“Officer” means an Employee who is considered by the Corporation as an officer of the Corporation or a subsidiary of the Corporation;

“Option” means a right to purchase Shares under Article 4 of this Plan that is non-assignable and non-transferable, unless otherwise approved by the Plan Administrator;

“Option Shares” means Shares issuable by the Corporation upon the exercise of outstanding Options;

“Participant” means a Director, Officer, Employee or Consultant to whom an Award has been granted under this Plan;

“Participant’s Employer” means with respect to a Participant that is or was an Employee, the Corporation or such subsidiary of the Corporation as is or, if the Participant has ceased to be employed by the Corporation or such subsidiary of the Corporation, was the Participant’s Employer;

“Performance Goals” means performance goals expressed in terms of attaining a specified level of the particular criteria or the attainment of a percentage increase or decrease in the particular criteria, and may be applied to one or more of the Corporation, a subsidiary of the Corporation, a division of the Corporation or a subsidiary of the Corporation, or an individual, or may be applied to the performance of the Corporation or a subsidiary of the Corporation relative to a market index, a group of other companies or a combination thereof, or on any other basis, all as determined by the Plan Administrator in its discretion;

“Performance Share Unit” or **“PSU”** means a unit equivalent in value to a Share, credited by means of a bookkeeping entry in the books of the Corporation in accordance with Article 6;

“Person” means an individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his or her capacity as trustee, executor, administrator or other legal representative;

“Plan” means this Omnibus Equity Incentive Plan, as may be amended from time to time;

“Plan Administrator” means a Person determined by the Board, which will initially be the Governance and Compensation Committee, or if the administration of this Plan has been delegated by the Board to the Committee pursuant to Section 3.2, the Committee;

“Policy 1.1” means the TSXV’s Policy 1.1 entitled “Interpretation” as amended from time to time;

“Policy 4.4” means the TSXV’s Policy 4.4 entitled “Security Based Compensation” as amended from time to time;

“PSU Service Year” has the meaning set forth in Section 6.1;

“Restricted Share Unit” or **“RSU”** means a unit equivalent in value to a Share, credited by means of a bookkeeping entry in the books of the Corporation in accordance with Article 5;

“Retirement” means, with respect to a particular Participant:

- (a) “retirement” (or any similar term) as such term is defined in the employment or other written agreement between the Corporation or a subsidiary of the Corporation and the Participant;
- (b) in the event there is no written or other applicable employment or other agreement between the Corporation or a subsidiary of the Corporation, or “retirement” is not defined in such agreement, “retirement” as such term is defined in the Award Agreement; or
- (c) in the event neither (a) or (b) apply, the voluntary cessation of a Participant’s employment with the Corporation, provided that, as at the Termination Date (i) the Participant’s age is at least sixty-five (65) and the Participant has at least ten years of service with the Corporation or a subsidiary of the Corporation, (ii) the Participant is not receiving or otherwise entitled to compensation in lieu of notice of termination, severance or similar payments, and (iii) the Participant has agreed in writing not to work for a competitor of the Corporation for a period of at least two (2) years following the Termination Date;

“RSU Service Year” has the meaning set forth in Section 5.1;

“Section 409A of the Code” or **“Section 409A”** means Section 409A of the Code and all regulations, guidance, compliance programs, and other interpretive authority issued thereunder;

“Securities Laws” means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject;

“Security Based Compensation Arrangement” means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares to Directors, Officers, Employees and/or service providers of the Corporation or any subsidiary of the Corporation, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise, but does not include the Corporation’s Amended and Restated Stock Option Plan approved October 20, 2020;

“Share” means one (1) common share in the capital of the Corporation as constituted on the Effective Date, or any share or shares issued in replacement of such common share in compliance with Canadian law or other applicable law, or after an adjustment contemplated by Article 10, such other shares or securities to which the holder of an Award may be entitled as a result of such adjustment;

“subsidiary” means an issuer that is Controlled directly or indirectly by another issuer and includes a subsidiary of that subsidiary, or any other entity in which the Corporation has an equity interest and is designated by the Plan Administrator, from time to time, for purposes of this Plan to be a subsidiary;

“Target Performance” has the meaning set forth in Section 6.3;

“Tax Act” means the *Income Tax Act* (Canada);

“Termination Date” means, subject to applicable law which cannot be waived:

- (a) in the case of an Employee or Officer whose employment with the Corporation or a subsidiary of the Corporation terminates (regardless of whether the termination is lawful or unlawful, with or without Cause, and whether it is the Participant or the Corporation or a subsidiary of the Corporation that initiates the termination), the later of: (i) if and only to the extent required to comply with the minimum standards of ESL, the date that is the last day of any applicable minimum statutory notice period applicable to the Employee or Officer pursuant to ESL, if any; and (ii) the date designated by the Employee or Officer and such Participant’s Employer as at the last day of such Employee’s or Officer’s employment, provided that, in the case of termination of employment by voluntary resignation by the Participant, such date shall not be earlier than the date notice of resignation was given; and, for the avoidance of any doubt, the parties intend to displace the presumption that the Participant has any entitlements in respect of the Plan or any Options, RSUs, PSUs or DSUs during any period of reasonable notice of termination under common law or civil law in the case of either (i) or (ii), without regard to any applicable period of reasonable notice or contractual notice to which the Participant may claim to be entitled under common law, civil law or pursuant to contract in respect of a period that follows the last day that the Participant actually and actively provides services to the Corporation or a subsidiary of the Corporation, as specified in the notice of

termination provided by the Employee or Officer or the Participant's Employer, as the case may be;

- (b) in the case of a Consultant whose agreement or arrangement with the Corporation or a subsidiary of the Corporation terminates, (i) the date designated by the Corporation or the subsidiary of the Corporation, as the "Termination Date" (or similar term) or expiry date in a written agreement between the Consultant and Corporation or a subsidiary of the Corporation, or (ii) if no such written agreement exists, the date designated by the Corporation or a subsidiary of the Corporation, as the case may be, on which the Consultant ceases to be a Consultant or a service provider to the Corporation or the subsidiary of the Corporation, as the case may be, or on which the Participant's agreement or arrangement is terminated, provided that in the case of voluntary termination by the Participant of the Participant's consulting agreement or other written arrangement, such date shall not be earlier than the date notice of voluntary termination was given; in any event, the "Termination Date" shall be determined without including any period of notice that the Corporation or the subsidiary of the Corporation (as the case may be) may be required by law to provide to the Participant or any pay in lieu of notice of termination, termination fees or other damages paid or payable to the Participant;
- (c) in the case of a Director, the date such individual ceases to be a Director, unless the individual continues to be a Participant in another capacity; and
- (d) in the case of a U.S. Taxpayer, a Participant's "Termination Date" will be the date the Participant experiences a "separation from service" with the Corporation or a subsidiary of the Corporation within the meaning of Section 409A of the Code;

"TSXV" means the TSX Venture Exchange;

"U.S." or **"United States"** means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia;

"U.S. Securities Act" means the United States Securities Act of 1933, as amended and the rules and regulations promulgated thereunder; and

"U.S. Taxpayer" shall mean a Participant who, with respect to an Award, is subject to taxation under the applicable U.S. tax laws.

2.2 Interpretation

- (a) Whenever the Plan Administrator exercises discretion in the administration of this Plan, the term "discretion" means the sole and absolute discretion of the Plan Administrator.
- (b) As used herein, the terms "Article", "Section", "Subsection" and "clause" mean and refer to the specified Article, Section, Subsection and clause of this Plan, respectively.
- (c) Words importing the singular include the plural and vice versa and words importing any gender include any other gender.

- (d) Unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period begins, including the day on which the period ends, and abridging the period to the immediately preceding Business Day in the event that the last day of the period is not a Business Day. In the event an action is required to be taken or a payment is required to be made on a day which is not a Business Day such action shall be taken or such payment shall be made by the immediately preceding Business Day.
- (e) Unless otherwise specified, all references to money amounts are to Canadian currency.
- (f) The headings used herein are for convenience only and are not to affect the interpretation of this Plan.

ARTICLE 3 ADMINISTRATION

3.1 Administration

Subject to the terms herein, this Plan will be administered by the Plan Administrator and the Plan Administrator has sole and complete authority, in its discretion, to:

- (a) determine the individuals to whom grants of Awards under the Plan may be made;
- (b) make grants of Awards under the Plan relating to the issuance of Shares (including any combination of Options, RSUs, PSUs or DSUs) in such amounts, to such Persons and, subject to the provisions of this Plan, on such terms and conditions as it determines including without limitation:
 - (i) the time or times at which Awards may be granted;
 - (ii) the conditions under which:
 - (A) Awards may be granted to Participants; or
 - (B) Awards may be forfeited to the Corporation,including any conditions relating to the attainment of specified Performance Goals;
 - (iii) the number of Shares to be covered by any Award;
 - (iv) the price, if any, to be paid by a Participant in connection with the purchase of Shares covered by any Awards;
 - (v) whether restrictions or limitations are to be imposed on the Shares issuable pursuant to grants of any Award, and the nature of such restrictions or limitations, if any; and
 - (vi) any acceleration of exercisability or vesting, or waiver of termination regarding any Award, based on such factors as the Plan Administrator may determine;
- (c) establish the form or forms of Award Agreements;

- (d) cancel, amend, adjust or otherwise change any Award under such circumstances as the Plan Administrator may consider appropriate in accordance with the provisions of this Plan;
- (e) construe and interpret this Plan and all Award Agreements;
- (f) adopt, amend, prescribe and rescind administrative guidelines and other rules and regulations relating to this Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws; and
- (g) make all other determinations and take all other actions necessary or advisable for the implementation and administration of this Plan.

3.2 Delegation to Committee

- (a) The initial Plan Administrator shall be the Governance and Compensation Committee.
- (b) To the extent permitted by applicable law, the Board may, from time to time, assume or delegate to any committee of the Board (the “**Committee**”) all or any of the powers conferred on the Plan Administrator pursuant to this Plan, including the power to sub-delegate to any member(s) of the Committee or any specified officer(s) of the Corporation or its subsidiaries all or any of the powers delegated by the Board. In such event, the Committee or any sub-delegate will exercise the powers delegated to it in the manner and on the terms authorized by the delegating party.

3.3 Determinations Binding

Any decision made or action taken by the Board, the Committee or any sub-delegate to whom authority has been delegated pursuant to Section 3.2 arising out of or in connection with the administration or interpretation of this Plan is final, conclusive and binding on the Corporation and its subsidiaries, the affected Participant(s), their legal and personal representatives and all other Persons.

3.4 Eligibility

All Directors, Officers, Employees and Consultants are eligible to participate in the Plan, subject to Section 9.1(f). Participation in the Plan is voluntary and eligibility to participate does not confer upon any Director, Officer, Employee or Consultant any right to receive any grant of an Award pursuant to the Plan. The extent to which any Director, Officer, Employee or Consultant is entitled to receive a grant of an Award pursuant to the Plan will be determined in the discretion of the Plan Administrator. The Corporation and the Participant shall be responsible for ensuring and confirming that the Participant is a bona fide Director, Officer, Employee or Consultant, as the case may be.

3.5 Plan Administrator Requirements

Any Award granted under this Plan shall be subject to the requirement that, if at any time the Corporation shall determine that the listing, registration or qualification of the Shares issuable

pursuant to such Award upon any securities exchange or under any Securities Laws of any jurisdiction, or the consent or approval of the Exchange and any securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation is necessary as a condition of, or in connection with, the grant or exercise of such Award or the issuance or purchase of Shares thereunder, such Award may not be accepted or exercised, as applicable, in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Plan Administrator. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration, qualification, consent or approval. Participants shall, to the extent applicable, cooperate with the Corporation in complying with such legislation, rules, regulations and policies.

3.6 Total Shares Subject to Awards

- (a) The aggregate number of Shares that may be reserved for issuance under this Plan, at any time, shall not exceed ten (10%) percent of the Corporation's issued and outstanding Shares as at such time.
- (b) To the extent any Awards (or portion(s) thereof) under this Plan terminate or are cancelled for any reason prior to exercise in full, or are surrendered to the Corporation by the Participant, except surrenders relating to the payment of the purchase or exercise price of any such Award or the satisfaction of the tax withholding obligations related to any such Award, any Shares subject to such Awards (or portion(s) thereof) shall be added back to the number of Shares reserved for issuance under this Plan and will again become available for issuance pursuant to the exercise of Awards granted under this Plan.
- (c) Except for so long as the Shares are listed and posted for trading on the TSXV, any Shares issued by the Corporation through the assumption or substitution of outstanding stock options or other equity-based awards from an acquired company shall not reduce the number of Shares available for issuance pursuant to the exercise of Awards granted under this Plan.

3.7 Limits on Grants of Awards

Notwithstanding anything in this Plan, the granting of Awards shall be subject to the following conditions:

- (a) for so long as the Shares are listed and posted for trading on the TSXV, not more than two (2%) percent of the Corporation's issued and outstanding Shares may be granted to any one Consultant in any 12 month period;
- (b) for so long as the Shares are listed and posted for trading on the TSXV, Investor Relations Service Providers may not receive any Award other than Options;
- (c) for so long as the Shares are listed and posted for trading on the TSXV, not more than an aggregate of two (2%) percent the Corporation's issued and outstanding Shares may be granted in aggregate pursuant to Options to Investor Relations Service Providers in any 12 month period;
- (d) for so long as the Shares are listed and posted for trading on the TSXV, unless the Corporation has obtained disinterested shareholder approval, not more than five

- (5%) percent of the Corporation's issued and outstanding Shares may be issued to any one Person in any 12 month period;
- (e) for so long as the Shares are listed and posted for trading on the TSXV, unless the Corporation has obtained disinterested shareholder approval, the Corporation shall not decrease the Exercise Price or extend the term of Options previously granted to Insiders;
 - (f) the aggregate number of Shares issuable to Insiders at any time under this Plan, shall not exceed ten (10%) percent of the Corporation's issued and outstanding Shares;
 - (g) the aggregate number of Shares issuable to Insiders within any one (1) year period under this Plan shall not exceed ten (10%) percent of the Corporations issued and outstanding Shares;
 - (h) the Plan Administrator shall not make grants of Awards to Directors if, within any one financial year of the Corporation, the aggregate fair market value on the Date of Grant of all Awards granted to any one Director under all of the Corporation's Security Based Compensation Arrangements would exceed \$150,000 (including an aggregate fair market value on the Date of Grant of no more than \$100,000 in Options); provided that such limits shall not apply to (i) Awards taken in lieu of any cash retainer or other Director Fees, and (ii) a one-time initial grant to a Director upon such Director joining the Board; and
 - (i) the Plan Administrator shall not grant any Awards that may be denominated or settled in Shares to residents of the United States unless such Awards and the Shares issuable upon exercise thereof are registered under the U.S. Securities Act or are issued in compliance with an available exemption from the registration requirements of the U.S. Securities Act.

If disinterested shareholder approval is required, the proposed grant(s) or plan must be approved by a majority of the votes cast by all shareholders at the shareholders' meeting, excluding votes attaching to shares beneficially owned by, (i) Insiders to whom options may be granted under the Plan; and (ii) Associates of such Insiders. Holders of non-voting and subordinate voting shares must be given full voting rights on a resolution that requires disinterested shareholder approval.

3.8 Hold Period

All Awards and any Shares issued on the exercise of Awards may be subject to and legended with a four month hold period commencing on the date the Awards were granted pursuant to the rules of the Exchange and applicable securities laws. Any Shares issued on the exercise of Awards may be subject to resale restrictions contained in National Instrument 45-102 – *Resale of Securities* which would apply to the first trade of the Shares.

3.9 Awards Granted to Corporations

Except in relation to a Consultant that is a corporation, Awards may only be granted to an individual or a corporation that is wholly-owned by a Director, Officer, Employee or Consultant. For so long as the Shares are listed and posted for trading on the TSXV, if a corporation is a Participant receiving Options, it must provide the TSXV with a completed Form 4F – *Certification*

and Undertaking Required from a Corporation Granted an Incentive Stock Option. The corporation must agree not to effect or permit any transfer of ownership or option of shares of the corporation nor to issue further shares of any class in the corporation to any other individual or entity as long as the Award remains outstanding, except with the written consent of the Exchange.

3.10 Award Agreements

Each Award under this Plan will be evidenced by an Award Agreement. Each Award Agreement will be subject to the applicable provisions of this Plan and will contain such provisions as are required by this Plan and any other provisions that the Plan Administrator may direct. Any one officer of the Corporation is authorized and empowered to execute and deliver, for and on behalf of the Corporation, an Award Agreement to each Participant granted an Award pursuant to this Plan.

3.11 Non-Transferability of Awards

Except as permitted by the Plan Administrator and to the extent that certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or as required by law, no assignment or transfer of Awards, whether voluntary, involuntary, by operation of law or otherwise, vests any interest or right in such Awards whatsoever in any assignee or transferee and immediately upon any assignment or transfer, or any attempt to make the same, such Awards will terminate and be of no further force or effect. To the extent that certain rights to exercise any portion of an outstanding Award pass to a beneficiary or legal representative upon death of a Participant, the period in which such Award can be exercised by such beneficiary or legal representative shall not exceed one year from the Participant's death.

ARTICLE 4 OPTIONS

4.1 Granting of Options

The Plan Administrator may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Plan Administrator may prescribe, grant Options to any Director, Officer, Employee or Consultant. The terms and conditions of each Option grant shall be evidenced by an Award Agreement. Notwithstanding any of the foregoing provisions, the Plan Administrator may authorize the grant of an Option to a person not then in the employ of the Corporation or of its subsidiary, conditioned upon such person becoming a Director, Officer, Employee or Consultant at or prior to the Date of Grant of such Option. In the case of a grant of Options to a Participant that is a resident of Canada for the purposes of the Tax Act, the Corporation or other employer of the Participant shall, to the extent required and in the manner prescribed by the Tax Act, notify the Participant and the Canada Revenue Agency whether any Units that may be issued or sold under such Options will be non-qualified securities for the purposes of the Tax Act.

4.2 Exercise Price

The Plan Administrator will establish the Exercise Price at the time each Option is granted, which Exercise Price must in all cases be not less than the Market Price on the Date of Grant, provided

that, for so long as the Shares are listed and posted for trading on the TSXV, the Exercise Price must in all cases be not less than the Discounted Market Price on the Date of Grant.

4.3 Term of Options

- (a) Subject to any accelerated vesting or termination as set forth in this Plan, each Option expires on its Expiry Date, which may not be later than the close of business ten (10) years from the Date of Grant.
- (b) Upon the Expiry Date, the Options granted shall forthwith expire and terminate and be of no further force or effect whatsoever as to such of the Shares in respect of which the Option hereby granted has not then been exercised.

4.4 Vesting

- (a) The Plan Administrator shall have the authority to determine the vesting terms applicable to grants of Options.
- (b) Notwithstanding the foregoing, all Options granted to Investor Relations Service Providers pursuant to this Plan shall vest and become fully exercisable as follows or as determined by the Plan Administrator when the Option is granted, but in any event, such Options shall not vest any sooner than:
 - (i) one quarter ($\frac{1}{4}$) of the Options on the date which is three (3) months from the Date of Grant;
 - (ii) one quarter ($\frac{1}{4}$) of the Options on the date which is six (6) months from the Date of Grant;
 - (iii) one quarter ($\frac{1}{4}$) of the Options on the date which is nine (9) months from the Date of Grant; and
 - (iv) the final one quarter ($\frac{1}{4}$) of the Options on the date which is twelve (12) months from the Date of Grant.
- (c) Notwithstanding anything to the contrary in the Plan, no more than one quarter ($\frac{1}{4}$) of such Options granted to Investor Relations Service Providers may vest in any three month period.

4.5 Exercisability

- (a) Once an Option becomes vested, it shall remain vested and shall be exercisable until expiration or termination of the Option, unless otherwise specified by the Plan Administrator, or as may be otherwise set forth in any written employment agreement, consulting agreement, Award Agreement or other written agreement between the Corporation or a subsidiary of the Corporation and the Participant. Each vested Option may be exercised at any time or from time to time, in whole or in part, for up to the total number of Option Shares with respect to which it is then exercisable. The Plan Administrator has the right to accelerate the date upon which any Option becomes exercisable.

- (b) Subject to the provisions of this Plan and any Award Agreement, Options shall be exercised by means of a fully completed Exercise Notice delivered to the Corporation.
- (c) The Plan Administrator may provide at the time of granting an Option that the exercise of that Option is subject to restrictions, in addition to those specified in Section 4.4, such as vesting conditions relating to the attainment of specified Performance Goals.
- (d) No Option holder who is resident in the United States may exercise Options unless the Option Shares are registered under the U.S. Securities Act or are issued in compliance with an available exemption from the registration requirements of the U.S. Securities Act.

4.6 Payment of Exercise Price

- (a) Unless otherwise specified by the Plan Administrator at the time of granting an Option and set forth in the particular Award Agreement, the Exercise Notice must be accompanied by payment of the Exercise Price. The Exercise Price must be fully paid by certified cheque, wire transfer, bank draft or money order payable to the Corporation or by such other means as might be specified from time to time by the Plan Administrator, which, to the extent permitted by and otherwise subject to the rules and policies of the Exchange, may include (i) through an arrangement with a broker approved by the Corporation (or through an arrangement directly with the Corporation) whereby payment of the Exercise Price is accomplished with the proceeds of the sale of Shares deliverable upon the exercise of the Option, (ii) through the Cashless Exercise process set out in Section 4.6(b), or (iii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Securities Laws, or any combination of the foregoing methods of payment.
- (b) A Participant may, in lieu of exercising an Option pursuant to an Exercise Notice, elect to surrender such Option to the Corporation (a “**Cashless Exercise**”) in consideration for an amount from the Corporation equal to (i) the Market Price of the Shares issuable on the exercise of such Option (or portion thereof) as of the date such Option (or portion thereof) is exercised, less (ii) the aggregate Exercise Price of the Option (or portion thereof) surrendered relating to such Shares, (the “**In-the-Money Amount**”) by written notice to the Corporation indicating the number of Options such Participant wishes to exercise using the Cashless Exercise, and such other information that the Corporation may require. Subject to Section 8.3, the Corporation shall satisfy payment of the In-the-Money Amount by delivering to the Participant such number of Shares (rounded down to the nearest whole number) having an aggregate fair market value (based on the Market Price on the date of exercise) equal to the In-the-Money Amount. Any Options surrendered in connection with a Cashless Exercise will not be added back to the number of Shares reserved for issuance under this Plan. No Shares will be issued or transferred until full payment therefor has been received by the Corporation.
- (c) If a Participant surrenders Options through a Cashless Exercise pursuant to Section 4.6(b), to the extent that such Participant would be entitled to a deduction

under paragraph 110(1)(d) of the Tax Act in respect of such surrender if the election described in subsection 110(1.1) of the Tax Act were made and filed (and the other procedures described therein were undertaken) on a timely basis after such surrender, the Corporation will cause such election to be so made and filed (and such other procedures to be so undertaken).

ARTICLE 5 RESTRICTED SHARE UNITS

5.1 Granting of RSUs

- (a) The Plan Administrator may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Plan Administrator may prescribe, grant RSUs to any Participant in respect of services rendered by the applicable Participant in a taxation year (the “**RSU Service Year**”). The terms and conditions of each RSU grant may be evidenced by an Award Agreement. Each RSU will consist of a right to receive a Share, cash payment, or a combination thereof (as provided in Section 5.4(a)), upon the settlement of such RSU.
- (b) The number of RSUs (including fractional RSUs) granted at any particular time pursuant to this Article 5 will be calculated by dividing (i) the amount of any bonus or similar payment that is to be paid in RSUs (including the elected amount as applicable), as determined by the Plan Administrator, by (ii) the greater of (A) the Market Price of a Share on the Date of Grant or, for so long as the Shares are listed and posted for trading on the TSXV, the Discounted Market Price of a Share on the Date of Grant; and (B) such amount as determined by the Plan Administrator in its discretion.

5.2 RSU Account

All RSUs received by a Participant shall be credited to an account maintained for the Participant on the books of the Corporation, as of the Date of Grant.

5.3 Vesting of RSUs

The Plan Administrator shall have the authority to determine any vesting terms applicable to the grant of RSUs, provided that the terms comply with Section 409A, with respect to a U.S. Taxpayer, and provided that no RSUs may vest before the date that is one year following the Date of Grant.

5.4 Settlement of RSUs

- (a) The Plan Administrator shall have the sole authority to determine the settlement terms applicable to the grant of RSUs, provided that with respect to a U.S. Taxpayer the terms comply with Section 409A to the extent it is applicable. Subject to Section 11.6(d) below and except as otherwise provided in an Award Agreement, on the settlement date for any RSU, the Participant shall redeem each vested RSU for:
 - (i) one (1) fully paid and non-assessable Share issued from treasury to the Participant or as the Participant may direct,

- (ii) a cash payment, or
- (iii) a combination of Shares and cash as contemplated by paragraphs (i) and (ii) above,

in each case as determined by the Plan Administrator in its discretion.

- (b) Any cash payments made under this Section 5.4 by the Corporation to a Participant in respect of RSUs to be redeemed for cash shall be calculated by multiplying the number of RSUs to be redeemed for cash by the Market Price per Share as at the settlement date.
- (c) Payment of cash to Participants on the redemption of vested RSUs may be made through the Corporation's payroll in the pay period that the settlement date falls within.
- (d) Notwithstanding any other terms of this Plan but subject to Section 11.6(d) below and except as otherwise provided in an Award Agreement, no settlement date for any RSU shall occur, and no Share shall be issued or cash payment shall be made in respect of any RSU, under this Section 5.4 any later than the final Business Day of the third calendar year following the applicable RSU Service Year.
- (e) No RSU holder who is resident in the United States may settle RSUs for Shares unless the Shares issuable upon settlement of the RSUs are registered under the U.S. Securities Act or are issued in compliance with an available exemption from the registration requirements of the U.S. Securities Act.

ARTICLE 6

PERFORMANCE SHARE UNITS

6.1 Granting of PSUs

The Plan Administrator may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Plan Administrator may prescribe, grant PSUs to any Participant in respect of a bonus or similar payment in respect of services rendered by the applicable Participant in a taxation year (the "**PSU Service Year**"). The terms and conditions of each PSU grant shall be evidenced by an Award Agreement, provided that with respect to a U.S. Taxpayer the terms comply with Section 409A to the extent it is applicable. Each PSU will consist of a right to receive a Share, cash payment, or a combination thereof (as provided in Section 6.6(a)), upon the achievement of such Performance Goals during such performance periods as the Plan Administrator shall establish.

6.2 Terms of PSUs

The Performance Goals to be achieved during any performance period, the length of any performance period, the amount of any PSUs granted, the termination of a Participant's employment and the amount of any payment or transfer to be made pursuant to any PSU will be determined by the Plan Administrator and by the other terms and conditions of any PSU, all as set forth in the applicable Award Agreement.

6.3 Performance Goals

The Plan Administrator will issue Performance Goals prior to the Date of Grant to which such Performance Goals pertain. The Performance Goals may be based upon the achievement of corporate, divisional or individual goals, and may be applied to performance relative to an index or comparator group, or on any other basis determined by the Plan Administrator. The Plan Administrator may modify the Performance Goals as necessary to align them with the Corporation's corporate objectives, subject to any limitations set forth in an Award Agreement or an employment or other agreement with a Participant. The Performance Goals may include a threshold level of performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur) ("**Target Performance**"), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur), all as set forth in the applicable Award Agreement.

6.4 PSU Account

All PSUs received by a Participant shall be credited to an account maintained for the Participant on the books of the Corporation, as of the Date of Grant.

6.5 Vesting of PSUs

The Plan Administrator shall have the authority to determine any vesting terms applicable to the grant of PSUs, provided that no PSUs may vest before the date that is one year following the Date of Grant..

6.6 Settlement of PSUs

- (a) The Plan Administrator shall have the authority to determine the settlement terms applicable to the grant of PSUs provided that with respect to a U.S. Taxpayer the terms comply with Section 409A to the extent it is applicable. Subject to Section 11.6(d) below and except as otherwise provided in an Award Agreement, on the settlement date for any PSU, the Participant shall redeem each vested PSU for:
 - (i) one fully paid and non-assessable Share issued from treasury to the Participant or as the Participant may direct;
 - (ii) a cash payment; or
 - (iii) a combination of Shares and cash as contemplated by paragraphs (i) and (ii) above,in each case as determined by the Plan Administrator in its discretion.
- (b) Any cash payments made under this Section 6.6 by the Corporation to a Participant in respect of PSUs to be redeemed for cash shall be calculated by multiplying the number of PSUs to be redeemed for cash by the Market Price per Share as at the settlement date.

- (c) Payment of cash to Participants on the redemption of vested PSUs may be made through the Corporation's payroll in the pay period that the settlement date falls within.
- (d) Notwithstanding any other terms of this Plan but subject to Section 11.6(d) below and except as otherwise provided in an Award Agreement, no settlement date for any PSU shall occur, and no Share shall be issued or cash payment shall be made in respect of any PSU, under this Section 6.6 any later than the final Business Day of the third calendar year following the applicable PSU Service Year.
- (e) No PSU holder who is resident in the United States may settle PSUs for Shares unless the Shares issuable upon settlement of the PSUs are registered under the U.S. Securities Act or are issued in compliance with an available exemption from the registration requirements of the U.S. Securities Act.

ARTICLE 7 DEFERRED SHARE UNITS

7.1 Granting of DSUs

- (a) The Board may fix from time to time a portion of the Director Fees that is to be payable in the form of DSUs. In addition, each Electing Person is given, subject to the conditions stated herein, the right to elect in accordance with Section 7.1(b) to participate in the grant of additional DSUs pursuant to this Article 7. An Electing Person who elects to participate in the grant of additional DSUs pursuant to this Article 7 shall receive their Elected Amount (as that term is defined below) in the form of DSUs. The "**Elected Amount**" shall be an amount, as elected by the Director, in accordance with applicable tax law, between 0% and 100% of any Director Fees that would otherwise be paid in cash (the "**Cash Fees**").
- (b) Each Electing Person who elects to receive their Elected Amount in the form of DSUs will be required to file a notice of election in the form of Schedule A hereto (the "**Election Notice**") with the Chief Financial Officer of the Corporation: (i) in the case of an existing Electing Person, by December 31st in the year prior to the year to which such election is to apply (other than for Director Fees payable for the 2022 financial year, in which case any Electing Person who is not a U.S. Taxpayer as of the date of this Plan shall file the Election Notice by the date that is 30 days from the Effective Date with respect to compensation paid for services to be performed after such date); and (ii) in the case of a newly appointed Electing Person who is not a U.S. Taxpayer, within 30 days of such appointment with respect to compensation paid for services to be performed after such date. In the case of an existing Electing Person who is a U.S. Taxpayer as of the Effective Date of this Plan, an initial Election Notice may be filed by the date that is 30 days from the Effective Date only with respect to compensation paid for services to be performed after the Election Date; and, in the case of a newly appointed Electing Person who is a U.S. Taxpayer, an Election Notice may be filed within 30 days of such appointment only with respect to compensation paid for services to be performed after the Election Date. If no election is made within the foregoing time frames, the Electing Person shall be deemed to have elected to be paid the entire amount of his or her Cash Fees in cash.

- (c) Subject to Subsection 7.1(d), the election of an Electing Person under Subsection 7.1(b) shall be deemed to apply to all Cash Fees paid subsequent to the filing of the Election Notice, and such Electing Person is not required to file another Election Notice for subsequent calendar years.
- (d) Each Electing Person who is not a U.S. Taxpayer is entitled once per calendar year to terminate his or her election to receive DSUs by filing with the Chief Financial Officer of the Corporation a termination notice in the form of Schedule B. Such termination shall be effective immediately upon receipt of such notice, provided that the Corporation has not imposed a Blackout Period. Thereafter, any portion of such Electing Person's Cash Fees payable or paid in the same calendar year and, subject to complying with Subsection 7.1(b), all subsequent calendar years shall be paid in cash. For greater certainty, to the extent an Electing Person terminates his or her participation in the grant of DSUs pursuant to this Article 7, he or she shall not be entitled to elect to receive the Elected Amount, or any other amount of his or her Cash Fees in DSUs again until the calendar year following the year in which the termination notice is delivered. An election by a U.S. Taxpayer to receive the Elected Amount in DSUs for any calendar year is irrevocable for that calendar year after the expiration of the election period for that year and any termination of the election will not take effect until the first day of the calendar year following the calendar year in which the termination notice in the form of Schedule C is delivered.
- (e) Any DSUs granted pursuant to this Article 7 prior to the delivery of a termination notice pursuant to Section 7.1(d) shall remain in the Plan following such termination and will be redeemable only in accordance with the terms of the Plan.
- (f) The number of DSUs (including fractional DSUs) granted at any particular time pursuant to this Article 7 will be calculated by dividing (i) the amount of any Director Fees that are to be paid in DSUs (including any Elected Amount), by (ii) the Market Price of a Share on the Date of Grant or, for so long as the Shares are listed and posted for trading on the TSXV, the Discounted Market Price of a Share on the Date of Grant.
- (g) In addition to the foregoing, the Plan Administrator may, from time to time, subject to the provisions of this Plan and such other terms and conditions as the Plan Administrator may prescribe, grant DSUs to any Participant.

7.2 DSU Account

All DSUs received by a Participant (which, for greater certainty includes Electing Persons) shall be credited to an account maintained for the Participant on the books of the Corporation, as of the Date of Grant. The terms and conditions of each DSU grant may be evidenced by an Award Agreement.

7.3 Vesting of DSUs

The Plan Administrator shall have the authority to determine any vesting terms applicable to the grant of DSUs, provided that, for so long as the Shares are listed and posted for trading on the TSXV, no DSUs may vest before the date that is one year following the Date of Grant.

7.4 Settlement of DSUs

- (a) DSUs shall be settled on the date established in the Award Agreement; provided, however that if there is no Award Agreement or the Award Agreement does not establish a date for the settlement of the DSUs, then, for a Participant who is not a U.S. Taxpayer the settlement date shall be the date determined by the Participant; provided that, in the case of a Participant who is a Canadian Taxpayer, the settlement date shall be no earlier than the date on which the Participant ceases to be a Director and no later than the last Business Day of the immediately following calendar year, and in the case of a Participant who is a U.S. taxpayer, the settlement date shall be the date of the Participant's "separation from service" under Section 409A and for greater certainty in all cases by the end of the year in which such separation from service occurs, subject to Section 11.6(d). On the settlement date for any DSU, the Participant shall redeem each vested DSU for:
 - (i) one (1) fully paid and non-assessable Share issued from treasury to the Participant or as the Participant may direct;
 - (ii) a cash payment; or
 - (iii) a combination of Shares and cash as contemplated by paragraphs (i) and (ii) above,in each case as determined by the Plan Administrator in its discretion.
- (b) Any cash payments made under this Section 7.4 by the Corporation to a Participant in respect of DSUs to be redeemed for cash shall be calculated by multiplying the number of DSUs to be redeemed for cash by the Market Price per Share as at the settlement date.
- (c) Payment of cash to Participants on the redemption of vested DSUs may be made through the Corporation's payroll or in such other manner as determined by the Corporation.
- (d) No DSU holder who is resident in the United States may settle DSUs for Shares unless the Shares issuable upon settlement of the DSUs are registered under the U.S. Securities Act or are issued in compliance with an available exemption from the registration requirements of the U.S. Securities Act.

7.5 No Additional Amount or Benefit

For greater certainty, neither a Director to whom DSUs are granted nor any person with whom such Director does not deal at arm's length (for purposes of the Tax Act) shall be entitled, either immediately or in the future, either absolutely or contingently, to receive or obtain any amount or benefit granted or to be granted for the purpose of reducing the impact, in whole or in part, of any reduction in the fair market value of the Shares to which the DSUs relate.

ARTICLE 8 ADDITIONAL AWARD TERMS

8.1 Dividend Equivalents

- (a) Unless otherwise determined by the Plan Administrator and set forth in the particular Award Agreement, an Award of RSUs, PSUs and DSUs shall include the right for such RSUs, PSUs and DSUs to be credited with dividend equivalents in the form of additional RSUs, PSUs and DSUs, respectively, as of each dividend payment date in respect of which normal cash dividends are paid on Shares. Such dividend equivalents shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Share by the number of RSUs, PSUs and DSUs, as applicable, held by the Participant on the record date for the payment of such dividend, by (b) the Market Price at the close of the first Business Day immediately following the dividend record date, with fractions computed to three decimal places. Dividend equivalents credited to a Participant's account shall vest in proportion to the RSUs, PSUs and DSUs to which they relate, and shall be settled in accordance with Subsections 5.4, 6.6, and 7.4 respectively.
- (b) For clarity, any dividend equivalents granted pursuant to Section 8.1(a) shall be included in calculating the limits set forth in Section 3.7. If the Corporation does not have a sufficient number of available Shares under this Plan to grant such dividend equivalents, the Corporation shall make such dividend payments in cash.
- (c) The foregoing does not obligate the Corporation to declare or pay dividends on Shares and nothing in this Plan shall be interpreted as creating such an obligation.

8.2 Blackout Period

If an Award expires during, or within five (5) Business Days after, a routine or special trading Blackout Period, then, notwithstanding any other provision of this Plan, unless the delayed expiration would result in negative tax consequences, the Award shall expire five (5) Business Days after the Blackout Period is lifted by the Corporation; and provided that, (i) the Blackout Period must be deemed to have expired upon the general disclosure of the undisclosed Material Information, and (ii) the automatic extension of an Award will not be permitted where the Participant or the Corporation is subject to a cease trade order (or similar order under applicable securities laws) in respect of the Corporation's securities.

8.3 Withholding Taxes

Notwithstanding any other terms of this Plan, the granting, vesting or settlement of each Award under this Plan is subject to the condition that if at any time the Plan Administrator determines, in its discretion, that the satisfaction of withholding tax or other withholding liabilities is necessary or desirable in respect of such grant, vesting or settlement, such action is not effective unless such withholding has been effected to the satisfaction of the Plan Administrator. In such circumstances, the Plan Administrator may require that a Participant pay to the Corporation the minimum amount as the Corporation or a subsidiary of the Corporation is obliged to withhold or remit to the relevant taxing authority in respect of the granting, vesting or settlement of the Award. Any such additional payment is due no later than the date on which such amount with respect to the Award is required

to be remitted to the relevant tax authority by the Corporation or a subsidiary of the Corporation, as the case may be. Alternatively, and subject to any requirements or limitations under applicable law, the Corporation or any Affiliate may (a) withhold such amount from any remuneration or other amount payable by the Corporation or any Affiliate to the Participant, (b) require the sale, on behalf of the applicable Participant, of a number of Shares issued upon exercise, vesting, or settlement of such Award and the remittance to the Corporation of the net proceeds from such sale sufficient to satisfy such amount, or (c) enter into any other suitable arrangements for the receipt of such amount.

8.4 Recoupment

Notwithstanding any other terms of this Plan, Awards may be subject to potential cancellation, recoupment, rescission, payback or other action in accordance with the terms of any clawback, recoupment or similar policy adopted by the Corporation or the relevant subsidiary of the Corporation, or as set out in the Participant's employment agreement, consulting agreement, Award Agreement or other written agreement, or as otherwise required by law or the rules of the Exchange. The Plan Administrator may at any time waive the application of this Section 8.4 to any Participant or category of Participants.

ARTICLE 9 TERMINATION OF EMPLOYMENT OR SERVICES

9.1 Termination of Officer, Employee, Consultant or Director

Subject to Section 9.2, unless otherwise determined by the Plan Administrator or as set forth in an employment agreement, consulting agreement, Award Agreement or other written agreement:

- (a) where a Participant's employment, consulting or other agreement or arrangement is terminated or the Participant ceases to hold office or his or her position, as applicable, by reason of voluntary resignation by the Participant (whether such resignation is with or without Good Reason, but excluding a Retirement), termination by the Corporation or a subsidiary of the Corporation (whether such termination occurs for, or without Cause, with or without any or adequate reasonable notice, or with or without any or adequate compensation in lieu of such reasonable notice) then, subject to applicable law that cannot be waived by the Participant:
 - (i) each Award held by the Participant that has not vested as of the Termination Date is immediately forfeited and cancelled as of the Termination Date for no consideration and the Participant shall not be entitled to any damages or other amounts in respect of such cancelled Awards; and
 - (ii) each Award held by a Participant that has vested may, subject to Sections 5.4(d) and 6.6(d) (where applicable), be exercised, settled or surrendered to the Corporation by the Participant at any time during the period that terminates on the earlier of: (A) the Expiry Date of such Award, and (B) the date that is 90 days after the Termination Date, provided that any Awards subject to Section 409A awarded to U.S. Taxpayers, shall be exercised, settled or surrendered within the same calendar year as the Participant's "separation from service". Any Award that has not been

exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled for no consideration and the Participant shall not be entitled to any damages or other amounts in respect of such cancelled Awards;

- (b) where a Participant's employment, consulting or other agreement or arrangement is terminated by reason of the death of the Participant, then each Award held by the Participant that has not vested as of the date of the death of such Participant shall vest on such date and may, subject to Sections 5.4(d) and 6.6(d) (where applicable), be exercised, settled or surrendered to the Corporation by the Participant at any time during the period that terminates on the earlier of: (i) the Expiry Date of such Award, and (ii) the first anniversary of the date of the death of such Participant provided that (1) with respect to any PSUs held by such Participant, the attainment of Performance Goals shall be assessed on the basis of actual achievement of the Performance Goals up to the date of death of such Participant, if the applicable performance period has been completed and the Corporation can determine if the Performance Goals have been attained, failing which the Corporation will assume Target Performance; and (2) any Awards subject to Section 409A awarded to U.S. Taxpayers, shall be exercised, settled or surrendered within the same calendar year as the Participant's death. Any Award that has not been exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled for no consideration and the Participant shall not be entitled to any damages or other amounts in respect of such cancelled Awards;
- (c) where a Participant becomes Disabled, then each Award held by the Participant that has not vested as of the date of the Disability of such Participant shall vest on such date and may, subject to Sections 5.4(d), 6.6(d) and 7.4(a)(where applicable), be exercised, settled or surrendered to the Corporation by a Participant at any time until the Expiry Date of such Award, provided that (1) with respect to any PSUs held by such Participant, the attainment of Performance Goals shall be assessed on the basis of actual achievement of the Performance Goals up to the Termination Date, if the applicable performance period has been completed and the Corporation can determine if the Performance Goals have been attained, failing which the Corporation will assume Target Performance; and (2) any Awards subject to Section 409A awarded to U.S. Taxpayers, shall be exercised, settled or surrendered within the same calendar year as the Participant's "separation from service". Any Award that remains unexercised or has not been surrendered to the Corporation by the Participant shall be immediately forfeited upon the termination of such period;
- (d) where a Participant's employment, consulting or other agreement or arrangement is terminated due to Retirement, then each Award held by the Participant that has not vested as of the date of such Retirement shall continue to vest in accordance with its terms and, if any such Awards vest, shall be exercised, settled or surrendered to the Corporation by the Participant in accordance with this Plan; provided that (1) with respect to any PSUs held by such Participant, the attainment of Performance Goals shall be assessed on the basis of actual achievement of the Performance Goals up to the Termination Date, if the applicable performance period has been completed and the Corporation can determine if the Performance Goals have been attained, failing which the Corporation will assume Target

Performance, (2) any Awards subject to Section 409A awarded to U.S. Taxpayers, shall be exercised, settled or surrendered within the same calendar year as the Participant's "separation from service" and (3) for so long as the Shares are listed and posted for trading on the TSXV, any such Award shall expire within a reasonable period, not exceeding twelve (12) months from the Termination Date, following which the Participant shall not be entitled to any damages or other amounts in respect of such expired Awards. Notwithstanding the foregoing, if, following his or her Retirement, the Participant breaches the terms of any restrictive covenant in the Participant's written or other applicable employment or other agreement with the Corporation or a subsidiary of the Corporation, any Award held by the Participant that has not been exercised, surrendered or settled shall be immediately forfeited and cancelled for no consideration and the Participant shall not be entitled to any damages or other amounts in respect of such cancelled Awards;

- (e) a Participant's eligibility to receive further grants of Awards under this Plan ceases as of the earliest of the following:
 - (i) the Termination Date; or
 - (ii) the date of the death, Disability, Retirement or the date notice is given of the resignation of the Participant; and
- (f) notwithstanding Subsection 9.1(a), unless the Plan Administrator, in its discretion, otherwise determines, at any time and from time to time, Awards are not affected by a change of employment or consulting agreement or arrangement, or directorship within or among the Corporation or a subsidiary of the Corporation for so long as the Participant continues to be a Director, Officer, Employee or Consultant, as applicable, of the Corporation or a subsidiary of the Corporation.

9.2 Discretion to Permit Acceleration

Notwithstanding the provisions of Section 9.1, the Plan Administrator may, in its discretion, at any time prior to, or following the events contemplated in such Section, or in an employment agreement, consulting agreement, Award Agreement or other written agreement between the Corporation or a subsidiary of the Corporation and the Participant, permit the acceleration of vesting of any or all Awards or waive termination of any or all Awards, all in the manner and on the terms as may be authorized by the Plan Administrator; provided that, for so long as the Shares are listed and posted for trading on the TSXV,

- (a) no acceleration of the vesting provisions set forth in Section 4.4(b) is permitted without prior TSXV acceptance; and
- (b) no Awards (other than Options) issued pursuant to this Plan may vest before the date that is one year following the date it is granted or issued, other than as may be permitted or not prohibited pursuant to Policy 4.4, including s. 4.6 of Policy 4.4.

ARTICLE 10

EVENTS AFFECTING THE CORPORATION

10.1 General

The existence of any Awards does not affect in any way the right or power of the Corporation or its shareholders to make, authorize or determine any adjustment, recapitalization, reorganization or any other change in the Corporation's capital structure or its business, or any amalgamation, combination, arrangement, merger or consolidation involving the Corporation, to create or issue any bonds, debentures, Shares or other securities of the Corporation or to determine the rights and conditions attaching thereto, to effect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business, or to effect any other corporate act or proceeding, whether of a similar character or otherwise, whether or not any such action referred to in this Article 10 would have an adverse effect on this Plan or on any Award granted hereunder.

10.2 Change in Control

Subject to the applicable rules and requirements of the Exchange, including the prior approval of the Exchange, if applicable, except as may be set forth in an employment agreement, consulting agreement, Award Agreement or other written agreement between the Corporation or a subsidiary of the Corporation and the Participant:

- (a) Notwithstanding anything else in this Plan or any Award Agreement, the Plan Administrator may, without the consent of any Participant, take such steps as it deems necessary or desirable, including to cause (i) the conversion or exchange of any outstanding Awards into or for, rights or other securities of substantially equivalent value, as determined by the Plan Administrator in its discretion, in any entity participating in or resulting from a Change in Control; (ii) outstanding Awards to vest and become exercisable, realizable, or payable, or restrictions applicable to an Award to lapse, in whole or in part prior to or upon consummation of such merger or Change in Control, and, to the extent the Plan Administrator determines, terminate upon or immediately prior to the effectiveness of such merger or Change in Control; (iii) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise or settlement of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction the Plan Administrator determines in good faith that no amount would have been attained upon the exercise or settlement of such Award or realization of the Participant's rights, then such Award may be terminated by the Corporation without payment); (iv) the replacement of such Award with other rights or property selected by the Board in its sole discretion; or (v) any combination of the foregoing. In taking any of the actions permitted under this Section 10.2(a), the Plan Administrator will not be required to treat all Awards similarly in the transaction. Notwithstanding the foregoing, in the case of Options held by a Canadian Taxpayer, the Plan Administrator may not cause the Canadian Taxpayer to receive (pursuant to this Subsection 10.2(a)) any property in connection with a Change in Control other than rights to acquire shares of a corporation or units of a "mutual fund trust" (as defined in the Tax Act), of the Corporation or a "qualifying person" (as defined in the Tax

Act) that does not deal at arm's length (for purposes of the Tax Act) with the Corporation, as applicable, at the time such rights are issued or granted;

- (b) Notwithstanding Section 9.1, and except as otherwise provided in a written employment or other agreement between the Corporation or a subsidiary of the Corporation and a Participant, if within 12 months following the completion of a transaction resulting in a Change in Control, a Participant's employment, consultancy or directorship is terminated by the Corporation or a subsidiary of the Corporation without Cause or the Participant resigns with Good Reason:
 - (i) a portion of any unvested Awards shall immediately vest, such portion to be equal to the number of unvested Awards held by the Participant as of the Termination Date multiplied by a fraction, the numerator of which is the number of days between the Date of Grant and the Termination Date and the denominator of which is the number of days between the Date of Grant and the date any unvested Awards were originally scheduled to vest, which vested Awards may, subject to Sections 5.4(d) and 6.6(d) (where applicable), be exercised, settled or surrendered to the Corporation by such Participant at any time during the period that terminates on the earlier of: (A) the Expiry Date of such Award; and (B) the date that is 90 days after the Termination Date, provided that (1) with respect to any PSUs held by such Participant, the attainment of Performance Goals shall be assessed on the basis of actual achievement of the Performance Goals up to the Termination Date, if the applicable performance period has been completed and the Corporation can determine if the Performance Goals have been attained, failing which the Corporation will assume Target Performance, and (2) any Awards subject to Section 409A awarded to U.S. Taxpayers, shall, if such Awards vest, be exercised, settled or surrendered within the same calendar year as the Participant's "separation from service", with any Award that has not been exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled for no consideration and the Participant shall not be entitled to any damages or other amounts in respect of such cancelled Awards; and
 - (ii) any vested Awards of Participants may, subject to Sections 5.4(d) and 6.6(d) (where applicable), be exercised, settled or surrendered to the Corporation by such Participant at any time during the period that terminates on the earlier of: (A) the Expiry Date of such Award; and (B) the date that is 90 days after the Termination Date, provided that any Awards subject to Section 409A awarded to U.S. Taxpayers, shall be exercised, settled or surrendered within the same calendar year as the Participant's "separation from service", with any Award that has not been exercised, settled or surrendered at the end of such period shall be immediately forfeited and cancelled for no consideration and the Participant shall not be entitled to any damages or other amounts in respect of such cancelled Awards.
- (c) Notwithstanding Subsection 10.2(a) and unless otherwise determined by the Plan Administrator, if, as a result of a Change in Control, the Shares will cease trading on an Exchange, then the Corporation may terminate all of the Awards, other than

an Option held by a Canadian Taxpayer for the purposes of the Tax Act, granted under this Plan at the time of and subject to the completion of the Change in Control transaction by paying to each holder at or within a reasonable period of time following completion of such Change in Control transaction an amount for each Award equal to the fair market value of the Award held by such Participant as determined by the Plan Administrator, acting reasonably, at or within a reasonable period of time following completion of such Change in Control transaction.

- (d) It is intended that any actions taken under this Section 10.2 will comply with the requirements of Section 409A of the Code with respect to Awards granted to U.S. Taxpayers.

10.3 Reorganization of Corporation's Capital

Should the Corporation effect a subdivision or consolidation of Shares or any similar capital reorganization or a payment of a stock dividend (other than a stock dividend that is in lieu of a cash dividend), or should any other change be made in the capitalization of the Corporation that does not constitute a Change in Control and that would warrant the amendment or replacement of any existing Awards in order to adjust the number of Shares that may be acquired on the vesting of outstanding Awards and/or the terms of any Award in order to preserve proportionately the rights and obligations of the Participants holding such Awards, the Plan Administrator will, subject to the prior approval of the Exchange, authorize such steps to be taken as it may consider to be equitable and appropriate to that end.

10.4 Other Events Affecting the Corporation

In the event of an amalgamation, combination, arrangement, merger or other transaction or reorganization involving the Corporation and occurring by exchange of Shares, by sale or lease of assets or otherwise, that does not constitute a Change in Control and that warrants the amendment or replacement of any existing Awards in order to adjust the number and/or type of Shares that may be acquired on the vesting of outstanding Awards or by reference to which such Awards may be settled (as applicable), and/or the terms of any Award in order to preserve proportionately the rights and obligations of the Participants holding such Awards, the Plan Administrator will, subject to the prior approval of the Exchange, authorize such steps to be taken as it may consider to be equitable and appropriate to that end.

10.5 Immediate Acceleration of Awards

In taking any of the steps provided in Sections 10.3 and 10.4, the Plan Administrator will not be required to treat all Awards similarly and where the Plan Administrator determines that the steps provided in Sections 10.3 and 10.4 would not preserve proportionately the rights, value and obligations of the Participants holding such Awards in the circumstances or otherwise determines that it is appropriate, the Plan Administrator may, but is not required to, permit the immediate vesting of any unvested Awards subject to the applicable rules and requirements of the Exchange, including the prior approval of the Exchange, if applicable.

10.6 Issue by Corporation of Additional Shares

Except as expressly provided in this Article 10, neither the issue by the Corporation of shares of any class or securities convertible into or exchangeable for shares of any class, nor the conversion or exchange of such shares or securities, affects, and no adjustment by reason thereof is to be made with respect to the number of Shares that may be acquired as a result of a grant of Awards.

10.7 Fractions

No fractional Shares will be issued pursuant to an Award. Accordingly, if, as a result of any adjustment under this Article 10, a dividend equivalent or otherwise, a Participant would become entitled to a fractional Share, the Participant has the right to acquire only the adjusted number of full Shares and no payment or other adjustment will be made with respect to the fractional Shares, which shall be disregarded.

ARTICLE 11 U.S. TAXPAYERS

11.1 Provisions for U.S. Taxpayers

Options granted under this Plan to U.S. Taxpayers may be non-qualified stock options or incentive stock options qualifying under Section 422 of the Code (“**ISOs**”). Each Option shall be designated in the Award Agreement as either an ISO or a non-qualified stock option. The Corporation shall not be liable to any Participant or to any other Person if it is determined that an Option intended to be an ISO does not qualify as an ISO. Nonqualified stock options will be granted to a U.S. Taxpayer only if (i) such U.S. Taxpayer performs services for the Corporation or any corporation or other entity in which the Corporation has a direct or indirect controlling interest or otherwise has a significant ownership interest, as determined under Section 409A, such that the Option will constitute an option to acquire “service recipient stock” within the meaning of Section 409A, or (ii) such option otherwise is exempt from Section 409A.

11.2 ISOs

Subject to any limitations in Section 3.6, the aggregate number of Shares reserved for issuance in respect of granted ISOs shall not exceed 20,000,000 Shares, and the terms and conditions of any ISOs granted to a U.S. Taxpayer on the Date of Grant hereunder, including the eligible recipients of ISOs, shall be subject to the provisions of Section 422 of the Code, and the terms, conditions, limitations and administrative procedures established by the Plan Administrator from time to time in accordance with this Plan. At the discretion of the Plan Administrator, ISOs may be granted to any employee of the Corporation, or of a “parent corporation” or “subsidiary corporation”, as such terms are defined in Sections 424(e) and (f) of the Code.

11.3 ISO Grants to 10% Shareholders

Notwithstanding anything to the contrary in this Plan, if an ISO is granted to a person who owns shares representing more than 10% of the voting power of all classes of shares of the Corporation or of a “parent corporation” or “subsidiary corporation”, as such terms are defined in Section 424(e) and (f) of the Code, on the Date of Grant, the term of the Option shall not exceed

five years from the time of grant of such Option and the Exercise Price shall be at least 110% of the Market Price of the Shares subject to the Option.

11.4 \$100,000 Per Year Limitation for ISOs

To the extent the aggregate Market Price as at the Date of Grant of the Shares for which ISOs are exercisable for the first time by any person during any calendar year (under all plans of the Corporation) exceeds \$100,000, such excess ISOs shall be treated as non-qualified stock options.

11.5 Disqualifying Dispositions

Each person awarded an ISO under this Plan shall notify the Corporation in writing immediately after the date he or she makes a disposition or transfer of any Shares acquired pursuant to the exercise of such ISO if such disposition or transfer is made (a) within two years from the Date of Grant or (b) within one year after the date such person acquired the Shares. Such notice shall specify the date of such disposition or other transfer and the amount realized, in cash, other property, assumption of indebtedness or other consideration, by the person in such disposition or other transfer. The Corporation may, if determined by the Plan Administrator and in accordance with procedures established by it, retain possession of any Shares acquired pursuant to the exercise of an ISO as agent for the applicable person until the end of the later of the periods described in clause (a) or (b) above, subject to complying with any instructions from such person as to the sale of such Shares.

11.6 Section 409A of the Code

- (a) This Plan will be construed and interpreted to be exempt from, or where not so exempt, to comply with Section 409A of the Code to the extent required to preserve the intended tax consequences of this Plan. Any reference in this Plan to Section 409A of the Code also include any regulation promulgated thereunder or any other formal guidance issued by the Internal Revenue Service with respect to Section 409A of the Code. Each Award shall be construed and administered such that the Award either (A) qualifies for an exemption from the requirements of Section 409A of the Code or (B) satisfies the requirements of Section 409A of the Code. If an Award is subject to Section 409A of the Code, (I) distributions shall only be made in a manner and upon an event permitted under Section 409A of the Code, (II) payments to be made upon a termination of employment or service shall only be made upon a "separation from service" under Section 409A of the Code, (III) unless the Award specifies otherwise, each installment payment shall be treated as a separate payment for purposes of Section 409A of the Code, and (IV) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except in accordance with Section 409A of the Code. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A of the Code, the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A of the Code, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A of the Code. The Corporation reserves the right to amend this Plan to the extent it reasonably determines is necessary in order to preserve the intended tax consequences of this

Plan in light of Section 409A of the Code. In no event will the Corporation or any of its subsidiaries or Affiliates be liable for any tax, interest or penalties that may be imposed on a Participant under Section 409A of the Code or any damages for failing to comply with Section 409A of the Code.

- (b) All terms of the Plan that are undefined or ambiguous must be interpreted in a manner that complies with Section 409A of the Code if necessary to comply with Section 409A of the Code.
- (c) The Plan Administrator, in its discretion, may permit the acceleration of the time or schedule of payment of a U.S. Taxpayer's vested Awards in the Plan that constitute "deferred compensation" subject to Section 409A of the Code under circumstances that constitute permissible acceleration events under Section 409A of the Code.
- (d) Notwithstanding any provisions of the Plan to the contrary, in the case of any "specified employee" within the meaning of Section 409A of the Code who is a U.S. Taxpayer, distributions of non-qualified deferred compensation under Section 409A of the Code made in connection with a "separation from service" within the meaning set forth in Section 409A of the Code may not be made prior to the date which is six months after the date of separation from service (or, if earlier, the date of death of the U.S. Taxpayer). Any amounts subject to a delay in payment pursuant to the preceding sentence shall be paid as soon practicable following such six-month anniversary of such separation from service.

11.7 Section 83(b) Election

If a Participant makes an election pursuant to Section 83(b) of the Code with respect to an Award of Shares subject to vesting or other forfeiture conditions, the Participant shall be required to promptly file a copy of such election with the Corporation.

11.8 Application of Article 11 to U.S. Taxpayers

For greater certainty, the provisions of this Article 11 shall only apply to U.S. Taxpayers.

ARTICLE 12 AMENDMENT, SUSPENSION OR TERMINATION OF THE PLAN

12.1 Amendment, Suspension, or Termination of the Plan

The Plan Administrator may from time to time, without notice and without approval of the holders of voting shares of the Corporation, amend, modify, change, suspend or terminate the Plan or any Awards granted pursuant to the Plan as it, in its discretion determines appropriate, provided, however, that:

- (a) no such amendment, modification, change, suspension or termination of the Plan or any Awards granted hereunder may materially impair any rights of a Participant or materially increase any obligations of a Participant under the Plan without the consent of the Participant, unless the Plan Administrator determines such adjustment is required or desirable in order to comply with any applicable Securities Laws or Exchange requirements; and

- (b) any amendment that would cause an Award held by a U.S. Taxpayer to be subject to the additional tax penalty under Section 409A(1)(b)(i)(II) of the Code shall be null and void *ab initio* with respect to the U.S. Taxpayer unless the consent of the U.S. Taxpayer is obtained.

12.2 Shareholder Approval

Notwithstanding Section 12.1 and subject to any rules of the Exchange, approval of the holders of Shares shall be required for any amendment, modification or change that:

- (a) increases the percentage of the Corporation's issued and outstanding Shares from time to time that can be reserved for issuance under the Plan, except pursuant to the provisions in the Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Corporation or its capital;
- (b) increases or removes the 10% limits on Shares issuable or issued to Insiders as set forth in Subsections 3.7(e) and 3.7(f);
- (c) reduces the exercise price of an Option Award (for this purpose, a cancellation or termination of an Option Award of a Participant prior to its Expiry Date for the purpose of reissuing an Option Award to the same Participant with a lower exercise price shall be treated as an amendment to reduce the exercise price of an Option Award) except pursuant to the provisions in the Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Corporation or its capital;
- (d) extends the term of an Option Award beyond the original Expiry Date (except where an Expiry Date would have fallen within a Blackout Period applicable to the Participant or within five (5) business days following the expiry of such a Blackout Period);
- (e) permits an Option Award to be exercisable beyond 10 years from its Date of Grant (except where an Expiry Date would have fallen within a Blackout Period of the Corporation);
- (f) increases or removes the limits on the participation of Directors;
- (g) permits Awards to be transferred to a Person;
- (h) changes the eligible participants of the Plan;
- (i) is a matter expressly subject to approval of the holders of Shares pursuant to the applicable rules of the Exchange; or
- (j) deletes or reduces the range of amendments which require approval of shareholders under this Section 12.2.

12.3 Permitted Amendments

Without limiting the generality of Section 12.1, but subject to Section 12.2, the Plan Administrator may, without shareholder approval, at any time or from time to time, amend the Plan for the purposes of:

- (a) making any amendments to the general vesting provisions of each Award;

- (b) making any amendments to the provisions set out in Article 9, provided that, for so long as the Shares are listed and posted for trading on the TSXV, shareholder approval shall be required for such amendments;
- (c) making any amendments to add covenants of the Corporation for the protection of Participants, as the case may be, provided that the Plan Administrator shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the Participants, as the case may be;
- (d) making any amendments not inconsistent with the Plan as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the Plan Administrator, having in mind the best interests of the Participants, it may be expedient to make, including amendments that are desirable as a result of changes in law in any jurisdiction where a Participant resides, provided that the Plan Administrator shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Participants and Directors; or
- (e) making such changes or corrections which, on the advice of counsel to the Corporation, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Plan Administrator shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interests of the Participants.

ARTICLE 13 MISCELLANEOUS

13.1 Legal Requirement

The Corporation is not obligated to grant any Awards, issue any Shares or other securities, make any payments or take any other action if, in the opinion of the Plan Administrator, in its discretion, such action would constitute a violation by a Participant or the Corporation of any provision of any applicable statutory or regulatory enactment of any government or government agency or the requirements of any Exchange upon which the Shares may then be listed.

13.2 No Other Benefit

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of a Share, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

13.3 Rights of Participant

No Participant has any claim or right to be granted an Award and the granting of any Award is not to be construed as giving a Participant a right to remain as an Employee, Officer, Consultant or Director. No Participant has any rights as a shareholder of the Corporation in respect of Shares issuable pursuant to any Award until the allotment and issuance to such Participant, or as such Participant may direct, of certificates representing such Shares.

13.4 Corporate Action

Nothing contained in this Plan or in an Award shall be construed so as to prevent the Corporation from taking corporate action which is deemed by the Corporation to be appropriate or in its best interest, whether or not such action would have an adverse effect on this Plan or any Award.

13.5 Conflict

In the event of any conflict between the provisions of this Plan and an Award Agreement, the provisions of the Award Agreement shall govern. In the event of any conflict between or among the provisions of this Plan or any Award Agreement, on the one hand, and a Participant's employment agreement with the Corporation or a subsidiary of the Corporation, as the case may be, on the other hand, the provisions of the employment agreement or other written agreement shall prevail.

13.6 Anti-Hedging Policy

By accepting an Award each Participant acknowledges that he or she is restricted from purchasing financial instruments such as prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of Awards.

13.7 Participant Information

Each Participant shall provide the Corporation with all information (including personal information) required by the Corporation in order to administer the Plan. Each Participant acknowledges that information required by the Corporation in order to administer the Plan may be disclosed to any custodian appointed in respect of the Plan and other third parties, and may be disclosed to such persons (including persons located in jurisdictions other than the Participant's jurisdiction of residence), in connection with the administration of the Plan. Each Participant consents to such disclosure and authorizes the Corporation to make such disclosure on the Participant's behalf.

13.8 Participation in the Plan

The participation of any Participant in the Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon such Participant any rights or privileges other than those rights and privileges expressly provided in the Plan. In particular, participation in the Plan does not constitute a condition of employment or engagement nor a commitment on the part of the Corporation to ensure the continued employment or engagement of such Participant. The Plan does not provide any guarantee against any loss which may result from fluctuations in the market value of the Shares. The Corporation does not assume responsibility for the income or other tax consequences for the Participants and Directors and they are advised to consult with their own tax advisors.

13.9 International Participants

With respect to Participants who reside or work outside Canada, the Plan Administrator may, in its discretion, amend, or otherwise modify, without shareholder approval, the terms of the Plan or Awards with respect to such Participants in order to conform such terms with the provisions of

local law, and the Plan Administrator may, where appropriate, establish one or more sub-plans to reflect such amended or otherwise modified provisions.

13.10 Successors and Assigns

The Plan shall be binding on all successors and assigns of the Corporation and its subsidiaries.

13.11 General Restrictions or Assignment

Except as required by law, the rights of a Participant under the Plan are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant unless otherwise approved by the Plan Administrator.

13.12 Severability

The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from the Plan.

13.13 Rights to Compensation or Damages

The Plan displaces any and all common law and civil law rights the Participant may have or claim to have in respect of any Awards, including any right to damages. The foregoing shall apply, regardless of: (i) the reason for the termination of the Participant's employment, term of office or service arrangement; (ii) whether such termination is lawful or unlawful, with or without Cause or Good Reason; (iii) whether it is the Participant or the Corporation or a subsidiary of the Corporation that initiates the termination; and (iv) any fundamental changes, over time, to the terms and conditions applicable to the Participant's employment, term of office or service arrangement.

13.14 Notices

All written notices to be given by a Participant to the Corporation shall be delivered personally, e-mail or mail, postage prepaid, addressed as follows:

PopReach Corporation
1 University Ave, 3rd Floor
Toronto, Ontario M5J 2P1 Canada

Attention: President
Email: clocke@popreach.com

All notices to a Participant will be addressed to the principal address of the Participant on file with the Corporation. Either the Corporation or the Participant may designate a different address by written notice to the other. Such notices are deemed to be received, if delivered personally or by e-mail, on the date of delivery, and if sent by mail, on the fifth Business Day following the date of mailing. Any notice given by either the Participant or the Corporation is not binding on the recipient thereof until received.

13.15 Effective Date

This Plan becomes effective on a date to be determined by the Plan Administrator, subject to the approval of the shareholders of the Corporation.

13.16 Governing Law

This Plan and all matters to which reference is made herein shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without any reference to conflicts of law rules.

13.17 Submission to Jurisdiction

The Corporation and each Participant irrevocably submits to the exclusive jurisdiction of the courts of competent jurisdiction in the Province of Ontario in respect of any action or proceeding relating in any way to the Plan, including, without limitation, with respect to the grant of Awards and any issuance of Shares made in accordance with the Plan.

SCHEDULE A

POPREACH CORPORATION OMNIBUS EQUITY INCENTIVE PLAN (THE “PLAN”)

ELECTION NOTICE

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

Pursuant to the Plan, I hereby elect to participate in the grant of DSUs pursuant to Article 7 of the Plan and to receive ____% of my Cash Fees in the form of DSUs.

I confirm that:

- (a) I have received and reviewed a copy of the terms of the Plan and agreed to be bound by them.
- (b) I recognize that when DSUs credited pursuant to this election are redeemed in accordance with the terms of the Plan, income tax and other withholdings as required will arise at that time. Upon redemption of the DSUs, the Corporation will make all appropriate withholdings as required by law at that time.
- (c) The value of DSUs is based on the value of the Shares of the Corporation and therefore is not guaranteed.
- (d) To the extent I am a U.S. taxpayer, I understand that this election is irrevocable for the calendar year to which it applies and that any revocation or termination of this election after the expiration of the election period will not take effect until the first day of the calendar year following the year in which I file the revocation or termination notice with the Corporation.

The foregoing is only a brief outline of certain key provisions of the Plan. For more complete information, reference should be made to the Plan’s text.

Date: _____

(Name of Participant)

(Signature of Participant)

SCHEDULE B

**POPREACH CORPORATION
OMNIBUS EQUITY INCENTIVE PLAN (THE “PLAN”)**

ELECTION TO TERMINATE RECEIPT OF ADDITIONAL DSUs

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

Notwithstanding my previous election in the form of Schedule A to the Plan, I hereby elect that no portion of the Cash Fees accrued after the date hereof shall be paid in DSUs in accordance with Article 7 of the Plan.

I understand that the DSUs already granted under the Plan cannot be redeemed except in accordance with the Plan.

I confirm that I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.

Date: _____

(Name of Participant)

(Signature of Participant)

Note: An election to terminate receipt of additional DSUs can only be made by a Participant once in a calendar year.

SCHEDULE C

**POPREACH CORPORATION
OMNIBUS EQUITY INCENTIVE PLAN (THE "PLAN")**

**ELECTION TO TERMINATE RECEIPT OF ADDITIONAL DSUs
(U.S. TAXPAYERS)**

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.

Notwithstanding my previous election in the form of Schedule A to the Plan, I hereby elect that no portion of the Cash Fees accrued after the effective date of this termination notice shall be paid in DSUs in accordance with Article 7 of the Plan.

I understand that this election to terminate receipt of additional DSUs will not take effect until the first day of the calendar year following the year in which I file this termination notice with the Corporation.

I understand that the DSUs already granted under the Plan cannot be redeemed except in accordance with the Plan.

I confirm that I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.

Date: _____

(Name of Participant)

(Signature of Participant)

Note: An election to terminate receipt of additional DSUs can only be made by a Participant once in a calendar year.

SCHEDULE D
POPREACH AUDITED FINANCIAL STATEMENTS

(see attached)



Consolidated Financial Statements of POP REACH CORPORATION

For the years ended December 31, 2020 and 2019

To the Shareholders of PopReach Corporation:

Opinion

We have audited the consolidated financial statements of PopReach Corporation and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Giacomo Angelini.

Waterloo, Ontario

April 19, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

POPREACH CORPORATION
Consolidated Statements of Financial Position

As at December 31, 2020 and December 31, 2019 (in US dollars, unless otherwise stated)

	December 31 2020	December 31 2019
Assets		
Current Assets:		
Cash and cash equivalents	\$ 18,097,649	\$ 1,126,160
Trade and other receivables (note 4)	1,167,123	1,444,428
Investment tax credits receivable	466,619	587,715
Investment in lease receivable (note 9)	50,552	43,567
Prepaid assets	297,258	330,407
	20,079,201	3,532,277
Property and equipment (note 5)	184,220	131,820
Intangible assets (note 6)	5,116,926	7,651,485
Goodwill	6,084	6,084
Investment tax credits receivable	242,015	360,812
Right-of-use asset (note 8)	138,581	415,745
Investment in lease receivable (note 9)	100,164	147,746
Deferred financing costs (note 10)	-	371,467
Deferred tax asset (note 28)	67,340	-
	25,934,531	12,617,436
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Trade and other payables	869,081	2,074,058
Taxes payable	43,062	72,439
Deferred revenue	912,475	1,231,512
Lease liabilities (note 8)	208,302	327,408
Borrowings (note 10)	1,200,418	7,874,626
Game acquisition payable (note 11)	-	370,029
Provisions (note 11)	100,000	1,671,846
Derivative financial instruments (note 12)	4,546,471	205,590
	7,879,809	13,827,508
Non-current liabilities:		
Lease liabilities (note 8)	113,264	321,926
Borrowings (note 10)	4,832,445	663,366
Employee benefit obligations (note 14)	588,855	538,217
	13,414,373	15,351,017
Shareholders' equity (deficit):		
Share capital (note 16)	24,575,987	3,141,880
Warrant reserve (note 17)	50,176	382,155
Share-based payment reserve (note 18)	1,170,499	694,309
Accumulated other comprehensive loss	(53,759)	(30,404)
Deficit	(13,222,745)	(6,921,521)
	12,520,158	(2,733,581)
	25,934,531	12,617,436

Commitments (note 7)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ Chris Schnarr

Director

/s/ Christopher Locke

Director

POPREACH CORPORATION**Consolidated Statements of Loss and Comprehensive Loss**

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

	2020	2019
Revenue (note 23):		
In-App purchases	\$ 17,300,218	\$ 16,970,160
Advertising and other	710,067	983,714
	18,010,285	17,953,874
Cost of sales (notes 24 and 25)	7,648,089	10,062,297
Gross profit	10,362,196	7,891,577
Operating expenses:		
Research and development (note 24)	2,813,146	3,245,964
General and administrative (notes 24 and 25)	2,874,601	2,801,806
Marketing (note 25)	609,573	47,059
Interest and accretion expenses (note 25)	1,417,024	1,266,094
Amortization	2,894,788	3,720,177
Impairment of intangible assets (note 6)	-	994,525
	10,609,132	12,075,625
Non-operating expenses:		
Fair value loss on financial liabilities (notes 13 and 25)	4,977,862	60,468
Reverse takeover listing expense (note 26)	1,008,834	-
	5,986,696	60,468
Loss before income taxes	(6,233,632)	(4,244,516)
Current taxes (recovery) (note 27)	127,076	191,269
Deferred tax recovery (notes 27 and 28)	(59,484)	-
Net loss	(6,301,224)	(4,435,785)
Other comprehensive income (loss):		
Employee benefit obligations actuarial earnings (loss), net of income tax (note 14)	(23,355)	13,450
Comprehensive loss (note 16)	(6,324,579)	(4,422,335)
Basic and diluted loss per share (note 16)	(0.13)	(0.11)
Weighted average number of shares outstanding	47,824,804	40,557,686

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Qualifying Transaction (note 26) of 7.62 resulting issuer shares for every 1 share of PopReach Incorporated.

See accompanying notes to consolidated financial statements.

POPREACH CORPORATION

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

	Number of shares	Share capital (note 16)	Warrant reserve (note 17)	Share-based payment reserve (note 18)	Accumulated other comprehensive income (loss)	Deficit	Total
January 1, 2019	37,041,292	\$ 2,707,411	\$ 626,754	\$ 493,125	\$ (43,854)	\$ (2,485,736)	\$ 1,297,700
Conversion of warrants	1,889,373	445,785	(255,915)	—	—	—	189,870
Share-based compensation	—	—	—	201,184	—	—	201,184
Warrants issued during the year	—	(11,316)	11,316	—	—	—	—
Comprehensive income (loss)	—	—	—	—	13,450	(4,435,785)	(4,422,335)
December 31, 2019	38,930,665	3,141,880	382,155	694,309	(30,404)	(6,921,521)	(2,733,581)
Share-based compensation	—	—	—	180,201	—	—	180,201
Shares issued during the year	20,744,444	15,864,586	—	—	—	—	15,864,586
Compensation options issued during the year	—	(243,355)	—	243,355	—	—	—
Warrants issued during the year	—	—	12,684	—	—	—	12,684
Conversion of convertible debentures (note 16)	7,744,273	3,342,625	—	—	—	—	3,342,625
Exercise of warrants	1,629,273	416,710	(378,966)	—	—	—	37,744
Exercise of share-based payments	250,031	72,326	—	(23,281)	—	—	49,045
Comprehensive income (loss)	—	—	—	—	(23,355)	(6,301,224)	(6,324,579)
Reverse takeover (note 26)	3,750,000	1,981,215	34,303	75,915	—	—	2,091,433
December 31, 2020	73,048,686	24,575,987	50,176	1,170,499	(53,759)	(13,222,745)	12,520,158

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Qualifying Transaction (note 26) of 7.62 resulting issuer shares for every 1 share of PopReach Incorporated.

See accompanying notes to consolidated financial statements.

POPREACH CORPORATION
Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

	2020	2019
Cash flows from operating activities:		
Net loss	\$ (6,301,224)	\$ (4,435,785)
Items not affecting cash:		
Loss (gain) on disposal of property and equipment	6,750	(84,700)
Deferred tax recovery	(59,484)	—
Amortization	2,894,788	3,720,177
Amortization on deferred financing fees	371,467	142,986
Impairment loss on intangible assets	—	994,525
Fair value loss on financial liabilities (note 13)	4,977,862	60,468
Share-based compensation expense	180,201	201,184
Finance income on investment in lease receivable	(22,141)	(4,334)
Unrealized foreign exchange gains	(65,142)	(13,233)
Accretion expense	311,865	321,691
Employee benefit obligations expensed	100,734	135,164
Changes in working capital (note 19)	(942,862)	(965,796)
Reverse takeover listing expense (note 26)	681,438	—
Employee benefit obligations paid	(70,143)	(59,070)
Interest expense paid in financing activities	620,923	614,743
Cash generated from operating activities	2,685,032	628,020
Cash flows used in investing activities:		
Additions to property and equipment	(140,318)	(66,495)
Payments for game acquisitions (note 11)	(824,361)	(2,097,752)
Payments for intangible asset acquisition (note 11)	—	(1,004,815)
Proceeds from lessee	63,680	—
Changes in restricted cash	—	256,561
Cash used in investing activities	(900,999)	(2,912,501)
Cash flows from financing activities:		
Proceeds from borrowings	—	4,622,607
Financing fees paid on borrowings	(197,752)	—
Repayments of borrowings	(1,672,853)	(1,199,404)
Payments of interest on borrowings	(620,923)	(614,743)
Payments for lease liabilities	(389,506)	(256,946)
Payments for provisions (note 11)	(1,219,957)	—
Net cash proceeds received from issuance of shares (note 16)	15,864,586	—
Cash proceeds from convertible debentures (note 12)	1,864,735	460,096
Cash proceeds from exercise of warrants (note 17)	37,744	—
Cash proceeds received on reverse takeover (note 26)	1,484,114	—
Cash proceeds from exercise of share options	49,045	189,870
Cash generated from financing activities	15,199,233	3,201,480
Net cash inflow	16,983,266	916,999
Cash and cash equivalents, beginning of the year	1,126,160	196,924
Effects of foreign currency exchange rate on cash	(11,777)	12,237
Cash and cash equivalents, end of the year	18,097,649	1,126,160
Income taxes paid	156,454	118,830

See accompanying notes to the consolidated financial statements.

1. Nature of operations

PopReach Corporation (formerly Mithrandir Capital Corp.) (“the **Company**”), was incorporated September 25, 2018 pursuant to the provisions of the *Business Corporations Act* (Ontario).

The Company was carrying on business as a Capital Pool Corporation (“**CPC**”), as such term is defined in TSX Venture Exchange Inc. (the “**Exchange**”) Policy 2.4 – Capital Pool Companies. The Company’s principal purpose was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation (the “**Qualifying Transaction**”) therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company completed its initial public offering on October 11, 2019. Upon completion, the Company’s shares were listed for trading on the Exchange under the symbol “GMER.P”.

On June 30, 2020, the Company incorporated a wholly owned subsidiary under the *Business Corporations Act* (Ontario), 2759344 Ontario Inc. (“**Subco**”), for the sole purpose of completing the proposed Qualifying Transaction.

The Qualifying Transaction was completed on June 30, 2020 by way of a three-corned amalgamation, pursuant to which Subco amalgamated with PopReach Incorporated (“**PopReach**”) and the Company, which now holds the assets of PopReach Incorporated as a wholly-owned subsidiary, changed its name to PopReach Corporation. Immediately prior to the close of the Qualifying Transaction, the Company consolidated its common shares on an 8 to 1 basis (the “**Share Consolidation**”). The Share Consolidation has been applied retrospectively in the consolidated financial statements, including a share exchange in connection with the Qualifying transaction of 7.62 post-consolidation shares of the Company for every one share of PopReach, and as a result, the common shares (the “**Common Shares**”), broker warrants and option amounts of the Company presented herein are stated in an adjusted post-share consolidation basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on Tier 1 of the TSX Venture Exchange (see Note 26) under the symbol “POPR”.

The Company is a free-to-play game publisher focused on acquiring and optimizing proven game franchises; the Company drives growth through a combination of investment in existing franchises and new acquisitions. The head office of the Company is located at 1 University Avenue, 3rd Floor, Toronto, ON, M5J 2P1.

The Company has a wholly owned subsidiary, PopReach, incorporated under the laws of the Province of Ontario, and PopReach’s accounts are consolidated into the Company’s consolidated financial statements. As at December 31, 2020, PopReach employs 17 employees on a full-time basis between its offices in Toronto, Ontario and Vancouver, British Columbia. In addition, PopReach operates a wholly owned subsidiary, PopReach Technologies Private Limited (“**PR Tech**”), in Bangalore, India. PR Tech is incorporated pursuant to the laws of India, and its accounts are also consolidated into the Company’s consolidated financial statements. PR Tech is a management company in charge of managing and operating the Company’s developed technology, and employs 106 employees on a full-time basis.

2. Significant accounting policies

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were authorized for issue by the Company’s Board of Directors on April 19, 2021.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Basis of measurement and presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These consolidated financial statements are presented in US dollars, which is the Company's functional currency.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and entities ultimately controlled by the Company:

- PopReach Incorporated, a wholly-owned subsidiary of the Company
- PopReach Technologies Private Ltd, a wholly-owned subsidiary of PopReach Incorporated

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Revenue recognition

The Company's revenue is derived primarily from the sale of In-App purchases and from advertising in games on mobile devices and Facebook. In addition, the Company historically earned revenue from producing games for its customers and commission income as a percentage of gaming revenues earned by its customers.

Revenue is measured based on the value of the expected consideration in a contract with a customer. The Company recognizes revenue using a 5-step process including:

- 1) Identification of the contract or contracts with the customer
- 2) Identification of the performance obligations in the contract
- 3) Determination of the transaction price
- 4) Allocation of the transaction price to the performance obligations in the contract; and
- 5) Recognition of revenue when or as the Company satisfies the performance obligation

A contract asset is recognized in the consolidated statements of financial position when the Company's right to consideration from the transfer of products or services to a customer is conditional on its contractual obligation to transfer other products or services. Contract assets are transferred to trade receivables when the Company's right to consideration becomes conditional only as to the passage of time.

A contract liability is recognized in the consolidated statements of financial position when the Company receives consideration in advance of the transfer of products or services to the customer. Contract assets and liabilities relating to the same contract are presented on a net basis.

Incremental costs of obtaining a contract with a customer are included in contract costs in the consolidated statements of financial position, except where the amortization period is one year or less, in which case costs of obtaining a contract are immediately expensed. Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

In-app purchases

The Company operates games as live services that allow players to play for free. However, within these games, players can purchase virtual currency to obtain virtual goods to enhance their game-playing experience. The identified performance obligation is to display the virtual items within the game over the estimated life of the paying player or until it is consumed in game play based upon the nature of the virtual item. Payment is required at time of purchase and the purchase price is a fixed amount.

The Company distributes its games on digital platforms such as Apple's App Store, the Google Play Store, the Amazon Appstore, and the Facebook App Center. Within these platforms, players can download the Company's games and can then purchase or earn virtual currency within the game. The Company sells both consumable and durable virtual goods. Consumable goods are items that can be purchased directly by the user and are consumed at a predetermined time or otherwise have limitations on repeated use, while durable goods are items that remain in the game for as long as the user continues to play. Revenue from consumable and durable virtual goods is generated through direct purchases or via the purchase of virtual currency by users. Users convert the virtual currency within the game to consumable goods or durable virtual goods to enhance their game-playing experience. Such payments are initially recorded to deferred revenue. As a result, in connection with new game launches, acquisitions of new games from third parties or during periods of increased bookings, the deferred revenue balance specific to such games will increase, sometimes significantly.

For revenue earned through digital platforms, the transaction price is equal to the gross amount charged to the player because the Company is the principal in the transaction. The related platform and payment processing fees are recorded as cost of sales in the period incurred.

The Company currently does not have the ability to differentiate between revenue attributable to consumable virtual items versus durable virtual items for a specific game, and therefore instead recognizes revenue ratably over the estimated average playing period of payers for the applicable game.

Advertising and other

The Company has relationships with certain advertising agencies for digital advertisements within its games and revenue from these advertisers is generated when an app that has been advertised in our games has been installed and opened by the viewer of the ad, and when the ad view that was generated in our game was attributed to the user who installed the app. Revenue is recognized as advertisements are delivered on a periodic basis when transfer of control of service has occurred and when collectability has been reasonably assured.

Historically, other revenues included production revenues relating to the income earned by the Company on developing games and applications for customers. The Company does not own the source code to these apps, and therefore, does not recognize these as intangible assets. Revenue is recognized over a period of time as the contracts are being completed, with amounts received prior to the above recognition criteria having been met are recorded as deferred revenue. The Company is also entitled to ongoing commission revenues based on the amount of gross revenue generated by the customers. The ongoing commissions are recognized when they are earned, provided that the collection is probable.

The Company evaluates the sales of its products and income earned thereon to determine whether it is the agent or the principal in the transaction. Accordingly, the Company records its income on a net or gross basis, respectively.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in profit or loss. The Company's primary source for obtaining foreign exchange rates is the Bank of Canada.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. The initial cost includes the purchase price and any expenditures directly attributable to ready the asset for use. Gains and losses on the disposal of property and equipment represents the difference between the proceeds received, if any, on disposal of the asset and its carrying amount. Any resulting gain or loss is recognized in the consolidated statements of loss and comprehensive loss.

Amortization is charged using the following methods and rates:

Computer Equipment	Straight-line	3 years
Furniture and Fixtures	Straight-line	3 years
Computer Software	Straight-line	1-3 years
Leasehold Improvements	Straight-line	3-10 years

Investment tax credits

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The Company records investment tax credits when qualifying expenditures have been made provided there is reasonable assurance that the credits will be realized. The amount of investment tax credits recorded can vary, based on estimates of future taxable income. These credits can be applied against income tax liabilities and are subject to a 20-year carry-forward period or, in some cases, are refundable. Accrued investment tax credits are accounted for as a reduction of the related expenditures for items expensed in the consolidated statement of loss and comprehensive loss or a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position.

Cash and cash equivalents

Cash includes cash on hand and short-term deposits which are highly liquid with original maturities of less than 90 days. As at December 31, 2020 and December 31, 2019, cash and cash equivalents were composed entirely of cash.

Intangible assets

Intangible assets with finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are tested for impairment when there is any indication that the asset is

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

impaired. The Company's intangible assets are amortized over their expected useful lives and charged to net loss in the consolidated statements of loss and comprehensive loss. The estimated useful life and amortization method are reviewed at least annually, with any change in estimated recognized prospectively.

Estimated useful lives for intangible assets having finite lives are as follows:

Technology	2 - 7 years
Brand	2 - 7 years

Internally generated intangible assets are capitalized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset is expected to make it available for use or sale;
- The Company intends to complete and use or sell the intangible asset;
- The Company has the ability to use or sell the intangible asset;
- How the Company expects the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset exists; and
- The Company has the ability to reliably measure the expenditures attributable to its development.

The amount recognized as an internally generated intangible asset represents the sum of expenditures from the date when the intangible asset first meets the recognition criteria listed above to the date the asset is available for use.

When the asset is available for use, the cost model is applied which requires the asset to be carried at cost less accumulated amortization and accumulated impairment losses, if any. Research activities are expensed as incurred.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's weighted average cost of capital, calculated by estimating a specific company risk premium over the risk-free rate.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, at the date of the business acquisition, to the Company's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized and is tested annually for impairment, or more frequently if there are changes in circumstances that indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment of non-financial assets

The carrying value of property and equipment and intangibles are reviewed at each reporting period to determine if indicators of impairment are present. If any such indicator exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, the recoverable amount is determined for an individual asset or are grouped together into a cash generating unit ("CGU"), which represents the smallest group of assets that generates independent cash inflows. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognized in the consolidated statements of loss and comprehensive loss as a reduction in the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairments of non-financial assets recognized in a prior period are re-assessed at the end of each reporting period to determine if indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the asset or CGU's carrying amount. The reversal of an impairment loss may not exceed the carrying amount, net of amortization, of the asset or CGU had no impairment loss been recognized.

Employee benefit obligations

The Company has defined employee benefit plans, both mandated by Indian law, covering employees of PR Tech. The plans consist of a Gratuity and a Leave Encashment plan. Under the Gratuity scheme, employees with equal to or more than 5 years of service are entitled to a lump-sum payment upon retirement or leaving service from PR Tech. The benefits are based on years of service and final average salary. The Leave Encashment plan is for accrued earned leave benefits for unused vacation time, and is paid via lump-sum payment upon retirement or leaving service.

The Company accrues its obligations under the defined employee benefit plans as the employees render the services necessary to earn the benefits. The defined benefit obligation at the end of the year is determined based on the most recent actuarial valuation report prepared for accounting purposes. The measurement date of the defined benefit obligation coincides with the Company's fiscal year-end. The date of the most recent actuarial valuation of the plans prepared for accounting purposes was December 31, 2020.

The liability recognized in the statement of financial position is the present value of the obligation of the plans at the statement of financial position date. The liability includes the present value of the obligations as determined by discounting the estimated future required payments using interest rates of high-quality long-term corporate bonds. All actuarial gains and losses that arise in calculating the present value of the obligations are recognized immediately in the consolidated statements of loss and comprehensive loss in other comprehensive income.

The cost of the plans for the year is charged to net income/loss. Past service costs arising from plan amendments are immediately charged to net income/loss at the date of the amendment. Interest costs arising from applying the discount rate to the benefit obligation is also charged to net income/loss.

Share-based compensation and other share-based payments

The Company has a share-based compensation plan, which is described in Note 18. Equity instruments awarded to employees are measured and recognized based on Black-Scholes option pricing model. The compensation cost is recognized over the vesting period based on the number of awards expected to vest. Awards for past service are recognized as an expense in the period when granted.

When options are exercised, the amount initially recognized in the share based-payment reserve is reduced, with a corresponding increase in common shares.

Financial instruments and risk management

The Company classifies and measures financial assets and liabilities based on their contractual cash flow characteristics. A financial asset is classified as amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit and loss ("FVTPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding

Financial assets and liabilities classified as measured at amortized cost are subsequently measured using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in the consolidated statements of loss and comprehensive loss. Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

the Company transfers the control or substantially all the risks and rewards of ownership to another party. Any resulting gain or loss on derecognition is recorded in the consolidated statements of loss and comprehensive loss in the period that the asset is derecognized.

Financial assets and liabilities classified as measured at FVTPL are subsequently measured at fair value at each reporting date. Net gains and losses, including any interest or dividend income, are recorded in the consolidated statements of loss and comprehensive loss.

Financial assets whose objective is achieved by both collecting contractual cash flows and selling financial assets, are classified as measured at FVOCI. Financial assets measured at FVOCI are subsequently accounted for with any gains and losses recognized in other comprehensive income or loss and reclassified to profit and loss when the asset is derecognized. The Company does not have any financial instruments designated as FVOCI.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are not separated, and the hybrid financial instrument is assessed for classification as a whole. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recorded in the consolidated statements of loss and comprehensive loss in the period that the liability is derecognized.

Below is the summary showing the measurement categories under IFRS 9:

Financial assets and liabilities	IFRS 9
Cash and cash equivalents	Amortized cost
Trade and other receivables	Amortized cost
Trade and other payables	Amortized cost
Game acquisition payable	Amortized cost
Derivative financial instruments	FVTPL
Provisions	FVTPL
Borrowings	Amortized cost

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are expensed to the consolidated statements of loss and comprehensive loss.

The cost of issuing debt is included as part of borrowings and is accounted for at amortized cost using the effective interest method. When borrowings amounts are nil, but amounts are still available to be drawn, costs of issuing debt are reclassified to other assets in the consolidated statements of financial position.

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, where the conversion feature is accounted for as equity, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Transaction costs are divided between the liability and equity components in proportion to their values. Where the conversion feature is accounted for as a liability at the date of issuance, the fair value of the conversion feature is measured initially at fair value and the residual is allocated to the debt host. Subsequently, the debt host is accounted for at amortized cost and the liability conversion feature is accounted for at FVTPL.

Certain of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1 - Defined as observable inputs such as quoted prices in active markets.
- Level 2 - Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3 - Defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

The impairment of financial assets under IFRS 9 is based on an expected credit loss ("ECL") model. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial Instrument

The Company elected to measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs applied at each reporting date. The Company adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experience to estimate lifetime ECL adjusted for estimated changes to credit risks and forecasts of future economic conditions and the results are discussed in Note 4.

Impairment losses are recorded in the consolidated statements of loss and comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

When an impairment loss has decreased in a subsequent period, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed immediately in the consolidated statements of loss and comprehensive loss. The reversal of an impairment loss may not exceed the amortized cost had no impairment loss been recognized.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, the tax is also recognized in other comprehensive loss or directly in equity. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid, to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is determined on a non-discounted basis using the liability method using tax rates and laws that have been enacted or deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred income tax assets and liabilities, if any, are presented as non-current.

Leases

The Company leases various offices, where rental contracts are typically made for fixed periods of 5 to 10 years, but may have extension options, in which the extension and termination options held are exercisable only by the Company and not by the respective lessor. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Right-of-use assets arising from a lease are initially measured at fair value or, if lower, at the present value of the future minimum lease payments. The corresponding liabilities are included in the consolidated statements of financial position as a lease liability. The fixed lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company also engaged in a sublease agreement in December 2019 for one of its offices. At the commencement of the sublease, the right-of-use asset is derecognized, and an investment in lease receivable is recognized. The investment in lease receivable is measured at fair value or, if lower, at the present value of the future minimum lease payments. The fixed lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Judgment is applied to determine whether the expected period would be the contract term or a longer period such as the estimated life of the relationship or taking into consideration the likelihood of exercising renewal options. In the case where the Company expects the renewal period to differ based on certain circumstances, the fair value of the lease liability will be recalculated, and any adjustment of the right-of-use asset will be recorded. Any gains and losses on the change in fair value of the liability or the disposition of the asset is recorded as general and administrative expense in the statement of loss and comprehensive loss.

Segment information

The Company has one operating segment with one major business activity, the commercialization of free-to-play games. Financial information about our one segment and geographic areas is incorporated into this section by reference to our consolidated financial statements including Note 5 – “Property and equipment”, Note 6 – “Intangible assets” and Note 23 – “Revenue from contracts with customers”.

Provisions

The Company pays for certain contingent consideration associated with the acquisition of businesses and portfolios of games. Amounts are measured at fair value at the inception date and at the end of each reporting period. Gains or losses are recorded in the consolidated statements of loss and comprehensive loss for contingent consideration associated with business combinations. Gains or losses on asset acquisitions, are recorded as an adjustment to the asset acquired.

Loss per share

Basic loss per share is calculated by dividing net loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted loss per share is calculated by adjusting the consolidated earnings or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share. For the years ended December 31, 2020 and 2019, the Company has incurred a net loss, therefore the convertible debentures, share options, and warrants are all anti-dilutive.

3. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the following:

Identification of CGUs

The Company has allocated its tangible assets, intangible assets and goodwill to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The determination of CGUs for the purpose of annual impairment testing requires judgment.

Impairment of goodwill and long-lived assets

Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of property and equipment and intangible assets is reviewed each reporting year to determine whether indicators of impairment exist. The recoverable amounts attributed to CGUs reflect the higher of fair value less costs to sell (FVLCS) or value in use. The Company's determination of a CGU's recoverable amount, which could include an estimate of FVLCS, uses market information to estimate the amount the Company could obtain from disposing of the asset in an arm's length transaction, less the estimated cost of disposal. The Company estimates value in use by discounted estimated future cash flows for the CGU or asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the CGU or asset. Estimated cash flows are based on management's assumptions and business plans which are supported by internal strategies, plans and external information. The estimate of the recoverable amount for an asset or CGU requires significant estimates such as future cash flows, growth rates, and terminal and discount rates. The Company has concluded that goodwill is tested at the consolidated level, since that represents the smallest identifiable group of

assets that can generate cash inflows. The Company's brand and technology intangible assets are tested at the individual game level.

Business combinations and asset acquisitions

The Company uses the acquisition method to account for business combinations. This requires an entity to measure each identifiable asset and liability at fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The purchase price allocation involves judgment with respect to the identification of intangible assets acquired and estimates of fair value for assets acquired and liabilities assumed, including pre-acquisition contingencies and contingent consideration. Changes in any of the assumptions or estimates used to identify intangible assets acquired, determine the fair value of acquired assets and liabilities assumed, including pre-acquisition contingencies or contingent consideration, could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

The Company makes estimates, assumptions, and judgments when valuing goodwill and other intangible assets in connection with the initial purchase price allocation of an acquired entity, in addition to evaluating the recoverability of goodwill and other intangible assets on an ongoing basis. These estimates are based on a number of factors, including historical experience, market conditions, and information obtained from the management of acquired portfolios of games. Critical estimates in valuing certain intangible assets include, but are not limited to, historical and projected attrition rates, discount rates, anticipated revenue growth/decline from acquired customers, acquired technology, and the expected use of the acquired assets. These factors are also considered in determining the useful life of acquired intangible assets. The amounts and useful lives assigned to identified intangible assets also impacts the amount and timing of future amortization expense. Unanticipated events and circumstances may affect the accuracy or validity of such assumptions, estimates or actual results.

The Company considers certain acquisition of games to be asset acquisitions, on the assumption that there are no identifiable businesses acquired in the transaction. There is judgment involved in the determination of whether the acquisition involves assets or entire businesses.

Amortization of property and equipment and intangible assets

Judgment is applied to determine an asset's useful life, and where applicable, estimated residual value, used in the computation of amortization. Accordingly, an asset's actual useful life and estimated residual value may differ significantly from these estimates.

Fair value of derivative financial instruments

The Company uses a Monte Carlo simulation to estimate the fair value of convertible debentures, which consists of a conversion feature to convert the instrument into one Common Share and one warrant. Upon completion of the Reverse Takeover transaction (Note 26), the convertible debentures were converted into Common Shares and warrants, the Company subsequently switched to a Black-Scholes model in order to estimate the value of the warrant liabilities. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, the risk-free interest rate (based on government bonds) and probabilities of certain events occurring. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of derivative liabilities. The fair value reported may not represent the transaction value if these instruments were exchanged at any point in time.

Share-based payments and warrant reserves

The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation and warrant reserves which require the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrant liabilities. The fair value reported may not represent the transaction value if these options/warrants were exercised/exchanged at any point in time.

Provisions

Due to the nature of these provisions related to contingent consideration payable for the acquisition of certain games or businesses, there is a degree of uncertainty inherent in their measurement. Inputs used to arrive at the fair value of these provisions, such as discount rates and future revenues, are subject to estimate and changes in these inputs can materially impact the estimated fair value of the contingent consideration.

Deferred revenue and revenue

The Company uses judgment and estimates to determine the amount of revenue to defer for each reporting period. The Company expects that in future periods, there will be changes in estimates of the average playing period of payers and/or changes in the ability to make such estimates. In particular, if the estimated average playing period of payers increases on average, the amount of revenue recognized in a current or future period may be reduced, perhaps materially. Conversely, if the estimated average playing period of payers decreases on average, the amount of revenue that is recognized in a future or future period may be accelerated, perhaps materially.

Leases and investment in lease receivable

The Company uses judgment to determine whether the expected period would be the contract term or a longer period such as the estimated life of the relationship, where renewal periods would be considered. The Company also uses judgment in estimating the incremental borrowing rate based on borrowing rates of similar companies. Changes in these inputs can materially impact the estimated fair value of the lease liability and the investment in lease receivable.

Employee benefit obligations

The Company uses judgment to determine the fair value of employee benefit obligations at the end of each reporting year, including regulatory requirements, an evaluation of relevant discount rates, expected long-term returns on plan liabilities, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, and input from actuaries and other consultants. Changes in these inputs can materially impact the estimated fair value of the employee benefit obligations.

Deferred taxes

Significant estimates are required in determining the Company's income tax provision. Some estimates are based on interpretations of existing laws or regulations. Various internal and external factors may have favourable or unfavourable effects on the Company's future effective tax rate. These include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits by tax authorities, changes in estimates of prior years' items and changes in overall levels of pre-tax earnings.

Going concern

Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2020 and 2019.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease doing business or has no realistic alternative but to do so.

Expected Credit Losses

The Company employs judgment and estimates in the determination of expected credit loss as described in Note 4.

Seasonality of interim operations

The operations of the Company are seasonal, and the results of operations for any interim period are not necessarily indicative of operations for the full fiscal year or any future period. Due to the COVID-19 pandemic, changes in player activity, quarter over quarter, may not be indicative of the financial and operating results in future periods. Given the level of continued volatility and uncertainty around the COVID-19 pandemic, there is the potential for a wider range of outcomes – both positive and negative – as it relates to impact of seasonality on the Company's business results.

COVID-19 pandemic

Following the outbreak of the COVID-19 pandemic, the Company has modified its business practices to help minimize the risk of the virus to employees, business partners, and the communities in which the Company participates, which could negatively impact the business of the Company. To date, the COVID-19 crisis has not materially impacted the Company's financial condition, cash flows and financial performance. In response to the outbreak, the Company has instituted operational and monitoring protocols to ensure the health and safety of its employees and stakeholders, which follow the advice of local governments and health authorities where it operates. The Company has adopted a work from home policy where possible. The Company will continue to monitor developments of the COVID-19 pandemic and continuously assess the COVID-19 pandemic's potential further impact on the Company's operations and business.

4. Trade and other receivables

	December 31 2020	December 31 2019
Trade receivables	\$ 1,086,617	\$ 1,381,898
Less expected credit losses	–	–
Trade receivables, net	1,086,617	1,381,898
Other receivables	52,649	46,302
Government remittances receivables	27,857	16,228
	1,167,123	1,444,428

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

cost using the effective interest method. The maximum credit risk exposure associated with trade and other receivables is the carrying value of \$1,167,123 (December 31, 2019 - \$1,444,428).

As at December 31, 2020 and December 31, 2019, the Company concludes there to be nil credit losses. Historically, there have been no bad debts, and the majority of trade receivables remit within 30 to 60 days.

5. Property and equipment

The following represents property and equipment by class:

	Computer Equipment	Furniture and Fixtures	Computer Software	Leasehold Improvements	Total Value
Cost					
Balance at January 1, 2020	\$ 118,741	\$ 71,160	\$ 10,205	\$ 24,290	\$ 224,396
Additions	135,252	5,066	—	—	140,318
Disposals	(20,405)	(1,994)	—	(4,969)	(27,368)
Balance at December 31, 2020	233,588	74,232	10,205	19,321	337,346
Accumulated amortization and impairment					
Balance at January 1, 2020	43,950	37,476	4,558	6,592	92,576
Amortization	61,508	21,194	1,707	3,509	87,918
Disposals	(20,405)	(1,994)	—	(4,969)	(27,368)
Balance at December 31, 2020	85,053	56,676	6,265	5,132	153,126
Carrying amounts					
Balance at December 31, 2020	148,535	17,556	3,940	14,189	184,220

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

	Computer Equipment	Furniture and Fixtures	Computer Software	Leasehold Improvements	Total Value
Cost					
Balance at January 1, 2019	\$ 143,559	\$ 80,649	\$ 9,470	\$ 25,916	\$ 259,594
Additions	52,284	8,783	5,390	37	66,494
Disposals	(77,102)	(18,272)	(4,655)	(1,663)	(101,692)
Balance at December 31, 2019	118,741	71,160	10,205	24,290	224,396
Accumulated amortization and impairment					
Balance at January 1, 2019	40,815	19,539	2,684	1,376	64,413
Amortization	45,146	27,501	6,530	6,880	86,057
Disposals	(42,011)	(9,564)	(4,656)	(1,664)	(57,894)
Balance at December 31, 2019	43,950	37,476	4,558	6,592	92,576
Carrying amounts					
Balance at December 31, 2019	74,791	33,684	5,647	17,698	131,820

The property and equipment broken down by geographic location is as follows:

	December 31 2020	December 31 2019
Canada	\$ 104,650	\$ 75,939
India	79,570	55,881
Total property and equipment, net	184,220	131,820

For the years ended December 31, 2020 and 2019, there were no indicators of impairment noted for property and equipment.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

6. Intangible assets**Intangible assets**

Intangible assets include costs to acquire certain portfolios of games. The movements of the Company's intangibles are summarized as follows:

	Technology Based	Brand/ License Based	Total Value
Cost			
Balance at January 1, 2020	\$ 9,083,124	\$ 3,069,902	\$ 12,153,026
Additions	—	—	—
Balance at December 31, 2020	9,083,124	3,069,902	12,153,026
Accumulated amortization and impairment			
Balance at January 1, 2020	3,733,665	767,876	4,501,541
Amortization	1,847,282	687,277	2,534,559
Balance at December 31, 2020	5,580,947	1,455,153	7,036,100
Carrying amounts			
Balance at December 31, 2020	3,502,177	1,614,749	5,116,926

For the year ended December 31, 2020, there were no indicators of impairment noted for intangible assets.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

	Technology Based	Brand/ License Based	Total Value
Cost			
Balance at January 1, 2019	\$ 8,360,000	\$ 1,868,000	\$ 10,228,000
Purchase price and legal fees acquired through asset acquisition	634,273	1,054,224	1,688,497
Adjustment to contingent consideration for asset acquisition	88,851	147,678	236,529
Balance at December 31, 2019	9,083,124	3,069,902	12,153,026
Accumulated amortization and impairment			
Balance at January 1, 2019	65,982	15,041	81,023
Amortization	2,756,189	669,804	3,425,993
Impairment of intangible assets acquired in business combination	911,494	83,031	994,525
Balance at December 31, 2019	3,733,665	767,876	4,501,541
Carrying amounts			
Balance at December 31, 2019	5,349,459	2,302,026	7,651,485

On September 5, 2019, the Company entered into an asset purchase agreement with Flashman Games LLC, a California corporation and Bongfish GmbH, an Austria corporation ("Smurfs acquisition") to acquire a list of developed technology consisting of certain game assets from Flashman LLC. All intangible assets are based in Canada.

The asset was recorded using the present value of the cash consideration plus the contingent consideration as follows:

Cash consideration, present value	\$ 1,309,233
Contingent consideration on revenues from September 2019 – December 2019, at present value (note 11)	204,767
Contingent consideration on revenues from September 2019 – August 2020, at present value (note 11)	119,682
Legal invoices associated with acquisition	54,815
Aggregate purchase price	1,688,497

The consideration was allocated to the technology and the license based on their estimated fair values. The fair value of the license was calculated using a multi-period excess earnings method, and the technology was calculated using a cost approach.

The consideration for the portfolio of games included a potential increase of consideration based on certain revenues earned by the Company for the four-month period from September to December 2019. As such, \$236,529 was added to the asset value as at December 31, 2019 based on revised actual revenues as determined at December 31, 2019. Legal fees of \$54,815 associated with the asset acquisition were also capitalized to the intangible asset value and pro-rated accordingly to the technology and license/brand values. The amount owing on the acquisition of the games is described in Note 11.

In 2018, PopReach entered into an asset purchase agreement with RockYou Inc, a Delaware corporation to acquire a list of developed technology consisting of certain game assets from RockYou Inc (the "**RockYou portfolio**"). As part of the same RockYou acquisition, PopReach acquired its assets in RockYou India ("RY India"), a wholly owned subsidiary of RockYou Inc including the net working capital, property, plant and equipment, and employees inclusive of the related employee liabilities. Explanations on the funding of the acquisition can be found in Note 10.

On May 7, 2019, the investment in the RockYou portfolio of games was legally transferred to PR Tech, a wholly owned subsidiary of Popreach Incorporated. As the process to transfer PR Tech was administrative in nature, the Company accounted for such transfer on December 23, 2018, at the time of entering into the RockYou acquisition as PopReach had full control over the related assets and employees at this date. However, during 2019, the seller of the RockYou portfolio of games went through bankruptcy and insolvency proceedings. As such, certain advertising engines that the seller was operating were shut down, resulting in lower actual revenues compared to forecasted revenues during the year. As such, an indication of impairment was noted for the year ended December 31, 2019, and the recoverable amount was calculated using its value in use. The discount rate of the future cash flows was estimated to be 24.5%-31.0%, which is consistent with the discount rate used in the determination of the fair value of the initial acquisition. The amount of impairment, determined by the difference between the recoverable amount and the carrying amount of the associated intangible assets, was calculated to be \$911,494 for the technology and \$83,031 for the brand, and is recorded under operating expenses in the statements of loss and comprehensive loss. Changes in inputs, such as discount rates and future cash flows, are subject to estimate and changes in these inputs can materially impact the estimated value in use of the intangible assets.

7. Commitments

The Company and its subsidiaries are subject to routine legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated losses, cash flow or financial position.

8. Leases

Short Term Leases

The Company and its subsidiaries are parties to various rent and software license costs. For leases in which the lease has a term less than 12 months on the commencement date, all commitments are on a month-to-month basis and can be cancelled at any time within a 30 to 60 day notice period.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

In December 2019, the Company signed a short-term lease for an office space in Toronto, Ontario, with the intention to utilize the office space for less than 12 months. This lease was renewed in August 2020 for an additional period of less than 12 months. In September 2020, the Company signed a short-term lease for an office space in Vancouver, British Columbia, with the intention to utilize the office space for less than 12 months. The amount of rent expensed during the year ended December 31, 2020 was \$88,633 (2019 – \$15,105) and was recorded as a general and administrative expense in the statement of loss and comprehensive loss.

The following is a summary of the right-of-use asset and lease liabilities as reported on the statement of financial position:

	December 31 2020	December 31 2019
Right-of-use assets		
Buildings – Cost	\$ 554,327	\$ 554,327
Buildings – Accumulated Amortization	(415,746)	(138,582)
	138,581	415,745
Lease liabilities		
Current	208,302	327,408
Non-current	113,264	321,926
	321,566	649,334

During the year ended December 31, 2020, the Company recognized \$277,164 of amortization expense related to right-of-use assets (year ended December 31, 2019 - \$138,582) and \$73,325 of interest expense related to lease liabilities (year ended December 31, 2019 - \$73,401).

Below is a summary of the maturity of the lease liabilities as at December 31, 2020:

Year	Payments	Interest	Total
2021	\$ 236,868	\$ 25,690	\$ 211,178
2022	71,802	9,934	61,868
2023	50,485	1,965	48,520
	359,155	37,589	321,566

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 15%.

Right-of-use assets for PR Tech are amortized over the expected lease term of 2 years.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

9. Investment in lease receivable

On December 1, 2019, the Company entered into a sublease agreement for its previous Toronto office with a lessee, expiring on August 1, 2023.

The following is a summary of lease receivable as recorded in the statement of financial position:

	December 31 2020	December 31 2019
Current	\$ 50,552	\$ 43,567
Non-current	100,164	147,746
	150,716	191,313

Below is a summary of the maturity of the investment in lease receivable as at December 31, 2020:

Year	Payments	Finance income	Total
2021	\$ 67,139	\$ 16,587	\$ 50,552
2022	67,139	9,638	57,501
2023	44,760	2,097	42,663
	179,038	28,322	150,716

The incremental borrowing rate for the investment in lease receivable was estimated to be 13%.

10. Borrowings

Bank credit facility

To fund the acquisition of the games from RockYou Inc. in 2018 (see note 6), PopReach entered into a senior secured credit agreement of \$10,000,000 with a maturity date of December 23, 2022, where PopReach agreed to secure all of its obligations by granting the lender a first priority security interest on all of its assets. The interest rate charged on the credit facility was equal to the LIBOR plus 7.00% per annum, where LIBOR floor was 2.00%.

Certain deferred financing fees of \$138,708 were incurred with the facility, in addition to \$360,425 worth of warrants (note 17) and were amortized over the life of the debt facility. As at December 31, 2019, the net carrying value of the deferred financing fees was \$371,467 with the amortization of deferred financing fees recorded as general and administrative expenses in the consolidated statements of loss and comprehensive loss.

On October 2, 2020, PopReach entered into a new non-revolving term facility of \$6,500,000 with the Bank of Nova Scotia in order to refinance its prior credit facility and entered into an operating line of credit of \$1,000,000 with the same lender (collectively, the “**New Facility**”). The interest rate charged on the non-revolving term facility is equal to the US Base Lending Rate plus 3.50% per annum, and the interest rate charged on the operating line of credit is equal to the US Base Lending Rate plus 2.00% per annum. The New Facility matures 24 months from the closing date. PopReach, as borrower, and the Company, as guarantor, have agreed to secure all of PopReach’s obligations under the New Facility by granting the lender a first ranking security interest on all of their respective assets.

On October 2, 2020, in conjunction with the closing of the New Facility, the Company retired its prior bank credit facility by paying down the entire outstanding principal of \$6,134,832 plus applicable interest, premium and legal expenses, and all remaining deferred financing fees related to the prior bank credit facility were expensed to interest and accretion expenses.

The Company is in full compliance with the financial covenants at December 31, 2020.

Below is a summary of the borrowings owing by the Company:

	December 31 2020	December 31 2019
Bank credit facility	\$ 6,032,863	\$ 7,874,626
Convertible debentures (note 12)	—	663,366
Total borrowings	6,032,863	8,537,992
Current	1,200,418	7,874,626
Non-current	4,832,445	663,366
Total borrowings	6,032,863	8,537,992

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

11. Provisions and game acquisition payable

Provisions are related to the present value of contingent consideration payable to entities for the purchase of certain portfolios of games or businesses. As there is judgment involved in estimating the discount rate of the contingent consideration and the future cash flows of which the consideration is calculated, it is separated out from the fixed portion of consideration classified as "Game acquisition payable" in the statements of financial position.

Game acquisition payable – Smurfs portfolio of games

Game acquisition payable at January 1, 2019	\$	–
Cash consideration, present value (note 6)		1,309,233
Cash consideration paid to date		(950,000)
Accretion expense		10,796
Game acquisition payable at December 31, 2019		370,029
Accretion expense		5,571
Cash consideration paid		(375,600)
Game acquisition payable at December 31, 2020		–

Provisions

For the asset acquisition of the Smurfs portfolio of games, the discount rate used to estimate the fair value of the provision as at December 31, 2020 and December 31, 2019 was 25%.

For the acquisition of the RockYou portfolio of games recorded as a business combination, the discount rate used to estimate the fair value of the provision as at December 31, 2020 and December 31, 2019 was 24%.

Below is a summary of the contingent consideration provisions as at the end of each year:

	2020	2019
Balance at January 1	\$ 1,671,846	\$ 1,014,772
Contingent consideration acquired (paid) in asset acquisition, at present value (note 6)	(1,688,497)	324,449
Accretion expense	133,644	155,796
Adjustment to contingent consideration (note 6)	–	236,529
Change in fair value of contingent consideration (note 13)	(16,993)	(59,700)
Balance at December 31	100,000	1,671,846

As of December 31, 2020, the entire provision for the acquisition of the RockYou portfolio of games of \$1,219,957 has been paid. The remaining balance is related to the acquisition of the Smurfs portfolio of games.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Changes in these variables can materially impact the estimated fair value of contingent consideration and consequently, the related amount recognized to fair value loss on financial liabilities with respect to the contingent consideration recorded for the acquisition of the RockYou portfolio of games/business and intangible assets with respect to the contingent consideration recorded for the acquisition of the Smurfs portfolio of games recorded as an asset acquisition.

12. Derivative financial instruments and convertible debentures

The summary of the convertible debt liability and related conversion features is as follows:

	Debt host value	Conversion/ Warrant value (liability)	Total Value
Balance at January 1, 2019	\$ 256,561	\$ —	\$ 256,561
Debentures issued during the year	340,038	81,265	421,303
Accretion expense	53,356	—	53,356
Effect of foreign exchange rates	13,411	4,157	17,568
Change in fair value of conversion feature	—	120,168	120,168
Balance at December 31, 2019	663,366	205,590	868,956
Debentures issued during the year	1,153,588	711,147	1,864,735
Debt issuance cost	(12,684)	—	(12,684)
Accretion expense	90,262	—	90,262
Effect of foreign exchange rates (note 13)	(34,558)	67,125	32,567
Change in fair value of conversion feature and warrant liability (note 13)	—	4,927,730	4,927,730
Conversion to Common Shares	(1,859,974)	(1,365,121)	(3,225,095)
Balance at December 31, 2020	—	4,546,471	4,546,471

For the year ended December 31, 2020, the Company issued unsecured convertible debentures, for aggregate proceeds of \$1,864,735 (year ended December 31, 2019 - \$421,303 plus early proceeds received in 2018 of \$256,561) to certain investors of the Company. These instruments, including both debenture rounds issued in 2020 and 2019, along with interest accrued at an annual interest rate bearing 8%, were converted automatically and immediately upon completion of the reverse takeover transaction on June 30, 2020 (note 26) into fully paid and non-assessable units of the Company, consisting of one Common Share at the conversion price C\$0.325 – C\$0.576 per share, and one warrant at a strike price of C\$0.488 - C\$0.864 per share representing a strike price 50% higher than the conversion price. These warrants expire on June 30, 2022.

The Company also paid \$7,818 in cash, issued \$7,818 in convertible debentures, and issued non-transferable share purchase warrants to acquire up to 36,454 Common Shares to certain entities in reference to finder's fee agreements associated with the aforementioned convertible debt issuance. Each warrant will be exercisable to purchase one additional Common Share at a strike price of C\$0.576 per share, and expire on June 30, 2022.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

The December 31, 2020 and 2019 warrant value balances are related to the warrants which do not meet the fixed-for-fixed condition, and therefore are classified as a current liability on the statement of financial position until the exercise or expiration of the warrants. As at December 31, 2020, there are 7,744,273 warrants outstanding which are classified as a current liability. Changes in the inputs to the Black Scholes model can materially change the fair value of the warrants. A 10% increase in the volatility would increase the fair value of the liability by \$142,601, while a 10% decrease in the volatility would decrease the fair value of the liability by \$106,982.

In June 2020, the Company completed its reverse takeover transaction discussed in Note 26, with all of the convertible debt liability and accrued interest converting to common shares at that time. The summary of the conversion is as follows:

	Value of shares (note 16)
Conversion to Common Shares - convertible debt	\$ 3,225,095
Conversion to Common Shares – accrued interest	117,530
	<u>3,342,625</u>

Inputs for measurement of issuance date fair values

As there is uncertainty in the dollar amount of conversion, these do not meet the fixed-for-fixed condition. The fair value of the conversion feature related to the issuances of the convertible debentures were estimated using the Monte Carlo simulation method. The assumptions at the issuance date were as follows:

For the year-ended December 31, 2020:*Issuance dates – year ended December 31, 2020*

Risk-free interest rate: 0.30-1.13%

Expected volatility: 40.0%

Stock price (expressed in Canadian \$): \$0.72

Expected life: 2.18-2.43 years

Expected dividends: \$nil

Liquidity event: June 30, 2020

Discount to Liquidity event share price: 20%

Probability of liquidity event: 75-90%

The remainder of the value was allocated towards the debt feature, with the effective interest rate being 25%. At the end of each reporting year, the conversion feature and warrant liabilities are measured at fair value, with any gains or losses recorded in the Consolidated statements of loss and comprehensive loss. The fair value of the conversion feature and warrants were revalued on the conversion date using the assumptions as follows:

Conversion date – June 30, 2020

Risk-free interest rate: 0.32%

Expected volatility: 42.56%

Stock price (expressed in Canadian \$): \$0.72

Expected life: 2.00 years

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Expected dividends: \$nil

Liquidity event: June 30, 2020

Share price based on the lower of 20% discount to the liquidity price or a pre-money valuation of C\$18,000,000

Probability of liquidity event: 100%

Upon completion of the reverse takeover transaction, the subsequent warrants were estimated using the Black-Scholes model. As the warrant liabilities are measured at fair value, the fair value of the warrants were revalued on December 31, 2020, with the assumptions as follows:

Revaluation date – December 31, 2020

Risk-free interest rate: 0.33%

Expected volatility: 42.23%

Stock price (expressed in Canadian \$): \$0.86

Expected life: 1.5 years

Expected dividends: \$nil

For the year ended December 31, 2019:

Issuance date – January 25, 2019

Risk-free interest rate: 1.88%

Expected volatility: 36.60%

Stock price (expressed in Canadian \$): \$2.39

Expected life: 2.00 years

Expected dividends: \$nil

Liquidity event: May 31, 2019

Conversion price using pre-money valuation (expressed in Canadian \$): \$12.34

Probability of liquidity event: 20%

The remainder of the value was allocated towards the debt feature, with the effective interest rate being 15%. At the end of each reporting period, the conversion feature and warrant liabilities are measured at fair value, with any gains or losses recorded in the consolidated statements of loss and comprehensive loss. The fair value of the conversion feature and warrants were revalued using the assumptions as follows:

Revaluation date – December 31, 2019

Risk-free interest rate: 1.74%

Expected volatility: 36.60%

Stock price (expressed in Canadian \$): \$2.50

Expected life: 1.07 years

Expected dividends: \$nil

Liquidity event: May 31, 2020

Conversion price using pre-money valuation (expressed in Canadian \$): \$11.74

Probability of liquidity event: 50%

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

13. Fair value loss on financial liabilities

The summary of the fair value loss on financial liabilities as follows:

	2020	2019
Change in fair value of contingent consideration (note 11)	\$ (16,993)	\$ –
Change in fair value of conversion feature and warrant liability (note 12)	4,927,730	60,468
Foreign exchange (gains) losses on conversion feature and warrant liability (note 12)	67,125	–
	4,977,862	60,468

14. Employee benefit obligations

The Company has defined employee benefit plans, both mandated by Indian law, covering employees of PR Tech. The plans consist of a Gratuity and a Leave Encashment plan. The liability recognized in the statement of financial position in respect of the Gratuity plan and the Leave Encashment plan is the present value of defined benefit obligations at the end of the reporting year. The defined benefit obligation is calculated through an actuarial valuation using the projected unit credit method. The benefits are based on years of service and last drawn salary.

The most recent actuarial valuation of the benefit plans for accounting purposes was as of December 31, 2020.

Below is a summary of the change in employee benefit obligations from December 31, 2019 to December 31, 2020:

	2020	2019
Beginning benefit obligation – January 1	\$ 538,217	\$ 475,573
Service cost	100,281	112,602
Interest cost	33,579	34,599
Actuarial gains to profit and loss	(33,127)	(13,450)
Actuarial losses to other comprehensive income	31,211	–
Benefits paid	(70,143)	(59,070)
Foreign currency translation adjustments	(11,163)	(12,037)
Ending benefit obligation – December 31	588,855	538,217

The actuarial losses to other comprehensive income during the year ended December 31, 2020 were shown on the statement of loss and comprehensive loss net of income tax recovery of \$7,856 (year ended December 31, 2019 – nil).

The key assumptions for the gratuity and leave encashment plans at December 31, 2020 are as follows:

Discount rate: 5.94%

Salary escalation: 10%

Attrition rate: 2-16%

Indian Assured Lives mortality rate (ages 15-70): 0.0698% – 2.4058%

The key assumptions for the gratuity and leave encashment plans at December 31, 2019 are as follows:

Discount rate: 6.95%

Salary escalation: 10%

Attrition rate: 2-16%

Indian Assured Lives mortality rate (ages 20-60): 0.0924% – 1.1162%

15. Financial risks

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars and Indian rupees (INR). The Company does not currently enter into forward contracts to mitigate this risk. There have been no significant changes in the risk exposure from fiscal 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due, if any; and management of cash including the ability to raise additional debt and equity capital as and when required.

The Company takes advantage of government assistance programs which promote interactive digital media development in the Canadian economy as investment tax credits available from qualifying research and development expenditures.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The following tables outline the Company's remaining contractual maturities for its non-derivative financial liabilities, at their undiscounted value, based on the earliest date the Company is required to make payment on these amounts:

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

					December 31 2020	
					Payments due	
	Total	Less than 1 year	1-3 years	After 3 years		
Trade payables and accrued liabilities	\$ 869,081	\$ 869,081	\$ —	\$ —		
Provisions	100,000	100,000	—	—		
Borrowings – principal	6,201,772	1,305,636	4,896,136	—		
Borrowings – interest	709,940	402,299	307,641	—		
Lease payments – principal	321,566	211,178	110,388	—		
Lease payments – interest	37,589	25,690	11,899	—		
Total	8,239,948	2,913,884	5,326,064	—		

Credit risk

Credit risk is that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from cash and trade and other receivables as amounts are owing primarily from three customers. As at December 31, 2020 and December 31, 2019, all trade and other receivables were within normal repayment terms and the Company had recorded no expected credit losses.

Interest rate risk

The Company's New Facility has a variable interest rate based on US Base Lending Rate plus 3.50% for the term loan, and US Base Lending Rate plus 2.00% for the operating line of credit. As a result, the Company is exposed to interest rate risk due to fluctuations in the US Base Lending Rate. Interest expense has been recorded in the statement of loss and comprehensive loss.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

16. Share capital

Authorized and issued

The Company's authorized share capital consists of an unlimited number of Common Shares with no par value.

Below is a summary of the movement in share capital during the years ended December 31, 2020 and 2019:

	Number of Shares	Total Value
Balance at January 1, 2019	37,041,292	\$ 2,707,411
Exercise of warrants	1,889,373	445,785
Issuance of broker warrants	–	(11,316)
Balance at December 31, 2019	38,930,665	3,141,880
Exercise of warrants	1,629,273	416,710
Issuance of shares – non-brokered private placement	6,944,444	3,633,518
Issuance of shares – bought deal public offering	13,800,000	12,231,068
Issuance of compensation options – bought deal public offering	–	(243,355)
Exercise of share-based payments	250,031	72,326
Conversion of convertible debt (note 12)	7,744,273	3,342,625
Shares issued on reverse takeover (note 26)	3,750,000	1,981,215
Balance at December 31, 2020	73,048,686	24,575,987

In the years ended December 31, 2020 and 2019, the Company incurred a net loss, with anti-dilutive securities including convertible debentures and associated derivatives described in Note 12, warrants in Note 17 and share-based payments in Note 18.

Non-brokered private placement

On November 5, 2020, the Company closed a non-brokered private placement (the “**Private Placement**”) of C\$5,000,000 with New Insight Incentive Plan Company (“**New Insight**”), a 100% owned subsidiary of eWTP Tech Innovation Fund LP, the global investment arm of Alibaba Group. As permitted by the rules of the TSX Venture Exchange, on closing of the Private Placement on November 5, the Corporation received C\$4.175 million of gross proceeds and issued to New Insight 5,798,611 Common Shares at a price of C\$0.72 per Common Share. The remaining C\$825,000 of gross proceeds was received on December 8, 2020 and an additional 1,145,833 Common Shares were issued to New Insight. The gross proceeds amounted to \$3,843,118, and net proceeds were \$3,633,518, inclusive of transaction costs of \$209,600.

Bought deal public offering

On November 27, 2020, the Company completed a public offering with Beacon Securities Limited, on behalf of a syndicate of underwriters, for the purchase on a bought deal basis (the “**Bought Deal**”) of 12,000,000 Common Shares of the Company at a price of C\$1.25 per share for gross proceeds to the Company of C\$15,000,000. The Company also granted the underwriters an option (the “**Over-Allotment Option**”) to purchase an additional number

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

of Common Shares equal to 15% of the number of Common Shares sold pursuant to the Bought Deal, which was fully exercised for an additional 1,800,000 Common Shares at C\$1.25 per share for gross proceeds to the Company of C\$2,250,000. The total Bought Deal, including the Over-Allotment, resulted in 13,800,000 Common Shares of the Company at a price of C\$1.25 per share for aggregate total gross proceeds to the Company of C\$17,250,000. Underwriters' compensation is comprised of a 6% cash fee plus 6% compensation options exercisable into Common Shares at the issue price of C\$1.25 for 24 months from November 27, 2020. A total of 828,000 compensation options were accordingly issued. The gross proceeds amounted to \$13,284,559, and net proceeds were \$12,231,068, inclusive of cash transaction costs of \$1,053,491.

Compensation options issued were valued at \$243,355. The value of the compensation options was calculated using the Black-Scholes option pricing model and the assumptions at grant dates were as follows:

Grant date – November 27, 2020

Risk-free interest rate: 0.24%

Expected volatility: 45.35%

Expected life: 2.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): 1.25

Share price (expressed in Canadian \$): 1.35

Fair value, per option (expressed in Canadian \$): 0.3816

In January 2019, the Company issued units of \$11,316 in aggregate value consisting of one common share and one warrant as consideration for services provided in connection with the issuance of convertible debt, which is exercisable at any time until the date which is twenty-four months following the closing of said issuance. These broker "units" (common share and warrants) are unit payments and are not readily convertible into cash - hence, they are treated as equity and booked to share-based payment reserve. On December 2, 2020, the holder chose to exercise these units, and they were bifurcated into 27,774 common shares and warrants each. The value of the shares was reclassified from warrants to share capital.

In December 2019, certain warrants were exercised by investors for aggregate cash proceeds of \$86,638 (2019-\$189,870).

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

17. Warrant reserve

Below is a summary of the outstanding warrants classified as equity instruments:

	Number of Warrants	Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)	Total Value (equity)
Balance at January 1, 2019	3,525,530	\$ 0.09	1.67-5.00	\$ 626,754
Warrants to be issued (note 16)			2.00	11,316
Warrants exercised during the year (note 16)	(1,889,379)	0.16	—	(255,915)
Balance at December 31, 2019	1,636,151	0.008	0.01-4.00	\$ 382,155
Broker warrants issued	99,584	0.54-0.58	0.07-1.42	12,684
Warrants expired during the year	(77,152)	0.16	—	—
Warrants exercised during the year	(1,601,499)	0.00001-0.80	—	(378,966)
Warrants issued on reverse takeover (note 26)	250,000	0.80	0.78	34,303
Balance at December 31, 2020	307,084	0.74	0.84	50,176

Below is a summary of the outstanding warrants classified as current liabilities:

	Number of Warrants	Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)	Total Value (liability)
Balance at January 1, 2019	—	\$ —	—	\$ —
Balance at December 31, 2019	—	—	—	—
Conversion of convertible debentures (note 12)	7,744,273	0.49-0.86	1.50	4,546,471
Balance at December 31, 2020	7,744,273	0.71	1.50	4,546,471

During the year ended December 31, 2020, the Company issued 36,454 broker warrants as consideration for services provided in connection with the issuance of convertible debt as disclosed in Note 12, which are exercisable into 36,454 Common Shares. The broker warrants expire 24 months following the closing of the convertible debentures.

The Company also paid \$14,775 in cash and issued non-transferable share purchase warrants to acquire up to 35,356 Common Shares to certain entities in reference to finder's fee agreements associated with the convertible

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

debt issuance described in Note 12. Each warrant will be exercisable to purchase one additional Common Share at a price of C\$0.576 per share, and expires on June 2, 2022.

Grant dates – for the year ended December 31, 2020

Risk-free interest rate: 0.32-1.15%

Expected volatility: 39.50-42.88%

Expected life: 2.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): 0.576

Share price (expressed in Canadian \$): 0.720

Fair value, per warrant (expressed in Canadian \$): 0.232-0.244

More information on the assumptions used in valuing the warrants issued on conversion of the convertible debentures can be found in Note 12.

The Company observed similar public companies in order to estimate volatility over the estimated life of the warrants. Changes in these variables can materially impact the estimated fair value of the warrants.

77,152 warrants expired during the year ended December 31, 2020 (2019 – nil).

On June 9, 2020, the Company's creditor exercised all of its broker warrants associated with the financing of the acquisition of the RockYou portfolio of games discussed in Note 10.

The total number of warrants issued and their classification are as follows:

	December 31 2020	December 31 2019
Warrants – equity	307,084	1,636,151
Warrants – liability (note 12)	7,744,273	–
	8,051,357	1,636,151

18. Share-based payments**Description of the share-based payment arrangements with employees**

The Company has a share option plan with the objective of attracting, retaining and motivating key employees, officers and directors in long-term success of the Company. In accordance with this plan, options are exercisable at the exercise price of each option, as determined on the grant date. Each share option expires on the date that is the earlier of 5 years from the date of grant or such earlier date as may be set out in the participant's award agreement.

In 2020, the Company awarded key employees 782,200 share options. 25% of the options granted to each employee vest after 12 months, and 6.25% vest each quarter thereafter. All options expire on the 5th anniversary from the date of grant.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

In 2020, the Company awarded independent directors 650,000 share options, all vesting on the first anniversary of the grant. All options expire on the 5th anniversary from the date of the grant.

In 2020, the Company awarded independent consultants 30,000 share options. 25% of the options granted to the consultants vest after 3 months, and 25% vest each quarter thereafter. All options expire on the 2nd anniversary from the date of the grant.

In 2019, the Company awarded executive officers 2,148,169 share options. 25% of the options vest after 12 months, and 6.25% vest each quarter thereafter. All options expire on the 5th anniversary from the date of grant. A total of 700,369 share options were cancelled during the year, and 190,500 share options were forfeited due to employee departures.

The following is a summary of the share options for years ended December 31, 2020 and 2019:

	Average exercise price per share option	Number of options
As at January 1, 2019	C\$0.19	4,093,814
Granted during the year	C\$0.31	2,148,169
Forfeited during the year	C\$0.28	(190,500)
Cancelled during the year	C\$0.31	(700,369)
As at December 31, 2019	C\$0.22	5,351,114
Granted during the year	C\$0.72-\$1.40	1,462,200
Share options issued on reverse takeover (note 26)	C\$0.80	375,000
Share options forfeited	C\$0.32	(92,869)
Share options exercised	C\$0.16-\$0.31	(250,031)
As at December 31, 2020	C\$0.39	6,845,414
Vested and exercisable at December 31, 2019	C\$0.18	2,512,321
Vested and exercisable at December 31, 2020	C\$0.25	3,896,486

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

No options expired during the years covered by the above tables. Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options December 31 2020
Jan 2017 – Oct 2017	Jan 2022 – Oct 2022	C\$0.16	3,369,914
Jan 2018	Jan 2023	C\$0.31	190,500
Jan 2019 – Oct 2019	Jan 2024 – Oct 2024	C\$0.31	1,447,800
Apr 2020	Apr 2025	C\$0.72	457,200
From Qualifying Transaction	Oct 2024	C\$0.80	375,000
Jul 2020 – Aug 2020	Jul 2025 – Aug 2025	C\$0.85 – C\$1.00	925,000
Nov 2020	Nov 2022 – Nov 2025	C\$1.40	80,000
Total			6,845,414
Weighted average remaining contractual life of options outstanding at end of year (in years)			2.76

Grant date	Expiry date	Exercise price	Share options December 31 2019
Jan 2017 – Oct 2017	Jan 2022 – Oct 2022	C\$0.16	3,465,164
Jan 2018	Jan 2023	C\$0.31	438,150
Jan 2019 – Oct 2019	Jan 2024 – Oct 2024	C\$0.31	1,447,800
Total			5,351,114
Weighted average remaining contractual life of options outstanding at end of year (in years)			3.16

During the year ended December 31, 2020, the Company incurred share-based payment expenses to employees and directors of the Company in the amount of \$180,201 (year ended December 31, 2019 - \$201,184) in relation to its share option plan. These costs are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

Inputs for measurement of grant date fair values

The grant date fair value of stock options was estimated using the Black-Scholes option pricing model and the assumptions at grant dates were as follows:

Grant dates – for the year ended December 31, 2020

Risk-free interest rate: 0.26-0.56%

Expected volatility: 40.80%-47.23%

Expected life: 2.00-5.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): 0.72-1.40

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Share price (expressed in Canadian \$): 0.72-1.38

Fair value, per option (expressed in Canadian \$): 0.21-0.49

Grant dates – for the year ended December 31, 2019

Risk-free interest rate: 1.56-1.89%

Expected volatility: 39.54-39.58%

Expected life: 5.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): 0.31

Share price (expressed in Canadian \$): 0.31

Fair value, per option (expressed in Canadian \$): 0.11-0.12

The Company observed similar public companies in order to estimate volatility over the estimated life of the option. Changes in these variables can materially impact the estimated fair value of share-based compensation and consequently, the related amount recognized to general and administrative expenses in the consolidated statements of loss and comprehensive loss.

19. Supplementary cash flow information**Change in working capital**

	2020	2019
Trade and other receivables	\$ 277,305	\$ (2,254,425)
Prepaid assets	33,149	(256,218)
Investment tax credits receivable	256,663	(94,738)
Trade payables and accrued liabilities	(1,161,565)	1,005,257
Taxes payable	(29,377)	72,439
Deferred revenue	(319,037)	561,889
Total change in working capital	(942,862)	(965,796)

20. Related party transactions**Convertible debentures**

During 2020, of the C\$2,536,870 of convertible debentures issued (US\$1,847,889), C\$660,000 (US\$480,753) was issued to key management personnel and Directors of the Company.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

21. Key management compensation

Compensation for key management personnel, including the Company's officers and Board of Directors, and private companies controlled by the Company's Officers and Board of Directors, was as follows:

	2020	2019
Management salaries, bonuses and other benefits	\$ 789,842	\$ 609,891
Director fees	53,561	—
Share-based payments - management	77,390	168,755
Share-based payments - directors	62,950	10,978
Total key management compensation	983,743	789,624

22. Management of capital

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to preserve its capital through adapting its strategic efforts and working to optimize revenues from its game production and operations. The Company also attempts to raise additional funds through the issuance of debt or equity.

In the management of capital, the Company's definition of capital includes shareholders' (deficit) equity and borrowings. As at December 31, 2020, the Company's managed capital was \$18,553,021 (December 31, 2019 - \$5,804,411), which was comprised of shareholders' equity of \$12,520,158 (December 31, 2019 - deficit of \$2,733,581) and interest bearing debt of \$6,032,863 (December 31, 2019 - \$8,537,992). Included in interest-bearing debt is the debt component of the convertible debentures of nil (December 31, 2019 - \$663,366), where the associated accreted interest expenses is a non-cash charge.

23. Revenue from contracts with customers

The following table presents our revenue disaggregated based on the geographic location of our paying players. All of the geographic locations presented below represent at least 10% of total revenues in either the years ended December 31, 2020 or December 31, 2019:

	2020	2019
North America	\$ 13,856,473	\$ 13,952,244
Europe	2,531,001	2,277,961
Other	1,622,811	1,721,669
Total revenue	18,010,285	17,953,874

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

The following table presents our in-app purchases disaggregated based on each platform partner:

	2020	2019
Apple	\$ 7,393,225	\$ 6,404,671
Facebook	6,360,952	7,505,518
Google	3,306,286	2,779,293
Amazon	239,755	280,678
Total revenue	17,300,218	16,970,160

During the years ended December 31, 2020 and 2019, there was no significant impact from discontinued games or from changes in our estimated average playing year of payers that required adjusting the recognition year of deferred revenue generated in prior years.

24. Breakdown of employee compensation

	2020	2019
Salaries and benefits	\$ 3,953,326	\$ 4,018,391
Employee benefits expenses	100,734	135,164
Share-based compensation expense	180,201	201,184
	4,234,261	4,354,739

Presented as follows:

Cost of sales	\$ 150,024	\$ 164,497
Research and development	2,622,708	3,245,964
General and administrative	1,461,529	944,278
	4,234,261	4,354,739

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

25. Change in comparative information

Certain figures in the statements of loss and comprehensive loss have been reclassified from general and administrative expenses to separate line items. Below is the summary of the reclassification during the prior reporting years:

For the year ended December 31 2019	As previously reported	Reclassification	As adjusted
Interest and accretion expenses	\$ —	\$ 1,266,094	\$ 1,266,094
Fair value loss on financial liabilities	—	60,468	60,468
General and administrative expenses	4,128,368	(1,326,562)	2,801,806
	4,128,368	—	4,128,368

Certain figures in the statements of loss and comprehensive loss have been reclassified from cost of sales to marketing expenses. Below is the summary of the reclassification during the prior reporting years:

For the year ended December 31 2019	As previously reported	Reclassification	As adjusted
Cost of sales	\$ 10,109,356	\$ (47,059)	\$ 10,062,297
Marketing	—	47,059	47,059
	10,109,356	—	10,109,356

The reclassification changes had no impact to the consolidated statement of financial position, net loss and comprehensive loss, loss per share and the consolidated statement of cash flows.

26. Reverse Takeover Transaction

On November 11, 2019, the Company signed a letter of intent with PopReach, where the Company would acquire PopReach, by way of a three-corner amalgamation, share exchange, plan of arrangement or other similar form of transaction as agreed by the parties. On June 26, 2020, the Company and PopReach entered into the Definitive Agreement, which supersedes the prior binding letter of intent, pursuant to which the parties agreed to complete the Qualifying Transaction (the “**Transaction**”) on the terms set out therein. The Transaction was completed on June 30, 2020 and resulted in a reverse take-over of the Company by PopReach and constitutes the Qualifying Transaction of the Company in compliance with the CPC Policy. Pursuant to the terms of the Definitive Agreement, the Company acquired 100% of PopReach and the Company changed its name to PopReach Corporation.

Pursuant to the Transaction, each PopReach shareholder received 7.62 post-Consolidation Common Shares in the capital of the Company for each PopReach common share held by them, for a total issuance by the Company from treasury of 48,233,937 post-Share Consolidation Common Shares. In addition, each convertible, exchangeable, or exercisable security of PopReach was exchanged for a convertible, exchangeable or exercisable security, as applicable, of the Company on substantially the same economic terms and conditions as the original convertible,

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

exchangeable, or exercisable security of PopReach (with their exercise prices being divided by 7.62) resulting in the issuance of 7,744,273 warrants in respect of outstanding PopReach warrants, 5,808,314 options in respect of outstanding PopReach options and 99,584 broker warrants in respect of outstanding PopReach broker warrants, all of which have been retroactively adjusted in the Consolidated Financial Statements (see Note 1).

Following completion of the Transaction as at June 30, 2020, the Company had 51,983,937 Common Shares issued and outstanding. Assuming the conversion of all outstanding options, warrants and stock options, 66,288,882 Common Shares would be outstanding on a fully diluted basis. Common shares of the Company began trading on the TSX Venture Exchange under the symbol "POPR" on July 8, 2020.

The fair value of consideration for the Transaction is \$2,091,433. After deducting net assets of the Company before the closing of the Transaction of \$1,409,995, the non-cash listing expense of \$681,438 was expensed in the post acquisition year as a cost associated with obtaining a public stock listing. Based on the Company's statement of financial position immediately prior to the closing of the Transaction as at June 30, 2020, the net assets at fair value that were acquired by PopReach are as follows:

Purchase Consideration

Share capital	\$	1,981,215
Share-based payment reserve		75,915
Warrant reserve		34,303

Fair value of consideration		2,091,433

Identifiable assets acquired

Cash and cash equivalents	\$	1,484,114
Accounts payable and accrued liabilities		74,119
Net Assets Acquired		1,409,995

Non-cash listing expense		681,438
Add: Professional fees associated with reverse takeover		327,396

Reverse takeover listing expense		1,008,834

The value of the share-based payment reserve was calculated using the Black-Scholes option pricing model and the assumptions were as follows:

Risk-free interest rate: 0.45%

Expected volatility: 37.66%

Expected life: 5.00 years

Expected dividends: \$nil

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Exercise price (expressed in Canadian \$): \$0.80

Share price (expressed in Canadian \$): \$0.80

Fair value, per option (expressed in Canadian \$): \$0.03

The value of the warrant reserve was calculated using the Black-Scholes option pricing model and the assumptions were as follows:

Risk-free interest rate: 0.45%

Expected volatility: 40.00%

Expected life: 2.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): \$0.80

Share price (expressed in Canadian \$): \$0.80

Fair value, per warrant (expressed in Canadian \$): \$0.02

27. Current taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) to the effective tax rate is as follows:

	2020	2019
Net loss before recovery of income taxes	\$ 6,233,632	\$ 4,244,516
Expected income tax recovery	(1,651,910)	(1,124,797)
Difference in foreign tax rates	(4,490)	(6,021)
Share-based compensation and non-deductible expenses	123,950	135,050
Tax effect of convertible debt	1,367,590	—
Listing and transaction costs	267,340	—
Share issuance cost booked through equity	(337,620)	—
Unrealized FX gain/loss	17,160	—
Other	18,032	58,024
Change in tax benefits not recognized	267,540	1,129,013
Income tax expense	67,592	191,269

The Company's income tax (recovery) is allocated as follows:

	2020	2019
Current tax (recovery) expense	\$ 127,076	\$ 191,269
Deferred tax (recovery) expense	(59,484)	—
	67,592	191,269

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

28. Deferred taxes

The following table summarizes the components of deferred tax:

	2020	2019
Deferred Tax Assets		
Lease liabilities	\$ 79,400	\$ 160,870
Non-capital losses carried forward	502,930	279,264
Pension liabilities	55,990	—
Actuarial loss to OCI	7,860	—
Deferred Tax Liabilities		
Right-of-use assets	(74,820)	(160,870)
Property and equipment	(1,090)	—
Investment tax credits receivable	(187,790)	(251,360)
Deferred financing costs	—	(7,182)
Unrealized foreign exchange gains or losses	(315,140)	(20,722)
Deferred Tax Assets	67,340	—

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Below is the change in net deferred tax:

	2020	2019
Balance, beginning of year	\$ —	\$ —
Recognized in profit or loss	59,484	—
Recognized in OCI	7,856	—
Balance, end of year	67,340	—

Deferred tax assets recognized in the statement of financial position are solely related to PR Tech. The subsidiary is profitable and expects to utilize the deferred tax assets in the future to offset taxable profits.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2020	2019
Tangibles and intangibles	\$ 2,810,390	\$ 4,776,284
Lease liabilities	14,060	42,275
Non-capital losses carried forward	1,284,460	538,746
Deferred financing costs	1,357,030	—
Unrealized foreign exchange gains or losses	2,092,530	—
Total	7,558,470	5,357,305

The Canadian non-capital loss carryforwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because the Company is currently not profitable and are not able to utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses, the benefit of which has not been recognized on the consolidated financial statements, expire as follows:

2040	\$ 1,284,460
	1,284,460

The share issue and financing cost will be fully amortized in 2024.

29. Subsequent events

On January 8, 2021, the Company filed a preliminary short form base shelf prospectus with the securities commissions in each of the provinces and territories of Canada. On January 15, 2021, the Company filed a final base shelf prospectus, which is valid for a 25-month period and allows the Company to issue common shares, preferred shares, units, debt securities, subscription receipts and warrants, pursuant to terms set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to C\$150,000,000.

On March 18, 2021, the Company acquired substantially all of the assets relating to the "Peak – Brain Training" app from Brainbow Limited. On March 18, 2021, the Company made a \$3,000,000 cash payment to Brainbow Limited, with an additional \$2,000,000 payable on completion of certain post-closing transitional matters, to be completed within two months of closing. In connection with the acquisition, the Company incorporated PopReach UK Limited, a wholly-owned subsidiary of PopReach Incorporated.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

On April 13, 2020, the Company signed an asset purchase agreement and licensing agreement with Starbreeze Studios AB (“**Starbreeze**”) for the re-launch of mobile title PAYDAY Crime War. Under the terms of the asset purchase agreement, Starbreeze received a payment of \$250,000 in exchange for all rights and title to the existing PAYDAY Crime War source code and game assets. Concurrently, the parties entered into a five year licensing agreement granting the Company the right to publish PAYDAY Crime War worldwide, and access to assets from the PAYDAY 2 PC game for use in PAYDAY Crime War. PopReach will be responsible for completing development, marketing, live operations and user acquisition for PAYDAY Crime War, which it expects to soft launch in Q4 2021. Starbreeze will receive tiered royalties on PAYDAY Crime War net sales, and retains all IP rights to the PAYDAY franchise.

SCHEDULE E
POPREACH ANNUAL MD&A

(see attached)



Management's Discussion and Analysis of Financial Condition and Results of Operations of

POPREACH CORPORATION

For the year ended December 31, 2020 and 2019



The following management's discussion and analysis of financial condition and results of operations (the “**MD&A**”) has been prepared by management and provides a review of the activities, results of operations and financial condition of PopReach Corporation (the “**Company**”) based upon International Financial Reporting Standards (“**IFRS**”). This MD&A, dated April 19, 2021 should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2020 and 2019 (the “**Annual Financial Statements**”). All amounts disclosed below are in US dollars unless otherwise noted.

Cautionary Note Regarding Forward-Looking Information

The following MD&A contains forward-looking information and forward-looking statements. All statements and information, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, but not limited to, statements related to the Company's prospects and future plans and goals of the Company) are considered forward-looking information or forward-looking statements. These statements and information reflect the current expectations of the Company based on all information currently available. These statements and information are subject to a number of risks and uncertainties that may cause the Company's actual results to differ materially.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to:

- Limited history of operations
- Competition from other companies
- Risks related to the Company's growth strategy
- Ability to secure sufficient financing to acquire new games

Any forward-looking information and forward-looking statements given in the MD&A speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information or forward-looking statement. Although the Company believes that the assumptions used in making or providing any forward-looking information or forward-looking statements are reasonable, they do not guarantee future performance of operations, and as such, undue reliance should not be put on such information or statements due to their inherent uncertainty.

Company Overview

PopReach Corporation (the “**Company**”), formerly Mithrandir Capital Corp., was incorporated September 25, 2018 pursuant to the provisions of the Business Corporations Act (Ontario).

The Company was carrying on business as a Capital Pool Corporation (“**CPC**”), as such term is defined in TSX Venture Exchange Inc. (the “**Exchange**”) Policy 2.4 – Capital Pool Companies. The Company’s principal purpose was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation (the “**Qualifying Transaction**”) therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company completed its initial public offering on October 11, 2019. Upon completion, the Company’s shares were listed for trading on the Exchange under the symbol “GMER.P”.

On June 30, 2020, the Company incorporated a wholly owned subsidiary under the Canada Business Corporations Act, 2759344 Ontario Inc. (“**Subco**”), for the sole purpose of completing the proposed Qualifying Transaction.

The Qualifying Transaction was completed on June 30, 2020 by way of a three-corned amalgamation, pursuant to which Subco amalgamated with PopReach Incorporated (“**PopReach**”) and the Company, which now holds the assets of PopReach Incorporated as a wholly-owned subsidiary, changed its name to PopReach Corporation. Immediately prior to the close of the Qualifying Transaction, the Company consolidated its common shares on an 8 to 1 basis (the “**Share Consolidation**”). The Share Consolidation was applied retrospectively, including a share exchange in connection with the Qualifying transaction of 7.62 issuer shares for every one share of PopReach, and as a result, the common share (the “**Common Shares**”), broker warrants and option amounts presented herein are stated in an adjusted post-Share Consolidation basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on the TSX Venture Exchange (Note 26 of the Annual Financial Statements) under the symbol “POPR”.

The Company is a free-to-play game publisher focused on acquiring and optimizing proven game franchises. With 12 franchises, the Company drives growth through a combination of investment in existing franchises and new acquisitions. The head office of the Company is located at 1 University Avenue, 3rd Floor, Toronto, ON, M5J 2P1.

As at December 31, 2020, the Company has a wholly owned subsidiary, PopReach Incorporated (“PopReach”), in Toronto, Canada, incorporated under the laws of the Province of Ontario, and its accounts are consolidated into the Company’s Annual Financial Statements and Annual Financial Statements. PopReach employs 17 employees on a full-time basis between offices in Toronto, Ontario and Vancouver, British Columbia. In addition, PopReach operates a wholly owned subsidiary, PopReach Technologies Private Limited (“**PR Tech**”), in Bangalore, India. PR Tech is incorporated pursuant to the laws of India, and its accounts are consolidated into the Company’s Annual Financial Statements and Annual Financial Statements. PR Tech manages the Company’s portfolio of video game franchises and employs 106 employees on a full-time basis.

The Company’s Annual Financial Statements and Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as disclosed in Note 2 of the Annual Financial Statements. However, the Company considers certain Non-GAAP (as hereinafter defined) financial measures as useful additional information to assess its financial performance. Please refer to the “Non-GAAP Measures” section of this MD&A for additional details regarding the use of Non-GAAP measures in this MD&A.

The MD&A has been authorized for issue by the Board of Directors on April 19, 2021.

Summary of Significant Developments

2020 performance highlights

- Revenue of \$18.0 million compared to \$18.0 million in 2019
- Gross profit margin increased to 57.5%, from 44.0% in 2019, driven by the successful execution of operating cost reductions
- Operating expenses of \$10.6 million, compared to \$12.1 million in 2019
- EBITDA¹ of \$3.0 million (17.0% of revenue), an increase of 327% or \$2.3 million from 2019 EBITDA of \$0.7 million (4.0% of revenue)
- Adjusted EBITDA¹ of \$3.9 million (21.8% of revenue), an increase of 30% or \$0.9 million from 2019 Adjusted EBITDA of \$3.0 million (16.9% of revenue)
- Net loss of \$6.3 million, or (\$0.13) per basic and diluted share, compared to 2019 net loss of \$4.4 million, or (\$0.11) per basic and diluted share
- Cash generated by operating activities (before changes in working capital) in 2020 improved to \$3.6 million, an increase of \$2 million from \$1.6 million generated in 2019, representing growth of 125%
- Cash at the end 2020 was \$18.1 million, an increase of \$17.0 million from the end of 2019, and debt outstanding on the bank credit facility was \$6.0 million, a decrease of \$1.9 million from 2019
- On October 2, 2020, the Company refinanced its long-term debt on materially better terms by securing a \$7.5 million bank credit facility with The Bank of Nova Scotia, positioning the company with a growth-oriented lender and materially reducing its projected annual interest expense²
- On November 5, 2020, the Company closed a C\$5 million strategic investment by Alibaba Group's global investment arm, with Alibaba supporting the Company's global expansion by having its representatives serve as its Special Advisor to Asia²
- On November 9, 2020, the Company announced a C\$10 million bought deal public offering, which was subsequently upsized to C\$15 million; the oversubscribed bought deal public offering closed on November 27, 2020, including the full exercise of the underwriter's over-allotment option, for gross proceeds to the Company of C\$17.25 million²
- On March 18, 2021, the Company acquired substantially all of the assets relating to the award winning "Peak – Brain Training" app for aggregate cash consideration of \$5 million, increasing the number of monthly active users in its portfolio to over 1.9 million²
- On April 13, 2021, the Company acquired all right and title to the existing "PAYDAY Crime War" source code and game assets for cash consideration of \$0.25 million, and entered into a five-year licensing agreement to commercialize the title worldwide²
- In Q4 of 2020, the Company undertook new investments in the improvement of its growth game franchises, including War of Nations, Kitchen Scramble, and Smurfs' Village, which are expected to begin launching in Q2 of 2021 and through the back half of 2021

¹ Please refer to "Non-GAAP Measures" below

² Please refer to "Summary of Significant Developments" below

EBITDA and Adjusted EBITDA¹

EBITDA was \$3,062,792 for the year ended December 31, 2020. Compared to the year ended December 31, 2019 of \$717,523, the increase was \$2,345,269 or 327%. Adjusted EBITDA was \$3,932,790 for the year ended December 31, 2020. Compared to the year ended December 31, 2019 of \$3,033,611, the increase was \$899,179 or 30%. The increase in EBITDA and Adjusted EBITDA for 2020 compared to 2019 was largely related to the successful execution of operating cost reductions.



Operating cost reductions

As part of the acquisitions of the Company's portfolio of games, PopReach inherited numerous third-party server hosting and software service accounts, as well as considerable server and network hardware located in multiple datacentres. As part of the Company's business strategy, significant efforts were focused on the consolidation and, in some cases, depreciation of these services, re-engineering of game assets, elimination of unnecessary third-party services, and negotiation of lower cost third-party agreements, resulting in material operating cost reductions in 2020.

Reduction of debt

Concurrent with the completion of the reverse takeover transaction on June 30, 2020, the Company reduced debt through the mandatory conversion of all outstanding convertible debentures in the amount of \$2,675,190.

Debt outstanding on the bank credit facility has been reduced to \$6,032,863 at December 31, 2020, from \$7,874,626 on December 31, 2019. In addition, as of June 30, 2020, the entire provision for the acquisition of the portfolio of games from RockYou Inc. which occurred on December 23, 2018 (the "**RockYou Acquisition**") of \$1,219,957 was paid, as outlined in Note 11 of the Annual Financial Statements.

Seasonality

In 2020, the impact of seasonality was possibly amplified due to the COVID-19 pandemic in which players sheltering in-place or with curfew mandates in Q2 saw those restrictions eased in Q3. The impact attributable to the COVID-19 pandemic is not quantifiable, and the changes in player activity may not be indicative of the financial and operating results in future periods. Given the level of continued volatility and uncertainty around the COVID-19 pandemic, there is the potential for a wider range of outcomes – both positive and negative – as it relates to impact of seasonality on our business results.

COVID-19 pandemic

Following the outbreak of the COVID-19 pandemic, the Company has modified its business practices to help minimize the risk of the virus to employees, business partners, and the communities in which the Company participates, which could negatively impact the business of the Company. To date, the COVID-19 crisis has not materially impacted the Company's financial condition, cash flows and financial performance. In response to the outbreak, the Company has instituted operational and monitoring protocols to ensure the health and safety of its employees and stakeholders, which follow the advice of local governments and health authorities where it operates. The Company has adopted a work from home policy where possible. The Company will continue to monitor developments of the COVID-19 pandemic and continuously assess the COVID-19 pandemic's potential further impact on the Company's operations and business. See "Risk Factors - COVID-19 could have a significant adverse impact on the Company's business".

Operationally, the Company has faced significant COVID-19 related challenges in the remote hiring and onboarding of new employees, leading to delays in the launch of growth game features designed to increase engagement and monetization. Furthermore, PR Tech employees working from home in Bangalore, India are routinely subject to infrastructure outages, which has resulted in delayed content updates and bug fixes relating to the live operations of the Company's entire portfolio of games.



Apple Advertising (IDFA) policy change

In June of 2020, Apple announced a key change to their newest operating system, iOS 14, which will significantly alter the advertising ecosystem of mobile apps. Apple's IDFA (Identifier for Advertisers) will no longer be available to apps by default, instead requiring users to "opt in" on a per app basis; *we expect that only a minority of users will consent to apps accessing their IDFA*. The IDFA had become an integral part of performance marketing for apps, as large advertising networks like Facebook and Google had relied on this identifier, combined with data collected through their own apps and services, to optimize ad campaign targeting; the impact was expected to effectively eliminate their ability to use the extensive data they have collected on users across their eco-system to track and optimize performance marketing campaigns.

This change was initially expected to take effect in October of 2020. In September of 2020, recognizing the disruptive impact these changes will have on the app eco-system, Apple delayed the policy change. The result was that publishers decided to take advantage of this perceived window of opportunity, and a "mad rush" of paid user acquisition ensued, with the increased demand for users driving up the cost of each user significantly; despite the fact that this policy change is unique to Apple, user acquisition costs rose on all digital platforms as publishers expected that other platforms may follow suit and/or re-allocated budget to other platforms, driving costs up across the board. The Company saw user acquisition costs rise substantially in Q4 of 2020, and decided to prioritize EBITDA margins over revenue growth at any cost, as the Company believed that it could not spend profitably in the current context of its portfolio. Instead, the Company redeployed capital earmarked for paid user acquisition to the improvement of its growth franchises, and to its acquisitions of "Peak – Brain Training" and "PAYDAY Crime War"², which it believes will drive long term value for its stakeholders.

As such, the Company delayed most of its paid marketing efforts in Q4 rather than pay for new users at heavily inflated prices. The net result of this decision is that we acquired fewer new users, resulting in lower revenue for our growth game initiatives, but also incurred significantly lower marketing expenses than expected, helping the Company deliver a strong year of EBITDA growth.

Apple's policy change is now expected to begin in Q2 of this year. Management, having been involved in the free-to-play industry since its inception over a decade ago, has seen disruptive changes from the platform holders in the past, and believes that although inflated user acquisition costs will persist in the short term, that stakeholders across the app ecosystem will adjust and that paid user acquisition costs will come back down in due course. Our plan is to continue to monitor the evolving situation, with a goal of executing on performance marketing campaigns for growth game initiatives as soon as the economics become favourable.

Summary of Significant Developments

Reverse takeover transaction

On November 11, 2019, the Company signed a letter of intent with PopReach, where the Company would acquire PopReach, by way of a three-corner amalgamation, share exchange, plan of arrangement or other similar form of transaction as agreed by the parties. On June 26, 2020, the Company and PopReach entered into the Definitive Agreement, which supersedes the prior binding letter of intent, pursuant to which the parties agreed to complete the Qualifying Transaction (the "**Transaction**") on the terms set out therein. The Transaction was completed on June 30, 2020 and resulted in a reverse take-over of the Company by PopReach and constitutes the Qualifying Transaction of the Company in compliance with the CPC Policy. Pursuant to the terms of the Definitive Agreement, the Company acquired 100% of PopReach and the Company changed its name to "PopReach Corporation".



Pursuant to the Transaction, each PopReach shareholder received 7.62 post-Consolidation common shares in the capital of the Company for each PopReach common share held by them, for a total issuance by the Company from treasury of 48,233,937 post-Share Consolidation Common Shares. In addition, each convertible, exchangeable, or exercisable security of PopReach was exchanged for a convertible, exchangeable or exercisable security, as applicable, of the Company on substantially the same economic terms and conditions as the original convertible, exchangeable, or exercisable security of PopReach (with their exercise prices being divided by 7.62) resulting in the issuance of 7,744,273 warrants in respect of outstanding PopReach warrants, 5,808,314 options in respect of outstanding PopReach options and 99,584 broker warrants in respect of outstanding PopReach broker warrants, all of which have been retroactively adjusted in the Annual Financial Statements.

Following completion of the Transaction, the Company had 51,983,937 Common Shares issued and outstanding. Assuming the conversion of all outstanding options, warrants and stock options, 66,288,882 Common Shares were outstanding on a fully diluted basis. Common shares of the Company began trading on the TSX Venture Exchange under the symbol "POPR" on July 8, 2020.

More information on the value of the assets and liabilities transferred can be found in Note 26 of the Annual Financial Statements.

Convertible debt raises and conversion

For the year ended December 31, 2020, the Company issued unsecured convertible debentures, for aggregate proceeds of \$1,864,735 (year ended December 31, 2019 - \$421,303 plus early proceeds received in 2018 of \$256,561) to certain investors of the Company. These instruments, including both debenture rounds issued in 2020 and 2019, along with interest accrued at an annual interest rate bearing 8%, were converted automatically and immediately upon completion of the reverse takeover transaction on June 30, 2020 (note 26) into fully paid and non-assessable units of the Company, consisting of one Common Share at the conversion price C\$0.325 - C\$0.576 per share, and one warrant at a strike price of C\$0.488 - C\$0.864 per share representing a strike price 50% higher than the conversion price. These warrants expire on June 30, 2022.

The Company also paid \$7,818 in cash, issued \$7,818 in convertible debentures, and issued non-transferable share purchase warrants to acquire up to 36,454 Common Shares to certain entities in reference to finder's fee agreements associated with the aforementioned convertible debt issuance. Each warrant will be exercisable to purchase one additional Common Share at a strike price of C\$0.576 per share, and expire on June 30, 2022.

The Company also paid \$14,775 in cash and issued non-transferable share purchase warrants to acquire up to 35,356 Common Shares to certain entities in reference to finder's fee agreements associated with the 2020 convertible debt issuance. Each warrant will be exercisable to purchase one additional Common Share at a price of C\$0.576 per share, and expire on June 2, 2022.

New bank credit facility

On October 2, 2020, PopReach entered into a new non-revolving term facility of \$6,500,000 with The Bank of Nova Scotia in order to refinance its prior bank credit facility, and also entered into an operating line of credit of \$1,000,000 with the same lender (collectively, the "**New Facility**"). The interest rate charged on the non-revolving term facility is equal to the US Base Lending Rate plus 3.50% per annum, and the interest rate charged on the operating line of credit is equal to the US Base Lending Rate plus 2.00% per annum. The New Facility matures 24 months from the closing date. PopReach, as borrower, and the Company, as guarantor, have agreed to secure all of PopReach's



obligations under the New Facility by granting the lender a first-ranking security interest on all of their respective assets.

On October 2, 2020, in conjunction with the closing of the New Facility, the Company retired its prior high interest credit facility, issued by a New York based hedge fund, by paying down the entire outstanding principal balance of \$6,134,832, plus applicable interest, premium and legal expenses. The Company expects to realize materially lower interest costs under the New Facility compared to the prior credit facility.

Non-brokered private placement

On November 5, 2020, the Company closed a non-brokered private placement (the “**Private Placement**”) of C\$5,000,000 with New Insight Incentive Plan Company (“**New Insight**”), a 100% owned subsidiary of eWTP Tech Innovation Fund LP, the global investment arm of Alibaba Group. On November 9, 2020, New Insight acquired ownership and control over 5,798,611 common shares of the Company for C\$0.72 per share. On December 4, 2020, the remaining portion was released from trust and New Insight acquired ownership and control over an additional 1,145,833 common shares for C\$0.72 per share. Thereafter, New Insight held, directly or indirectly, an aggregate of 6,944,444 common shares. The Company intends to use the net proceeds from the Private Placement to fund acquisitions and for other general corporate purposes.

Bought deal public offering

On November 27, 2020, the Company completed a public offering with Beacon Securities Limited, on behalf of a syndicate of underwriters, for the purchase on a bought deal basis (the “**Bought Deal**”) of 12,000,000 Common Shares of the Company at a price of C\$1.25 per share for gross proceeds to the Company of C\$15,000,000. The Company also granted the underwriters an option (the “**Over-Allotment Option**”) to purchase an additional number of Common Shares equal to 15% of the number of Common Shares sold pursuant to the Bought Deal, which was fully exercised for an additional 1,800,000 Common Shares at C\$1.25 per share for gross proceeds to the Company of C\$2,250,000. The Bought Deal, including the Over-Allotment Option, resulted in the issuance of 13,800,000 Common Shares of the Company at a price of C\$1.25 per share, for aggregate gross proceeds of C\$17,250,000. Underwriters’ compensation was comprised of a 6% cash fee plus 6% compensation options exercisable into Common Shares at the issue price of C\$1.25 until November 27, 2022. The Company intends to use the net proceeds from the Bought Deal to fund acquisitions and for other general corporate purposes.

Acquisition of Peak

On March 18, 2021, the Company acquired substantially all of the assets relating to the “Peak – Brain Training” app (“**Peak**”) from Brainbow Limited. On March 18, 2021, the Company made a \$3,000,000 cash payment to Brainbow Limited, with an additional \$2,000,000 payable on completion of certain post-closing transitional matters, to be completed within two months of closing. As a result of the business combination, a subsidiary PopReach UK Limited (“**PopReach UK**”), which is wholly owned by PopReach, was established on February 18, 2021 in order to fund operating costs and payroll. All of the associated assets and liabilities were transferred to PopReach at closing.

Acquisition of PAYDAY Crime War assets, and associated licensing agreement

On April 13, 2020, the Company signed an asset purchase agreement and licensing agreement with Starbreeze Studios AB (“**Starbreeze**”) for the re-launch of mobile title PAYDAY Crime War. Under the terms of the asset purchase agreement, Starbreeze received a payment of \$250,000 in exchange for all rights and title to the existing PAYDAY Crime War source code and game assets. Concurrently, the parties entered into a five year licensing agreement granting the Company the right to publish PAYDAY Crime War worldwide, and access to assets from the



PAYDAY 2 PC game for use in PAYDAY Crime War. PopReach will be responsible for completing development, marketing, live operations and user acquisition for PAYDAY Crime War, which it expects to soft launch in Q4 2021. Starbreeze will receive tiered royalties on PAYDAY Crime War net sales, and retains all IP rights to the PAYDAY franchise.

Key Metrics

The Company regularly reviews a number of metrics, including the following key financial and operating metrics, to evaluate the business, measure performance, identify business trends, prepare financial projections and make strategic decisions.

Key Financial Metrics

Revenue and Bookings

Revenue is primarily derived from the sale of virtual items associated with our online games and the sale of advertising. For details on how revenue is calculated please see “Revenue recognition” under “Significant accounting policies” below.

Bookings is a non-GAAP financial measure that is equal to revenue recognized plus or minus the change in deferred revenue during the period. The Company records the sale of virtual items in our games as deferred revenue and then recognizes the revenue rateably over the estimated average playing period of payers for the applicable game.

The identified performance obligation for revenue recognition is to display the virtual items within the game over the estimated life of the paying player or until it is consumed in game play based upon the nature of the virtual item. Bookings is a fundamental top-line metric we use to manage our business, as we believe it is a useful indicator of the sales activity in a given period, and corresponds directly to actual cash receipts. We use revenue and bookings to evaluate the results of our operations, generate future operating plans and assess the performance of our company.

Non-GAAP Measures

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-GAAP financial measures as useful additional information to assess its financial performance. These measures, which it believes are widely used by investors, securities analysts and other interested parties to evaluate its performance, do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-GAAP measures include “Bookings”, “EBITDA” and “Adjusted EBITDA”.

Bookings

Bookings is a financial measure, commonly used in the mobile games industry, that is equal to revenue recognized plus or minus the change in deferred revenue during the period. As such, it is representative of the actual gross revenue paid by paying players in the Company’s games.

EBITDA and Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) and consolidated adjusted earnings before interest, taxes, depreciation and amortization (“**Adjusted EBITDA**”) are non-IFRS measures of financial performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS, and may be different from non-IFRS financial measures used by other companies. Company management defines EBITDA as follows: IFRS Net income (loss) adding back accretion and interest expenses (including amortization of deferred financing fees), income taxes, amortization, gain/loss on disposal of assets, and fair value gain/loss on financial liabilities. Adjusted EBITDA is calculated as EBITDA and excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, legal expenses, and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments, and changes in deferred revenues.

Management believes EBITDA and Adjusted EBITDA are useful financial metrics to assess its operating performance on a cash basis before the impact of non-cash items.

Key Operating Metrics

Monthly Active Users (MAU)

The Company manages the business by tracking several operating metrics including Monthly Active Users (“**MAU**”) which measure monthly active users of our games, and revenue per average MAU (“**Revenue per Average MAU**”) which is the total annual revenue divided by 12, and then divided by the average MAU being, for a particular period, the average of the MAUs at each month-end during that period (“**Average MAU**”). The following table shows the Average MAU and Revenue per Average MAU for each period:

	2020	2019
Revenues	\$ 18,010,285	\$ 17,953,874
Bookings	17,691,248	18,515,763
Average monthly revenues	1,500,857	1,496,156
Average MAU (in thousands)	1,028	1,110
Revenue per Average MAU	1.46	1.35

We use MAU as a measure of total game audience size and define MAU as the number of individuals who played one of our games in the 30-day period ending with the measurement date. The numbers for these MAU are calculated using information provided by the third-party platforms. Under this metric, an individual who plays two different games in the same 30-day period is counted as two MAUs, which is common and accepted practice in the mobile games industry.

Overall Performance and Selected Quarterly Information

Below is selected quarterly information from the Company's consolidated financial statements for each of the quarterly periods indicated. The Company's functional and presentation currency is US Dollars. Except where indicated, the following financial data is reported in accordance with IFRS.

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Revenues	\$ 4,095,186	\$ 4,336,229	\$ 4,902,326	\$ 4,676,544
Net Loss	(3,282,834)	(518,459)	(1,822,189)	(677,742)
Comprehensive Loss	(3,354,148)	(485,231)	(1,848,562)	(636,638)
Loss per share (basic and diluted)	(0.05)	(0.01)	(0.05)	(0.02)
Non-GAAP:				
Bookings	4,026,525	4,156,652	4,793,186	4,714,885
EBITDA	761,775	902,669	702,487	695,861
Adjusted EBITDA	742,536	810,899	1,519,290	860,065

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Revenues	\$ 4,808,053	\$ 4,211,507	\$ 4,372,060	\$ 4,562,254
Net Loss	(1,394,875)	(1,001,663)	(1,181,278)	(857,969)
Comprehensive Loss	(1,391,677)	(967,560)	(1,148,491)	(914,607)
Loss per share (basic and diluted)	(0.04)	(0.03)	(0.03)	(0.02)
Non-GAAP:				
Bookings	4,856,617	4,248,239	4,439,375	4,971,532
EBITDA	(3,859)	348,028	62,832	310,522
Adjusted EBITDA	1,383,956	575,490	263,283	810,882

		Year ended December 31 2020		Year ended December 31 2019
Revenues	\$	18,010,285	\$	17,953,874
Net Loss		(6,301,224)		(4,435,785)
Comprehensive Loss		(6,324,579)		(4,422,335)
Loss per share (basic and diluted)		(0.13)		(0.11)
<i>Non-GAAP:</i>				
Bookings		17,691,248		18,515,763
EBITDA		3,062,792		717,523
Adjusted EBITDA		3,932,790		3,033,611
		December 31 2020		December 31 2019
Cash and cash equivalents	\$	18,097,649	\$	1,126,160
Current assets		20,079,201		3,532,277
Total assets		25,934,531		12,617,436
Current liabilities excluding borrowings		6,679,391		5,952,882
Total non-current liabilities including borrowings		6,734,982		9,398,135

Discussion of Operations

Due to the complexity of the game operations required for the RockYou Acquisition, operational expenses increased substantially subsequent to December 23, 2018. Throughout 2019 and 2020, the Company focused on ongoing cost reductions through server consolidation and optimization, re-engineering of the game assets, elimination of unnecessary third-party services, and negotiation of lower cost third-party agreements.

In September 2019 the Company acquired a portfolio of 4 games, based on the “Smurfs” IP licensed from Lafig Belgium S.A., from Flashman Games LLC and Bongfish GmbH (the “Smurfs Portfolio”). In contrast with the RockYou Acquisition, the Smurfs Portfolio acquisition only required the transfer of a single server hosting account and three vendor service accounts.

Below is the discussion of results and operations for the three months ended December 31, 2020 and 2019, and the year ended December 31, 2020 and 2019.

Revenue

Revenues for the year ended December 31, 2020 were slightly higher compared to the year ended December 31, 2019. The decrease in revenues for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was due to COVID-19 related delays in the launch of growth game features designed to increase engagement and monetization, delayed content updates and bug fixes relating to the live operations of the Company’s entire portfolio of games, and the delay of planned new user growth marketing initiatives due to inflated

user acquisition costs resulting from Apple's IDFA policy change, as mentioned in the "Summary of Significant Developments".

Bookings

Bookings is a non-GAAP financial measure that is equal to revenue recognized plus or minus the change in deferred revenue during the period. The following table is the reconciliation from revenue to bookings for each period:

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Revenue	\$ 4,095,186	\$ 4,336,229	\$ 4,902,326	\$ 4,676,544
Add: Increase (decrease) in deferred revenue	(68,661)	(179,577)	(109,140)	38,341
Total bookings	4,026,525	4,156,652	4,793,186	4,714,885

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Revenue	\$ 4,808,053	\$ 4,211,507	\$ 4,372,060	\$ 4,562,254
Add: Increase in deferred revenue	48,564	36,732	67,315	409,278
Total bookings	4,856,617	4,248,239	4,439,375	4,971,532

The decrease in bookings for the three months ended December 31, 2020 compared to the three months ended December 31, 2019, are due to the same factors explained in the Revenue section above.

	Year ended December 31 2020	Year ended December 31 2019
Revenue	\$ 18,010,285	\$ 17,953,874
Add: Increase in deferred revenue	(319,037)	561,889
Total bookings	17,691,248	18,515,763

Bookings for the year ended December 31, 2020 compared to the year ended December 31, 2019 are lower as monthly average users were lower over the same comparative period along with the absence of revenues related to a revenue share agreement, which was terminated on July 31, 2019.

Revenue by geographic location

The following tables present the Company's revenue disaggregated based on the geographic location of the Company's paying players. All the geographic markets presented below represent at least 10% of total revenues for each period:

		Three months ended December 31 2020			Three months ended September 30 2020			Three months ended June 30 2020			Three months ended March 31 2020	
			%			%			%			%
North America	\$	3,081,556	75%	\$	3,208,961	74%	\$	3,976,585	81%	\$	3,589,371	77%
Europe		686,089	17%		628,238	14%		617,461	13%		599,213	13%
Other		327,541	8%		499,030	12%		308,280	6%		487,960	10%
Total revenue		4,095,186	100%		4,336,229	100%		4,902,326	100%		4,676,544	100%

		Three months ended December 31 2019			Three months ended September 30 2019			Three months ended June 30 2019			Three months ended March 31 2019	
			%			%			%			%
North America	\$	3,628,847	75%	\$	3,501,700	83%	\$	3,384,332	77%	\$	3,439,365	75%
Europe		658,092	14%		462,904	11%		564,202	13%		592,763	13%
Other		521,114	11%		246,903	6%		423,526	10%		530,126	12%
Total revenue		4,808,053	100%		4,211,507	100%		4,372,060	100%		4,562,254	100%

		Year ended December 31 2020			Year ended December 31 2019	
			%			%
North America	\$	13,856,473	77%	\$	13,952,244	78%
Europe		2,531,001	14%		2,277,961	13%
Other		1,622,811	9%		1,721,669	9%
Total revenue		18,010,285	100%		17,953,874	100%

Revenue by category

The following table presents the Company's revenue disaggregated based on the specific nature of revenues earned for each period:

	Three months ended December 31 2020			Three months ended September 30 2020			Three months ended June 30 2020			Three months ended March 31 2020		
			%			%			%			%
In-app purchases	\$	3,957,439	97%	\$	4,185,045	97%	\$	4,706,106	96%	\$	4,451,628	95%
Advertising		137,370	3%		150,936	3%		195,894	4%		224,674	5%
Other		377	0%		248	0%		326	0%		242	0%
Total revenue		4,095,186	100%		4,336,229	100%		4,902,326	100%		4,676,544	100%

	Three months ended December 31 2019			Three months ended September 30 2019			Three months ended June 30 2019			Three months ended March 31 2019		
			%			%			%			%
In-app purchases	\$	4,568,771	95%	\$	3,970,133	94%	\$	4,138,811	95%	\$	4,292,445	94%
Advertising		239,282	5%		160,530	4%		109,203	2%		210,747	5%
Other		-	0%		80,844	2%		124,046	3%		59,062	1%
Total revenue		4,808,053	100%		4,211,507	100%		4,372,060	100%		4,562,254	100%

	Year ended December 31 2020			Year ended December 31 2019		
			%			%
In-app purchases	\$	17,300,218	96%	\$	16,970,160	95%
Advertising		708,874	4%		719,762	4%
Other		1,193	0%		263,952	1%
Total revenue		18,010,285	100%		17,953,874	100%

In-app purchases by platform

The following table presents the Company's in-app purchases disaggregated based on the digital platform the games are published on for each period:

		Three months ended December 31 2020			Three months ended September 30 2020			Three months ended June 30 2020			Three months ended March 31 2020	
			%			%			%			%
Apple	\$	1,639,606	41%	\$	1,726,046	41%	\$	2,022,115	43%	\$	2,005,458	45%
Facebook		1,485,551	38%		1,571,540	38%		1,786,368	38%		1,517,493	34%
Google		781,622	20%		846,861	20%		822,833	17%		854,970	19%
Amazon		50,660	1%		40,598	1%		74,790	2%		73,707	2%
Total in-app purchases		3,957,439	100%		4,185,045	100%		4,706,106	100%		4,451,628	100%

		Three months ended December 31 2019			Three months ended September 30 2019			Three months ended June 30 2019			Three months ended March 31 2019	
			%			%			%			%
Apple	\$	2,173,002	48%	\$	1,444,439	36%	\$	1,310,216	32%	\$	1,477,014	34%
Facebook		1,697,203	37%		1,726,612	43%		2,030,661	49%		2,051,042	48%
Google		639,160	14%		732,392	18%		725,956	18%		681,785	16%
Amazon		59,406	1%		66,690	3%		71,978	1%		82,604	2%
Total in-app purchases		4,568,771	100%		3,970,133	100%		4,138,811	100%		4,292,445	100%

		Year ended December 31 2020			Year ended December 31 2019	
			%			%
Apple	\$	7,393,225	43%	\$	6,404,671	38%
Facebook		6,360,952	37%		7,505,518	44%
Google		3,306,286	19%		2,779,293	16%
Amazon		239,755	1%		280,678	2%
Total in-app purchases		17,300,218	100%		16,970,160	100%

Cost of sales

The following table presents the Company's cost of sales, broken down by nature for each period:

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Platform fees	\$ 1,127,762	\$ 1,175,919	\$ 1,354,558	\$ 1,309,498
Hosting and other	356,947	385,535	549,735	990,734
Licensors share	57,176	57,286	71,676	61,239
Salaries and benefits	44,753	35,898	34,495	34,878
Total cost of sales	1,586,638	1,654,638	2,010,464	2,396,349

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Platform fees	\$ 1,340,581	\$ 1,197,920	\$ 1,230,127	\$ 1,459,501
Hosting and other	1,069,714	1,116,107	1,223,149	1,127,111
Licensors share	60,460	45,459	11,430	16,241
Salaries and benefits	30,318	44,889	48,517	40,773
Total cost of sales	2,501,073	2,404,375	2,513,223	2,643,626

The decrease in cost of sales for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was mainly related to operating cost reductions as mentioned in the "Summary of Significant Developments". As a percentage of revenue, cost of sales decreased to 39% of revenue in Q4 2020 compared to 52% in Q4 of 2019.

	Year ended December 31 2020	Year ended December 31 2019
Platform fees	\$ 4,967,737	\$ 5,228,129
Hosting and other	2,282,951	4,536,081
Licensors share	247,377	133,590
Salaries and benefits	150,024	164,497
Total cost of sales	7,648,089	10,062,297

The decrease in cost of sales for the year ended December 31, 2020 compared to the year ended December 31, 2019 was related to operating cost reductions as mentioned in the "Summary of Significant Developments", as well as increases in licensors share expenses relating to the Smurfs Portfolio. As a percentage of revenue, cost of sales decreased to 42% of revenue in 2020 compared to 56% of revenue in 2019.

Operating Expenses

The following table presents the Company's operating expenses for each period:

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Operating expenses:				
Research and development	\$ 758,455	\$ 741,280	\$ 622,977	\$ 690,434
General and administrative	795,866	852,717	560,888	665,130
Marketing	192,452	163,560	118,513	135,048
Interest and accretion expenses	477,959	207,941	354,426	376,698
Amortization	682,556	743,314	734,124	734,794
	2,907,288	2,708,812	2,390,928	2,602,104

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Operating expenses:				
Research and development	\$ 439,681	\$ 844,439	\$ 1,067,817	\$ 894,027
General and administrative	807,159	552,380	728,188	714,079
Marketing	47,059	-	-	-
Interest and accretion expenses	382,710	358,368	304,228	220,788
Amortization	986,736	954,637	889,611	889,193
Impairment of intangible assets	994,525	-	-	-
	3,657,870	2,709,824	2,989,844	2,718,087

The increase in operating expenses for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was due to higher research and development expenses (explained below), higher marketing, and higher interest and accretion expenses due to the expensing of deferred financing fees on the repayment of the prior credit facility, offset by lower amortization (explained below).

	Year ended December 31 2020	Year ended December 31 2019
Operating expenses:		
Research and development	\$ 2,813,146	\$ 3,245,964
General and administrative	2,874,601	2,801,806
Marketing	609,573	47,059
Interest and accretion expenses	1,417,024	1,266,094
Amortization	2,894,788	3,720,177
Impairment of intangible assets	-	994,525
	10,609,132	12,075,625

The decrease in operating expenses for the year ended December 31, 2020 compared to the year ended December 31, 2019 was due to lower research and development expenses due to a restructuring at PR Tech in Q4 of 2019, and lower amortization, offset by higher general and administrative expenses, higher marketing expenses to quantify and prepare for potential new investments in key game franchises, and higher interest and accretion expenses due to the increase in convertible debt during the first half of 2020 and expensing of deferred financing fees on the repayment of the prior credit facility. During 2019 there was also an impairment recorded against intangible assets related to the RockYou Acquisition (see Note 6 in the Annual Financial Statements).

Research and development

The following tables presents the Company's research and development expenses, broken down by nature by period:

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Salaries and benefits	\$ 628,271	\$ 624,783	\$ 578,064	\$ 641,208
Employee benefits expenses	207	28,584	28,837	43,106
Share-based compensation expense	14,539	12,913	16,076	6,120
Outsourced development	115,438	75,000	—	—
Total research and development expenses	758,455	741,280	622,977	690,434

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Salaries and benefits	\$ 469,422	\$ 827,713	\$ 940,737	\$ 851,548
Employee benefits expenses	(39,128)	23,310	117,279	33,703
Share-based compensation expense	9,387	(6,584)	9,801	8,776
Total research and development expenses	439,681	844,439	1,067,817	894,027

The increase in research and development expenses for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was largely due to increased salaries and benefits and outsourced development in Q4 2020.

	Year ended December 31 2020	Year ended December 31 2019
Salaries and benefits	\$ 2,472,326	\$ 3,089,420
Employee benefits expenses	100,734	135,164
Share-based compensation expense	49,648	21,380
Outsourced development	190,438	—
Total research and development expenses	2,813,146	3,245,964

The decrease in research and development expenses for the year ended December 31, 2020 compared to the year ended December 31, 2019 was due to a restructuring at PR Tech in Q4 of 2019, offset by outsourced development in Q3 and Q4 2020.

General and administrative

The following tables presents the Company's general and administrative expenses, broken down by nature by period:

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Salaries and benefits	\$ 359,093	\$ 438,444	\$ 277,425	\$ 256,014
Professional fees	320,987	324,225	187,218	260,485
Share-based compensation expense	34,883	46,779	22,870	26,021
Other expenses	80,903	43,269	73,375	122,610
Total general and administrative expenses	795,866	852,717	560,888	665,130

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Salaries and benefits	\$ 245,625	\$ 240,673	\$ 246,871	\$ 211,109
Professional fees	409,716	272,143	307,469	282,102
Share-based compensation expense	75,294	33,795	35,357	35,358
Other expenses	76,524	5,769	138,491	185,510
Total general and administrative expenses	807,159	552,380	728,188	714,079

The increase in general and administrative expenses for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was related to increases in headcount and higher salaries and benefits costs, offset by lower professional fees.

	Year ended December 31 2020	Year ended December 31 2019
Salaries and benefits	\$ 1,330,976	\$ 944,278
Professional fees	1,092,915	1,271,430
Share-based compensation expense	130,553	179,804
Other expenses	320,157	406,294
Total general and administrative expenses	2,874,601	2,801,806

The increase in general and administrative expenses for the year ended December 31, 2020 compared to the year ended December 31, 2019 was due to increases in headcount and higher salaries and benefits, offset by decreases in professional fees relating to the RockYou Acquisition during the first three quarters of 2019.

Amortization

Amortization decreased for the three and twelve months ended December 31, 2020 compared to the three and twelve months ended December 31, 2019 due to an impairment charge recorded during Q4 2019 relating to certain advertising engines that the RockYou Acquisition seller was operating that were shut down due to the seller's bankruptcy, resulting in lower actual revenues compared to forecasted revenues during the year. As a result of this impairment charge, the carrying values of intangible assets were reduced, resulting in lower amortization per period moving forward. The Company's intangible assets are amortized over their expected useful lives, which ranges from 2 – 7 years.

Adjusted EBITDA

The following table presents the Company's calculation of EBITDA and Adjusted EBITDA for each period:

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Net loss	\$ (3,282,834)	\$ (518,459)	\$ (1,822,189)	\$ (677,742)
Add:				
Interest and accretion expenses	477,959	207,941	354,426	376,698
Loss on disposal of assets	—	6,750	—	—
Current taxes (recovery)	81,951	(13,058)	34,092	24,091
Deferred tax recovery	(21,638)	(37,846)	—	—
Amortization	682,556	743,314	734,124	734,794
Fair value loss on financial liabilities	2,823,781	514,027	1,402,034	238,020
EBITDA	761,755	902,669	702,487	695,861
Add:				
Share-based compensation expense	49,422	59,692	38,946	32,141
Change in deferred revenue	(68,661)	(179,577)	(109,140)	38,341
Reverse takeover listing expense	—	28,115	886,997	93,722
Acquisition legal expenses	—	—	—	—
Adjusted EBITDA	742,536	810,899	1,519,290	860,065
Adjusted EBITDA/Revenue %	18%	19%	31%	18%

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Net loss	\$ (1,394,875)	\$ (1,001,663)	\$ (1,181,278)	\$ (857,969)
Add:				
Interest and accretion expenses	382,710	358,368	304,228	220,788
Gain on disposal of assets	(22,415)	(62,285)	–	–
Current taxes	44,562	44,561	47,817	54,329
Amortization	986,736	954,637	889,611	889,193
Fair value loss on financial liabilities	(577)	54,410	2,454	4,181
EBITDA	(3,859)	348,028	62,832	310,522
Add:				
Impairment of goodwill and other	994,525	–	–	–
Share-based compensation expense	84,681	27,211	45,158	44,134
Change in deferred revenue	48,564	36,732	67,315	409,278
Acquisition legal expenses	78,764	163,519	87,978	46,948
Restructuring costs	181,281	–	–	–
Adjusted EBITDA	1,383,956	575,490	263,283	810,882
Adjusted EBITDA/Revenue %	28%	14%	6%	18%

Adjusted EBITDA was \$742,536 for the three months ended December 31, 2020 compared to \$1,383,956 for the three months ended December 31, 2019, which represents a decrease of \$641,420 or 46%. The decrease in Adjusted EBITDA for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was due to lower revenues in Q4 2020 along with increase in headcount and salaries and benefits.

	Year ended December 31 2020	Year ended December 31 2019
Net loss	\$ (6,301,224)	\$ (4,435,785)
Add:		
Interest and accretion expenses	1,417,024	1,266,094
Loss (gain) on disposal of assets	6,750	(84,700)
Current taxes	127,076	191,269
Deferred tax recovery	(59,484)	–
Amortization	2,894,788	3,720,177
Fair value loss on financial liabilities	4,977,862	60,468
EBITDA	3,062,792	717,523
Add:		
Share-based compensation expense	180,201	201,184
Change in deferred revenue	(319,037)	561,889
Reverse takeover listing expense	1,008,834	–
Acquisition legal expenses	–	377,209
Impairment of goodwill and other	–	994,525
Restructuring costs	–	181,281
Adjusted EBITDA	3,932,790	3,033,611
Adjusted EBITDA/Revenue %	22%	17%

Adjusted EBITDA was \$3,932,790 for the year ended December 31, 2020. Compared to the year ended December 31, 2019 of \$3,033,611, the increase was \$899,179 or 30%.

The increase in Adjusted EBITDA for the year ended December 31, 2020 compared to the year ended December 31, 2019 was largely related to the successful execution of operating cost reductions, as mentioned in the “Summary of Significant Developments”, as well as lower research and development salaries and benefits expenses as a result of a restructuring at PR Tech in Q4 of 2019.

Decreases in amortization was due to the impairment charge recorded in Q4 2019, relating to certain advertising engines that the RockYou Acquisition seller was operating that were shut down due to the seller’s bankruptcy, resulting in lower actual revenues compared to forecasted revenues during the year. As a result of the impairment charge, the carrying values of the intangible assets were decreased, resulting in a lower amortization per period moving forward. Increases in interest and accretion expenses were due to the increase in convertible debt during the first half of 2020.

Non-operating items

Fair value loss on financial liabilities was \$2,823,781 for the three months ended December 31, 2020 compared to a fair value gain of \$577 for the three months ended December 31, 2019, and a fair value loss of \$4,977,862 for the year ended December 31, 2020 compared to a fair value loss of \$60,468 for the year ended December 31, 2019. The full amount of the fair value loss of \$2,823,781 for the three months ended December 31, 2020 related to the change in fair value of the warrant liability. As the share price of the Company increases, the fair value of the warrant liability increases. Of the \$4,977,862 loss for the year ended December 31, 2020, \$4,994,855 related to the fair value loss of the conversion feature and warrant liability. As the probability of the Transaction mentioned in the “Summary

of Significant Developments” increased, along with the valuation of the Company, the fair value of the conversion feature and warrants also increased. The offsetting \$16,993 of the fair value gain for the year ended December 31, 2020 related to the change in fair value of contingent consideration. Further details are in Note 13 of the Annual Financial Statements.

Reverse takeover listing expenses were \$1,008,834 for the year ended December 31, 2020. These expenses were as a result of the Transaction, and of the \$1,008,834 of total listing expenses \$681,438 represents the difference between the fair value of consideration of \$2,091,433 and net assets of the Company before closing the Transaction. The remaining \$327,396 represents professional fees associated with the completion of the Transaction. Further details are in Note 26 of the Annual Financial Statements.

Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Liquidity and Capital Resources

As at December 31, 2020, the Company had cash and cash equivalents of \$18,097,649 (December 31, 2019 - \$1,126,160) and net working capital of \$12,199,392 (December 31, 2019 – deficit of \$10,295,231). This is due to improved liquidity through the New Facility refinancing of borrowings at a lower interest rate, the Private Placement, and the Bought Deal. The Company believes, based on its current financial position and liquidity profile, that it will be able to satisfy its current and long-term obligations.

The Company has consistently generated positive cash flow from operations which have exceeded current working capital requirements since Q2 2019. Excess funds from operating cash flow are used for bank credit facility debt repayments as well as to fund future game acquisitions.

Balance sheet obligations

The Company’s contractual obligations as at December 31, 2020, at their undiscounted value, are described in the following table:

		December 31, 2020			
		Payments due			
	Total	Less than 1 year	1-3 years	After 3 years	
Trade payables and accrued liabilities	\$ 869,081	\$ 869,081	\$ –	\$ –	–
Provisions	100,000	100,000	–	–	–
Borrowings – principal	6,201,772	1,305,636	4,896,136	–	–
Borrowings – interest	709,940	402,299	307,641	–	–
Lease payments – principal	321,566	211,178	110,388	–	–
Lease payments – interest	37,589	25,690	11,899	–	–
Total	8,239,948	2,913,884	5,326,064		–

Cash Flows

The following table summarizes the Company's Consolidated Statements of Cash Flows for each period:

	2020	2019
Cash generated from operating activities	\$ 2,685,032	\$ 628,020
Cash used in investing activities	(900,999)	(2,912,501)
Cash generated from financing activities	15,199,233	3,201,480
Net cash inflow	16,983,266	916,999

Cash generated by operating activities during 2020 was positively influenced by operating cost reductions as mentioned in the "Summary of Significant Developments". Cash generated by operating activities during 2020 included an increase in working capital (decrease in cash generated) of \$942,862, mainly through a reduction in payables and accrued liabilities, compared to an increase in working capital (decrease in cash generated) during 2019 of \$965,796. Net of working capital changes, cash generated by operating activities improved from \$1,593,816 in 2019 to \$3,627,894 in 2020.

Cash used in investing activities were mainly related to payments for the Smurfs Portfolio and RockYou Acquisition, being lower during 2020 compared 2019 as the game acquisition payables related to the acquisitions were fully paid (see Note 11 in the Annual Financial Statements).

Cash used in financing activities during 2020 relate to cash generated from issuance of convertible debenture, the Private Placement, and Bought Deal as mentioned in "Summary of Significant Developments", as well as net cash proceeds from the reverse takeover transaction, less payments for provisions of \$1,219,958 representing the final RockYou Acquisition payment, as well as interest and repayments of borrowings reducing the bank credit facility to a balance of \$6,032,863 as at December 31, 2020. During 2019, the net increase in cash generated were from net proceeds from borrowings in order to fund the RockYou Acquisition, and cash proceeds from convertible debentures.

Leases

Please see Note 8 in the Annual Financial Statements for full discussion of short-term leases and lease liabilities.

Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of Common Shares. As at December 31, 2020, the Company had outstanding 73,048,686 Common Shares, 8,051,357 Common Share purchase warrants and 6,845,414 employee incentive stock options. Please refer to the Company's Annual Financial Statements for the year ended December 31, 2020 and 2019 for detail on the conversion features.

Related Party Transactions

Convertible debentures

During 2020, of the C\$2,536,870 of convertible debentures issued (US\$1,847,889), C\$660,000 (US\$480,753) was issued to key management personnel and Directors of the Company.

Key management compensation

Compensation for key management personnel, including the Company's Officers and Board of Directors, and private companies controlled by the Company's Officers and Board of Directors, was as follows:

		Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Management salaries, bonuses and other benefits	\$	234,904	\$ 209,879	\$ 178,354	\$ 166,705
Director fees		28,961	24,600	—	—
Share-based payments - management		12,843	18,722	21,477	24,348
Share-based payments – directors		42,605	17,280	1,392	1,673
Total key management compensation		319,313	270,481	201,223	192,726

		Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Management salaries, bonuses and other benefits	\$	163,075	\$ 153,116	\$ 164,988	\$ 128,712
Share-based payments - management		73,311	31,344	32,385	31,715
Share-based payments – directors		1,983	2,439	2,949	3,607
Total key management compensation		238,369	186,899	200,322	164,034

		Year ended December 31 2020	Year ended December 31 2019
Management salaries, bonuses and other benefits	\$	789,842	\$ 609,891
Director fees		53,561	—
Share-based payments - management		77,390	168,755
Share-based payments – directors		62,950	10,978
Total key management compensation		983,743	789,624



Significant accounting policies

The Company uses information from the financial statements, prepared in accordance with IFRS and expressed in US dollars, to prepare the MD&A. The significant accounting policies used are outlined below.

Statement of compliance

The Annual Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). There have been no other changes to the significant accounting policies since the Annual Financial Statements for the years ended December 31, 2019 and December 31, 2018.

Change in comparative information

Certain figures in the statements of loss and comprehensive loss have been reclassified from general and administrative expenses to separate line items. The summary of the reclassification during the prior reporting periods is discussed in Note 25 of the Annual Financial Statements. The reclassification changes had no impact to the consolidated statement of financial position, net loss and comprehensive loss, loss per share and the consolidated statement of cash flows.

Use of estimates and judgments

Please see Note 3 in the Annual Financial Statements for full discussion of use of estimates and judgments.

Financial Instruments and Other Instruments

Please see Notes 10, 11, 12, 15 and 22 in the Annual Financial Statements for full discussion of financial instruments and other instruments.

Risk Factors

The following risk factors should be carefully considered in evaluating the Company. The risks presented below may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Other sections of the MD&A include additional factors that could have an effect on the business and financial performance of the business. The market in which PopReach currently competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results. In addition to the risks described elsewhere in the MD&A, the Interim Financial Statements, and the Annual Financial Statements, each of, and the cumulative effect of all of the following risks for the Company should be considered:

Risks Related to Our Business and Industry

The Company's business will suffer if it is unable to entertain its players, acquire new games, improve the experience of its existing games, and successfully monetize its games.

The Company's business will depend on acquiring, consolidating, operating, publishing, enhancing and continuing to service Free-to-Play ("FTP") games that consumers will download and spend time and money playing. The



Company will be primarily focused on mobile gaming, offering its games on mobile devices, including smartphones and tablets on Apple's iOS and Google's Android operating systems, and on social networking platforms such as Facebook. The Company expects to devote substantial resources to the research, development, analytics and marketing of its existing and acquired games. The Company's development and marketing efforts are focused on both improving the experience of its existing games (frequently through new content and feature releases for its live services) and acquiring and consolidating new games. The Company will generate revenue primarily through the sale of in-game virtual items and advertising. For games distributed through third-party platforms, the Company is required to share a portion of its revenues from in-game sales with the platform providers. These costs are expected to remain a significant operating expense. In order to remain profitable, the Company needs to generate sufficient bookings and revenues from its existing and new game offerings to offset its ongoing development, marketing and operating costs.

Successfully monetizing FTP games is difficult, and requires that the Company deliver valuable and entertaining player experiences that a sufficient number of players will pay for or the Company is able to otherwise sufficiently monetize its games (for example, by serving in-game advertising). The most successful FTP games tend to include socio-competitive gameplay, deep meta game features, player versus player activities, regularly updated content and other complex technological and creative attributes. While the Company will work to include such features in its games, it may not successfully update its games to include these features or they may not be well received by its players. The success of the Company's games depends, in part, on unpredictable and volatile factors beyond the Company's control including consumer preferences, competing games, new mobile platforms and the availability of other entertainment experiences. If the Company's games do not meet consumer expectations, or if they are not brought to market in a timely and effective manner, the Company's ability to grow revenue and the Company's financial performance will be negatively affected.

In addition to the market factors noted above, the Company's ability to successfully acquire, consolidate, operate, publish and enhance FTP games and enhance its existing games and their ability to achieve commercial success will depend on the Company's ability to:

- continually anticipate and respond to changes in the applications industry, particularly in the mobile and social platforms;
- effectively market its games to existing and new players;
- achieve benefits from its player acquisition costs;
- successfully navigate and adapt to changes in digital platform and OS policies, such as Apple's change to iOS 14 in relation to IDFA (Identifier for Advertisers), and Facebook's closure of Gameroom;
- achieve viral organic growth and gain customer interest in its games through free or more efficient channels;
- adapt to changing player preferences;
- adapt to new technologies and feature sets for mobile and other devices;
- expand and enhance games;
- attract, retain and motivate talented and experienced game designers, product managers and engineers;
- achieve a positive return on its advertising investments;
- partner with mobile platforms and obtain featuring opportunities;

- continue to adapt game feature sets for an increasingly diverse set of devices, including various operating systems and specifications, limited bandwidth, and varying processing power and screen sizes;
- minimize cost overruns on the development of acquired games and new features;
- achieve and maintain successful customer engagement and effectively monetize its games;
- maintain a quality social game experience and retain its players;
- acquire games that can build upon or become franchise games;
- compete successfully against a large and growing number of existing market participants;
- accurately forecast the timing and expense of its operations, including game and feature development, marketing and customer acquisition, customer adoption, and success of bookings growth;
- minimize and quickly resolve bugs or outages; and
- acquire and successfully integrate high quality FTP game assets, personnel or companies.

The Company's efforts to acquire, consolidate, operate, publish, and enhance games may prove unsuccessful or, even if successful, it may take more time than the Company anticipates to achieve significant revenue because, among other reasons:

- players may not widely download its games for a variety of reasons, including:
 - competition for downloads not only with other games but also with social media and other non-gaming related applications;
 - limits on the number of applications players are willing to download to and maintain on their devices;
 - poor consumer reviews or other negative publicity;
 - ineffective or insufficient marketing efforts;
 - lack of sufficient social and community features; and
 - lack of prominent storefront featuring.
- even if its games are widely downloaded, the Company may fail to retain users or optimize the monetization of these games; this may occur for a variety of reasons, including poor game design or quality, lack of social and community features, gameplay issues such as game unavailability, long load times or an unexpected termination of the game due to data server or other technical issues, lack of differentiation from predecessor games or other competitive games, lack of innovative features that surprise and delight the Company's players, differences in user demographics and purchasing power or its failure to effectively respond and adapt to changing user preferences through game updates;
- the Company may encounter difficulties in generating sufficient consumer interest in and downloads of its original intellectual property games;
- well-funded public and private companies have or may plan to release games in the same genres as its games or games incorporating the same licensed brands that the Company intends to use in its games, and this competition may make it more difficult for the Company to differentiate its games and derive significant revenue from them;
- the Company may have difficulty hiring the experienced monetization, live operations, server technology, user experience and product management personnel that it requires to develop and support its games, and may, as a result, face difficulties in developing unique gameplay; and

- the Company depends on the proper and continued functioning of servers and third-party infrastructure to operate its connected games that are delivered as a service.

If the Company does not achieve a sufficient return on its investment with respect to its FTP business model, it will negatively affect its operating results and may require the Company to formulate a new business strategy.

These and other uncertainties make it difficult to know whether the Company will succeed in continuing to acquire, consolidate, operate, publish and enhance successful games and features in accordance with its strategic and operating plans. If the Company does not succeed in doing so, its business, financial condition, results of operations or reputation will suffer.

The Company's industry is intensely competitive and subject to rapid changes. If consumers prefer its competitors' products or services over the Company's, the Company's operating results could suffer.

Competition in the gaming industry, especially the mobile gaming segment, is intense and subject to rapid changes, including changes from evolving consumer preferences and emerging technologies. Many new games are introduced in each major industry segment (mobile, web, PC, and console), but only a relatively small number of titles account for a significant portion of total revenue in each segment. Furthermore, the Company may face competition in the form of competitive bidding situations when attempting to acquire additional FTP games and/or associated businesses. The Company's competitors include those that develop, acquire and operate mobile and web games in varying sizes and include companies such as Activision Blizzard Inc.; Electronic Arts Inc.; Gameloft SA.; Glu Mobile Inc.; Kuuhubb Inc.; Leaf Mobile Inc.; Kabam Inc.; King Digital Entertainment plc.; Rovio Entertainment Ltd.; Zynga Inc.; Embracer Group AB; Stillfront Group AB; Modern Times Group MTG AB, and numerous other publicly and privately-held companies. In addition, online game developers and distributors who are primarily focused on specific international markets, such as Giant Interactive and Tencent in Asia, and high-profile companies with significant online presences that to date have not actively focused on social games, such as Facebook, Apple, Google, Amazon and Microsoft, may decide to develop social games. Some of these current and potential competitors have one or more advantages over the Company, either globally or in particular geographic markets, which include:

- significantly greater financial resources;
- greater experience with FTP games, building and maintaining growth or evergreen games, and building social and community features into games, as well as more effective game monetization;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- larger installed user bases from their existing games;
- larger installed user bases from related platforms, such as console gaming or social networking websites, to which they can market and sell games;
- more substantial intellectual property of their own from which they can develop games;
- lower labor and development costs and better overall economies of scale;
- greater platform-specific focus, experience and expertise;
- broader global distribution and presence; and

- greater talent, both in overall headcount and in terms of experience in creating successful titles.

As there are relatively low barriers to entry to develop a mobile or online game, the Company expects new game competitors to enter the market and existing competitors to allocate more resources to develop and market competing games and applications. The Company will also compete with a vast number of small companies and individuals who are able to create and launch games and other content for devices and platforms using relatively limited resources and with relatively limited start-up time or expertise. The proliferation of titles in these open developer channels makes it difficult for the Company to differentiate itself from competitors and to compete for players without substantially increasing its marketing expenses and development costs.

If the Company is unable to compete effectively or the Company is not as successful as its competitors in its target markets, its sales could decline, its margins could decline and it could lose market share, any of which would materially harm the Company's business, operating results and financial condition.

Players may decide to select competing forms of entertainment instead of playing the Company's games.

As an entertainment company, the Company also faces competition for the leisure time, attention and discretionary spending of its players from other non-gaming activities, such as social media and messaging applications, personal computer and console games, video streaming services, television, movies, sports and the Internet. Increasing competition could result in loss of players, increasing player acquisition and retention costs, and loss of talent, all of which could harm the Company's business, financial condition or results of operations.

If players do not find the formats of the Company's games compelling and engaging, the Company could lose players and its revenue could decline.

Consumer tastes and preferences are subject to frequent changes, and it is possible that players could lose interest in the format of the Company's games or the mobile game genre over time due to a variety of reasons, including the emergence of new formats that players find more engaging, increased popularity of other game titles, or lack of sustained interest or loss of interest in particular games or the genre of the games. If large numbers of players were to lose interest in the mobile game genre or in the format of the games the Company offers, or if the Company is not able to anticipate and develop games in new genres or formats, the Company could lose players and its revenue and business could be harmed.

The Company relies on third-party platforms such as the Apple App Store, the Google Play Store and Facebook to distribute its games and collect revenue. If the Company is unable to maintain a good relationship with such platform providers, if their terms and conditions or pricing changed to the Company's detriment, if the Company violates, or if a platform provider believes that the Company has violated, the terms and conditions of its platform, or if any of these platforms loses market share or falls out of favor or is unavailable for a prolonged period of time, the Company's business will suffer.

The Company will derive a significant portion of its bookings from distribution of its games on the Apple App Store, the Google Play Store, and Facebook and the virtual items the Company sells in its games are purchased using the payment processing systems of these platform providers.

The Company is subject to the standard policies and terms of service of third-party platforms, which govern the promotion, distribution, content and operation generally of games on the platform. Each platform provider has broad discretion to change and interpret its terms of service and other policies with respect to the Company and other



developers, and those changes may be unfavorable to the Company. A platform provider may also change its fee structure, add fees associated with access to and use of its platform, alter how the Company is able to advertise on the platform, change how the personal information of its users is made available to application developers on the platform, limit the use of personal information for advertising purposes, or restrict how players can share information with their friends on the platform or across platforms.

In addition, third-party platforms also impose certain file size limitations, which may limit the ability of players to download some of the Company's larger games in over-the-air updates. Aside from these over-the-air file size limitations, a larger game file size could cause players to delete the Company's games once the file size grows beyond the capacity of their devices' storage limitations or could reduce the number of downloads of these games.

Such terms of use changes may decrease the visibility or availability of the Company's games, limit its distribution capabilities, prevent access to its existing games, reduce the amount of bookings and revenue it may recognize from in-game purchases, increase its costs to operate on these platforms or result in the exclusion or limitation of its games on such platforms. Any such changes could adversely affect the Company's business, financial condition or results of operations.

If the Company violates, or a platform provider believes the Company has violated, its terms of service (or if there is any change or deterioration in the Company's relationship with these platform providers), that platform provider could limit or discontinue the Company's access to the platform. A platform provider could also limit or discontinue the Company's access to the platform if it establishes more favorable relationships with one or more of the Company's competitors or it determines that the Company is a competitor. Any limit or discontinuation of the Company's access to any platform could adversely affect the Company's business, financial condition or results of operations.

The Company also relies on the continued popularity, customer adoption, and functionality of third-party platforms. In the past, some of these platform providers have been unavailable for short periods of time or experienced issues with their in-app purchasing functionality. If either of these events recurs on a prolonged, or even short-term, basis or other similar issues arise that impact players' ability to access the Company's games, access social features or purchase a license to virtual items, the Company's business, financial condition, results of operations or reputation may be harmed.

The Company relies on third-party hosting and cloud computing providers to operate certain aspects of its business. Any failure, disruption or significant interruption in its network or hosting and cloud services could adversely impact the Company's operations and harm its business.

The Company's technology infrastructure is critical to the performance of its games and to player satisfaction, as well as its corporate functions. The Company's games and company systems run on a complex distributed system, or what is commonly known as cloud computing. Significant elements of this system are operated by third-parties that it does not control and which would require significant time and expense to replace. The Company expects this dependence on third-parties to continue. The Company may suffer interruptions in service, including when releasing new software versions or bug fixes, and if any such interruption were significant and/or prolonged it could adversely affect the Company's business, financial condition, results of operations or reputation.

Any failure, disruption or interference with the Company's use of hosted cloud computing services and systems provided by third-parties could adversely impact the Company's business, financial condition or results of operations. To the extent the Company does not effectively respond to any such interruptions, upgrade its systems as needed



and continually develop its technology and network architecture to accommodate traffic, the Company's business, financial condition or results of operations could be adversely affected. Furthermore, the Company's disaster recovery systems and those of third-parties with which it does business may not function as intended or may fail to adequately protect its critical business information in the event of a significant business interruption, which may cause interruption in service of its games, security breaches or the loss of data or functionality, leading to a negative effect on the Company's business, financial condition or results of operations. If users are unable to access and play the Company's games for any period of time, if virtual assets are lost, or if users do not receive their purchased virtual currency, the Company may receive negative publicity and game ratings, the Company may lose players of its games, the Company may be required to issue refunds, and the Company may become subject to regulatory investigation or class action litigation, any of which would negatively affect the Company's business. Any of these problems could require the Company to incur substantial repair costs, distract management from operating its business and result in a loss of revenue.

The Company's operating results may be volatile and difficult to predict, and the Company's stock price may decline if it fails to meet the expectations of securities analysts or investors.

The Company's bookings, revenue, player metrics and operating results may fluctuate and could vary significantly from quarter-to-quarter and year-to-year, and may fail to match the expectations of securities analysts or investors because of a variety of factors, some of which are outside of the Company's control.

In addition to other factors discussed in this section, factors that may contribute to the variability of the Company's quarterly and annual results and the volatility in its stock price include:

- its ability to increase the number of its paying players and the amount that each paying player spends in its games;
- the popularity and monetization rates of its games and the ability of games to sustain their popularity and monetization rates;
- the number and timing of games acquired and released by the Company and its competitors, which timing can be impacted by internal delays, longer than anticipated testing periods, shifts in product, acquisition and growth strategy and how quickly digital storefront operators review and approve its games for commercial release;
- changes in the prominence of storefront featuring for its games and those of its competitors;
- the loss of, or changes to, one of its distribution platforms;
- changes to the Apple iOS platform or the Google Android platform to which it is not able to adapt its game offerings;
- fluctuations in the size and rate of growth of overall consumer demand for smartphones, tablets, games and related content;
- the amount and timing of charges related to any future impairments of goodwill, intangible assets, prepaid royalties and guarantees;
- changes in the mix of revenue derived from games based on original intellectual property versus licensed intellectual property;
- changes in the mix of revenue derived from in-app purchases, advertisements and offers;

- changes in the amount of money it spends marketing its titles in a particular period, including the average amount it pays to acquire each new user, as well as changes in the timing of these marketing expenses within the period;
- decisions by the Company to incur additional expenses, such as increases in research and development, restructuring expenses, or unanticipated increases in vendor-related costs, such as hosting fees;
- the timing of successful mobile device launches;
- the seasonality of the Company's industry;
- changes in accounting rules, such as those governing recognition of revenue, including the period of time over which the Company recognizes revenue for in-app purchases of virtual currency and goods within some of its games, as well as estimates of average playing periods and player life;
- the activities, announcements and performance of its commercial partners: and
- macro-economic fluctuations in Canadian and global economies, including those that impact discretionary consumer spending.

In particular, it is difficult to predict if, or when, bookings from one of the Company's games will begin to decline, the decay rate for any particular game (i.e., the speed at which the popularity and player usage for a game declines) and the commercial success of its games and features. The success of its business depends on its ability to consistently and timely acquire games and launch features that achieve significant popularity and have the potential to become franchise games as bookings from its older games decline. It is difficult for the Company to predict with certainty when it will acquire, consolidate, publish or launch a new game or game features as games and features may require longer acquisition, consolidation, publishing or development schedules or soft launch periods to meet its quality standards and its players' expectations. If decay rates are higher than expected in a particular quarterly period and/or the Company experiences delays in the acquisition, consolidation, publishing or launch of new games or game features that it expects to offset decay rates of other games or game features, and/or new games or game features do not monetize well, the Company may not meet its expectations or the expectations of securities analysts or investors for a given quarter.

Given the rapidly evolving social game industry in which the Company operates, metrics the Company develops or those available from third parties regarding its industry and the performance of its games may not be indicative of its future financial performance.

If the Company is unable to maintain effective internal control over financial reporting, the accuracy and timeliness of its financial reporting may be adversely affected.

Maintaining effective internal control over financial reporting is necessary for the Company to produce reliable financial statements. If the Company is unable to maintain such internal controls, or if its independent registered public accounting firm is unable to express an opinion as to the effectiveness of its internal controls, it could result in a material misstatement of the Company's financial statements that would require a restatement, and investor confidence in the accuracy and timeliness of its financial reports and the market price of its common stock could be negatively impacted.



The Company's business will suffer if it is unable to successfully acquire or integrate acquired games into its business or otherwise manage the growth associated with multiple acquisitions.

The Company intends to evaluate and pursue acquisitions and strategic investments. Each of these acquisitions require unique approaches to integration due to, among other reasons, the structure of the acquisitions, their locations and cultural differences among their teams and the Company's, and will require, attention from the Company's management team. If the Company is unable to obtain the anticipated benefits from these acquisitions and strategic investments, or the Company encounters difficulties in integrating their operations with the Company's, the Company's financial condition and results of operations could be materially harmed.

Challenges and risks from such investments and acquisitions include:

- negative effects on products and product pipeline from the changes and potential disruption that may follow the acquisition;
- diversion of the Company's management's attention;
- declining employee morale and retention issues resulting from changes in compensation, or changes in management, reporting relationships, or future prospects;
- the need to integrate the operations, systems, technologies, products and personnel of each acquired company or asset, the inefficiencies and lack of control that may result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise in connection with integration;
- the difficulty in determining the appropriate purchase price of acquired companies or assets may lead to the overpayment for certain acquisitions and the potential impairment of intangible assets and goodwill acquired in the acquisitions;
- the difficulty in successfully evaluating and utilizing the acquired products, technology or personnel;
- the potential incurrence of debt, contingent liabilities, amortization expenses or restructuring charges in connection with any acquisition;
- the need to implement controls, procedures and policies appropriate for a larger public company at companies that prior to acquisition may not have as robust controls, procedures and policies;
- the difficulty in accurately forecasting and accounting for the financial impact of an acquisition transaction, including accounting charges and integrating and reporting results for acquired companies that follow different accounting methods;
- the fact that the Company may be required to pay contingent consideration in excess of the initial fair value, and contingent consideration may become payable at a time when the Company does not have sufficient cash available to pay such consideration;
- under purchase accounting, the Company may be required to write off deferred revenue which may impair its ability to recognize revenue that would have otherwise been recognizable which may impact its financial performance or that of the acquired company;
- risks associated with the Company's expansion into new international markets and doing business internationally, including those described under the risk factor caption "The Company's international operations are subject to increased challenges and risks";

- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- the need to transition operations and players onto the Company's existing or new platforms and the potential loss of, or harm to, its relationships with employees, players and other suppliers as a result of integration of new games;
- the implications of the Company's management team balancing levels of oversight over acquired games which continue their operations under earnout provisions in acquisition agreements;
- the Company's dependence on the accuracy and completeness of statements and disclosures made or actions taken by the companies it acquires (or from which it acquires games) or their representatives, when conducting due diligence and evaluating the results of such due diligence; and
- liability for activities of an acquired company before an acquisition, including intellectual property and other litigation claims or disputes, information security vulnerabilities, violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

The benefits of an acquisition or investment may also take considerable time to develop, and the Company cannot be certain that any particular acquisition or investment will produce the intended benefits, which could adversely affect the Company's business, financial condition or results of operations. The Company's ability to grow through future acquisitions will depend on the availability of suitable acquisition and investment candidates at an acceptable cost, its ability to compete effectively to attract these candidates and the availability of financing to complete larger acquisitions. Acquisitions could result in potential dilutive issuances of equity securities, use of significant cash balances or incurrence of debt (and increased interest expense), contingent liabilities or amortization expenses related to intangible assets or write-offs of goodwill and/or intangible assets, which could adversely affect the Company's results of operations and dilute the economic and voting rights of its stockholders.

The FTP business model of the Company's games depends on purchases of virtual items within the games, and the Company's business, financial condition and results of operations will be materially and adversely affected if it does not continue to successfully implement this model.

The games are available to players for free, and the Company generates revenue from them if the players purchase in-game virtual items that enhance their skills to help players progress further in the game. If the Company fails to offer popular virtual items, make unpopular changes to existing virtual items or offer games that do not attract purchases of virtual items, or if the Company's distribution partners make it more difficult or expensive for players to purchase in-game virtual items, the Company's business, financial condition and results of operations will be materially and adversely affected.

A small number of games may generate a majority of the Company's revenue, and it must continue to acquire, consolidate, operate, publish and enhance games that players like and attract and retain a significant number of players in order to grow its revenue and sustain its competitive position.

The Company may depend on a small number of games for a majority of its revenue. Bookings and revenue from many of its games, including games it may in the future acquire and consolidate pursuant to its business strategy, may decline over time after reaching a peak of popularity and player usage. If the Company is unable to continue to acquire, consolidate, enhance or otherwise offer games that encourage these players to purchase virtual items, if these players do not continue to play the Company's games, or if the Company cannot encourage significant



additional players to purchase virtual items in the games, the Company will not be able to sustain its revenue growth rate, and its business would be harmed. As a result, its business depends on its ability to engage with players by consistently and timely acquiring, consolidating, growing and otherwise offering new games and enhancing existing games with new content, features and events. Constant game enhancement requires the investment of significant resources, particularly with older games, and such costs on average have increased.

It is difficult to consistently anticipate player demand on a large scale, particularly as the Company acquires, consolidates, operates, enhances and otherwise offers games in new categories or new markets, including international markets and mobile platforms. If the Company does not successfully acquire, consolidate, operate, enhance and otherwise offer games that attract and retain a significant number of players and extend the life of its existing games, its market share, brand and financial results will be harmed.

The Company may fail to attract new customers, and the number of customers will fluctuate, any of which will materially and adversely affect its results of operations and financial condition.

In order to acquire new players, the Company uses a variety of marketing channels, including advertising and online through mobile and social networks. Acquiring players can be costly and the effectiveness of such efforts can vary widely by game, geography and platform. Furthermore, the Company's success of the business will depend in large part on its ability to initially and continually attract players of its games and, on an ongoing basis, to generate revenue from existing players and migrate them to new games and new platforms. As the Company's player network will continue to evolve, it is possible that the composition of its player network may change in a manner that makes it more difficult to generate sufficient revenue to offset the costs associated with acquiring new players and retaining existing players. Additionally, the cross-promotions may be ineffective or could be restricted by platforms thereby reducing retention of the existing players. If the cost to acquire players is greater than the revenue the Company generates over time from those players and the Company cannot successfully migrate its existing players to new games and new platforms, its business and operating results will be harmed.

The Company may rely on a small portion of its total players for nearly all of its revenue and if it fails to grow its player base, or if player engagement declines, bookings, revenue and operating results will be harmed.

The Company may rely on a small portion of its total players for the majority of its revenue derived from in-app purchases (as opposed to advertisements). To significantly increase its revenue, the Company must increase the number of downloads of its games, increase the number of players who convert into paying players by making in-app purchases or enrolling in subscriptions, increase the amount that paying players spend in its games and/or increase the length of time players generally play its games. The Company might not succeed in its efforts to increase the monetization rates of its users, particularly if the Company does not increase the number of social features in its games or otherwise improve its games through updates and live operations. If the Company is unable to convert non-paying players into paying players, or if it is unable to retain paying players or if the average amount of revenue generated from players does not increase or declines, the Company's business may not grow, its financial results will suffer, and its stock price may decline.

The value of the Company's virtual items is highly dependent on how it manages the economies in its games. If the Company fails to manage its game economies properly, its business may suffer.

Paying players purchase a license to virtual items in the Company's games because of the perceived value of these goods, which is dependent on the relative ease of obtaining an equivalent good by playing the games. The perceived



value of these virtual items can be impacted by various actions that the Company take in the games including offering discounts for virtual items, giving away virtual items in promotions or providing easier non-paid means to secure these goods. Managing game economies is difficult, and relies on the Company's assumptions and judgement. If the Company fails to manage its virtual economies properly or fails to promptly and successfully respond to any such disruption, its reputation may suffer and players may be less likely to play its games and to purchase virtual items from the Company in the future, which would cause the business, financial condition and results of operations of the Company to suffer.

The Company's revenue may be harmed by the proliferation of "cheating" programs and scam offers that seek to exploit its games and players, which may negatively affect game-playing experience and its ability to reliably validate its audience metric reporting and may lead players to stop playing its games.

Unrelated third parties have developed, and may continue to develop, "cheating" programs that enable players to exploit vulnerabilities in the Company's games, play them in an automated way, collude to alter the intended game play or obtain unfair advantages over other players who do play fairly. These programs harm the experience of players who play fairly, may disrupt the virtual economies of the Company's games and reduce the demand for virtual items, disrupting the Company's in-game economy. In addition, unrelated third parties have attempted to scam its players with fake offers for virtual items or other game benefits. If the Company is unable to discover, discourage and disable these cheating and scam programs and activities quickly, its operations may be disrupted, its reputation may be damaged, players may stop playing its games and its ability to reliably validate its audience metrics may be negatively affected. These cheating programs and scam offers result in lost revenue from paying players, disrupt the Company's in-game economies, divert time from its personnel, increase costs of developing technological measures to combat these programs and activities, increase its customer service costs needed to respond to dissatisfied players, and may lead to legal claims.

Some of the Company's players may make sales or purchases of virtual items used in its games through unauthorized or fraudulent third-party websites, which may reduce the Company's revenue.

Virtual items in the Company's games have no monetary value outside of its games. Nonetheless, some of its players may make sales and/or purchases of its virtual items through unauthorized third-party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on third-party websites and the virtual items offered may have been obtained through unauthorized means such as exploiting vulnerabilities in its games, from scamming its players with fake offers for virtual items or other game benefits, or from credit card fraud. The Company does not generate any revenue from these transactions. These unauthorized purchases and sales from third-party sellers could in the future impede the Company's revenue and profit growth by, among other things:

- decreasing revenue from authorized transactions;
- creating downward pressure on the prices the Company charges players for its virtual currency and virtual items;
- increasing chargebacks from unauthorized credit card transactions;
- causing the Company to lose revenue from dissatisfied players who stop playing a particular game;
- causing the Company to lose revenue from players who the Company takes disciplinary action against, including banning certain players who may have previously made purchases within its games;
- increasing costs the Company incurs to develop technological measures to curtail unauthorized transactions;

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- resulting in negative publicity or harm the Company's reputation with players and partners; and
 - increasing customer support costs to respond to dissatisfied players.

The Company will employ technological measures to help detect unauthorized transactions and continue to develop additional methods and processes by which the Company can identify unauthorized transactions and block such transactions. However, there can be no assurance that the Company's efforts to prevent or minimize these unauthorized or fraudulent transactions will be successful and that these actions will not increase over time.

The Company is subject to laws and regulations concerning privacy, information security, data protection, consumer protection and protection of minors, and these laws and regulations are continually evolving. The Company's actual or perceived failure to comply with these laws and regulations could harm its business.

The Company receives, stores and processes personal information and other player data, and the Company enables its players to share their personal information with each other and with third parties, including on the Internet and mobile platforms. There are numerous federal, state, provincial and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other player data on the Internet and mobile platforms, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. In addition, in some cases, the Company will be dependent upon its platform providers to solicit, collect and provide information regarding its players that is necessary for compliance with these various types of regulations.

Various government and consumer agencies have called for new regulation and changes in industry practices and are continuing to review the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. For example, the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, created new individual privacy rights and imposes worldwide obligations on companies processing personal data of European Union users, which may create a greater compliance burden for the Company and other companies with European users, and subjects violators to substantial monetary penalties. Another example is the State of California's passage of the California Consumer Protection Act of 2018 ("CCPA"), which became effective in 2020 and created new privacy rights for consumers residing in the state. There is also increased attention being given to the collection of data from minors. For instance, the Children's Online Privacy Protection Act ("COPPA") requires companies to obtain parental consent before collecting personal information from children under the age of 13. Compliance with GDPR, CCPA, COPPA and similar legal requirements may require the Company to devote significant operational resources and incur significant expenses.

All of the Company's games are subject to its privacy policy and terms of service located in application storefronts, within its games and on its corporate website. The Company generally complies with industry standards and is subject to the terms of its privacy-related obligations to players and third parties. The Company strives to comply with all applicable laws, policies, legal obligations and certain industry codes of conduct relating to privacy and data protection, to the extent reasonably attainable. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the Company's practices. It is also possible that new laws, policies, legal obligations or industry codes of conduct may be passed, or existing laws, policies, legal obligations or industry codes of conduct may be interpreted in such a way that could prevent the Company from being able to offer services to citizens of a certain jurisdiction or may make it costlier or more difficult for it to do so. Any failure or perceived failure by the Company to comply with its privacy policy and terms of service, its privacy-related obligations to players or other third parties, or its privacy-related legal



obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against the Company by consumer advocacy groups or others and could cause players to lose trust in the Company, which could have an adverse effect on the business, financial condition or results of operations of the Company. Additionally, if third parties it works with, such as players, vendors or developers violate applicable laws or its policies, such violations may also put players' information at risk and could in turn have an adverse effect on the business, financial condition or results of operations of the Company.

Cybersecurity attacks, including breaches, computer viruses and computer hacking attacks could harm the Company's business, financial condition, results of operations or reputation.

Cybersecurity attacks, including breaches, computer malware and computer hacking have become more prevalent in the Company's industry. Any cybersecurity breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, or the inadvertent transmission of computer viruses could adversely affect the business, financial condition, results of operations or reputation of the Company. The Company believes that it is taken reasonable steps to protect the security, integrity and confidentiality of the information collected, used, stored and disclosed, but there is no guarantee that in the future inadvertent (e.g., software bugs or other technical malfunctions, employee error or malfeasance, or other factors) or unauthorized data access or use will not occur despite its efforts in the past and in the future. The Company will experience hacking attacks of varying degrees from time to time, including denial-of-service attacks. Techniques used to obtain unauthorized access to personal information, confidential information and/or the systems on which such information are stored and/or to sabotage systems change frequently and generally are not recognized until launched against a target. As a result, the Company may be unable to anticipate these techniques or to implement adequate preventative measures.

In addition, the Company stores sensitive information, including personal information about its employees, and its games involve the storage and transmission of players' personal information on equipment, networks and corporate systems run by the Company or managed by third-parties including Facebook, Apple, Microsoft, Amazon, and Google. The Company is subject to a number of laws, rules and regulations requiring it to provide notification to players, investors, regulators and other affected parties in the event of a security breach of certain personal data, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to practically implement. The costs of compliance with these laws have increased and may increase in the future. The Company's corporate systems, third-party systems and security measures may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, and, as a result, an unauthorized party may obtain access to its data, its employees' data, its players' data or any third-party data it may possess. Any such security breach could require the Company to comply with various breach notification laws and may expose the Company to litigation, remediation and investigation costs, increased costs for security measures, loss of revenue, damage to the Company's reputation and potential liability.

If an actual or perceived security breach occurs, the market perception of the Company's security measures could be harmed and it could lose sales and customers and/or suffer other negative consequences to its business. A security breach could adversely affect the game playing experience and cause the loss or corruption of data, which could harm the Company's business, financial condition and operating results. Any failure to maintain the security of the Company's infrastructure could result in loss of personal information and/or other confidential information, damage to its reputation and customer relationships, early termination of its contracts and other business losses, indemnification of its customers, financial penalties, litigation, regulatory investigations and other significant liabilities.



In the event of a major third-party security incident, the Company may incur losses in excess of its insurance coverage. Further, certain incidents that Company can experience may not be covered by the insurance coverage in place at the time.

Moreover, if a high profile security breach occurs with respect to the Company or another digital entertainment company, the Company's customers and potential customers may lose trust in the security of its business model generally, which could adversely impact its ability to retain existing customers or attract new ones.

Catastrophic events may disrupt the Company's business.

The Company's systems and operations are vulnerable to damage or interruption from fires, floods, power losses, telecommunications failures, cyber-attacks, terrorist attacks, acts of war, human errors, break-ins and similar events. Additionally, the Company will rely on data centers and third-party infrastructure and enterprise applications, internal technology systems and its website for development, marketing and operational support activities. In the event of a catastrophic event, the Company may be unable to continue its operations and may endure system interruptions, reputational harm, delays in application development, lengthy interruptions in services, breaches of data security and loss of critical data, all of which could have an adverse effect on the Company's future operating results.

If the Company does not successfully invest in, establish and maintain awareness of its brand and games, if it incurs excessive expenses promoting and maintaining its brand, or its games or if its games contain defects or objectionable content, the business, financial condition, results of operations or reputation of the Company could be harmed.

The Company believes that establishing and maintaining its brand is critical to maintaining and creating favorable relationships with players, platform providers, advertisers and content licensors, as well as competing for key talent. In addition, globalizing and extending its brand and recognition of its games requires significant investment and extensive management time to execute successfully. Although the Company will make significant sales and marketing expenditures in connection with the launch of its games, these efforts may not succeed in increasing awareness of its brand or newly acquired games. Brand promotion activities may not generate consumer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses the Company will incur in building its brand. In addition, the Company's brand can be harmed if it experiences adverse publicity for its games for any reason, including due to "bugs", outages, security breaches or violations of laws. If the Company fails to increase and maintain brand awareness and consumer recognition of its games, its potential revenues could be limited, its costs could increase and its business, financial condition, results of operations or reputation could suffer.

In addition, if a game contains objectionable content or the messaging functionality of the Company's games is abused, it could experience damage to its reputation and brand. Despite reasonable precautions, some consumers may be offended by certain of its game content, the third-party advertisements displayed in certain of its games, or by treatment of other users. If consumers believe that a game the Company published or third-party advertisement displayed in a game contains objectionable content, it could harm its brand and consumers could refuse to play it and could pressure the platform providers to remove the game from their platforms. For example, the Company relies on third-party advertising partners to display ads within its games, the Company may experience instances where offensive or objectionable content has been displayed in its games through its advertising partners. While this may violate the terms of the Company's agreements with these advertising partners, its reputation and player experience may suffer. Furthermore, steps that the Company may take in response to such instances, such as



temporarily or permanently shutting off access of such advertising partner to its network, may negatively impact the Company's revenue in such period.

Similarly, the Company's games may contain errors, bugs, flaws, corrupted data, defects and other vulnerabilities, some of which may only become apparent after their launch, particularly as the Company releases new features to existing games under tight time constraints. Any such errors, flaws, defects and vulnerabilities may be exploited by cheating programs and other forms of misappropriation, which may disrupt the Company's operations, adversely affect the game experience of the Company's players, harm its reputation, cause its players to stop playing its games, divert its resources and delay market acceptance of its games, any of which could result in legal liability to the Company or harm its business, financial condition or results of operations.

If the Company is able to acquire, consolidate, operate, publish and enhance games and features that achieve success, it is possible that these games and features could divert players of its other games without growing the Company's overall user base, which could harm operating results.

Although it is important to the Company's future success that it operate, enhance and develop acquired games and new game features that are popular with players, it is possible that these games and features may reduce the amount of time players spend with its other games. In particular, the Company plans to continue leveraging its existing games to cross-promote acquired games and new features, which may encourage players of existing games to divert some of their playing time and discretionary spending away from its existing games. If these games and game features do not grow its player base, increase the overall amount of time players spend with its games, or generate sufficient new bookings to offset any declines from its other games, the Company's bookings and revenue could be adversely affected.

The Company derives a significant portion of its revenues from advertisements and offers that are incorporated into its FTP games through relationships with third parties. If the Company is unable to continue to compete for these advertisements and offers, or if any events occur that negatively impact its relationships with advertisers, its advertising revenues and operating results would be negatively impacted.

The Company derives a significant portion of its revenues through advertisements and offers it serves to players. The Company needs to maintain good relationships with advertisers to provide a sufficient inventory of advertisements and offers. Online advertising, including through mobile games and other applications, is an intensely competitive industry. Many large companies, such as Amazon, Facebook and Google, invest significantly in data analytics to make their websites and platforms more attractive to advertisers. In order for the Company's advertising business to continue to succeed, it needs to continue to demonstrate the reach of its player network and success of its advertising partners. If the Company's relationship with any advertising partners terminates for any reason, or if the commercial terms of its relationships are changed or do not continue to be renewed on favorable terms, the Company would need to qualify new advertising partners, which could negatively impact its revenues, at least in the short term.

In addition, internet-connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of advertising on their devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. For example, when Apple announced that UDID, a standard device identifier used in some applications, was being superseded and would no longer be supported, application developers were required to update their apps to utilize alternative device identifiers such as universally unique identifier, or, more recently, identifier-for-advertising, which simplify the process for Apple users to opt out of behavioral targeting. If users elect



to utilize the opt-out mechanisms in greater numbers, the Company's ability to deliver effective advertising campaigns on behalf of its advertisers would suffer, which could cause the Company's business, financial condition, or results of operations to suffer. Finally, the revenues that the Company derives from advertisements and offers is subject to seasonality, as companies' advertising budgets are generally highest during the fourth quarter and decline significantly in the first quarter of the following year, which negatively impacts the Company's revenues in the first quarter.

The Company's revenue, bookings and operating margins may decline. The Company also may incur substantial net losses in the future and may not achieve or sustain profitability.

The industry in which the Company operates is highly competitive and rapidly changing, and relies heavily on successful new product launches and continually introducing compelling content, products and services. As such, if the Company fails to acquire, consolidate, operate, publish, enhance or otherwise deliver such content, products and services, does not execute its strategy successfully or if its new content launches are delayed, the Company's revenue, bookings and audience numbers may decline, and its operating results will suffer.

In addition, the Company's operating margin may experience downward pressure as a result of increasing competition and the other risks discussed in this report. The Company expects to continue to expend substantial financial and other resources on game acquisition and consolidation as well as game and feature development and marketing. The Company's operating costs will increase and its operating margins may decline if it does not effectively manage costs, launch new products and features on schedule that monetize successfully and enhance its franchise games so that these games continue to monetize successfully. In addition, weak economic conditions or other factors could cause the Company's business to further contract, requiring it to implement significant additional cost cutting measures, including a decrease in research and development and sales and marketing, which could harm the Company's long-term prospects.

In addition, following the Qualifying Transaction, as a public company, the Company incurs significant accounting, legal and other expenses that, as a private company, it did not incur. As a result of these increased expenditures, the Company's profitability may take longer than anticipated to achieve. While the Company's revenue is expected to grow after the closing Qualifying Transaction, this growth may take longer than anticipated to realize and it may not be sustainable, and the Company may not achieve sufficient revenue growth in future periods to achieve or maintain profitability. In future periods, the Company's revenue could decline or grow more slowly than expected. The Company may also incur significant losses in the future for a number of reasons, including due to the other risks described herein, and it may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors. Accordingly, the Company may not be able to maintain profitability, and it may incur losses in the future.

If the Company's revenues do not increase to offset any additional expenses, if it fails to manage or experience unexpected increases in operating expenses or if it is required to take additional charges related to impairments or restructurings, the Company's financial results and results of operations may suffer.

The Company rely on assumptions and estimates to calculate certain of its key metrics, and real or perceived inaccuracies in such metrics may harm the Company's reputation and negatively affect its business.

Certain of the Company's key metrics are calculated using internal company data from multiple analytics systems that have not been independently verified. While these numbers are based on what the Company believes to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring usage



and user engagement across its user base and its recently acquired operations, and factors relating to user activity and systems may impact these numbers.

The Company relies on the accuracy and transparency of data provided by individuals and reported by third parties to calculate its metrics and eliminate duplication of data. The Company's advertisers and investors rely on its key metrics as a representation of its performance. The Company regularly reviews and may adjust its processes for calculating its internal metrics to improve their accuracy, but these efforts may not prove successful and the Company may discover material inaccuracies. In addition, its methodology for calculating these metrics may differ from the methodology used by other companies to calculate similar metrics. If the Company determines that it can no longer calculate any of its key metrics with a sufficient degree of accuracy, and it cannot find an adequate replacement for the metric, the Company's business, financial condition or results of operations may be harmed. In addition, if advertisers, platform partners or investors do not perceive the Company's user metrics to be accurate representations of its user base or user engagement, or if the Company discovers material inaccuracies in its user metrics, the Company's reputation may be harmed and advertisers and platform partners may be less willing to allocate their budgets or resources to its products and services, which could negatively affect the Company's business, financial condition or results of operations.

Any restructuring actions and cost reduction initiatives that the Company undertakes may not deliver the expected results and these actions may adversely affect the Company's business.

The Company may implement a number of restructurings in which it implement certain restructuring actions and cost reduction initiatives to streamline operations and improve cost efficiencies to better align its operating expenses with its revenue. The Company plans to continue to manage costs to better and more efficiently manage its business. Any restructuring plans and other such efforts could result in disruptions to the Company operations and adversely affect its business, financial condition or results of operations.

The Company actively monitors its costs, however, if it does not fully realize or maintain the anticipated benefits of any restructuring actions and cost reduction initiatives, the Company's business, financial condition or results of operations could be adversely affected, and additional restructuring initiatives may be necessary. In addition, the Company cannot be sure that any cost reduction initiatives will be as successful in reducing its overall expenses as expected or that additional costs will not offset any such reductions. If its operating costs are higher than it expects or if it does not maintain adequate control of its costs and expenses, the Company's operating results will suffer.

In addition, any cost cutting measures by the Company could negatively impact its business, financial condition or results of operations including but not limited to, delaying the introduction of new games, features or events, interrupting live services, impairing its control environment, delaying introduction of new technology, impacting its ability to react nimbly to game or technology issues, or impacting employee retention and morale.

The Company's business and growth may suffer if it fails to attract, retain and motivate key personnel.

The Company's ability to compete and grow depends in large part on the efforts and talents of its employees and executives. Its success depends in a large part upon the continued service of its senior management team. The Company's management team is critical to the Company's vision, strategic direction, culture, products and technology, and the continued retention of its entire senior management team is important to the success of its operating plan. The loss of any member of its senior management team could cause disruption and harm the business, financial condition, results of operations or reputation of the Company.



In addition, the Company's ability to execute its strategy depends on its continued ability to identify, hire, develop, motivate and retain highly skilled employees, particularly in the competitive fields of game and feature design, product management and engineering. These employees are in high demand, and the Company devotes significant resources to identifying, recruiting, hiring, training, successfully integrating and retaining them. Any significant turnover in the Company's headcount may place significant demands on its management and its operational, financial and technological infrastructure.

As the Company operates as a public company, volatility of its stock price, changes in its compensation structure for its executive officers that significantly relies on performance linked stock awards, and any headcount reductions may make it more difficult for the Company to attract and retain top talent. In particular, should the Company's stock price decline it might be difficult for it to attract and retain qualified personnel, since individuals may elect to seek employment with other companies that they believe have better long-term prospects or that present better opportunities for earning equity-based compensation. If the Company is unable to identify, hire and retain its senior management team and its key employees, the Company's business, financial condition or results of operations could be harmed. Moreover, if the Company's team fails to work together effectively to execute its plans and strategies on a timely basis, the Company's business, financial condition or results of operations could be harmed.

The Company may hire a number of key personnel through acquisitions, and as competition with other game companies for attractive target companies with a skilled employee base persists and increases, the Company may incur significant expenses and difficulty in continuing this practice. In addition, volatility in the Company's operating results and the trading price of its common stock may negatively impact its perceived reputation and make it more difficult and more expensive to successfully retain employees through acquisitions. The loss of talented employees with experience in the assets it acquires could result in significant disruptions to the Company's business and the integration of acquired assets and businesses. If it does not succeed in recruiting, retaining, and motivating these key employees, the Company may not achieve the anticipated results of acquisitions.

The Company's core values of focusing on its players and acting for the long-term may conflict with the short-term expectations of analysts.

The Company believes surprising and delighting its players is essential to its success and serves the best, long-term interests of the Company and its shareholders. Therefore, the Company may make in the future, significant investments or changes in strategy that it thinks will benefit the Company in the long-term, even if its decision has the potential to negatively impact its operating results in the short term. In addition, the Company's decisions may not result in the long-term benefits that it expects, in which case the success of its games, business, financial condition or results of operations could be harmed.

If the use of mobile devices as game platforms and the proliferation of mobile devices generally do not increase, the Company's business could be adversely affected.

The number of people using mobile Internet-enabled devices has increased dramatically over time and the Company expects that this trend will continue. However, the mobile market, particularly the market for mobile games, may not grow in the way it anticipates. The Company's future success is substantially dependent upon the continued growth of the market for mobile games. The proliferation of mobile devices may not continue to develop at historical rates and consumers may not continue to use mobile Internet-enabled devices as a platform for games. In addition, the Company does not currently offer its games on all mobile devices. If the mobile devices on which its games are available decline in popularity or become obsolete faster than anticipated, the Company could experience a decline



in bookings and revenue and may not achieve the anticipated return on its development efforts. Any such declines in the growth of the mobile market or in the use of mobile devices for games could harm the Company's business, financial condition or results of operations.

If the Company fails to deliver its games at the same time as new mobile devices are commercially introduced, its revenue may suffer.

The Company's business depends, in part, on the commercial introduction of new mobile devices with enhanced features, including larger, higher resolution color screens, improved audio quality, and greater processing power, memory, battery life and storage. For example, the introduction of new and more powerful versions of Apple's iPhone and iPad and devices based on Google's Android operating system, have helped drive the growth of the mobile games market. In addition, consumers generally purchase the majority of content, such as its games, for a new device within a few months of purchasing it. The Company does not control the timing of these device launches. The mobile games market could also be disrupted by new technologies, such as the introduction of next generation virtual reality devices. Some manufacturers give the Company access to their new devices prior to commercial release. If one or more major manufacturers were to stop providing the Company access to new device models prior to commercial release, the Company might be unable to operate and introduce games and features that are compatible with the new device when the device is first commercially released, and the Company might be unable to acquire, publish or operate compatible games for a substantial period following the device release. If the Company does not adequately build into its title plan the demand for games for a particular mobile device or experiences game and feature availability delays, it misses the opportunity to publish and operate games when new mobile devices are shipped or its end users upgrade to a new mobile device, the Company's revenue would likely decline and its business, operating results and financial condition would likely suffer.

The Company's ability to acquire and maintain licenses to intellectual property may affect its revenue and profitability. Competition for these licenses may make them more expensive and increase the Company's costs.

Competition for proprietary licenses is intense, and may result in increased advances, minimum payment guarantees and royalties that the Company must pay to the licensor. If the Company is unable to obtain and remain in compliance with the terms of these licenses or obtain additional licenses on reasonable economic terms, its revenue and profitability may be adversely impacted. In addition, use of these intellectual properties may require that it pay a royalty to the licensor, which decreases its profitability. If the mix of player purchases shifts towards games in which the Company uses licensed intellectual properties increases, its overall margins may be reduced.

In addition, many of the Company's games are built on proprietary source code of third parties. If the Company is unable to renew licenses to proprietary source code underlying its games, or the terms and conditions of these licenses change at the time of renewal its business, financial condition or results of operations could be negatively impacted. If a third party from whom the Company licenses source code discontinues support for one or more of these platforms, the Company's business, financial condition or results of operations could be negatively impacted.

Failure to protect or enforce the Company's intellectual property rights or the costs involved in such enforcement could harm the Company's business, financial condition or results of operations.

The Company regards the protection of its trade secrets, copyrights, trademarks, service marks, trade dress, domain names, patents, and other product rights as critical to its success. The Company strives to protect its intellectual



property rights by relying on federal, provincial and common law rights, as well as contractual restrictions and business practices. The Company enters into confidentiality and invention assignment agreements with its employees and contractors and confidentiality agreements with parties with whom it conducts business in order to limit access to, and disclosure and use of, its proprietary information. However, these contractual arrangements and business practices may not prevent the misappropriation of the Company's proprietary information or deter independent development of similar technologies by others. Further, in some instances the Company may be required to obtain licenses to intellectual property in lieu of ownership. Such licenses may be limited in scope and require the Company to renegotiate on a frequent basis for additional use rights. Moreover, to the extent that the Company may only have a license to any intellectual property used in any of its games, there may be no guarantee of continued access to such intellectual property, including on commercially reasonable terms.

The Company pursues the registration of its copyrights, trademarks, service marks, domain names, and patents in Canada and in certain locations outside Canada. This process can be expensive and time-consuming, may not always be successful depending on local laws or other circumstances, and the Company also may choose not to pursue registrations in every location depending on the nature of the project to which the intellectual property rights pertain. The Company may, over time, increase its investments in protecting its creative works and innovations through patent filings that are expensive and time-consuming and may not result in issued patents that can be effectively enforced.

Despite such efforts to protect intellectual property rights, unauthorized parties may attempt to copy or otherwise to obtain and use technology and games used or offered by the Company. For example, some companies have released games that are very similar to other successful games in an effort to confuse the market and divert players from their competitor's games to their copycat games. To the extent that these tactics are employed with respect to any of the games offered the Company, it could reduce the revenue that the Company generates from such games. Monitoring unauthorized use of the games is difficult and costly, and the Company cannot be certain that the steps it has taken in the past or the future will prevent piracy and other unauthorized distribution and use of the technology and applications or games used or offered by the Company. To the extent the Company expands its activities worldwide, exposure to unauthorized copying and use of its games and proprietary information may increase. In the future, litigation may be necessary to enforce intellectual property rights, protect trade secrets to determine the validity and scope of proprietary rights claimed by others or to defend against claims of infringement or invalidity. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs, adverse publicity or diversion of management and technical resources, any of which could adversely affect the Company's business and operating results. If the Company fails to maintain, protect and enhance its intellectual property rights, its business and operating results may be harmed.

There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that its competitors will not independently develop similar technology or games. Furthermore, the Company's efforts to enforce its intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of its intellectual property rights. These steps may be inadequate to protect its intellectual property. The Company will not be able to protect its intellectual property if it is unable to enforce its rights or if it does not detect unauthorized use of its intellectual property.



The Company may be subject to intellectual property disputes, which are costly to defend and could require the Company to pay significant damages and could limit its ability to use certain technologies in the future.

From time to time, the Company may face allegations that it has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from its competitors, non-practicing entities and former employers of its personnel. Intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the Company faces increasing competition and as litigation becomes a more common way to resolve disputes, the Company faces a higher risk of being the subject of intellectual property infringement claims. The Company cannot make any assurances that it will not become, in the future, subject to claims that it has misappropriated or misused other parties' intellectual property rights. If the Company is sued by a third-party that claims that the Company's technology infringes its rights, the litigation (with or without merit) could be expensive and could divert management resources.

As the result of any court judgment or settlement, the Company may be obligated to do one or more of the following:

- cease making, selling, offering for sale or using technologies that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or
- redesign technology to avoid infringement.

If the Company is required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against the Company, such payments or costs could have a material adverse effect upon the Company's business and financial results.

In addition, the Company uses open-source software in its business and expect to continue to use open-source software in the future. From time to time, the Company may face claims from companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require the Company to purchase a costly license or require the Company to devote additional research and development resources to change its games, any of which would have a negative effect on the Company's business, financial condition or results of operations.

The Company may be involved in legal proceedings that may result in adverse outcomes.

The Company may be involved in claims, suits, government investigations, and proceedings arising in the ordinary course of its business, including actions with respect to intellectual property claims, privacy, data protection or law enforcement matters, tax matters, labor and employment claims, commercial and acquisition-related claims, as well as shareholder derivative actions, class action lawsuits, and other matters. Such claims, suits, government investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of their outcomes, such legal proceedings can have an adverse impact on the Company because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing the Company from offering certain features, functionalities, products, or



services, or requiring a change in its business practices, products or technologies, which could in the future materially and adversely affect the Company's business, financial condition or results of operations.

The Company's business is subject to a variety of Canadian and foreign laws, many of which are unsettled and still developing and which could subject the Company to claims or otherwise harm its business.

The Company is subject to a variety of laws in different jurisdictions that affect its business, including provincial and federal laws regarding consumer protection, electronic marketing, protection of minors, data protection, competition, taxation, intellectual property, export and national security, which are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to the Company are often uncertain and may be conflicting, particularly laws outside Canada. There is a risk that these laws may be interpreted in a manner that is not consistent with the Company's current practices, and could have an adverse effect on the Company's business. It is also likely that as the Company's business grows and evolves and its games are played in a greater number of countries, it will become subject to laws and regulations in additional jurisdictions or other jurisdictions may claim that it is required to comply with their laws and regulations. This may require the Company to expend substantial resources or to modify its games, which would harm its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Company's reputation or otherwise impact the growth of its business. Any costs incurred as a result of this potential liability could harm the Company's business and operating results.

The Company is potentially subject to a number of foreign and domestic laws and regulations that affect the offering of certain types of content, such as that which depicts violence, many of which are ambiguous, still evolving and could be interpreted in ways that could harm the Company's business or expose it to liability. Additionally, "loot box" game mechanics have been the subject of increased public discussion. Mechanics in certain of the Company's games could be deemed as "loot boxes". New regulation, which may vary significantly across jurisdictions and which the Company may be required to comply with, could require that these game mechanics be modified or removed from games, increase the costs of operating its games, impact player engagement and monetization, prevent the Company from acquiring games that include such features in the future, or otherwise harm the Company's business performance. If the Company is not able to comply with new or existing laws or regulations or if it becomes liable under these laws or regulations, the Company could be directly harmed, and it may be forced to implement new measures to reduce its exposure to this liability. This may require the Company to expend substantial resources or to modify its games, which would harm its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Company's reputation or otherwise impact the growth of its business. Any costs incurred as a result of this potential liability could harm the Company's business, financial condition or results of operations.

It is possible that a number of laws and regulations may be adopted or construed to apply to the Company in Canada and elsewhere that could restrict the online and mobile industries, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of electronic commerce and virtual items may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as the Company conducting business through the Internet and mobile devices. The Company anticipates that scrutiny and regulation of its industry will increase and it will be required to devote legal and other resources to addressing such regulation. For example, existing laws or new laws regarding the marketing of in-app purchases, labeling of FTP games, regulation of currency and banking institutions unclaimed property and money transmission may be interpreted to cover its games and the virtual currency, goods or payments that it receives. If that were to occur the Company may be required to seek licenses, authorizations or approvals from



relevant regulators, the granting of which may be dependent on the Company meeting certain capital and other requirements and the Company may be subject to additional regulation and oversight, all of which could significantly increase its operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in Canada or elsewhere regarding these activities may lessen the growth of social game services and impair the Company's business, financial condition or results of operations.

In addition, the Company's support operations in Bangalore, India through its subsidiary PopReach India may expose the Company to risks of political uncertainty and challenges with respect to remaining compliant with developing and changing local laws. Changes in laws and regulations in the region may negatively affect the business operations of PopReach India and its viability and could potentially harm the Company's business, financial condition or results of operations.

The Company's international operations are subject to increased challenges and risks.

Continuing to expand the Company's business to attract players in countries other than Canada is a critical element of its business strategy. An important part of targeting international markets is acquiring, consolidating, operating, publishing and enhancing offerings that are localized and customized for the players in those markets. The Company expects to continue to expand its international operations in the future by expanding its offerings in new languages. The Company's ability to expand its business and to attract talented employees and players in an increasing number of international markets will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Expanding its international focus may subject the Company to risks that it has not faced before or increase risks that it currently faces, including risks associated with:

- inability to offer certain games in certain foreign countries;
- burdens of complying with a variety of foreign laws in multiple jurisdictions;
- potential damage to its brand and reputation due to compliance with local laws, including requirements to provide player information to local authorities;
- recruiting and retaining talented and capable management and employees in foreign countries;
- recruiting and working through local partners;
- challenges caused by distance, language and cultural differences;
- acquiring, consolidating, operating, publishing, enhancing and customizing games and other offerings that appeal to the tastes and preferences of players in international markets;
- competition from local game makers with intellectual property rights and significant market share in those markets and with a better understanding of player preferences;
- utilizing, protecting, defending and enforcing its intellectual property rights;
- negotiating agreements with local distribution platforms that are sufficiently economically beneficial to the Company and protective of its rights;
- the inability to extend proprietary rights in its brand, content or technology into new jurisdictions;

- implementing alternative payment methods for virtual items in a manner that complies with local laws and practices and protects the Company from fraud;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content and consumer protection (for example, the United Kingdom's Office of Fair Trading's 2014 principles relating to in-app purchases in FTP games that are directed toward children 16 and under);
- compliance with anti-bribery laws;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- exposure to local banking, currency control and other financial-related risks;
- protectionist laws and business practices that favor local businesses in some countries;
- double taxation of its international earnings and potentially adverse tax consequences due to changes in the tax laws of the jurisdictions in which the Company operates;
- political, economic and social instability;
- natural disasters, including earthquakes, tsunamis and floods;
- inadequate local infrastructure;
- higher costs associated with doing business internationally;
- export or import regulations; and
- trade and tariff restrictions.

If the Company is unable to manage the complexity of its global operations successfully, its business, financial condition and operating results could be adversely affected. Additionally, the Company's ability to successfully gain market acceptance in any particular market is uncertain, and the distraction of its senior management team could harm the Company's business, financial condition or results of operations.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect the Company's business and operating results.

The Company currently transacts business in several countries and in different currencies. Conducting business in different currencies subjects the Company to fluctuations in currency exchange rates that could have a negative impact on its reported operating results. To date, the Company has not engaged in exchange rate hedging activities, and it does not expect to do so in the foreseeable future.

Companies and governmental agencies may restrict access to platforms, the Company's website, mobile applications or the Internet generally, which could lead to the loss or slower growth of the Company's player base.

The Company's players generally need to access the Internet and in particular platforms such as Facebook, Apple, Google and the Company's website to play its games. Companies and governmental agencies could block access to Facebook, the Company's website, mobile applications or the Internet generally for a number of reasons such as security or confidentiality concerns or regulatory reasons, or they may adopt policies that prohibit employees from accessing Facebook, Apple, Google and the Company's website or other social platforms. If companies or



governmental entities block or limit such or otherwise adopt policies restricting players from playing the Company's games, its business could be negatively impacted and could lead to the loss or slower growth of its player base.

Changes in the tax treatment of companies engaged in Internet commerce may adversely affect the commercial use of the Company's services and its financial results.

Due to the global nature of the Internet, it is possible that various countries might attempt to regulate transmissions or levy sales, income, consumption, use or other taxes relating to its activities, or impose obligations on the Company to collect such taxes. Tax authorities in various jurisdictions are reviewing the appropriate treatment of companies engaged in Internet commerce such as the sale of virtual items and the provision of online services. The imposition of new or revised tax laws or regulations may subject the Company or the players of its applications or games to additional sales, income, consumption, use or other taxes. The Company cannot predict the effect of current attempts to impose such taxes on commerce over the Internet. New or revised taxes and, in particular, sales, use or consumption taxes, the Value Added Tax and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling virtual items over the Internet. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have an adverse effect on the business and results of operations of the Company.

The Company may have exposure to greater than anticipated tax liabilities.

The Company's income tax obligations are based in part on its corporate operating structure and intercompany arrangements, including the manner in which the Company develops, values, manages, and uses its intellectual property and the valuation of its intercompany transactions. The tax laws applicable to its business, including the laws of Canada and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue. The Company's existing corporate structure and intercompany arrangements have been implemented in a manner that the Company believes is in compliance with current prevailing tax laws. However, the taxing authorities of the jurisdictions in which the Company operate may challenge its methodologies for valuing developed technology or intercompany arrangements, which could impact the Company's worldwide effective tax rate and harm its financial position and results of operations. In addition, changes to the Company's corporate structure and intercompany agreements, including through acquisitions, could impact its worldwide effective tax rate and harm its financial position and results of operation.

The Company must charge, collect and/or pay taxes other than income taxes, such as payroll, value-added, sales and use, net worth, property and goods and services taxes, in both Canadian and foreign jurisdictions. If tax authorities assert that the Company has a taxable nexus in a jurisdiction, they may seek to impose past as well as future tax liability and/or penalties. Any such impositions could also cause significant administrative burdens and decrease the Company's future sales.

The Company may require additional capital to meet its financial obligations and support business growth, and this capital might not be available on acceptable terms or at all.

The Company intends to make significant investments to support its business growth and may require additional funds to respond to business challenges. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through future issuances of equity or convertible debt securities, its existing shareholders could suffer significant dilution, and any new equity securities the Company issues could have rights, preferences and privileges superior to those of holders of its common shares. Any debt



financing that the Company secures in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may not be able to obtain additional financing on terms favorable to it, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to the Company when the Company requires it, the Company's ability to support its business growth and to respond to business challenges could be significantly impaired, and the Company's business, financial condition or results of operations may be harmed.

If securities or industry analysts do not publish research about the Company's business, or publish negative or misinformed reports about the Company's business, its share price and trading volume could decline and/or become more volatile.

The trading market for the Company's common stock will be affected by the research and reports that securities or industry analysts publish about its business. The Company does not have any control over these analysts. If one or more of the analysts who cover the Company downgrade its shares or lower their opinion of its shares, the Company's share price would likely decline. If one or more of these analysts cease coverage of the Company or fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline. In addition, the Company's share price and the volatility of its shares can be affected by misinformed or mistaken research reports on its business.

Novel Coronavirus ("COVID-19") and the potential global outbreak of a contagious disease.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. Depending on the duration and severity of the current COVID-19 pandemic, it may also have the effect of heightening many of the other risks described herein and in any other disclosure documents of the Company including, but not limited to, those risks relating to the successful completion of growth and expansion projects, the ability to obtain any required regulatory approvals in the future, the ability to raise additional capital to meet financial obligations and support business growth, the ability to service obligations under any debt securities and other debt obligations; and complying with the covenants contained in the agreements that govern indebtedness. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Risks Related to Our Common Shares

The price of our common shares may be volatile and may decline regardless of our operating performance.

The price of our common shares has fluctuated in the past and we expect it to fluctuate in the future, and it may decline. The trading prices of gaming companies' securities may be highly volatile. The market price of our common shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including, among others:

- 
- actual or anticipated fluctuations in our revenue and other results of operations, including as a result of the addition or loss of any number of customers;
 - announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
 - the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
 - failure of securities analysts to initiate or maintain coverage of us, changes in ratings and financial estimates and the publication of other news by any securities analysts who follow the Company, or our failure to meet these estimates or the expectations of investors;
 - changes in operating performance and stock market valuations of other technology companies, or those in our industry in particular;
 - the size of our public float;
 - price and volume fluctuations in the trading of our common shares and in the overall stock market, including as a result of trends in the economy as a whole;
 - new laws or regulations or new interpretations of existing laws or regulations applicable to our business or industry, including data privacy, data protection, and information security;
 - lawsuits threatened or filed against us for claims relating to intellectual property, employment issues, or otherwise;
 - changes in our board of directors or management;
 - short sales, hedging, and other derivative transactions involving our common shares;
 - sales of large blocks of our common shares including sales by our executive officers, directors, and significant shareholders; and
 - other events or factors, including changes in general economic, industry, and market conditions, and trends, as well as any natural disasters, which may affect our operations.

Share price volatility and limited market for securities

Our common shares are listed on the TSX Venture Exchange (the “**TSXV**”). However, in recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding the Company’s potential success in creating revenues, cash flows or earnings. The value of our common shares will be affected by such volatility. An active public market



for our common shares might not develop or be sustained. If an active public market for our common shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

In addition, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many gaming companies. Share prices of many gaming companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management, and harm our business.

Future sales of common shares by existing shareholders could cause the price of our common shares to decline.

Sales of a substantial number of our common shares by our existing shareholders in the public market could occur at any time. If our shareholders sell, or the market perceives that our shareholders intend to sell, substantial amounts of our common shares in the public market, the market price of our common shares could decline. The magnitude of this risk will be inversely proportional to the size of the public float.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade our common shares, the price of our common shares could decline.

The trading market for our common shares depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, the price of our common shares would likely decline. In addition, if our results of operations fail to meet the forecast of analysts, the price of our common shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our common shares could decrease, which might cause the price and trading volume of our common shares to decline.

Our issuance of additional common shares in connection with financings, acquisitions, investments, our equity incentive plans, or otherwise will dilute all other shareholders.

We expect to issue additional common shares in the future that will result in dilution to all other shareholders. We expect to grant equity awards to employees, directors, and consultants under our equity incentive plans. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies, and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional common shares may cause shareholders to experience significant dilution of their ownership interests and the per share value of our common shares to decline.

We may also raise capital through equity financings in the future. Any additional capital raised through the sale of equity may dilute existing shareholders' percentage ownership of our common shares and shareholders could be asked in the future to approve the creation of new equity securities which could have rights, preferences and privileges superior to those of holders of our common shares. Capital raised through debt financing would require us to make periodic interest payments and may impose restrictive covenants on the conduct of our business. Furthermore, additional financings may not be available on terms favourable to us, or at all. A failure to obtain additional funding could prevent us from making expenditures that may be required to implement our growth strategy and grow or maintain our operations.

We do not currently intend to pay dividends for the foreseeable future.

We generally do not intend to pay dividends to the holders of our common shares for the foreseeable future. Our ability to pay dividends on our common shares is limited by our existing indebtedness, and may be further restricted by the terms of any future debt incurred or preferred securities issued by us or our subsidiaries or law. Payments of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our business, financial condition, and results of operations, current and anticipated cash needs, plans for expansion and any legal or contractual limitation on our ability to pay dividends. As a result, any capital appreciation in the price of our common shares may be your only source of gain on your investment in our common shares. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Shareholders have limited control over our Company's operations.

Shareholders have limited control over changes in our policies and operations, which increases the uncertainty and risks of an investment in our Company. The board of directors (the “**Board**”) determines major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, the Board may amend or revise these and other policies without a vote of the shareholders. The Board’s broad discretion in setting policies and the limited ability of shareholders to exert control over those policies increases the uncertainty and risks of an investment in our Company.

SCHEDULE F
POPREACH INTERIM FINANCIAL STATEMENTS

(see attached)



Condensed Interim Consolidated Financial Statements of POPREACH CORPORATION (Unaudited)

For the three and nine months ended September 30, 2021 and 2020

POPREACH CORPORATION
Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2021 and December 31, 2020 (unaudited - in US dollars, unless otherwise stated)

	September 30 2021	December 31 2020
Assets		
Current Assets:		
Cash and cash equivalents	\$ 11,582,698	\$ 18,097,649
Trade and other receivables (note 4)	1,797,190	1,167,123
Investment tax credits receivable	351,694	466,619
Investment in lease receivable (note 10)	55,640	50,552
Prepaid assets	343,248	297,258
	14,130,470	20,079,201
Property and equipment (note 5)	203,920	184,220
Intangible assets (notes 6 and 7)	9,635,887	5,116,926
Goodwill (notes 6 and 7)	2,605,933	6,084
Investment tax credits receivable	503,739	242,015
Right-of-use asset (note 9)	326,013	138,581
Deferred cost of sales (note 2)	256,608	-
Investment in lease receivable (note 10)	57,699	100,164
Deferred tax asset	68,006	67,340
	27,788,275	25,934,531
Liabilities and Shareholders' Equity		
Current Liabilities:		
Trade and other payables	1,214,557	869,081
Income taxes payable	75,432	43,062
Deferred revenue	2,491,754	912,475
Lease liabilities (note 9)	261,104	208,302
Borrowings (note 11)	1,213,931	1,200,418
Provisions (note 12)	-	100,000
Derivative financial instruments (note 13)	1,214,518	4,546,471
	6,471,296	7,879,809
Non-current liabilities:		
Deferred revenue	116,189	-
Lease liabilities (note 9)	199,958	113,264
Borrowings (note 11)	4,141,008	4,832,445
Provisions (note 12)	1,449,000	-
Employee benefit obligations (note 15)	408,510	588,855
	12,785,961	13,414,373
Shareholders' equity:		
Share capital (note 17)	24,644,738	24,575,987
Warrant reserve (note 18)	47,585	50,176
Share-based payment reserve (note 19)	1,378,051	1,170,499
Accumulated other comprehensive loss	(17,122)	(53,759)
Deficit	(11,050,938)	(13,222,745)
	15,002,314	12,520,158
	27,788,275	25,934,531

See accompanying notes to the condensed interim consolidated financial statements.

On behalf of the Board:

/s/ Mike Vorhaus _____ Director

/s/ Christopher Locke _____ Director

POPTEACH CORPORATION
Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

	Three months ended		Nine months ended	
	2021	2020	2021	2020
Revenue (notes 2 and 24):				
In-App purchases	\$ 3,978,677	\$ 4,185,045	\$ 12,095,166	\$ 13,342,779
Advertising and other	242,217	151,184	644,714	572,320
	4,220,894	4,336,229	12,739,880	13,915,099
Cost of sales (notes 2, 25 and 26)	1,493,670	1,654,638	4,585,489	6,061,451
Gross profit	2,727,224	2,681,591	8,154,391	7,853,648
Operating expenses:				
Research and development (note 25)	817,519	741,280	2,709,703	2,054,691
General and administrative (notes 25 and 26)	1,082,759	800,151	2,868,015	2,026,169
Marketing (note 26)	906,048	216,126	1,791,833	469,687
Interest and accretion expenses	213,749	207,941	497,623	939,065
Amortization	474,220	743,314	1,366,459	2,212,232
	3,494,295	2,708,812	9,233,633	7,701,844
Non-operating income (expenses):				
Fair value loss (gain) on financial liabilities (note 14)	(286,398)	(514,027)	3,314,998	(2,154,081)
Reverse takeover listing expense (note 27)	-	(28,115)	-	(1,008,834)
	(286,398)	(542,142)	3,314,998	(3,162,915)
Income (loss) before income taxes	(1,053,469)	(569,363)	2,235,756	(3,011,111)
Current tax expense (recovery)	24,000	(13,058)	77,329	45,125
Deferred tax recovery	(7,687)	(37,846)	(13,380)	(37,846)
Net income (loss)	(1,069,782)	(518,459)	2,171,807	(3,018,390)
Other comprehensive income:				
Employee benefit obligations actuarial earnings (loss), net of income tax (note 15)	9,472	33,228	36,637	47,959
Comprehensive income (loss)	(1,060,310)	(485,231)	2,208,444	(2,970,431)
Basic earnings (loss) per share (note 17)	(0.01)	(0.01)	0.03	(0.07)
Diluted earnings (loss) per share (note 17)	(0.01)	(0.01)	0.03	(0.07)

See accompanying notes to the condensed interim consolidated financial statements.

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

	Number of shares	Share capital (note 17)	Warrant reserve (note 18)	Share-based payment reserve (note 19)	Accumulated other comprehensive income (loss)	Deficit	Total
January 1, 2021	73,048,686	24,575,987	50,176	1,170,499	(53,759)	(13,222,745)	12,520,158
Share-based compensation	-	-	-	207,552	-	-	207,552
Exercise of warrants – derivative liability	44,568	47,103	-	-	-	-	47,103
Exercise of warrants – equity	30,000	21,648	(2,591)	-	-	-	19,057
Comprehensive income	-	-	-	-	36,637	2,171,807	2,208,444
September 30, 2021	73,123,254	24,644,738	47,585	1,378,051	(17,122)	(11,050,938)	15,002,314
January 1, 2020	38,930,665	3,141,880	382,155	694,309	(30,404)	(6,921,521)	(2,733,581)
Share-based compensation	-	-	-	130,779	-	-	130,779
Warrants issued during the period	-	-	12,684	-	-	-	12,684
Conversion of convertible debentures	7,744,273	3,342,625	-	-	-	-	3,342,625
Exercise of warrants – equity	1,558,999	360,440	(360,425)	-	-	-	15
Exercise of share-based payments	250,031	85,036	-	(35,991)	-	-	49,045
Comprehensive income (loss)	-	-	-	-	47,959	(3,018,390)	(2,970,431)
Reverse takeover	3,750,000	1,981,215	34,303	75,915	-	-	2,091,433
September 30, 2020	52,233,968	8,911,196	68,717	865,012	17,555	(9,939,911)	(77,431)

See accompanying notes to the condensed interim consolidated financial statements.

POPREACH CORPORATION
Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

	Nine months ended	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 2,171,807	\$ (3,018,390)
Items not affecting cash:		
Deferred tax recovery	(13,380)	(37,846)
Gain on disposal of assets	(4,212)	6,750
Amortization	1,366,459	2,212,232
Amortization of deferred financing fees	-	93,620
Fair value loss (gain) on financial liabilities (note 14)	(3,314,998)	2,154,081
Share-based compensation expense	207,552	130,779
Finance income on investment in lease receivable	(14,048)	(17,102)
Unrealized foreign exchange losses (gains)	13,015	(79,681)
Accretion expense	201,054	269,812
Employee benefit obligations expensed	43,419	100,527
Changes in working capital (note 20)	(210,431)	(1,014,923)
Reverse Takeover listing expense (note 27)	-	681,438
Employee benefit obligations paid	(179,294)	-
Interest expense paid in financing activities	290,900	516,229
Cash generated from operating activities	557,843	1,997,526
Cash flows used in investing activities:		
Additions to property and equipment	(81,872)	(80,992)
Payments for game acquisitions (note 7)	(273,781)	(824,361)
Additions to intangible assets (note 7)	(333,261)	-
Payments for business acquisition (note 6)	(5,033,068)	-
Proceeds from lessee	51,275	47,472
Cash used in investing activities	(5,670,707)	(857,881)
Cash flows used in financing activities:		
Repayments of borrowings	(761,621)	(1,739,794)
Payment for provisions (note 12)	(100,000)	(1,219,957)
Payments of interest on borrowings	(290,900)	(516,229)
Payments for lease liabilities	(291,558)	(291,647)
Cash proceeds received on Reverse Takeover (note 27)	-	1,484,114
Cash proceeds from exercise of warrants (note 18)	49,205	15
Cash proceeds from convertible debentures (note 13)	-	1,864,735
Cash proceeds from exercise of share options	-	49,045
Cash used in financing activities	(1,394,874)	(369,718)
Net cash inflow (outflow)	(6,507,738)	769,927
Cash and cash equivalents, beginning of the period	18,097,649	1,126,160
Effects of foreign currency exchange rate on cash	(7,213)	18,882
Cash and cash equivalents, end of the period	11,582,698	1,914,969

Income taxes paid 44,959 119,497

Acquisition of intangible asset by assumption of provision (note 7) 1,379,000 -

See accompanying notes to the condensed interim consolidated financial statements.

1. Nature of operations

PopReach Corporation (formerly Mithrandir Capital Corp.) (“the **Company**”), was incorporated September 25, 2018 pursuant to the provisions of the Business Corporations Act (Ontario).

The Company was carrying on business as a Capital Pool Corporation (“CPC”), as such term is defined in TSX Venture Exchange Inc. (the “**Exchange**”) Policy 2.4 – Capital Pool Companies. The Company’s principal purpose was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation (the “**Qualifying Transaction**”) therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company completed its initial public offering on October 11, 2019. Upon completion, the Company’s shares were listed for trading on the Exchange under the symbol “GMER.P”.

On June 30, 2020, the Company incorporated a wholly owned subsidiary under the *Business Corporations Act* (Ontario), 2759344 Ontario Inc. (“**Subco**”), for the sole purpose of completing the proposed Qualifying Transaction.

The Qualifying Transaction was completed on June 30, 2020 by way of a three-corned amalgamation, pursuant to which Subco amalgamated with PopReach Incorporated (“**PopReach**”) and the Company, which now holds the assets of PopReach Incorporated as a wholly-owned subsidiary, changed its name to PopReach Corporation. Immediately prior to the close of the Qualifying Transaction, the Company consolidated its common shares on an 8 to 1 basis (the “**Share Consolidation**”). The Share Consolidation has been applied retrospectively in the consolidated financial statements, including a share exchange in connection with the Qualifying transaction of 7.62 post-consolidation shares of the Company for every one share of PopReach, and as a result, the common shares (the “**Common Shares**”), broker warrants and option amounts of the Company presented herein are stated in an adjusted post-share consolidation basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on Tier 1 of the TSX Venture Exchange (see note 27) under the symbol “POPR”.

The Company is a free-to-play game publisher focused on acquiring and optimizing proven franchises, including to date Smurfs’ Village (IP under license), PAYDAY Crime War (IP under license), Peak – Brain Training, Kitchen Scramble, Gardens of Time, City Girl Life, War of Nations, and Kingdoms of Camelot. The Company drives growth through a combination of investment in existing franchises and new franchise acquisitions. The head office of the Company is located at 1 University Avenue, 3rd Floor, Toronto, ON, M5J 2P1.

The Company has a wholly owned subsidiary, PopReach, incorporated under the laws of the Province of Ontario, and PopReach’s accounts are consolidated into the Company’s condensed interim consolidated financial statements. As at September 30, 2021, PopReach employs 39 employees on a full-time basis between its offices in Toronto, Ontario and Vancouver, British Columbia. In addition, PopReach operates two wholly owned subsidiaries, PopReach Technologies Private Limited (“**PR Tech**”), in Bangalore, India, and PopReach UK Limited (“**PopReach UK**”), in London, UK. PR Tech is incorporated pursuant to the laws of India, and its accounts are consolidated into the Company’s condensed interim consolidated financial statements. PR Tech is a management company in charge of operating the Company’s developed technology, and employs 96 employees on a full-time basis. PopReach UK was incorporated on February 18, 2021, and its accounts are also consolidated into the Company’s condensed interim consolidated financial statements. PopReach UK was established in order to fund operating costs and payroll for the acquisition of the “Peak – Brain Training” app from Brainbow Limited (“**Peak**”) as discussed in Note 6, and employs 7 employees on a full-time basis.

2. Significant accounting policies

Statements of compliance

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). These statements are condensed and prepared in accordance with IAS 34 – “Interim Financial Reporting” and should be read in conjunction with the annual audited financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Company’s Board of Directors on November 28, 2021.

All accounting policies are consistent with the annual audited financial statements for the years ended December 31, 2020 and December 31, 2019 except for the following accounting standards which were adopted as a result of transactional activities during the nine months ended September 30, 2021.

In-app purchases

In-app purchases include both player purchases for items or services in the Company’s games, and recurring periodic as well as lifetime subscriptions which provide periodic and perpetual rights to access features of certain of the Company’s games and apps. For the nine months ended September 30, 2021, the Company earned subscription-based in-app purchase revenue related to games on the digital platforms acquired in the business combination described in Note 6. For subscription periods with a definite expiration, the Company recognizes revenues evenly throughout the subscription period. Lifetime subscription revenues are recognized rateably over the estimated average playing period of payers for the applicable game.

Deferred cost of sales and cost of sales

For the nine months ended September 30, 2021, the Company earned subscription-based in-app purchase revenue related to games on the digital platforms acquired in the business combination described in Note 6. As the related platform and payment processing fees are considered incremental costs in obtaining a contract, these fees are recognized as a contract cost on the condensed interim consolidated statements of financial position. For subscription periods with a definite expiration, the Company recognizes cost of sales evenly throughout the subscription period. Platform and processing fees related to incurring lifetime subscription revenues are recognized rateably over the estimated average playing period of payers for the applicable game. However, the Company has also chosen to elect to expense any contract costs if the amortization period is less than one year, and is recognized as cost of sales on the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

Research and development costs

The Company incurs costs associated with the design and development of new products. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred. Costs associated with maintaining the game development software or related programs are recognized as an expense as incurred. Internally generated software development costs recognized as intangible assets are carried at cost. These assets are expected to be amortized over the remaining term of the license beginning when the game is complete and is published. These assets are subject to an impairment test as described below.

3. Use of estimates and judgments

The preparation of the condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed interim consolidated financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the following:

Identification of CGUs

For the purpose of impairment testing, the recoverable amount is determined for an individual asset or are grouped together into a cash generating unit ("CGU"), which represents the smallest group of assets that generates independent cash inflows. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognized in the consolidated statements of loss and comprehensive loss as a reduction in the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

The Company has allocated its tangible assets, intangible assets and goodwill to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The determination of CGUs for the purpose of annual impairment testing requires judgment.

Impairment of goodwill and long-lived assets

Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of property and equipment and intangible assets is reviewed each reporting period to determine whether indicators of impairment exist. The recoverable amounts attributed to CGUs reflect the higher of fair value less costs to sell (FVLCS) or value in use. The Company's determination of a CGU's recoverable amount, which could include an estimate of FVLCS, uses market information to estimate the amount the Company could obtain from disposing of the asset in an arm's length transaction, less the estimated cost of disposal. The Company estimates value in use by discounted estimated future cash flows for the CGU or asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the CGU or asset. Estimated cash flows are based on management's assumptions and business plans which are supported by internal strategies, plans and external information. The estimate of the recoverable amount for an asset or CGU requires significant estimates such as future cash flows, growth rates, and terminal and discount rates. The Company has concluded that goodwill is tested at the consolidated level, since that represents the lowest identifiable group of assets that can generate cash inflows.

Business combinations and asset acquisitions

The Company uses the acquisition method to account for business combinations. This requires an entity to measure each identifiable asset and liability at fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The purchase price allocation involves judgment with respect to the identification of intangible assets acquired and estimates of fair of fair value for assets acquired and liabilities assumed, including pre-acquisition contingencies and contingent consideration. Changes in any of the assumptions or estimates used to identify intangible assets acquired, determine the fair value of acquired assets and liabilities assumed, including pre-acquisition contingencies or contingent consideration, could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

The Company considers certain acquisition of games to be asset acquisitions, on the assumption that there are no identifiable businesses acquired in the transaction. There is judgment involved in the determination of whether the acquisition involves assets or entire businesses. Direct transaction costs incurred by the acquirer in the acquisition of an asset or a group of assets generally are a component of the consideration transferred and, as such, are capitalized as a component of the cost of the assets acquired and liabilities assumed. Transaction costs incurred in a business combination are expensed.

The Company makes estimates, assumptions, and judgments when valuing goodwill and other intangible assets in connection with the initial purchase price allocation of an acquired entity, in addition to evaluating the recoverability of goodwill and other intangible assets on an ongoing basis. These estimates are based on a number of factors, including historical experience, market conditions, and information obtained from the management of acquired portfolios of games. Critical estimates in valuing certain intangible assets include, but are not limited to, projected marketing and user acquisition costs, expected customer growth both organic and those attributed to marketing activities, historical and projected attrition rates, discount rates, anticipated revenue growth/decline from acquired customers, acquired technology, expected changes in player life and the expected use of the acquired assets. These factors are also considered in determining the useful life of acquired intangible assets. The amounts and useful lives assigned to identified intangible assets also impacts the amount and timing of future amortization expense. Unanticipated events and circumstances may affect the accuracy or validity of such assumptions, estimates or actual results.

Amortization of property and equipment and intangible assets

Judgment is applied to determine an asset's useful life, and where applicable, estimated residual value, used in the computation of amortization. Accordingly, an asset's actual useful life and estimated residual value may differ significantly from these estimates.

Fair value of derivative financial instruments

The Company uses a Monte Carlo simulation to estimate the fair value of the conversion feature of the convertible debt and associated warrants both of which convert the instrument into one Common Share and one warrant. Upon completion of the reverse takeover transaction (note 27), the convertible debentures were converted into Common Shares. The Company subsequently switched to a Black-Scholes model in order to estimate the value of the warrant liabilities. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable companies), weighted average expected life of the instruments, expected dividends, the risk-free interest rate (based on government bonds) and probabilities of certain events occurring. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of derivative liabilities.

Share-based payments and warrant reserves

The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation and warrant reserves which require the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable companies), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrant liabilities.

Provisions

Due to the nature of provisions related to contingent consideration payable for the acquisition of certain games or businesses, there is a degree of uncertainty inherent in their measurement. Inputs used to arrive at the fair value of these provisions, such as discount rates and future revenues, are subject to estimate and changes in these inputs can materially impact the estimated fair value of the contingent consideration.

Deferred revenue and revenue

The Company uses judgment and estimates to determine the amount of revenue to defer for each reporting period. The Company expects that in future periods, there will be changes in estimates of the average playing period of payers and/or changes in the ability to make such estimates, based on changes to the Company's portfolio of game franchises. In particular, if the estimated average playing period of payers increases on average, the amount of revenue recognized in a current or future period may be reduced, perhaps materially. Conversely, if the estimated average playing period of payers decreases on average, the amount of revenue that is recognized in a current or future period may be accelerated, perhaps materially.

Deferred cost of sales and cost of sales

The Company uses judgment and estimates to determine the amount of cost of sales to defer for each reporting period. The Company expects that in future periods, there will be changes in estimates of the average playing period of payers and/or changes in the ability to make such estimates, based on changes to the Company's portfolio of game franchises. In particular, if the estimated average playing period of payers increases on average, the amount of cost of sales recognized in a current or future period may be reduced, perhaps materially. Conversely, if the estimated average playing period of payers decreases on average, the amount of cost of sales that is recognized in a current or future period may be accelerated, perhaps materially.

Leases and investment in lease receivable

The Company uses judgment to determine whether the expected period would be the contract term or a longer period such as the estimated life of the relationship, where renewal periods would be considered. The Company also uses judgment in estimating the incremental borrowing rate based on borrowing rates of similar companies. Changes in these inputs can materially impact the estimated fair value of the lease liability and the investment in lease receivable.

Employee benefit obligations

The Company uses judgment to determine the fair value of employee benefit obligations at the end of each reporting period, including regulatory requirements, an evaluation of relevant discount rates, expected long-term returns on plan liabilities, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, and input from actuaries and other consultants. Changes in these inputs can materially impact the estimated fair value of the employee benefit obligations.

Deferred taxes

Significant estimates are required in determining the Company's income tax provision. Some estimates are based on interpretations of existing laws or regulations. Various internal and external factors may have favourable or unfavourable effects on the Company's future effective tax rate. These include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits by tax authorities, changes in estimates of prior years' items and changes in overall levels of pre-tax earnings.

Going concern

Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the three and nine months ended

September 30, 2021 and 2020. Management prepares the condensed interim consolidated financial statements on a going concern basis which assumes that the Company will be able to realize its assets, meet its obligations and continue its operations in the normal course of business.

Expected credit losses

The Company employs judgment and estimates include the determination of expected credit loss as described in Note 4.

Seasonality of interim operations

The operations of the Company are seasonal, and the results of operations for any interim period are not necessarily indicative of operations for the full fiscal year or any future period. Due to the COVID-19 pandemic, changes in player activity, quarter over quarter, may not be indicative of the financial and operating results in future periods. Given the level of continued volatility and uncertainty around the COVID-19 pandemic, there is the potential for a wider range of outcomes – both positive and negative – as it relates to our business results.

COVID-19 pandemic

Following the outbreak of the COVID-19 pandemic, the Company has modified its business practices to help minimize the risk of the virus to employees, business partners, and the communities in which the Company participates, which could negatively impact the business of the Company. In response to the outbreak, the Company has instituted operational and monitoring protocols to ensure the health and safety of its employees and stakeholders, which follow the advice of local governments and health authorities where it operates. The Company is closely monitoring the COVID-19 pandemic in India and, in particular, its impact on its employees in Bangalore, India. Management continues to see disruptions and delays to the live operations of its games as a result of the situation in India, but it does not currently expect growth game development to suffer materially as the work associated with growth initiatives is being led from other jurisdictions. The Company has adopted a work from home policy where possible. The Company will continue to monitor developments of the COVID-19 pandemic and continuously assess the COVID-19 pandemic's potential further impact on the Company's operations and business.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

4. Trade and other receivables

	September 30 2021	December 31 2020
Trade receivables	\$ 1,661,159	\$ 1,086,617
Less expected credit losses	-	-
Trade receivables, net	1,661,159	1,086,617
Other receivables	100,111	52,649
Government remittances receivables	35,920	27,857
	1,797,190	1,167,123

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The maximum credit risk exposure associated with the trade receivables is the carrying value of \$1,797,190 (December 31, 2020 - \$1,167,123).

As at September 30, 2021 and December 31, 2020, the Company concludes there to be nil credit losses. Historically, there have been no bad debts, and the majority of trade receivables are related to the platform partners that remit within 30 to 60 days.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

5. Property and equipment

The following represents property and equipment, net by class:

	Computer Equipment	Furniture and Fixtures	Computer Software	Leasehold Improvements	Total Value
Cost					
Balance at January 1, 2021	\$ 233,588	\$ 74,232	\$ 10,205	\$ 19,321	\$ 337,346
Additions	77,734	4,109	29	-	81,872
Additions due to business combination (note 6)	9,500	-	-	-	9,500
Disposals	(1,614)	(1,312)	(664)	-	(3,590)
Balance at September 30, 2021	319,208	77,029	9,570	19,321	425,128

Accumulated amortization and impairment

Balance at January 1, 2021	\$ 85,053	\$ 56,676	\$ 6,265	\$ 5,132	\$ 153,126
Amortization	61,291	7,139	1,793	1,449	71,672
Disposals	(1,614)	(1,312)	(664)	-	(3,590)
Balance at September 30, 2021	144,730	62,503	7,394	6,581	221,208

Carrying amounts

Balance at December 31, 2020	148,535	17,556	3,940	14,189	184,220
Balance at September 30, 2021	174,478	14,526	2,176	12,740	203,920

The property and equipment broken down by geographic location is as follows:

	September 30 2021	December 31 2020
Canada	\$ 99,943	\$ 104,650
India	98,197	79,570
United Kingdom	5,780	-
Total property and equipment, net	203,920	184,220

For the three and nine-month periods ending September 30, 2021 and 2020, there were no indicators of impairment noted for property and equipment.

6. Business combinations**Peak**

On March 18, 2021, the Company acquired substantially all of the assets relating to Peak from Brainbow Limited. On March 18, 2021, the Company made a \$3,033,068 cash payment to Brainbow Limited, with an additional \$2,000,000 paid on May 18, 2021 upon successful completion of certain post-closing transitional matters. In connection with the acquisition, the Company incorporated PopReach UK Limited, a wholly-owned subsidiary of PopReach Incorporated.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

The following table summarizes the preliminary purchase price allocation and estimated fair value of the assets acquired and liabilities assumed at the date of the acquisition:

Assets		
Prepaid expenses	\$	49,407
Intangible assets – Subscriber base		344,000
Intangible assets – Technology		2,325,000
Intangible assets – Brand		959,000
Property and equipment		9,500
Goodwill		2,599,849
Total enterprise value		6,286,756
Less: Deferred revenue assumed		(1,237,349)
Less: Other liabilities assumed		(16,339)
Aggregate purchase price		5,033,068

The total consideration on the acquisition date is broken down as follows:

Cash	\$	3,033,068
Game acquisition payable		2,000,000
Aggregate purchase price		5,033,068

The useful lives of the intangible assets are listed below:

Subscriber base	4 years
Technology	6 years
Brand	7 years

The goodwill acquired is associated with the workforce and expected synergies associated with the acquisition and is expected to be deductible for tax purposes.

The allocation of the purchase price to the intangible assets and goodwill is preliminary and subject to adjustment. Management will finalize the accounting for the acquisition no later than one year from the date of the acquisition. Differences from these provisional estimates and the final accounting could be material.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

7. Goodwill and intangible assets**Intangible assets**

Intangible assets include costs to acquire certain portfolios of games. The movements of the Company's intangibles are summarized as follows:

	Subscriber base	Technology Based	Brand/ License Based	Total Value
Cost				
Balance at January 1, 2021	\$ -	\$ 9,083,124	\$ 3,069,902	\$ 12,153,026
Additions due to business combination (note 6)	344,000	2,325,000	959,000	3,628,000
Additions arising from game acquisition	-	-	1,652,781	1,652,781
Capitalized research and development costs	-	333,261	-	333,261
Balance at September 30, 2021	344,000	11,741,385	5,681,683	17,767,068
Accumulated amortization				
Balance at January 1, 2021	-	5,580,947	1,455,153	7,036,100
Amortization	-	535,159	231,696	766,855
Amortization – business combination	46,237	208,333	73,656	328,226
Balance at September 30, 2021	46,237	6,324,439	1,760,505	8,131,181
Carrying amounts				
Balance at December 31, 2020	-	3,502,177	1,614,749	5,116,926
Balance at September 30, 2021	297,763	5,416,946	3,921,178	9,635,887

Goodwill

Goodwill includes costs to acquire certain portfolios of games and represents acquired workforce and other synergies. The movements of the Company's goodwill is summarized as follows:

Goodwill at January 1, 2021	\$ 6,084
Goodwill arising from business combination (note 6)	2,599,849
Goodwill at September 30, 2021	2,605,933

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

For the three and nine-month periods ending September 30, 2021 and 2020, there were no indicators of impairment noted for goodwill and intangible assets.

PAYDAY

On April 13, 2021, the Company signed an asset purchase agreement and licensing agreement with New Starbreeze Publishing AB ("**Starbreeze**") for the re-launch of mobile title PAYDAY Crime War. Under the terms of the asset purchase agreement, the Company paid Starbreeze \$250,000 in exchange for all rights and title to the existing PAYDAY Crime War source code and game assets. Concurrently, the parties entered into a five year licensing agreement granting the Company the right to publish PAYDAY Crime War worldwide, and access to assets from the PAYDAY 2 PC game for use in PAYDAY Crime War. PopReach will be responsible for completing development, marketing, live operations and user acquisition for PAYDAY Crime War. Starbreeze will receive tiered royalties on PAYDAY Crime War net sales, and retains all IP rights to the PAYDAY franchise. The transition of these assets was successfully completed in Q2 2021.

The costs that have been capitalized to intangible assets are as follows:

Purchase price	\$	1,629,000
Legal fees attributable to the acquisition		23,781
		1,652,781

The consideration to acquire the above intangible assets consisted of the following:

Cash	\$	273,781
Provisions (note 13)		1,379,000
		1,652,781

Subsequent to the asset acquisition on April 13, 2021, salaries and benefits have been capitalized to the technology based intangible asset above as part of the development phase of the project, as such costs have met the criteria for capitalization in accordance with IAS 38.

8. Commitments

The Company and its subsidiaries are subject to routine legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its condensed interim consolidated statements of income (loss) and comprehensive income (loss), cash flows or financial position.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

9. Leases**Short Term Leases**

The Company and its subsidiaries are parties to various rent costs. For leases in which the lease has a term less than 12 months on the commencement date, all commitments are on a month-to-month basis and can be cancelled at any time within a 30 to 60 day notice period.

In December 2019, the Company signed a short-term lease for an office space in Toronto, Ontario, with the intention to utilize the office space for less than 12 months. This lease was renewed in August 2020, and again in January 2021, for additional periods of less than 12 months. In September 2020, the Company signed a short-term lease for an office space in Vancouver, British Columbia, with the intention to utilize the office space for less than 12 months. This lease was renewed in January 2021 for an additional period of 12 months. The amount of rent expensed during the three and nine months ended September 30, 2021 was \$20,529 and \$57,644 (2020 – \$20,824 and \$62,032) and was recorded as a general and administrative expense in the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

Effective October 2021, the Company signed a long-term lease for the office space in Vancouver, British Columbia for 16 months. As the intent is to lease the space for a period of longer than 12 months, the Company will capitalize the right-of-use asset and the lease liability on the consolidated statements of financial position. Total lease payments over the term are \$361,217.

The following is a summary of the right-of-use asset and lease liabilities as reported on the condensed interim consolidated statements of financial position:

	September 30 2021	December 31 2020
Right-of-use assets		
Buildings – Cost	\$ 411,806	\$ 554,327
Buildings – Accumulated Amortization	(85,793)	(415,746)
	326,013	138,581
Lease liabilities		
Current	261,104	208,302
Non-current	199,958	113,264
	461,062	321,566

In May 2021, PR Tech had signed a new lease for a period of 2 years ending in May 2023. The associated right-of-use asset and lease liabilities were capitalized to the condensed interim consolidated statements of financial position, and the prior lease was disposed of, with the gain on disposal being recorded in general and administrative expenses in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

During the three and nine months ended September 30, 2021, the Company recognized \$51,476 and \$201,277 of depreciation expense related to right-of-use assets (three and nine months ended September 30, 2020 - \$69,291 and \$207,873) and \$19,951 and \$47,357 of interest expense related to lease liabilities (three and nine months ended September 30, 2020 - \$16,358 and \$60,114).

Below is a summary of the maturity of the lease liabilities as at September 30, 2021:

Year	Payments	Finance income	Total
2021	\$ 84,530	\$ 23,315	\$ 61,215
2022	314,201	41,868	272,333
2023	131,267	3,753	127,514
	529,998	68,936	461,062

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 17% (2020 – 16%).

Right-of-use assets for PR Tech are amortized over the expected lease term of 2 years.

10. Investment in lease receivable

On December 1, 2019, the Company entered into a sublease agreement for its former Toronto office with a lessee, expiring on August 1, 2023.

The following is a summary of lease receivable as recorded in the condensed interim consolidated statements of financial position:

	September 30 2021	December 31 2020
Current	\$ 55,640	\$ 50,552
Non-current	57,699	100,164
	113,339	150,716

Below is a summary of the maturity of the investment in lease receivable as at September 30, 2021:

Year	Payments	Finance income	Total
2021	\$ 22,364	\$ 9,118	\$ 13,246
2022	67,092	9,631	57,461
2023	44,729	2,097	42,632
	134,185	20,846	113,339

The incremental borrowing rate for the investment in lease receivable was estimated to be 13% (2020 – 13%)

11. Borrowings

Bank credit facility

On October 2, 2020, PopReach entered into a new non-revolving term facility of \$6,500,000 with the Bank of Nova Scotia in order to refinance its prior credit facility and entered into an operating line of credit of \$1,000,000 with the same lender (collectively, the “New Facility”). The interest rate charged on the non-revolving term facility is equal to the US Base Lending Rate plus 3.50% per annum, and the interest rate charged on the operating line of credit is equal to the US Base Lending Rate plus 2.00% per annum. The New Facility matures 24 months from the closing date. PopReach, as borrower, and the Company, as guarantor, have agreed to secure all of PopReach’s obligations under the New Facility by granting the lender a first ranking security interest on all of their respective assets.

On October 2, 2020, in conjunction with the closing of the New Facility, the Company retired its prior bank credit facility by paying down the entire outstanding principal of \$6,134,832 plus applicable interest, premium and legal expenses, and all remaining deferred financing fees related to the prior bank credit facility were expensed to interest and accretion expenses.

On October 29, 2021, the Company entered into an amendment to the New Facility with certain terms amended to add back one-time fees and expenses of the Company in connection with the proposed transaction with Federated Foundry (see note 28) and the Company’s acquisition transactions, as well as to account for the Company’s available cash. The New Facility otherwise remains unamended, including as to the available amount, the term, applicable interest rates, and ongoing reporting obligations.

The Company is in full compliance with the financial covenants at September 30, 2021.

Below is a summary of the borrowings owing by the Company:

	September 30 2021	December 31 2020
Bank credit facility	\$ 5,354,939	\$ 6,032,863
Total borrowings	5,354,939	6,032,863
Current	1,213,931	1,200,418
Non-current	4,141,008	4,832,445
Total borrowings	5,354,939	6,032,863

12. Provisions and game acquisition payable

Provisions are related to the present value of contingent consideration payable to entities for the purchase of certain portfolios of games or businesses. As there is judgment involved in estimating the discount rate of the contingent consideration and the future cash flows of which the consideration is calculated based on, it is separated out from

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

the fixed portion of consideration classified as “Game acquisition payable” in the condensed interim consolidated statements of financial position.

Provisions

For the asset acquisition of the Smurfs portfolio of games, the discount rate used to estimate the fair value of the provision as at September 30, 2021 and December 31, 2020 was 25%.

For the asset acquisition of PAYDAY (note 7), Starbreeze will receive tiered royalties on net sales of PAYDAY Crime War, and retains all IP rights to the PAYDAY franchise. The Company has recorded the estimated consideration consisting of the expected royalty payments to Starbreeze as a provision using a discount rate of 19.3%. The Company will reevaluate the provision in future periods and any adjustments to the provision will be recorded in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) during the periods in which the re-measurements occur.

Below is a summary of the contingent consideration provisions as at the end of the period:

	Total Value
Balance at January 1, 2021	\$ 100,000
Cash consideration paid	(100,000)
Contingent consideration arising from game acquisition (note 7)	1,379,000
Accretion expense	70,000
Balance at September 30, 2021	1,449,000

13. Derivative financial instruments and convertible debentures

Derivative financial instruments consist of warrant liabilities arising from the conversion of convertible debentures and accrued interest to common shares and warrants during the nine months ended September 30, 2021. During the nine months ended September 30, 2020, derivative financial instruments consisted of the conversion feature of the convertible debentures before the reverse takeover transaction discussed in Note 27.

The September 30, 2021 and December 31, 2020 derivative liability balances are related to the warrants which do not meet the fixed-for-fixed condition, and therefore are classified as a current liability on the statement of financial position until the exercise or expiration of the warrants. As at September 30, 2021, there are 7,699,705 warrants outstanding which are classified as a current liability. Changes in the inputs to the Black Scholes model can materially change the fair value of the warrants. A 10% increase in the volatility would increase the fair value of the liability by \$126,196, while a 10% decrease in the volatility would decrease the fair value of the liability by \$118,681.

Inputs for measurement of issuance date fair values

As there is uncertainty in the dollar amount of conversion, these do not meet the fixed-for-fixed condition. The fair value of the warrants was estimated using the Black-Scholes option pricing model and the assumptions at the revaluation were as follows:

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

Revaluation date – September 30, 2021

Risk-free interest rate: 0.25%

Expected volatility: 47.90%

Stock price (expressed in Canadian \$): \$0.80

Expected life: 0.75 years

Expected dividends: \$nil

The summary of the warrant liabilities are as follows:

	Total Value
Balance at January 1, 2021	\$ 4,546,471
Effect of foreign exchange rates	13,013
Change in fair value of warrants	(3,328,011)
Warrants exercised during the period	(16,955)
Balance at September 30, 2021	1,214,518

14. Fair value (gain) loss on financial liabilities

The summary of the fair value (gain) loss on financial liabilities is as follows:

	Three months ended		Nine months ended	
	2021	2020	2021	2020
Change in fair value of contingent consideration (note 12)	\$ -	\$ (100,000)	\$ -	\$ (16,993)
Change in fair value of conversion feature and warrant liability (note 13)	358,191	614,027	(3,328,011)	2,171,074
Foreign exchange (gains) losses on warrant liability (note 13)	(71,793)	-	13,013	-
Balance at September 30, 2021	286,398	514,027	(3,314,998)	2,154,081

15. Employee benefit obligations

The Company has a statutory defined benefit obligation related to payment of gratuity and leave encashment pursuant to regulations in India. This obligation covers only the employees based in India. The liability recognized in the condensed interim consolidated statements of financial position in respect of the defined benefit gratuity plan and the leave encashment plan is the present value of defined benefit obligations at the end of the reporting period. The defined benefit obligation is calculated through an actuarial valuation using the projected unit credit method. The benefits are based on years of service and last drawn salary.

The most recent actuarial valuation of the benefit plans for accounting purposes was as of September 30, 2021.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

Below is a summary of the change in employee benefit obligations from January 1, 2021 to September 30, 2021, and the year ended December 31, 2020:

	Nine months ended September 30 2021	Year ended December 31 2020 (annual)
Change in benefit obligations		
Beginning benefit obligation	\$ 588,855	\$ 538,217
Service cost	51,757	100,281
Interest cost	20,603	33,579
Actuarial gains to profit and loss	(16,745)	(33,127)
Actuarial losses (gains) to other comprehensive income	(48,833)	31,211
Benefits paid	(179,294)	(70,143)
Foreign currency translation adjustments	(7,833)	(11,163)
Ending benefit obligation	408,510	588,855

The actuarial losses to other comprehensive income during the nine months ended September 30, 2021 were shown on the condensed interim consolidated statement of income (loss) and comprehensive income (loss) net of income taxes of \$12,196 (year ended December 31, 2020 – income taxes of \$7,856).

The key assumptions for the gratuity and leave encashment plans at September 30, 2021 are as follows:

Discount rate: 6.30%

Salary escalation: 10%

Attrition rate: 2-16%

Indian Assured Lives mortality rate (ages 20-60): 0.0698% – 2.4058%

16. Financial risks

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars (CAD), Indian rupees (INR), and British pound sterling (GBP). The Company does not currently enter into forward contracts to mitigate this risk. Other than transactions denominated in GBP due to the Peak acquisition discussed in Note 6, there have been no other changes in the risk exposure from the year ended December 31, 2020.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due, if any; and management of cash including the ability to raise additional debt and equity capital as and when required.

The Company continues to take advantage of government assistance programs which promote interactive digital media development in the Canadian economy as investment tax credits available from qualifying research and development expenditures.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The following tables outline the Company's remaining contractual maturities for its non-derivative financial liabilities, at their undiscounted value, based on the earliest date the Company is required to make payment on these amounts:

		September 30, 2021			
		Payments due			
	Total	Less than 1 year	1-3 years	After 3 years	
Trade payables and accrued liabilities	\$ 1,214,557	\$ 1,214,557	\$ -	\$ -	
Provisions	2,593,069	83,827	1,220,125	1,289,117	
Borrowings – principal	5,354,939	1,305,636	4,049,303	-	
Borrowings – interest	587,149	340,904	246,245	-	
Lease payments – principal	529,998	340,385	189,613	-	
Lease payments – interest	68,936	64,090	4,846	-	

Credit risk

Credit risk is that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from cash and trade and other receivables as amounts are owing primarily from three customers. As at September 30, 2021 and December 31, 2020, the trade and other receivables were within normal repayment terms and the Company had recorded no expected credit losses.

Interest rate risk

The Company's New Facility has a variable interest rate based on US Base Lending Rate plus 3.50% for the term loan, and US Base Lending Rate plus 2.00% for the operating line of credit. As a result, the Company is exposed to interest rate risk due to fluctuations in the US Base Lending Rate. Interest expense has been recorded in the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

17. Share capital**Authorized and issued**

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

Below is a summary of the movement in share capital during the nine months ended September 30, 2021:

	Number of Shares	Total Value
Balance at January 1, 2021	73,048,686	\$ 24,575,987
Exercise of warrants (note 18)	74,568	68,751
Balance at September 30, 2021	73,123,254	24,644,738

Below is the calculation of the diluted earnings per share and diluted weighted average number of shares for the three and nine months ended September 30, 2021:

	Three months ended September 30 2021	Nine months ended September 30 2021
Weighted average number of ordinary shares outstanding	73,120,947	73,097,684
Dilutive effect of share-based payments	-	3,992,889
Dilutive effect of warrants – equity	-	61,840
Fully diluted weighted average number of shares outstanding	73,120,947	77,152,413
Diluted earnings (loss) per share	(0.01)	\$ 0.03

For the three months ended September 30, 2021, the Company incurred a net loss, with anti-dilutive securities including warrants as described in Note 18 and share-based payments in Note 19. For the nine months ended September 30, 2021, the warrants classified as a liability were determined to be anti-dilutive owing to the numerator adjustment required to remove the fair value gain on those securities which would then result in the net earnings for the period to be a loss. As such, they were excluded from the calculation above. For the three and nine months ended September 30, 2020, the Company incurred a net loss, with anti-dilutive securities including convertible debentures and associated derivatives described in Note 13, warrants in Note 18 and share-based payments in Note 19.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

18. Warrant reserve

No warrants expired during the nine months ended September 30, 2021. Below is a summary of the outstanding warrants classified as equity instruments.

	Number of Warrants	Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)	Total Value (equity)
Balance at January 1, 2021	307,084	\$ 0.74	0.84	\$ 50,176
Warrants exercised during the period	(30,000)	0.80	-	(2,591)
Balance at September 30, 2021	277,084	0.72	0.09	47,585

Below is a summary of the outstanding warrants classified as current liabilities:

	Number of Warrants	Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)	Total Value (liability)
Balance at January 1, 2021	7,744,273	\$ 0.71	1.50	\$ 4,546,471
Effect of foreign exchange rates	-	-	-	13,013
Change in fair value of warrant liability	-	-	-	(3,328,011)
Warrants exercised during the period (note 13)	(44,568)	0.86	-	(16,955)
Balance at September 30, 2021	7,699,705	0.71	0.75	1,214,518

During the three months ended March 31, 2021, certain warrants classified as current liabilities were exercised by investors for aggregate cash proceeds of \$30,148 (2020 – nil).

During the three months ended June 30, 2021, certain warrants classified as equity instruments were exercised by investors for aggregate cash proceeds of \$19,057. During the three months ended June 30, 2020, the Company's previous creditor exercised all 1,558,999 of its broker warrants associated with the financing of the acquisition of the RockYou portfolio of games.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

The total number of warrants issued and their classification are as follows:

	Number of warrants
Warrants – equity	277,084
Warrants – liability (note 13)	7,699,705
	7,976,789

19. Share-based payments

Description of the share-based payment arrangements with employees

The Company has a share option plan with the objective of attracting, retaining and motivating employees, officers and directors in long-term success of the Company. In accordance with this plan, options are exercisable at the exercise price of each option, as determined on the grant date. Each share option expires on the date that is the earlier of 5 years from the date of grant or such earlier date as may be set out in the participant's award agreement.

In April 2021, the Company awarded an independent director 45,000 share options, all vesting on the first anniversary of the grant. All options expire on the 5th anniversary from the date of the grant.

In September 2021, the Company awarded certain employees 389,200 share options. 25% of the options granted to each employee vest after 12 months, and 6.25% vest each quarter thereafter. All options expire on the 5th anniversary from the date of the grant.

In September 2021, the Company awarded independent directors 260,000 share options, all vesting on the first anniversary of the grant. All options expire on the 5th anniversary from the date of the grant.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

The following is a summary of the share options for nine months ended September 30, 2021 and 2020:

	Nine months ended			
	2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at January 1	C\$0.39	6,845,414	C\$0.22	5,351,114
Granted during the period	C\$0.80-\$0.85	694,200	C\$0.72-\$1.00	1,382,200
Share options issued on reverse takeover	-	-	C\$0.80	375,000
Share options forfeited	C\$0.85	(100,000)	C\$0.32	(92,869)
Share options expired	C\$0.80	(165,000)	C\$0.16-\$0.31	(250,031)
As at September 30	C\$0.42	7,274,614	C\$0.38	6,765,414
Vested and exercisable at September 30	C\$0.34	5,493,933	C\$0.28	3,433,455

165,000 options expired during the nine months ended September 30, 2021 (2020 – 250,031), and 100,000 share options were forfeited due to employee departures during the nine months ended September 30, 2021 (2020 – 92,869).

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options September 30, 2021	Share options September 30, 2020
Jan 2017 – Oct 2017	Jan 2022 – Oct 2022	C\$0.16	3,369,914	3,369,914
Jan 2018	Jan 2023	C\$0.31	190,500	190,500
Jan 2019 – Oct 2019	Jan 2024 – Oct 2024	C\$0.31	1,447,800	1,447,800
Apr 2020	Apr 2025	C\$0.72	457,200	457,200
From Qualifying Transaction	Aug 2022	C\$0.80	210,000	375,000
Jul 2020 – Aug 2020	Aug 2022 – Aug 2025	C\$0.85 – C\$1.00	825,000	925,000
Nov 2020	Nov 2022 – Nov 2025	C\$1.40	80,000	-
Apr 2021	Apr 2026	C\$0.85	45,000	-
Sep 2021	Sep 2026	C\$0.80	649,200	-
Total			7,274,614	6,765,414
Weighted average remaining contractual life of options outstanding at end of period (in years)			1.96	2.92

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

During the three and nine months ended September 30, 2021, the Company incurred share-based payment expenses to employees and directors of the Company in the amount of \$60,144 and \$207,552 (three and nine months ended September 30, 2020 - \$59,692 and \$130,779) in relation to its share option programs. These costs are included in research and development and general and administrative expenses in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

Inputs for measurement of grant date fair values

The grant date fair value of stock options was estimated using the Black-Scholes option pricing model and the assumptions at grant dates.

The Company observed similar public companies in order to estimate volatility over the estimated life of the option. Changes in these variables can materially impact the estimated fair value of share-based compensation and consequently, the related amount recognized to general and administrative expenses in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

20. Supplementary cash flow information**Change in working capital**

		Nine months ended	
		2021	2020
Trade and other receivables	\$	(630,067)	\$ 55,090
Prepaid assets		3,417	(42,323)
Investment tax credits receivable		(146,799)	38,187
Deferred cost of sales		(256,608)	-
Trade payables and accrued liabilities		329,137	(741,129)
Taxes payable		32,370	(72,439)
Taxes receivable		-	(1,933)
Deferred revenue		458,119	(250,376)
Total change in working capital		(210,431)	(1,014,923)

21. Related party transactions**Convertible debentures**

There were no related party transactions identified in the first nine months of 2021. In the first nine months of 2020, of the C\$2,536,870 of convertible debentures issued (US\$1,847,889), C\$660,000 (US\$480,753) was issued to key management personnel and Directors of the Company.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

22. Key management compensation

Compensation for key management personnel, including the Company's officers and Board of Directors, and private companies controlled by the Company's Officers and Board of Directors, was as follows:

	Three months ended		Nine months ended	
	2021	2020	2021	2020
Management salaries, bonuses and other benefits	\$ 164,139	\$ 209,879	\$ 662,683	\$ 554,938
Director fees	12,349	24,600	71,897	24,600
Share-based payments - management	7,632	18,722	25,076	64,547
Share-based payments - directors	35,862	17,280	127,147	20,345
Total key management compensation	219,982	270,481	886,803	664,430

23. Management of capital

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to preserve its capital through adapting its strategic efforts and working to optimize revenues from its game production and operations. The Company also attempts to raise additional funds through the issuance of debt or equity.

In the management of capital, the Company's definition of capital includes shareholders' equity and interest bearing debt, which as at September 30, 2021, totalled \$20,357,253 (December 31, 2020 - \$18,553,021), which was comprised of shareholders' equity of \$15,002,314 (December 31, 2020 - \$12,520,158) and interest-bearing debt of \$5,354,939 (December 31, 2020 - \$6,032,863).

24. Revenue from contracts with customers

The following table presents our revenue disaggregated based on the geographic location of our paying players. All of the geographic locations presented below represent at least 10% of total revenues in either the three and nine months ended September 30, 2021 or September 30, 2020:

	Three months ended		Nine months ended	
	2021	2020	2021	2020
North America	\$ 2,752,297	\$ 3,208,961	\$ 8,590,623	\$ 10,774,917
Europe	929,421	628,238	2,706,139	1,844,912
Other	539,176	499,020	1,443,118	1,295,260
Total revenue	4,220,894	4,336,229	12,739,880	13,915,099

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

The following table presents our in-app purchases disaggregated based on each platform partner:

	Three months ended		Nine months ended	
	2021	2020	2021	2020
Apple	\$ 2,168,829	\$ 1,726,046	\$ 6,189,280	\$ 5,753,619
Facebook	841,434	1,571,540	2,913,654	4,875,401
Google	870,704	846,861	2,705,159	2,524,664
Amazon	54,135	40,598	173,288	189,095
Other mobile	43,575	-	113,785	-
Total in-app purchases	3,978,677	4,185,045	12,095,166	13,342,779

During the three and nine months ended September 30, 2021 and September 30, 2020, there was no significant impact from discontinued games or from changes in our estimated average playing period of payers that required adjusting the recognition period of deferred revenue generated in prior periods.

25. Breakdown of employee compensation

	Three months ended		Nine months ended	
	2021	2020	2021	2020
Salaries and benefits	\$ 1,180,798	\$ 1,099,125	\$ 3,930,485	\$ 2,921,209
Employee benefits expenses	29,914	28,584	55,615	100,527
Share-based compensation expense	60,144	59,692	207,552	130,779
	1,270,856	1,187,401	4,193,652	3,152,515

Presented as follows:

Cost of sales	80,327	35,898	196,144	105,271
Research and development	814,413	666,280	2,699,441	1,979,691
General and administrative	354,697	485,223	1,276,648	1,067,553
Marketing	21,419	-	21,419	-
	1,270,856	1,187,401	4,193,652	3,152,515

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

26. Change in comparative information

Certain figures in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) have been reclassified from cost of sales and general and administrative expenses to marketing expenses. Below is the summary of the reclassification during the prior reporting periods:

For the nine months ended September 30, 2020	As previously reported	Reclassification	As adjusted
Marketing	\$ -	\$ 469,687	\$ 469,687
Cost of sales	6,478,572	(417,121)	6,061,451
General and administrative	2,078,735	(52,566)	2,026,169
	8,557,307	-	8,557,307

For the year ended December 31, 2020	As previously reported	Reclassification	As adjusted
Marketing	\$ 609,573	\$ 101,164	\$ 710,737
General and administrative	2,874,601	(101,164)	2,773,437
	3,484,174	-	3,484,174

The reclassification changes had no impact to the condensed interim consolidated statements of financial position, net income (loss) and comprehensive income (loss), earnings (loss) per share and the condensed interim consolidated statements of cash flows.

27. Reverse takeover transaction

On November 11, 2019, the Company signed a letter of intent with PopReach, where the Company would acquire PopReach, by way of a three-corner amalgamation, share exchange, plan of arrangement or other similar form of transaction as agreed by the parties. On June 26, 2020, the Company and PopReach entered into the Definitive Agreement, which supersedes the prior binding letter of intent, pursuant to which the parties agreed to complete the Qualifying Transaction (the "Transaction") on the terms set out therein. The Transaction was completed on June 30, 2020 and resulted in a reverse take-over of the Company by PopReach and constitutes the Qualifying Transaction of the Company in compliance with the CPC Policy. Pursuant to the terms of the Definitive Agreement, the Company acquired 100% of PopReach and the Company changed its name to PopReach Corporation.

Pursuant to the Transaction, each PopReach shareholder received 7.62 post-Consolidation Common Shares in the capital of the Company for each PopReach common share held by them, for a total issuance by the Company from treasury of 48,233,937 post-Share Consolidation Common Shares. In addition, each convertible, exchangeable, or exercisable security of PopReach was exchanged for a convertible, exchangeable or exercisable security, as applicable, of the Company on substantially the same economic terms and conditions as the original convertible, exchangeable, or exercisable security of PopReach (with their exercise prices being divided by 7.62) resulting in the issuance of 7,744,273 warrants in respect of outstanding PopReach warrants, 5,808,314 options in respect of

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

outstanding PopReach options and 99,584 broker warrants in respect of outstanding PopReach broker warrants, all of which have been retroactively adjusted in the Consolidated Financial Statements (see Note 1).

Following completion of the Transaction as at June 30, 2020, the Company had 51,983,937 Common Shares issued and outstanding. Assuming the conversion of all outstanding options, warrants and stock options, 66,288,882 Common Shares would be outstanding on a fully diluted basis. Common shares of the Company began trading on the TSX Venture Exchange under the symbol "POPR" on July 8, 2020. The fair value of consideration for the Transaction is \$2,091,433. After deducting net assets of the Company before the closing of the Transaction of \$1,409,995, the non-cash listing expense of \$681,438 was expensed in the post acquisition year as a cost associated with obtaining a public stock listing. Based on the Company's consolidated statements of financial position immediately prior to the closing of the Transaction as at June 30, 2020, the net assets at fair value that were acquired by PopReach are as follows:

	Total Value
Purchase consideration	
Share capital	\$ 1,981,215
Share-based payment reserve	75,915
Warrant reserve	34,303
Fair value of consideration	2,091,433
	Total Value
Identifiable assets acquired	
Cash and cash equivalents	\$ 1,484,114
Accounts payable and accrued liabilities	74,119
Net assets acquired	1,409,995
Non-cash listing expense	681,438
Add: Professional fees associated with reverse takeover	327,396
Reverse takeover listing expense	1,008,834

28. Significant events

On August 16, 2021, as announced in a press release dated August 17, 2021, the Company entered into a letter of intent (“**LOI**”) with 2810735 Ontario Inc. d/b/a Federated Foundry (“**Federated**”), an acquirer and operator of digital technology companies, pursuant to which the Company and Federated (together with the Company, the “**Parties**”, and each, a “**Party**”) will combine to form a leading, publicly-listed Canadian technology and media enterprise (the “**Transaction**”) through a reverse takeover of the Company by Federated and its shareholders.

As required by the policies of the TSX Venture Exchange (the “**TSXV**”), trading in the common shares of PopReach (“**PopReach Shares**”) will remain halted until, among other things, PopReach completes certain regulatory filings in connection with the Transaction and the TSXV has completed certain matters it considers necessary or advisable; trading of PopReach Shares may remain halted until the completion of the Transaction.

On October 18, 2021, the Company announced that the Parties had entered into a definitive transaction agreement (the “**Transaction Agreement**”) settling the terms and conditions of the Transaction. Pursuant to the Transaction Agreement, PopReach will acquire all of the issued and outstanding shares of Federated (“**Federated Shares**”) on a fully-diluted basis (including all common shares issued or issuable on any exercise of the outstanding options, warrants and other securities convertible, exercisable or exchangeable for Federated Shares, collectively, the “**Purchased Shares**”) for an aggregate purchase price of up to C\$160 million. The Transaction is expected to be effected by way of a three-way amalgamation amongst Federated, PopReach, and a new, wholly-owned subsidiary of PopReach, with the purchase price payable by the issuance by PopReach pursuant to such amalgamation of an aggregate number of PopReach Shares based on the deemed price per PopReach Share of C\$0.80, representing a premium of 27% over the PopReach Share closing price, and a premium of 32.9% over the PopReach Share 20-day VWAP, as at August 16, 2021, the last trading day immediately prior to the initial announcement of the proposed Transaction.

The aggregate purchase price is subject to adjustments for assumed debt, working capital and other customary terms and conditions set out in the Transaction Agreement. The Transaction Agreement provides that, on the closing date, PopReach will issue, pursuant to the above-noted three-way amalgamation, to holders of Federated Shares that number of PopReach shares calculated based on the C\$160 million purchase price, less the amount of assumed debt and less the amount of net working capital less than C\$5 million. Upon completion of the Transaction, the current shareholders of Federated will own more than 50% of the shares of the resulting issuer (the “**Resulting Issuer**”) on a non-diluted basis.

The Transaction will, pursuant to the policies of the TSXV, require approval of the shareholders of PopReach. PopReach will seek approval of its shareholders at an annual general and special meeting of shareholders as soon as reasonably practicable (the “**PopReach Shareholders Meeting**”), and will prepare an information circular for the PopReach Shareholders Meeting, which will contain details regarding the Transaction, PopReach, Federated and the Resulting Issuer. The information circular and other materials for the PopReach Shareholders Meeting will be mailed to shareholders of PopReach and available on SEDAR at www.sedar.com.

SCHEDULE G
POPREACH INTERIM MD&A

(see attached)



Management's Discussion and Analysis of Financial Condition and Results of Operations of

POPREACH CORPORATION

For the three and nine months ended September 30, 2021 and 2020



The following management's discussion and analysis of financial condition and results of operations (the "**MD&A**") has been prepared by management and provides a review of the activities, results of operations and financial condition of PopReach Corporation (the "**Company**") based upon International Financial Reporting Standards ("**IFRS**"). This MD&A, dated November 28, 2021 should be read in conjunction with a) the condensed interim unaudited consolidated financial statements and notes thereto for the three and nine months ended as at September 30, 2021 and 2020 (the "**Interim Financial Statements**"); and b) the audited consolidated financial statements and notes thereto for the years ended December 31, 2020 and 2019 (the "**Annual Financial Statements**"). All amounts disclosed below are in US dollars unless otherwise noted.

Cautionary Note Regarding Forward-Looking Information

The following MD&A contains forward-looking information and forward-looking statements. All statements and information, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, but not limited to, statements related to the Company's prospects and future plans and goals of the Company) are considered forward-looking information or forward-looking statements. These statements and information reflect the current expectations of the Company based on all information currently available. These statements and information are subject to a number of risks and uncertainties that may cause the Company's actual results to differ materially.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to:

- Limited history of operations
- Competition from other companies
- Risks related to the Company's growth strategy
- Ability to secure sufficient financing to acquire new games

Any forward-looking information and forward-looking statements given in the MD&A speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information or forward-looking statement. Although the Company believes that the assumptions used in making or providing any forward-looking information or forward-looking statements are reasonable, they do not guarantee future performance of operations, and as such, undue reliance should not be put on such information or statements due to their inherent uncertainty.

Company Overview

PopReach Corporation (the “**Company**”), formerly Mithrandir Capital Corp., was incorporated September 25, 2018 pursuant to the provisions of the Business Corporations Act (Ontario).

The Company was carrying on business as a Capital Pool Corporation (“**CPC**”), as such term is defined in TSX Venture Exchange Inc. (the “**Exchange**”) Policy 2.4 – Capital Pool Companies. The Company’s principal purpose was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation (the “**Qualifying Transaction**”) therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company completed its initial public offering on October 11, 2019. Upon completion, the Company’s shares were listed for trading on the Exchange under the symbol “GMER.P”.

On June 30, 2020, the Company incorporated a wholly owned subsidiary under the Canada Business Corporations Act, 2759344 Ontario Inc. (“**Subco**”), for the sole purpose of completing the proposed Qualifying Transaction.

The Qualifying Transaction was completed on June 30, 2020 by way of a three-corned amalgamation, pursuant to which Subco amalgamated with PopReach Incorporated (“**PopReach**”) and the Company, which now holds the assets of PopReach Incorporated as a wholly-owned subsidiary, changed its name to PopReach Corporation. Immediately prior to the close of the Qualifying Transaction, the Company consolidated its common shares on an 8 to 1 basis (the “**Share Consolidation**”). The Share Consolidation was applied retrospectively, including a share exchange in connection with the Qualifying transaction of 7.62 issuer shares for every one share of PopReach, and as a result, the common share (the “**Common Shares**”), broker warrants and option amounts presented herein are stated in an adjusted post-Share Consolidation basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on the TSX Venture Exchange (Note 26 of the Annual Financial Statements) under the symbol “POPR”.

The Company is a free-to-play game publisher focused on acquiring and optimizing proven franchises, including to date Smurfs’ Village (IP Under License), PAYDAY Crime War (IP under license), Peak – Brain Training, Kitchen Scramble, Gardens of Time, City Girl Life, War of Nations and Kingdoms of Camelot. The Company drives growth through a combination of investment in existing franchises and new franchise acquisitions. The head office of the Company is located at 1 University Avenue, 3rd Floor, Toronto, ON, M5J 2P1.

As at September 30, 2021, the Company has a wholly owned subsidiary, PopReach Incorporated (“PopReach”), in Toronto, Canada, incorporated under the laws of the Province of Ontario, and its accounts are consolidated into the Company’s Interim Financial Statements and Annual Financial Statements. As at that date, PopReach employed 39 employees on a full-time basis between offices in Toronto, Ontario and Vancouver, British Columbia. In addition, PopReach operates two wholly owned subsidiaries, PopReach Technologies Private Limited (“**PR Tech**”), in Bangalore, India, and PopReach UK Limited (“**PopReach UK**”), in London, UK. PR Tech is incorporated pursuant to the laws of India, and its accounts are consolidated into the Company’s Interim Financial Statements and Annual Financial Statements. PR Tech manages the Company’s portfolio of video game franchises and, as at September 30, 2021, employed 96 employees on a full-time basis. PopReach UK was incorporated on February 18, 2021, and its accounts are also consolidated into the Company’s Interim Financial Statements and Annual Financial Statements. PopReach UK was established in order to fund operating costs and payroll for the acquisition of the “Peak – Brain Training” app from Brainbow Limited (“**Peak**”), and employed 7 employees on a full-time basis as at September 30, 2021.

The Company’s Interim Financial Statements and Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as disclosed in Note 2 of the Interim Financial Statements.

However, the Company considers certain Non-GAAP (as hereinafter defined) financial measures as useful additional information to assess its financial performance. Please refer to the “Non-GAAP Measures” section of this MD&A for additional details regarding the use of Non-GAAP measures in this MD&A.

The MD&A has been authorized for issue by the Board of Directors on November 28, 2021.

Summary of Significant Developments

Performance highlights for the three months ending September 30, 2021, and subsequent developments

- Revenue from mobile platforms (Apple, Google and Amazon) was \$3.4 million (80.1% of total revenue), compared to \$3.5 million in Q2 2021 (78.3%), and an increase from \$2.7 million in Q3 2020 (63.8%)
- Revenue of \$4.2 million, compared to \$4.4 million in Q2 2021, and \$4.3 million in Q3 2020; overall revenue was impacted by an industry wide decline in Facebook Canvas platform game activity
- Gross profit margin decreased to 64.6%, from 65.3% in Q2 2021, and improved from 61.8% in Q3 2020, driven by the ongoing execution of operating cost reductions
- Operating expenses of \$3.5 million, compared to \$3.1 million in Q2 2021, and \$2.7 million in Q3 2020; the increase in operating expenses is due to increased user acquisition spend, and professional fees associated with the proposed business combination with 2810735 Ontario Inc. d/b/a Federated Foundry (“**Federated**”)
- EBITDA¹ of \$(0.1) million (-1.9% of revenue), compared to \$0.4 million (9.4%) in Q2 2021, and \$0.9 million (20.8%) in Q3 2020
- Adjusted EBITDA¹ of \$0.4 million (9.9% of revenue), compared to \$0.6 million (13.3%) in Q2 2021, and \$0.8 million (18.7%) in Q3 2020
- Net loss of \$1.1 million ((\$0.01) per basic and diluted share), compared to a net income of \$1.1 million (\$0.01 per basic and diluted share) in Q2 2021, and a net loss of \$0.5 million ((\$0.01) per basic and diluted share) in Q3 2020
- Cash used in operating activities in Q3 2021, net of working capital changes, was \$0.1 million, compared to cash generated from operating activities of \$0.5 million in Q2 2021, and \$1.0 million in Q3 2020
- Cash at September 30, 2021 was \$11.6 million, compared to \$18.1 million at the end of 2020, and debt outstanding on the bank credit facility was \$5.4 million, compared to \$6.0 million at the end of 2020; the decrease in cash is due to payments relating to the Company’s 2021 M&A activities, including professional fees associated with the proposed business combination with Federated
- On August 16, 2021, the Company entered into a letter of intent (“**LOI**”) with Federated, an acquirer and operator of digital technology companies, for a proposed business combination, pursuant to which the Company and Federated will combine to form a leading, publicly-listed technology and media enterprise through a reverse takeover of the Company by Federated and its shareholders²
- On October 18, 2021, the Company entered into a definitive agreement in relation to its proposed business combination with Federated, and announced that it had voting support agreements in place with shareholders holding in the aggregate approximately 50.5% of the issued and outstanding PopReach Shares
- On November 12, 2021, the Company soft launched the significant rebuild of Smurfs Magic Match, with the game to be updated and improved in the coming months
- Also on November 12, 2021, the Company announced a closed beta for PAYDAY Crime War which is on track to go live in December, 2021; the Company is pleased that it has more than doubled the expected number of sign-ups for the closed beta, representing an important milestone for the game expected to launch globally in 2022

¹ Please refer to “Non-GAAP Measures” below

² Please refer to “Summary of Significant Developments” below

EBITDA and Adjusted EBITDA¹

EBITDA was (\$79,102) for the three months ended September 30, 2021. Compared to the three months ended September 30, 2020 of \$902,669, the decrease was \$981,771 or 108.8%, and compared to the three months ended June 30, 2021 of \$419,454, the decrease was \$498,555 or 118.8%. EBITDA was \$780,627 for the nine months ended September 30, 2021. Compared to the nine months ended September 30, 2020 of \$2,301,017, the decrease was \$1,520,390 or 66.1%.

Adjusted EBITDA was \$416,440 for the three months ended September 30, 2021. Compared to the three months ended September 30, 2020 of \$810,899, the decrease was \$394,459 or 48.6%, and compared to the three months ended June 30, 2021 of \$589,588, the decrease was \$173,147 or 29.4%. Adjusted EBITDA was \$1,857,374 for the nine months ended September 30, 2021. Compared to the nine months ended September 30, 2020 of \$3,190,254, the decrease was \$1,332,580 or 41.8%.

Growth Platforms

The Company views the mobile platforms – Apple, Google and Amazon – to be drivers of its growth and, currently, the sole focus of its growth investment. In December of 2018, the Company acquired a large portfolio of games of which a meaningful amount of revenue was derived from games operating on the Facebook Canvas platform. The Facebook Canvas platform continues to decline in importance and scale industry wide, as recently accelerated by the December 31, 2020 end-of-life of Adobe Flash technology.

For the year ended December 31, 2020, the Company generated 37% of its in-app purchase revenue from Facebook Canvas games, compared to 44% in 2019. In Q3 2021, it was 21%, compared to 23% in Q2 2021, and 36% in Q3 2020. In-app purchase revenue from mobile platforms was 63% in 2020, 56% in 2019, 79% in Q3 2021, 77% in Q2 2021, and 64% Q3 2020.

The Company intends to continue to invest in its Facebook Canvas games, on a maintenance basis, for as long as they remain return on investment positive. Although the Company expects this to be the case for the foreseeable future, our investments in growth will be focused on the mobile platforms. The Company also expects Facebook Canvas revenue will continue to decline as a percentage of its overall revenue, as the platform itself continues to decline industry wide, and the Company’s mobile platform investments come to fruition and begin generating additional revenue.

Operating cost reductions

As part of the Company’s business strategy, ongoing efforts are focused on the consolidation and, in some cases, depreciation of third-party services, re-engineering of game assets, elimination of unnecessary vendors, and negotiation of lower cost service agreements, resulting in meaningful operating cost reductions.

Seasonality

Although the impact attributable to the COVID-19 pandemic is not quantifiable, the Company believes the typical negative seasonal impact in Q3 was amplified due to pandemic related restrictions easing globally, resulting in lower player activity in our game portfolio. Despite this, the Company was able to grow mobile revenue by 22% in Q3 2021 (\$3,379,460) over Q3 2020 (\$2,764,689).

COVID-19 pandemic

Following the outbreak of the COVID-19 pandemic, the Company has modified its business practices to help minimize the risk of the virus to employees, business partners, and the communities in which the Company participates, which could negatively impact the business of the Company. In response to the outbreak, the Company has instituted operational and monitoring protocols to ensure the health and safety of its employees and stakeholders, which follow the advice of local governments and health authorities where it operates. The Company has adopted a work from home policy where possible. The Company will continue to monitor developments of the COVID-19 pandemic and continuously assess the COVID-19 pandemic's potential further impact on the Company's operations and business. See "Risk Factors - COVID-19".

The Company continues to face significant COVID-19 related challenges in the remote hiring and onboarding of new employees, leading to delays in the launch of growth game features designed to increase engagement and monetization. Furthermore, PR Tech employees working from home in Bangalore, India are routinely subject to infrastructure outages, which has resulted in delayed content updates and bug fixes relating to the live operations of the Company's entire portfolio of games. The impact of the COVID-19 outbreak in India continues to be significant, leading to increases in leaves of absence taken by PR Tech employees, and employee morale challenges, with a corresponding decrease in productivity.

Apple Advertising (IDFA) policy change

On April 26th of 2021, Apple implemented a key change to their iOS 14 operating system, which significantly altered the advertising ecosystem of mobile apps. Apple's IDFA (Identifier for Advertisers) is no longer available to apps by default, instead requiring users to "opt in" on a per app basis; only a minority of users consent to apps accessing their IDFA. The IDFA was an integral part of performance marketing for apps, as large advertising networks like Facebook and Google had relied on this identifier, combined with data collected through their own apps and services, to optimize ad campaign targeting; the impact of this change has been significant^a, with several major mobile game and app publishers having reported a negative revenue impact as a result of this change. The Company's user acquisition efforts for Peak were negatively impacted by the change, resulting in slightly lower mobile revenue overall for the quarter. We continue to monitor market conditions as we prepare to launch our Smurfs Magic Match game globally, and have temporarily scaled back paid growth initiatives around Peak. We expect the market to stabilize in the coming quarters, and to be able to continue with our key growth initiatives for Peak and Smurfs Magic Match.

^a <https://venturebeat.com/2021/07/13/brian-bowman-apples-idfa-change-has-triggered-15-to-20-revenue-drops-for-ios-developers/>

Summary of Significant Developments

Proposed Business Combination with Federated Foundry

On August 16, 2021, as announced in a press release dated August 17, 2021, the Company entered into a letter of intent ("LOI") with 2810735 Ontario Inc. d/b/a Federated Foundry, an acquirer and operator of digital technology companies, pursuant to which the Company and Federated (the "**Parties**", and each, a "**Party**") will combine to form a leading, publicly-listed Canadian technology and media enterprise (the "**Transaction**") through a reverse takeover of the Company by Federated and its shareholders.



As required by the policies of the TSX Venture Exchange (the “**TSXV**”), trading in the common shares of PopReach (“**PopReach Shares**”) will remain halted until, among other things, PopReach completes certain regulatory filings in connection with the Transaction and the TSXV has completed certain matters it considers necessary or advisable; trading of PopReach Shares may remain halted until the completion of the Transaction.

On October 18, 2021, the Company announced that the Parties had entered into a definitive transaction agreement (the “**Transaction Agreement**”) settling the terms and conditions of the Transaction.

Key Terms of the Transaction and the Transaction Agreement

Pursuant to the Transaction Agreement, PopReach will acquire all of the issued and outstanding shares of Federated (“**Federated Shares**”) on a fully-diluted basis (including all common shares issued or issuable on any exercise of the outstanding options, warrants and other securities convertible, exercisable or exchangeable for Federated Shares, collectively, the “**Purchased Shares**”) for an aggregate purchase price of up to C\$160 million. The Transaction is expected to be effected by way of a three-way amalgamation amongst Federated, PopReach, and a new, wholly-owned subsidiary of PopReach, with the purchase price payable by the issuance by PopReach pursuant to such amalgamation of an aggregate number of PopReach Shares based on the deemed price per PopReach Share of C\$0.80, representing a premium of 27% over the PopReach Share closing price, and a premium of 32.9% over the PopReach Share 20-day VWAP, as at August 16, 2021, the last trading day immediately prior to the initial announcement of the proposed Transaction.

The aggregate purchase price is subject to adjustments for assumed debt, working capital and other customary terms and conditions set out in the Transaction Agreement. The Transaction Agreement provides that, on the closing date, PopReach will issue, pursuant to the above-noted three-way amalgamation, to holders of Federated Shares that number of PopReach shares calculated based on the C\$160 million purchase price, less the amount of assumed debt and less the amount of net working capital less than C\$5 million. Upon completion of the Transaction, the current shareholders of Federated will own more than 50% of the shares of the resulting issuer (the “**Resulting Issuer**”) on a non-diluted basis.

Closing of the Transaction is subject to customary conditions, including: (a) approval of the Transaction by shareholders of PopReach and Federated; (b) approval of the Transaction by the boards of directors of PopReach and Federated; (c) receipt of all regulatory approvals with respect to the Transaction, including approval by the TSXV; (d) each of Ted Hastings, Amy Hastings, Jeff Collins, Mike Fitzgerald and Kevin Ferrell, as well as certain additional executive officers of Federated subsidiaries, shall have executed executive employment agreements with the Resulting Issuer or one of its subsidiaries; (e) confirmation of no adverse material change of PopReach or Federated; and (f) compliance by each of PopReach and Federated with representations, warranties, covenants, obligations and conditions of such Party as set out in the Transaction Agreement.

Shareholder Approvals

The Transaction will, pursuant to the policies of the TSXV, require approval of the shareholders of PopReach. PopReach will seek approval of its shareholders at an annual general and special meeting of shareholders as soon as reasonably practicable (the “**PopReach Shareholders Meeting**”), and will prepare an information circular for the PopReach Shareholders Meeting, which will contain details regarding the Transaction, PopReach, Federated and the Resulting Issuer. The information circular and other materials for the PopReach Shareholders Meeting will be mailed to shareholders of PopReach and available on SEDAR at www.sedar.com.



The Transaction will require approval of the shareholders of Federated. All of Federated's shareholders are subject to a voting trust agreement allowing for Ted Hastings, in his capacity as Chief Executive Officer of Federated, to exercise voting rights in respect of the Federated Shares.

PopReach Shareholder Voting Support Agreements

Each of the directors, executive officers and insiders of PopReach, along with a number of other long-term unrelated shareholders who first invested in PopReach prior to the Company's "go public" transaction in July 2020, holding in aggregate approximately 50.5% of the issued and outstanding PopReach Shares, have executed voting support agreements in customary form whereby each such person has agreed to, as a shareholder of PopReach, vote and deliver proxies in support of the Transaction.

Fairness Opinions

Each of Echelon Capital Markets and Stifel Nicolaus Canada Inc. has provided a fairness opinion to PopReach's Board of Directors (the "**PopReach Board**") to the effect that, as of the date of the opinion and based upon and subject to the assumptions and limitations described in their respective opinion, the consideration payable by PopReach is fair, from a financial point of view, to PopReach and its shareholders.

The PopReach Board, in consultation with its advisors, has unanimously determined that the Transaction is in the best interest of PopReach and to the shareholders of PopReach.

Arm's Length Transaction

The Transaction constitutes an Arm's Length Transaction (as such term is defined in the policies of the TSXV). No person who or which is a Non-Arm's Length Party of PopReach has any direct or indirect beneficial interest in Federated, its shareholders or its assets prior to giving effect to the Transaction and no such persons are also Insiders of Federated. Similarly, there is no known relationship between or among any person who or which is a Non-Arm's Length Party of PopReach and any person who or which is a Non-Arm's Length Party to Federated.

Credit facility amendment

On October 29, 2021, the Company entered into an amendment on the existing non-revolving term facility with the Bank of Nova Scotia, with certain terms amended to add back one-time fees and expenses of the Company in connection with the proposed transaction with Federated and the Company's acquisition transactions, as well as to account for the Company's available cash. The credit facility otherwise remains unamended, including as to the available amount, the term, applicable interest rates, and ongoing reporting obligations.



Key Metrics

The Company regularly reviews a number of metrics, including the following key financial and operating metrics, to evaluate the business, measure performance, identify business trends, prepare financial projections and make strategic decisions.

Key Financial Metrics

Revenue and Bookings

Revenue is primarily derived from the sale of virtual items associated with our online games, earned subscription revenue, and the sale of advertising. For details on how revenue is calculated please see “Revenue recognition” under “Significant accounting policies” below.

Bookings is a non-GAAP financial measure that is equal to revenue recognized plus or minus the change in deferred revenue during the period. The Company records the sale of virtual items in our games as deferred revenue and then recognizes the revenue rateably over the estimated average playing period of payers for the applicable game. For subscription revenue, the Company records the sale as deferred revenue and then recognized the revenue evenly throughout the subscription period. Lifetime subscription revenues recorded as deferred revenue and are recognized rateably over the estimated average playing period of payers for the applicable game.

The identified performance obligation for revenue recognition is to display the virtual items within the game over the estimated life of the paying player or until it is consumed in game play based upon the nature of the virtual item. For subscription revenue, the performance obligation for revenue recognition is to recognize revenue evenly throughout the subscription period. Lifetime subscription revenues are recognized rateably over the estimated average playing period of payers for the applicable game. Bookings is a fundamental top-line metric we use to manage our business, as we believe it is a useful indicator of the sales activity in a given period, and corresponds directly to actual cash receipts. We use revenue and bookings to evaluate the results of our operations, generate future operating plans and assess the performance of our company.

Non-GAAP Measures

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-GAAP financial measures as useful additional information to assess its financial performance. These measures, which it believes are widely used by investors, securities analysts and other interested parties to evaluate its performance, do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-GAAP measures include “Bookings”, “EBITDA” and “Adjusted EBITDA”.

Bookings

Bookings is a financial measure, commonly used in the mobile games industry, that is equal to revenue recognized plus or minus the change in deferred revenue during the period. As such, it is representative of the actual gross revenue paid by paying players in the Company’s games.

EBITDA and Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization (“**EBITDA**”) and consolidated adjusted earnings before interest, taxes, depreciation and amortization (“**Adjusted EBITDA**”) are non-IFRS measures of financial performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS, and may be different from non-IFRS financial measures used by other companies. Company management defines EBITDA as follows: IFRS Net income (loss) adding back accretion and interest expenses (including amortization of deferred financing fees), income taxes, amortization, gain/loss on disposal of assets, and fair value gain/loss on financial liabilities. Adjusted EBITDA is calculated as EBITDA and excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments, changes in deferred revenues, and other extraordinary one-time expenses.

Management believes EBITDA and Adjusted EBITDA are useful financial metrics to assess its operating performance on a cash basis before the impact of non-cash items.

Key Operating Metrics

Monthly Active Users (MAU)

The Company manages the business by tracking several operating metrics including Monthly Active Users (“**MAU**”) which measure monthly active users of our games, and revenue per average MAU (“**Revenue per Average MAU**”) which is the total annual revenue divided by 12, and then divided by the average MAU being, for a particular period, the average of the MAUs at each month-end during that period (“**Average MAU**”). The following table shows the Average MAU and Revenue per Average MAU for each period:

	Three months ended September 30 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Revenues	\$ 4,220,894	\$ 4,336,229	\$ 12,739,880	\$ 13,915,099
Bookings	4,414,894	4,156,652	13,197,998	13,664,723
Average monthly revenues	1,406,965	1,445,410	1,415,542	1,546,122
Average MAU (in thousands)	1,990	1,164	1,599	1,206
Revenue per Average MAU	0.71	1.24	0.89	1.28

We use MAU as a measure of total game audience size and define MAU as the number of individuals who played one of our games in the 30-day period ending with the measurement date. The numbers for these MAU are calculated using information provided by the third-party platforms. Under this metric, an individual who plays two different games in the same 30-day period is counted as two MAUs, which is common and accepted practice in the mobile games industry.

Overall Performance and Selected Quarterly Information

Below is selected quarterly information from the Company's unaudited condensed interim consolidated financial statements for each of the quarterly periods indicated. The Company's functional and presentation currency is US Dollars. Except where indicated, the following financial data is reported in accordance with IFRS.

	Three months ended September 30 2021	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended December 31 2020
Revenues	\$ 4,220,894	\$ 4,441,086	\$ 4,077,900	\$ 4,095,186
Net Income (Loss)	(1,069,782)	1,080,290	2,161,299	(3,282,834)
Comprehensive Income (Loss)	(1,060,310)	1,084,270	2,184,484	(3,354,148)
Earnings (loss) per share (basic)	(0.01)	0.01	0.03	(0.05)
Earnings (loss) per share (diluted)	(0.01)	0.01	0.03	(0.05)
Non-GAAP:				
Bookings	4,414,894	4,667,189	4,115,915	4,026,525
EBITDA	(79,102)	419,454	440,276	761,775
Adjusted EBITDA	416,440	589,588	851,647	742,536

	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020	Three months ended December 31 2019
Revenues	\$ 4,336,229	\$ 4,902,326	\$ 4,676,544	\$ 4,808,053
Net Income (Loss)	(518,459)	(1,822,189)	(677,742)	(1,394,875)
Comprehensive Income (Loss)	(485,231)	(1,848,562)	(636,638)	(1,391,677)
Earnings (loss) per share (basic and diluted)	(0.01)	(0.05)	(0.01)	(0.04)
Non-GAAP:				
Bookings	4,156,652	4,793,186	4,714,885	4,856,617
EBITDA	902,669	702,487	695,861	(3,859)
Adjusted EBITDA	810,899	1,519,290	860,065	1,383,956

	Nine months ended September 30 2021		Nine months ended September 30 2020	
Revenues	\$	12,739,880	\$	13,915,099
Net Income (Loss)		2,171,807		(3,018,390)
Comprehensive Income (Loss)		2,208,444		(2,970,431)
Earnings (loss) per share (basic)		0.03		(0.07)
Earnings (loss) per share (diluted)		0.03		(0.07)
Non-GAAP:				
Bookings		13,197,998		13,664,723
EBITDA		780,627		2,301,017
Adjusted EBITDA		1,857,674		3,190,254
	September 30 2021		December 31 2020	
Cash and cash equivalents	\$	11,582,698	\$	18,097,649
Current assets		14,130,470		20,079,201
Total assets		27,788,275		25,934,531
Current liabilities		6,471,296		7,879,809
Non-current liabilities		6,314,665		5,534,564

Discussion of Operations

Revenue

Revenues for the three and nine months ended September 30, 2021 were lower compared to the three and nine months ended September 30, 2020. The decrease in revenues was due to the industry wide decline of the Facebook Canvas platform, which the Company does not view as a driver of growth, as discussed in the Growth Platforms section of “Summary of Significant Developments” above. The company also continues to experience uncertainties around the impact of COVID-19 in general but particularly in India, which has resulted in delayed content updates and bug fixes relating to the live operations of the Company’s entire portfolio of games, and the ongoing uncertainty around paid user acquisition costs resulting from Apple’s IDFA policy change.

Bookings

Bookings is a non-GAAP financial measure that is equal to revenue recognized plus or minus the change in deferred revenue during the period. The following table is the reconciliation from revenue to bookings for each period:

	Three months ended September 30 2021		Three months ended June 30 2021		Three months ended March 31 2021		Three months ended December 31 2020	
Revenue	\$	4,220,894	\$	4,441,086	\$	4,077,900	\$	4,095,186
Add: Increase (decrease) in deferred revenue		194,000		226,103		38,015		(68,661)
Total bookings		4,414,894		4,667,189		4,115,915		4,026,525

	Three months ended September 30 2020		Three months ended June 30 2020		Three months ended March 31 2020		Three months ended December 31 2019	
Revenue	\$	4,336,229	\$	4,902,326	\$	4,676,544	\$	4,808,053
Add: Increase (decrease) in deferred revenue		(179,577)		(109,140)		38,341		48,564
Total bookings		4,156,652		4,793,186		4,714,885		4,856,617

The increase in bookings for the three months ended September 30, 2021 compared to the three months ended September 30, 2020, are due to incremental bookings from the Peak acquisition in March 2021.

	Nine months ended September 30 2021		Nine months ended September 30 2020	
Revenue	\$	12,739,880	\$	13,915,099
Add: Change in deferred revenue		458,118		(250,376)
Total bookings		13,197,998		13,664,723

The decrease in bookings for the nine months ended September 30, 2021 compared to nine months ended September 30, 2020, are due to the same factors explained in the Revenue section above.

Revenue by geographic location

The following tables present the Company's revenue disaggregated based on the geographic location of the Company's paying players. All the geographic markets presented below represent at least 10% of total revenues for each period:

		Three months ended September 30 2021			Three months ended June 30 2021			Three months ended March 31 2021			Three months ended December 31 2020	
			%			%			%			%
North America	\$	2,752,297	65%	\$	2,907,939	65%	\$	2,930,387	72%	\$	3,081,556	75%
Europe		929,421	22%		1,013,264	23%		763,454	19%		686,089	17%
Other		539,176	13%		519,883	12%		384,059	9%		327,541	8%
Total revenue		4,220,894	100%		4,441,086	100%		4,077,900	100%		4,095,186	100%

		Three months ended September 30 2020			Three months ended June 30 2020			Three months ended March 31 2020			Three months ended December 31 2019	
			%			%			%			%
North America	\$	3,208,961	74%	\$	3,976,585	81%	\$	3,589,371	77%	\$	3,628,847	75%
Europe		628,238	14%		617,461	13%		599,213	13%		658,092	14%
Other		499,030	12%		308,280	6%		487,960	10%		521,114	11%
Total revenue		4,336,229	100%		4,902,326	100%		4,676,544	100%		4,808,053	100%

		Nine months ended September 30 2021			Nine months ended September 30 2020	
			%			%
North America	\$	8,590,623	67%	\$	10,774,917	78%
Europe		2,706,139	21%		1,844,912	13%
Other		1,443,118	11%		1,295,270	9%
Total revenue		12,739,880	99%		13,915,099	100%

Revenue by category

The following table presents the Company's revenue disaggregated based on the specific nature of revenues earned for each period:

	Three months ended September 30 2021				Three months ended June 30 2021				Three months ended March 31 2021				Three months ended December 31 2020			
			%				%				%				%	
In-app purchases	\$	3,978,677	94%	\$	4,177,682	94%		\$	3,938,807	97%		\$	3,957,439	97%		
Advertising		235,764	6%		263,109	6%			137,722	3%			137,370	3%		
Other		6,453	0%		295	0%			1,371	0%			377	0%		
Total revenue		4,220,894	100%		4,441,086	100%			4,077,900	100%			4,095,186	100%		

	Three months ended September 30 2020				Three months ended June 30 2020				Three months ended March 31 2020				Three months ended December 31 2019			
			%				%				%				%	
In-app purchases	\$	4,185,045	97%	\$	4,706,106	96%		\$	4,451,628	95%		\$	4,568,771	95%		
Advertising		150,936	3%		195,894	4%			224,674	5%			239,282	5%		
Other		248	0%		326	0%			242	0%			-	0%		
Total revenue		4,336,229	100%		4,902,326	100%			4,676,544	100%			4,808,053	100%		

	Nine months ended September 30 2021					Nine months ended September 30 2020				
				%					%	
In-app purchases	\$	12,095,166	95%		\$	13,342,779	96%			
Advertising		636,595	5%			571,504	4%			
Other		8,119	0%			816	0%			
Total revenue		12,739,880	100%			13,915,099	100%			

In-app purchases by platform

The following table presents the Company's in-app purchases disaggregated based on the digital platform the games are published on for each period:

	Three months ended September 30 2021				Three months ended June 30 2021				Three months ended March 31 2021				Three months ended December 31 2020			
			%				%				%				%	
Apple	\$	2,168,829	55%	\$	2,240,569	54%		\$	1,779,882	45%		\$	1,639,606	41%		
Facebook		841,434	21%		961,767	23%			1,110,453	28%			1,485,551	38%		
Google		870,704	22%		864,454	21%			970,001	25%			781,622	20%		
Amazon		54,135	1%		53,498	1%			65,655	2%			50,660	1%		
Other Mobile		43,575	1%		57,394	1%			12,816	0%			-	0%		
Total in-app purchases		3,978,677	100%		4,177,682	100%			3,938,807	100%			3,957,439	100%		

	Three months ended September 30 2020				Three months ended June 30 2020				Three months ended March 31 2020				Three months ended December 31 2019			
			%				%				%				%	
Apple	\$	1,726,046	41%	\$	2,022,115	43%		\$	2,005,458	45%		\$	2,173,002	48%		
Facebook		1,571,540	38%		1,786,368	38%			1,517,493	34%			1,697,203	37%		
Google		846,861	20%		822,833	17%			854,970	19%			639,160	14%		
Amazon		40,598	1%		74,790	2%			73,707	2%			59,406	1%		
Total in-app purchases		4,185,045	100%		4,706,106	100%			4,451,628	100%			4,568,771	100%		

	Nine months ended September 30 2021				Nine months ended September 30 2020			
			%				%	
Apple	\$	6,189,280	51%	\$	5,753,619	43%		
Facebook		2,913,654	24%		4,875,401	37%		
Google		2,705,159	23%		2,524,664	19%		
Amazon		173,288	1%		189,095	1%		
Other Mobile		113,785	1%		-	0%		
Total in-app purchases		12,095,166	100%		13,342,779	100%		

For the three and nine months ended September 30, 2021, compared to the three and nine months ended September 30, 2020, revenues earned from the Facebook platform decreased considerably in comparison to other platforms due to end-of-life of Adobe Flash technology mentioned above in the 'Summary of Significant Developments'.

Cost of sales

The following table presents the Company's cost of sales, broken down by nature for each period:

	Three months ended September 30 2021	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended December 31 2020
Platform fees	\$ 966,059	\$ 1,033,061	\$ 1,098,745	\$ 1,127,762
Hosting and other	404,159	400,741	342,422	356,947
Licensors share	43,125	47,658	53,375	57,176
Salaries and benefits	80,327	61,019	54,798	44,753
Total cost of sales	1,493,670	1,542,479	1,549,340	1,586,638

	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020	Three months ended December 31 2019
Platform fees	\$ 1,175,919	\$ 1,354,558	\$ 1,309,498	\$ 1,340,581
Hosting and other	385,535	549,735	990,734	1,069,714
Licensors share	57,286	71,676	61,239	60,460
Salaries and benefits	35,898	34,495	34,878	30,318
Total cost of sales	1,654,638	2,010,464	2,396,349	2,501,073

	Nine months ended September 30 2021	Nine months ended September 30 2020
Platform fees	\$ 3,097,865	\$ 3,839,975
Hosting and other	1,147,322	1,926,004
Licensors share	144,158	190,201
Salaries and benefits	196,144	105,271
Total cost of sales	4,585,489	6,061,451

Operating Expenses

The following table presents the Company's operating expenses for each period:

	Three months ended September 30 2021	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended December 31 2020
Operating expenses:				
Research and development	\$ 817,519	\$ 1,077,435	\$ 814,749	\$ 758,455
General and administrative	1,082,759	644,221	1,141,035	795,866
Marketing	906,048	753,285	132,500	192,452
Interest and accretion expenses	213,749	145,734	138,140	477,959
Amortization	474,220	491,663	400,576	682,556
	3,494,295	3,112,338	2,627,000	2,907,288
	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020	Three months ended December 31 2019
Operating expenses:				
Research and development	\$ 741,280	\$ 622,977	\$ 690,434	\$ 439,681
General and administrative	852,717	560,888	665,130	807,159
Marketing	163,560	118,513	135,048	47,059
Interest and accretion expenses	207,941	354,426	376,698	382,710
Amortization	743,314	734,124	734,794	986,736
Impairment of intangible assets	-	-	-	994,525
	2,708,812	2,390,928	2,602,104	3,657,870
			Nine months ended September 30 2021	Nine months ended September 30 2020
Operating expenses:				
Research and development		\$	2,709,703	\$ 2,054,691
General and administrative			2,868,015	2,026,169
Marketing			1,791,833	469,687
Interest and accretion expenses			497,623	939,065
Amortization			1,366,459	2,212,232
			9,233,633	7,701,844

For the three and nine months ended September 30, 2021, compared to the three and nine months ended September 30, 2020, higher research and development, and higher general and administrative costs were incurred (explained below), as well as higher marketing costs including increased user acquisition spend in Q2 and Q3 2021 to drive revenues for subsequent periods, offset by lower interest and accretion expenses due to the restructuring of the credit facility, and lower amortization (explained below).

Research and development

The following tables presents the Company's research and development expenses, broken down by nature by period:

	Three months ended September 30 2021	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended December 31 2020
Salaries and benefits	\$ 774,335	\$ 1,049,326	\$ 791,173	\$ 628,271
Employee benefits expenses	29,914	13,722	11,979	207
Share-based compensation expense	10,164	10,048	8,780	14,539
Outsourced development	3,106	4,339	2,817	115,438
Total research and development expenses	817,519	1,077,435	814,749	758,455

	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020	Three months ended December 31 2019
Salaries and benefits	\$ 624,783	\$ 578,064	\$ 641,208	\$ 469,422
Employee benefits expenses	28,584	28,837	43,106	(39,128)
Share-based compensation expense	12,913	16,076	6,120	9,387
Outsourced development	75,000	-	-	-
Total research and development expenses	741,280	622,977	690,434	439,681

	Nine months ended September 30 2021	Nine months ended September 30 2020
Salaries and benefits	\$ 2,614,834	\$ 1,844,055
Employee benefits expenses	55,615	100,527
Share-based compensation expense	28,992	35,109
Outsourced development	10,262	75,000
Total research and development expenses	2,709,703	2,054,691

The increase in research and development expenses for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020 was largely due to increases in headcount and salaries and benefits.

General and administrative

The following tables presents the Company's general and administrative expenses, broken down by nature by period:

	Three months ended September 30 2021	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended December 31 2020
Salaries and benefits	\$ 304,717	\$ 374,608	\$ 418,762	\$ 359,093
Professional fees	459,959	123,524	394,857	320,987
Share-based compensation expense	49,980	63,421	65,159	34,883
Other expenses	268,103	82,668	262,257	80,903
Total general and administrative expenses	1,082,759	644,221	1,141,035	795,866

	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020	Three months ended December 31 2019
Salaries and benefits	\$ 438,444	\$ 277,425	\$ 256,014	\$ 245,625
Professional fees	271,659	187,218	260,485	409,716
Share-based compensation expense	46,779	22,870	26,021	75,294
Other expenses	43,269	73,375	122,610	76,524
Total general and administrative expenses	800,151	560,888	665,130	807,159

	Nine months ended September 30 2021	Nine months ended September 30 2020
Salaries and benefits	\$ 1,098,088	\$ 971,883
Professional fees	978,340	719,362
Share-based compensation expense	178,560	95,670
Other expenses	613,027	239,254
Total general and administrative expenses	2,868,015	2,026,169

The increase in general and administrative expenses for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020 was related to increases in headcount and higher salaries and benefits costs, increased professional fees, including those relating to the proposed business combination with Federated, and other extraordinary one-time expenses including a sublease termination fee of \$88K.

Amortization

Amortization decreased for the three and nine months ended September 30, 2021 compared to the three and nine months ended September 30, 2020 due to certain intangible assets being fully amortized during 2020. The Company's intangible assets are amortized over their expected useful lives, which range from 2 – 7 years.

Adjusted EBITDA

The following table presents the Company's calculation of EBITDA and Adjusted EBITDA for each period:

	Three months ended September 30 2021	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended December 31 2020
Net loss	\$ (1,069,782)	\$ 1,080,290	\$ 2,161,299	\$ (3,282,834)
Add:				
Interest and accretion expenses	213,749	145,734	138,140	477,959
Loss (gain) on disposal of assets	-	(4,212)	-	-
Current taxes (recovery)	24,000	21,937	31,392	81,951
Deferred tax recovery	(7,687)	(4,495)	(1,198)	(21,638)
Amortization	474,220	491,663	400,576	682,556
Fair value loss (gain) on financial liabilities	286,398	(1,311,463)	(2,289,933)	2,823,781
EBITDA	(79,102)	419,454	440,276	761,775
Add:				
Share-based compensation expense	60,144	73,469	73,939	49,422
Change in deferred revenue	194,000	226,103	38,015	(68,661)
Change in deferred cost of sales	(81,075)	(139,560)	(35,973)	-
Extraordinary one-time expenses	322,473	10,122	335,390	-
Adjusted EBITDA	416,440	589,588	851,647	742,536
Adjusted EBITDA/Revenue %	10%	13%	21%	18%

	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020	Three months ended December 31 2019
Net loss	\$ (518,459)	\$ (1,822,189)	\$ (677,742)	\$ (1,394,875)
Add:				
Interest and accretion expenses	207,941	354,426	376,698	382,710
Loss (gain) on disposal of assets	6,750	-	-	(22,415)
Current taxes (recovery)	(13,058)	34,092	24,091	44,562
Deferred tax recovery	(37,846)	-	-	-
Amortization	743,314	734,124	734,794	986,736
Fair value loss (gain) on financial liabilities	514,027	1,402,034	238,020	(577)
EBITDA	902,669	702,487	695,861	(3,859)
Add:				
Impairment of goodwill and other	-	-	-	994,525
Share-based compensation expense	59,692	38,946	32,141	84,681
Change in deferred revenue	(179,577)	(109,140)	38,341	48,564
Change in deferred cost of sales	-	-	-	-
Extraordinary one-time expenses	28,115	886,997	93,722	78,764
Restructuring costs	-	-	-	181,281
Adjusted EBITDA	810,899	1,519,290	860,065	1,383,956
Adjusted EBITDA/Revenue %	19%	31%	18%	28%

Adjusted EBITDA was \$416,440 for the three months ended September 30, 2021 compared to \$810,899 for the three months ended September 30, 2020, which represents a decrease of \$394,459 or 49%.

	Nine months ended September 30 2021	Nine months ended September 30 2020
Net loss	\$ 2,171,807	\$ (3,018,390)
Add:		
Interest and accretion expenses	497,623	939,065
Loss (gain) on disposal of assets	(4,212)	6,750
Current taxes (recovery)	77,328	45,125
Deferred tax recovery	(13,380)	(37,846)
Amortization	1,366,459	2,212,232
Fair value loss (gain) on financial liabilities	(3,314,998)	2,154,081
EBITDA	780,627	2,301,017
Add:		
Share-based compensation expense	207,552	130,779
Change in deferred revenue	458,118	(250,376)
Change in deferred cost of sales	(256,608)	-
Extraordinary one-time expenses	667,985	1,008,834
Adjusted EBITDA	1,857,674	3,190,254
Adjusted EBITDA/Revenue %	15%	23%

Adjusted EBITDA was \$1,857,674 for the nine months ended September 30, 2021 compared to \$3,190,254 for the nine months ended September 30, 2020, which represents a decrease of \$1,332,580 or 42%.

Non-operating items

Fair value loss on financial liabilities was \$286,398 for the three months ended September 30, 2021 compared to a fair value loss of \$514,027 for the three months ended September 30, 2020, and a fair value gain of \$3,314,998 for the nine months ended September 30, 2021 compared to a fair value loss of \$2,154,081 for the nine months ended September 30, 2020.

The full amount of the fair value gain of \$3,314,998 nine months ended September 30, 2021 related to the change in fair value of the warrant liability. As the share price of the Company increases, the fair value of the warrant liability increases. Conversely, if the share price of the Company decreases, the fair value of the warrant liability decreases.

Of the \$2,154,081 loss for the nine months ended September 30, 2020, a gain of \$16,993 was related to the change in fair value of contingent consideration for certain game acquisitions, with the remaining loss also related to the fair value loss of the conversion feature and warrant liability. As the probability of the completion of the Qualifying Transaction increased, along with the valuation of the Company, the fair value of the conversion feature and warrants also increased.

Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Liquidity and Capital Resources

As at September 30, 2021, the Company had cash and cash equivalents of \$11,582,698 (December 31, 2020 - \$18,097,649) and net working capital of \$7,659,174 (December 31, 2020 - \$12,199,392). The decrease in net working capital is due to the Company's M&A activities, including the proposed business combination with Federated, and costs associated with the acquisition and development of PAYDAY Crime War.

The Company has generated positive cash flow from operations for the nine month period ending September 30, 2021 which have exceeded current working capital requirements. Excess funds from operating cash flow are used for bank credit facility debt repayments as well as to fund future game acquisitions.

Balance sheet obligations

The Company's contractual obligations as at September 30, 2021, at their undiscounted value, are described in the following table:

September 30, 2021				
		Payments due		
	Total	Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	\$ 1,214,557	1,214,557	-	-
Provisions	2,593,069	83,827	1,220,125	1,289,117
Borrowings – principal	5,354,939	1,305,636	4,049,303	-
Borrowings – interest	587,149	340,904	246,245	-
Lease payments – principal	529,998	340,385	189,613	-
Lease payments – interest	68,936	64,090	4,846	-

Cash Flows

The following table summarizes the Company's unaudited condensed interim consolidated statements of cash flows for each period:

	Nine months ended September 30 2021	Nine months ended September 30 2020
Cash generated from operating activities	\$ 557,843	\$ 1,997,526
Cash used in investing activities	(5,670,707)	(857,881)
Cash generated from (used in) financing activities	(1,394,874)	(369,718)
Net cash (outflow) inflow	(6,507,738)	769,927

Cash generated by operating activities during the nine months ended September 30, 2021 was positively influenced by operating cost reductions as mentioned in the "Summary of Significant Developments", offset by higher headcount and salaries and benefits. Cash generated by operating activities during the nine months ended September 30, 2021 included an increase in working capital (decrease in cash generated) of \$210,431, compared to an increase in working capital (decrease in cash generated) during the nine months ended September 30, 2020 of \$1,014,923. Net of working capital changes, cash generated by operating activities was \$768,274 for the nine months ended September 30, 2021 compared to \$3,012,449 for the nine months ended September 30, 2020.

Cash used in investing activities was mainly related to payments for the Peak acquisition and the costs associated with the acquisition and development of PAYDAY Crime War during the nine months ended September 30, 2021.

Cash used in financing activities during the nine months ended September 30, 2021 related to interest and repayments of borrowings and lease liabilities. Cash generated from financing activities during the nine months ended September 30, 2020 related cash proceeds received from the issuance of convertible debentures, less interest and repayments of borrowings and lease liabilities.

Leases

Please see Note 9 in the Interim Financial Statements for full discussion of short-term leases and lease liabilities.

Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of Common Shares. As at September 30, 2021, the Company had outstanding 73,123,254 Common Shares, 7,976,789 Common Share purchase warrants and 7,274,614 employee incentive stock options. Please refer to the Company's Interim Financial Statements for the three and nine months ended September 30, 2021 and 2020 for detail on the conversion features.

Related Party Transactions

There were no related party transactions identified in the first nine months of 2021.

Convertible debentures

In the first nine months of 2020, of the C\$2,536,870 of convertible debentures issued (US\$1,847,889), C\$660,000 (US\$480,753) was issued to key management personnel and Directors of the Company.

Key management compensation

Compensation for key management personnel, including the Company's Officers and Board of Directors, and private companies controlled by the Company's Officers and Board of Directors, was as follows:

	Three months ended September 30 2021	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended December 31 2020
Management salaries, bonuses and other benefits	\$ 164,139	\$ 237,898	\$ 260,646	\$ 234,904
Director fees	12,349	33,248	26,300	28,961
Share-based payments - management	7,632	7,424	10,020	12,843
Share-based payments – directors	35,862	46,740	44,545	42,605
Total key management compensation	219,982	325,310	341,511	319,313

	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020	Three months ended December 31 2019
Management salaries, bonuses and other benefits	\$ 209,879	\$ 178,354	\$ 166,705	\$ 163,075
Director fees	24,600	-	-	-
Share-based payments - management	18,722	21,477	24,348	73,311
Share-based payments – directors	17,280	1,392	1,673	1,983
Total key management compensation	270,481	201,223	192,726	238,369

	Nine months ended September 30 2021	Nine months ended September 30 2020
Management salaries, bonuses and other benefits	\$ 662,683	\$ 554,938
Director fees	71,897	24,600
Share-based payments - management	25,076	64,547
Share-based payments - directors	127,147	20,345
Total key management compensation	886,803	664,430



Significant accounting policies

The Company uses information from the Interim Financial Statements, prepared in accordance with IFRS and IAS 34 – “Interim Financial Reporting” and expressed in US dollars, to prepare the MD&A. The significant accounting policies used are outlined below.

Statement of compliance

The Interim Financial Statements of the Company are condensed and prepared in accordance with IAS 34 – “Interim Financial Reporting.” There have been no other changes to the significant accounting policies since the Annual Financial Statements for the years ended December 31, 2020 and December 31, 2019, other than the updates noted in Note 2 of the Interim Financial Statements.

Change in comparative information

Certain figures in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) have been reclassified from general and administrative expenses to separate line items. The summary of the reclassification during the prior reporting periods is discussed in Note 26 of the Interim Financial Statements. The reclassification changes had no impact to the condensed interim consolidated statements of financial position, net income (loss) and comprehensive income (loss) for the period, earnings (loss) per share during the period and the condensed interim consolidated statements of cash flows during the period.

Use of estimates and judgments

Please see Note 3 in the Interim Financial Statements and the Annual Financial Statements for full discussion of use of estimates and judgments.

Financial Instruments and Other Instruments

Please see Notes 11, 12, 13, 16 and 23 in the Annual Financial Statements for full discussion of financial instruments and other instruments.

Risk Factors

The Company's securities should be considered highly speculative due to the current stage of its development. The risks presented in this document may not be all of the risks that the Company will face, as the Company operates in a highly competitive industry which is subject to rapid and ongoing change. Results may therefore be different from expected and historical results.

Risks Related to Our Business and Industry

The Company's business will suffer if it is unable to entertain its players, acquire new games, improve the experience of its existing games, and successfully monetize its games.

The Company's business will depend on acquiring, consolidating, operating, publishing, enhancing and continuing to service Free-to-Play (“FTP”) games that consumers will download and spend time and money playing. The Company will be primarily focused on mobile gaming, offering its games on mobile devices, including smartphones and tablets on Apple's iOS and Google's Android operating systems, and on social networking platforms such as



Facebook. The Company expects to devote substantial resources to the research, development, analytics and marketing of its existing and acquired games. The Company's development and marketing efforts are focused on both improving the experience of its existing games (frequently through new content and feature releases for its live services) and acquiring and consolidating new games. The Company will generate revenue primarily through the sale of in-game virtual items and advertising. For games distributed through third-party platforms, the Company is required to share a portion of its revenues from in-game sales with the platform providers. These costs are expected to remain a significant operating expense. In order to remain profitable, the Company needs to generate sufficient bookings and revenues from its existing and new game offerings to offset its ongoing development, marketing and operating costs.

Successfully monetizing FTP games is difficult, and requires that the Company deliver valuable and entertaining player experiences that a sufficient number of players will pay for or the Company is able to otherwise sufficiently monetize its games (for example, by serving in-game advertising). The most successful FTP games tend to include socio-competitive gameplay, deep meta game features, player versus player activities, regularly updated content and other complex technological and creative attributes. While the Company will work to include such features in its games, it may not successfully update its games to include these features or they may not be well received by its players. The success of the Company's games depends, in part, on unpredictable and volatile factors beyond the Company's control including consumer preferences, competing games, new mobile platforms and the availability of other entertainment experiences. If the Company's games do not meet consumer expectations, or if they are not brought to market in a timely and effective manner, the Company's ability to grow revenue and the Company's financial performance will be negatively affected.

In addition to the market factors noted above, the Company's ability to successfully acquire, consolidate, operate, publish and enhance FTP games and enhance its existing games and their ability to achieve commercial success will depend on the Company's ability to:

- continually anticipate and respond to changes in the applications industry, particularly in the mobile and social platforms;
- effectively market its games to existing and new players;
- achieve benefits from its player acquisition costs;
- successfully navigate and adapt to changes in digital platform and OS policies, such as Apple's change to iOS 14 in relation to IDFA (Identifier for Advertisers), and Facebook's deprecation of Gameroom;
- achieve viral organic growth and gain customer interest in its games through free or more efficient channels;
- adapt to changing player preferences;
- adapt to new technologies, such as changing feature sets and specifications for mobile and other devices, and the end-of-life of old technologies, such as Adobe Flash;
- expand and enhance games;
- attract, retain and motivate talented and experienced game designers, product managers and engineers;
- achieve a positive return on its advertising investments;
- partner with mobile platforms and obtain featuring opportunities;

- continue to adapt game feature sets for an increasingly diverse set of devices, including various operating systems and specifications, limited bandwidth, and varying processing power and screen sizes;
- minimize cost overruns on the development of acquired games and new features;
- achieve and maintain successful customer engagement and effectively monetize its games;
- maintain a quality social game experience and retain its players;
- acquire games that can build upon or become franchise games;
- compete successfully against a large and growing number of existing market participants;
- accurately forecast the timing and expense of its operations, including game and feature development, marketing and customer acquisition, customer adoption, and success of bookings growth;
- minimize and quickly resolve bugs or outages; and
- acquire and successfully integrate high quality FTP game assets, personnel or companies.

The Company's efforts to acquire, consolidate, operate, publish, and enhance games may prove unsuccessful or, even if successful, it may take more time than the Company anticipates to achieve significant revenue because, among other reasons:

- the Company frequently faces multiple offer scenarios when attempting to acquire game assets; well-capitalized competitors with more cash, and greater access to equity and debt financing, may be able to offer the sellers of game assets better commercial terms than the Company is able to offer;
- the limited market for the Company's securities could make it difficult for sellers of game assets to accept the Company's common shares as payment, partial or whole, for their game assets;
- players may not widely download its games for a variety of reasons, including:
 - competition for downloads not only with other games but also with social media and other non-gaming related applications;
 - limits on the number of applications players are willing to download to and maintain on their devices;
 - poor consumer reviews or other negative publicity;
 - ineffective or insufficient marketing efforts;
 - lack of sufficient social and community features; and
 - lack of prominent storefront featuring.
- even if its games are widely downloaded, the Company may fail to retain users or optimize the monetization of these games; this may occur for a variety of reasons, including poor game design or quality, lack of social and community features, gameplay issues such as game unavailability, long load times or an unexpected termination of the game due to data server or other technical issues, lack of differentiation from predecessor games or other competitive games, lack of innovative features that surprise and delight the Company's players, differences in user demographics and purchasing power or its failure to effectively respond and adapt to changing user preferences through game updates;
- the Company may encounter difficulties in generating sufficient consumer interest in and downloads of its original intellectual property games;

- well-funded public and private companies have or may plan to release games in the same genres as its games or games incorporating the same licensed brands that the Company intends to use in its games, and this competition may make it more difficult for the Company to differentiate its games and derive significant revenue from them;
- the Company may have difficulty hiring the experienced monetization, live operations, server technology, user experience and product management personnel that it requires to develop and support its games, and may, as a result, face difficulties in developing unique gameplay; and
- the Company depends on the proper and continued functioning of servers and third-party infrastructure to operate its connected games that are delivered as a service.

If the Company does not achieve a sufficient return on its investment with respect to its FTP business model, it will negatively affect its operating results and may require the Company to formulate a new business strategy.

These and other uncertainties make it difficult to know whether the Company will succeed in continuing to acquire, consolidate, operate, publish and enhance successful games and features in accordance with its strategic and operating plans. If the Company does not succeed in doing so, its business, financial condition, results of operations or reputation will suffer.

The Company's industry is intensely competitive and subject to rapid changes. If consumers prefer its competitors' products or services over the Company's, the Company's operating results could suffer.

Competition in the gaming industry, especially the mobile gaming segment, is intense and subject to rapid changes, including changes from evolving consumer preferences and emerging technologies. Many new games are introduced in each major industry segment (mobile, web, PC, and console), but only a relatively small number of titles account for a significant portion of total revenue in each segment. Furthermore, the Company may face competition in the form of competitive bidding situations when attempting to acquire additional FTP games and/or associated businesses. The Company's competitors include those that develop, acquire and operate mobile and web games in varying sizes and include companies such as Activision Blizzard Inc.; Electronic Arts Inc.; Gameloft SA.; Glu Mobile Inc.; Kuuhubb Inc.; Leaf Mobile Inc.; Kabam Inc.; King Digital Entertainment plc.; Rovio Entertainment Ltd.; Zynga Inc.; Embracer Group AB; Stillfront Group AB; Modern Times Group MTG AB, and numerous other publicly and privately-held companies. In addition, online game developers and distributors who are primarily focused on specific international markets, such as Giant Interactive and Tencent in Asia, and high-profile companies with significant online presences that to date have not actively focused on social games, such as Facebook, Apple, Google, Amazon and Microsoft, may decide to develop social games. Some of these current and potential competitors have one or more advantages over the Company, either globally or in particular geographic markets, which include:

- significantly greater financial resources;
- greater experience with FTP games, building and maintaining growth or evergreen games, and building social and community features into games, as well as more effective game monetization;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- larger installed user bases from their existing games;

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- larger installed user bases from related platforms, such as console gaming or social networking websites, to which they can market and sell games;
 - more substantial intellectual property of their own from which they can develop games;
 - lower labor and development costs and better overall economies of scale;
 - greater platform-specific focus, experience and expertise;
 - broader global distribution and presence; and
 - greater talent, both in overall headcount and in terms of experience in creating successful titles.

As there are relatively low barriers to entry to develop a mobile or online game, the Company expects new game competitors to enter the market and existing competitors to allocate more resources to develop and market competing games and applications. The Company will also compete with a vast number of small companies and individuals who are able to create and launch games and other content for devices and platforms using relatively limited resources and with relatively limited start-up time or expertise. The proliferation of titles in these open developer channels makes it difficult for the Company to differentiate itself from competitors and to compete for players without substantially increasing its marketing expenses and development costs.

If the Company is unable to compete effectively or the Company is not as successful as its competitors in its target markets, its sales could decline, its margins could decline and it could lose market share, any of which would materially harm the Company's business, operating results and financial condition.

Players may decide to select competing forms of entertainment instead of playing the Company's games.

As an entertainment company, the Company also faces competition for the leisure time, attention and discretionary spending of its players from other non-gaming activities, such as social media and messaging applications, personal computer and console games, video streaming services, television, movies, sports and the Internet. Increasing competition could result in loss of players, increasing player acquisition and retention costs, and loss of talent, all of which could harm the Company's business, financial condition or results of operations.

If players do not find the formats of the Company's games compelling and engaging, the Company could lose players and its revenue could decline.

Consumer tastes and preferences are subject to frequent changes, and it is possible that players could lose interest in the format of the Company's games or the mobile game genre over time due to a variety of reasons, including the emergence of new formats that players find more engaging, increased popularity of other game titles, or lack of sustained interest or loss of interest in particular games or the genre of the games. If large numbers of players were to lose interest in the mobile game genre or in the format of the games the Company offers, or if the Company is not able to anticipate and develop games in new genres or formats, the Company could lose players and its revenue and business could be harmed.



The Company relies on third-party platforms such as the Apple App Store, the Google Play Store and Facebook to distribute its games and collect revenue. If the Company is unable to maintain a good relationship with such platform providers, if their terms and conditions or pricing changed to the Company's detriment, if the Company violates, or if a platform provider believes that the Company has violated, the terms and conditions of its platform, or if any of these platforms loses market share or falls out of favor or is unavailable for a prolonged period of time, the Company's business will suffer.

The Company will derive a significant portion of its bookings from distribution of its games on the Apple App Store, the Google Play Store, and Facebook and the virtual items the Company sells in its games are purchased using the payment processing systems of these platform providers.

The Company is subject to the standard policies and terms of service of third-party platforms, which govern the promotion, distribution, content and operation generally of games on the platform. Each platform provider has broad discretion to change and interpret its terms of service and other policies with respect to the Company and other developers, and those changes may be unfavorable to the Company. A platform provider may also change its fee structure, add fees associated with access to and use of its platform, alter how the Company is able to advertise on the platform, change how the personal information of its users is made available to application developers on the platform, limit the use of personal information for advertising purposes, or restrict how players can share information with their friends on the platform or across platforms.

In addition, third-party platforms also impose certain file size limitations, which may limit the ability of players to download some of the Company's larger games in over-the-air updates. Aside from these over-the-air file size limitations, a larger game file size could cause players to delete the Company's games once the file size grows beyond the capacity of their devices' storage limitations or could reduce the number of downloads of these games.

Such terms of use changes may decrease the visibility or availability of the Company's games, limit its distribution capabilities, prevent access to its existing games, reduce the amount of bookings and revenue it may recognize from in-game purchases, increase its costs to operate on these platforms or result in the exclusion or limitation of its games on such platforms. Any such changes could adversely affect the Company's business, financial condition or results of operations.

If the Company violates, or a platform provider believes the Company has violated, its terms of service (or if there is any change or deterioration in the Company's relationship with these platform providers), that platform provider could limit or discontinue the Company's access to the platform. A platform provider could also limit or discontinue the Company's access to the platform if it establishes more favorable relationships with one or more of the Company's competitors or it determines that the Company is a competitor. Any limit or discontinuation of the Company's access to any platform could adversely affect the Company's business, financial condition or results of operations.

The Company also relies on the continued popularity, customer adoption, and functionality of third-party platforms. In the past, some of these platform providers have been unavailable for short periods of time or experienced issues with their in-app purchasing functionality. If either of these events recurs on a prolonged, or even short-term, basis or other similar issues arise that impact players' ability to access the Company's games, access social features or purchase a license to virtual items, the Company's business, financial condition, results of operations or reputation may be harmed.



The Company relies on third-party hosting and cloud computing providers to operate certain aspects of its business. Any failure, disruption or significant interruption in its network or hosting and cloud services could adversely impact the Company's operations and harm its business.

The Company's technology infrastructure is critical to the performance of its games and to player satisfaction, as well as its corporate functions. The Company's games and company systems run on a complex distributed system, or what is commonly known as cloud computing. Significant elements of this system are operated by third-parties that it does not control and which would require significant time and expense to replace. The Company expects this dependence on third-parties to continue. The Company may suffer interruptions in service, including when releasing new software versions or bug fixes, and if any such interruption were significant and/or prolonged it could adversely affect the Company's business, financial condition, results of operations or reputation.

Any failure, disruption or interference with the Company's use of hosted cloud computing services and systems provided by third-parties could adversely impact the Company's business, financial condition or results of operations. To the extent the Company does not effectively respond to any such interruptions, upgrade its systems as needed and continually develop its technology and network architecture to accommodate traffic, the Company's business, financial condition or results of operations could be adversely affected. Furthermore, the Company's disaster recovery systems and those of third-parties with which it does business may not function as intended or may fail to adequately protect its critical business information in the event of a significant business interruption, which may cause interruption in service of its games, security breaches or the loss of data or functionality, leading to a negative effect on the Company's business, financial condition or results of operations. If users are unable to access and play the Company's games for any period of time, if virtual assets are lost, or if users do not receive their purchased virtual currency, the Company may receive negative publicity and game ratings, the Company may lose players of its games, the Company may be required to issue refunds, and the Company may become subject to regulatory investigation or class action litigation, any of which would negatively affect the Company's business. Any of these problems could require the Company to incur substantial repair costs, distract management from operating its business and result in a loss of revenue.

The Company's operating results may be volatile and difficult to predict, and the Company's stock price may decline if it fails to meet the expectations of securities analysts or investors.

The Company's bookings, revenue, player metrics and operating results may fluctuate and could vary significantly from quarter-to-quarter and year-to-year, and may fail to match the expectations of securities analysts or investors because of a variety of factors, some of which are outside of the Company's control.

In addition to other factors discussed in this section, factors that may contribute to the variability of the Company's quarterly and annual results and the volatility in its stock price include:

- its ability to increase the number of its paying players and the amount that each paying player spends in its games;
- the popularity and monetization rates of its games and the ability of games to sustain their popularity and monetization rates;
- the number and timing of games acquired and released by the Company and its competitors, which timing can be impacted by internal delays, longer than anticipated testing periods, shifts in product, acquisition and growth strategy and how quickly digital storefront operators review and approve its games for commercial release;

- changes in the prominence of storefront featuring for its games and those of its competitors;
- the loss of, or changes to, one of its distribution platforms;
- changes to the Apple iOS platform or the Google Android platform to which it is not able to adapt its game offerings;
- fluctuations in the size and rate of growth of overall consumer demand for smartphones, tablets, games and related content;
- the amount and timing of charges related to any future impairments of goodwill, intangible assets, prepaid royalties and guarantees;
- changes in the mix of revenue derived from games based on original intellectual property versus licensed intellectual property;
- changes in the mix of revenue derived from in-app purchases, advertisements and offers;
- changes in the amount of money it spends marketing its titles in a particular period, including the average amount it pays to acquire each new user, as well as changes in the timing of these marketing expenses within the period;
- decisions by the Company to incur additional expenses, such as increases in research and development, restructuring expenses, or unanticipated increases in vendor-related costs, such as hosting fees;
- the timing of successful mobile device launches;
- the seasonality of the Company's industry;
- changes in accounting rules, such as those governing recognition of revenue, including the period of time over which the Company recognizes revenue for in-app purchases of virtual currency and goods within some of its games, as well as estimates of average playing periods and player life;
- the activities, announcements and performance of its commercial partners: and
- macro-economic fluctuations in Canadian and global economies, including those that impact discretionary consumer spending.

In particular, it is difficult to predict if, or when, bookings from one of the Company's games will begin to decline, the decay rate for any particular game (i.e., the speed at which the popularity and player usage for a game declines) and the commercial success of its games and features. The success of its business depends on its ability to consistently and timely acquire games and launch features that achieve significant popularity and have the potential to become franchise games as bookings from its older games decline. It is difficult for the Company to predict with certainty when it will acquire, consolidate, publish or launch a new game or game features as games and features may require longer acquisition, consolidation, publishing or development schedules or soft launch periods to meet its quality standards and its players' expectations. If decay rates are higher than expected in a particular quarterly period and/or the Company experiences delays in the acquisition, consolidation, publishing or launch of new games or game features that it expects to offset decay rates of other games or game features, and/or new games or game features do not monetize well, the Company may not meet its expectations or the expectations of securities analysts or investors for a given quarter.



Given the rapidly evolving social game industry in which the Company operates, metrics the Company develops or those available from third parties regarding its industry and the performance of its games may not be indicative of its future financial performance.

If the Company is unable to maintain effective internal control over financial reporting, the accuracy and timeliness of its financial reporting may be adversely affected.

Maintaining effective internal control over financial reporting is necessary for the Company to produce reliable financial statements. If the Company is unable to maintain such internal controls, or if its independent registered public accounting firm is unable to express an opinion as to the effectiveness of its internal controls, it could result in a material misstatement of the Company's financial statements that would require a restatement, and investor confidence in the accuracy and timeliness of its financial reports and the market price of its common stock could be negatively impacted.

The Company's business will suffer if it is unable to successfully acquire or integrate acquired games into its business or otherwise manage the growth associated with multiple acquisitions.

The Company intends to evaluate and pursue acquisitions and strategic investments. Each of these acquisitions require unique approaches to integration due to, among other reasons, the structure of the acquisitions, their locations and cultural differences among their teams and the Company's, and will require, attention from the Company's management team. If the Company is unable to obtain the anticipated benefits from these acquisitions and strategic investments, or the Company encounters difficulties in integrating their operations with the Company's, the Company's financial condition and results of operations could be materially harmed.

Challenges and risks from such investments and acquisitions include:

- negative effects on products and product pipeline from the changes and potential disruption that may follow the acquisition;
- diversion of the Company's management's attention;
- declining employee morale and retention issues resulting from changes in compensation, or changes in management, reporting relationships, or future prospects;
- the need to integrate the operations, systems, technologies, products and personnel of each acquired company or asset, the inefficiencies and lack of control that may result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise in connection with integration;
- the difficulty in determining the appropriate purchase price of acquired companies or assets may lead to the overpayment for certain acquisitions and the potential impairment of intangible assets and goodwill acquired in the acquisitions;
- the difficulty in successfully evaluating and utilizing the acquired products, technology or personnel;
- the potential incurrence of debt, contingent liabilities, amortization expenses or restructuring charges in connection with any acquisition;
- the need to implement controls, procedures and policies appropriate for a larger public company at companies that prior to acquisition may not have as robust controls, procedures and policies;

- the difficulty in accurately forecasting and accounting for the financial impact of an acquisition transaction, including accounting charges and integrating and reporting results for acquired companies that follow different accounting methods;
- the fact that the Company may be required to pay contingent consideration in excess of the initial fair value, and contingent consideration may become payable at a time when the Company does not have sufficient cash available to pay such consideration;
- under purchase accounting, the Company may be required to write off deferred revenue which may impair its ability to recognize revenue that would have otherwise been recognizable which may impact its financial performance or that of the acquired company;
- risks associated with the Company's expansion into new international markets and doing business internationally, including those described under the risk factor caption "The Company's international operations are subject to increased challenges and risks";
- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- the need to transition operations and players onto the Company's existing or new platforms and the potential loss of, or harm to, its relationships with employees, players and other suppliers as a result of integration of new games;
- the implications of the Company's management team balancing levels of oversight over acquired games which continue their operations under earnout provisions in acquisition agreements;
- the Company's dependence on the accuracy and completeness of statements and disclosures made or actions taken by the companies it acquires (or from which it acquires games) or their representatives, when conducting due diligence and evaluating the results of such due diligence; and
- liability for activities of an acquired company before an acquisition, including intellectual property and other litigation claims or disputes, information security vulnerabilities, violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

The benefits of an acquisition or investment may also take considerable time to develop, and the Company cannot be certain that any particular acquisition or investment will produce the intended benefits, which could adversely affect the Company's business, financial condition or results of operations. The Company's ability to grow through future acquisitions will depend on the availability of suitable acquisition and investment candidates at an acceptable cost, its ability to compete effectively to attract these candidates and the availability of financing to complete larger acquisitions. Acquisitions could result in potential dilutive issuances of equity securities, use of significant cash balances or incurrence of debt (and increased interest expense), contingent liabilities or amortization expenses related to intangible assets or write-offs of goodwill and/or intangible assets, which could adversely affect the Company's results of operations and dilute the economic and voting rights of its stockholders.

The FTP business model of the Company's games depends on purchases of virtual items within the games, and the Company's business, financial condition and results of operations will be materially and adversely affected if it does not continue to successfully implement this model.

The games are available to players for free, and the Company generates revenue from them if the players purchase in-game virtual items that enhance their skills to help players progress further in the game. If the Company fails to



offer popular virtual items, make unpopular changes to existing virtual items or offer games that do not attract purchases of virtual items, or if the Company's distribution partners make it more difficult or expensive for players to purchase in-game virtual items, the Company's business, financial condition and results of operations will be materially and adversely affected.

A small number of games may generate a majority of the Company's revenue, and it must continue to acquire, consolidate, operate, publish and enhance games that players like and attract and retain a significant number of players in order to grow its revenue and sustain its competitive position.

The Company may depend on a small number of games for a majority of its revenue. Bookings and revenue from many of its games, including games it may in the future acquire and consolidate pursuant to its business strategy, may decline over time after reaching a peak of popularity and player usage. If the Company is unable to continue to acquire, consolidate, enhance or otherwise offer games that encourage these players to purchase virtual items, if these players do not continue to play the Company's games, or if the Company cannot encourage significant additional players to purchase virtual items in the games, the Company will not be able to sustain its revenue growth rate, and its business would be harmed. As a result, its business depends on its ability to engage with players by consistently and timely acquiring, consolidating, growing and otherwise offering new games and enhancing existing games with new content, features and events. Constant game enhancement requires the investment of significant resources, particularly with older games, and such costs on average have increased.

It is difficult to consistently anticipate player demand on a large scale, particularly as the Company acquires, consolidates, operates, enhances and otherwise offers games in new categories or new markets, including international markets and mobile platforms. If the Company does not successfully acquire, consolidate, operate, enhance and otherwise offer games that attract and retain a significant number of players and extend the life of its existing games, its market share, brand and financial results will be harmed.

The Company may fail to attract new customers, and the number of customers will fluctuate, any of which will materially and adversely affect its results of operations and financial condition.

In order to acquire new players, the Company uses a variety of marketing channels, including advertising and online through mobile and social networks. Acquiring players can be costly and the effectiveness of such efforts can vary widely by game, geography and platform. Furthermore, the Company's success of the business will depend in large part on its ability to initially and continually attract players of its games and, on an ongoing basis, to generate revenue from existing players and migrate them to new games and new platforms. As the Company's player network will continue to evolve, it is possible that the composition of its player network may change in a manner that makes it more difficult to generate sufficient revenue to offset the costs associated with acquiring new players and retaining existing players. Additionally, the cross-promotions may be ineffective or could be restricted by platforms thereby reducing retention of the existing players. If the cost to acquire players is greater than the revenue the Company generates over time from those players and the Company cannot successfully migrate its existing players to new games and new platforms, its business and operating results will be harmed.

The Company may rely on a small portion of its total players for nearly all of its revenue and if it fails to grow its player base, or if player engagement declines, bookings, revenue and operating results will be harmed.

The Company may rely on a small portion of its total players for the majority of its revenue derived from in-app purchases (as opposed to advertisements). To significantly increase its revenue, the Company must increase the



number of downloads of its games, increase the number of players who convert into paying players by making in-app purchases or enrolling in subscriptions, increase the amount that paying players spend in its games and/or increase the length of time players generally play its games. The Company might not succeed in its efforts to increase the monetization rates of its users, particularly if the Company does not increase the number of social features in its games or otherwise improve its games through updates and live operations. If the Company is unable to convert non-paying players into paying players, or if it is unable to retain paying players or if the average amount of revenue generated from players does not increase or declines, the Company's business may not grow, its financial results will suffer, and its stock price may decline.

The value of the Company's virtual items is highly dependent on how it manages the economies in its games. If the Company fails to manage its game economies properly, its business may suffer.

Paying players purchase a license to virtual items in the Company's games because of the perceived value of these goods, which is dependent on the relative ease of obtaining an equivalent good by playing the games. The perceived value of these virtual items can be impacted by various actions that the Company take in the games including offering discounts for virtual items, giving away virtual items in promotions or providing easier non-paid means to secure these goods. Managing game economies is difficult, and relies on the Company's assumptions and judgement. If the Company fails to manage its virtual economies properly or fails to promptly and successfully respond to any such disruption, its reputation may suffer and players may be less likely to play its games and to purchase virtual items from the Company in the future, which would cause the business, financial condition and results of operations of the Company to suffer.

The Company's revenue may be harmed by the proliferation of "cheating" programs and scam offers that seek to exploit its games and players, which may negatively affect game-playing experience and its ability to reliably validate its audience metric reporting and may lead players to stop playing its games.

Unrelated third parties have developed, and may continue to develop, "cheating" programs that enable players to exploit vulnerabilities in the Company's games, play them in an automated way, collude to alter the intended game play or obtain unfair advantages over other players who do play fairly. These programs harm the experience of players who play fairly, may disrupt the virtual economies of the Company's games and reduce the demand for virtual items, disrupting the Company's in-game economy. In addition, unrelated third parties have attempted to scam its players with fake offers for virtual items or other game benefits. If the Company is unable to discover, discourage and disable these cheating and scam programs and activities quickly, its operations may be disrupted, its reputation may be damaged, players may stop playing its games and its ability to reliably validate its audience metrics may be negatively affected. These cheating programs and scam offers result in lost revenue from paying players, disrupt the Company's in-game economies, divert time from its personnel, increase costs of developing technological measures to combat these programs and activities, increase its customer service costs needed to respond to dissatisfied players, and may lead to legal claims.

Some of the Company's players may make sales or purchases of virtual items used in its games through unauthorized or fraudulent third-party websites, which may reduce the Company's revenue.

Virtual items in the Company's games have no monetary value outside of its games. Nonetheless, some of its players may make sales and/or purchases of its virtual items through unauthorized third-party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on third-party websites and the virtual items offered may have been obtained through unauthorized means such as exploiting vulnerabilities in its games,



from scamming its players with fake offers for virtual items or other game benefits, or from credit card fraud. The Company does not generate any revenue from these transactions. These unauthorized purchases and sales from third-party sellers could in the future impede the Company's revenue and profit growth by, among other things:

- decreasing revenue from authorized transactions;
- creating downward pressure on the prices the Company charges players for its virtual currency and virtual items;
- increasing chargebacks from unauthorized credit card transactions;
- causing the Company to lose revenue from dissatisfied players who stop playing a particular game;
- causing the Company to lose revenue from players who the Company takes disciplinary action against, including banning certain players who may have previously made purchases within its games;
- increasing costs the Company incurs to develop technological measures to curtail unauthorized transactions;
- resulting in negative publicity or harm the Company's reputation with players and partners; and
- increasing customer support costs to respond to dissatisfied players.

The Company will employ technological measures to help detect unauthorized transactions and continue to develop additional methods and processes by which the Company can identify unauthorized transactions and block such transactions. However, there can be no assurance that the Company's efforts to prevent or minimize these unauthorized or fraudulent transactions will be successful and that these actions will not increase over time.

The Company is subject to laws and regulations concerning privacy, information security, data protection, consumer protection and protection of minors, and these laws and regulations are continually evolving. The Company's actual or perceived failure to comply with these laws and regulations could harm its business.

The Company receives, stores and processes personal information and other player data, and the Company enables its players to share their personal information with each other and with third parties, including on the Internet and mobile platforms. There are numerous federal, state, provincial and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other player data on the Internet and mobile platforms, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. In addition, in some cases, the Company will be dependent upon its platform providers to solicit, collect and provide information regarding its players that is necessary for compliance with these various types of regulations.

Various government and consumer agencies have called for new regulation and changes in industry practices and are continuing to review the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. For example, the European Union's General Data Protection Regulation ("GDPR"), which became effective in May 2018, created new individual privacy rights and imposes worldwide obligations on companies processing personal data of European Union users, which may create a greater compliance burden for the Company and other companies with European users, and subjects violators to substantial monetary penalties. Another example is the State of California's passage of the California Consumer Protection Act of 2018 ("CCPA"), which became effective in 2020 and created new privacy rights for consumers residing in the state. There is also increased attention being given to the collection of data from minors. For instance, the Children's Online Privacy Protection Act ("COPPA") requires companies to



obtain parental consent before collecting personal information from children under the age of 13. Compliance with GDPR, CCPA, COPPA and similar legal requirements may require the Company to devote significant operational resources and incur significant expenses.

All of the Company's games are subject to its privacy policy and terms of service located in application storefronts, within its games and on its corporate website. The Company generally complies with industry standards and is subject to the terms of its privacy-related obligations to players and third parties. The Company strives to comply with all applicable laws, policies, legal obligations and certain industry codes of conduct relating to privacy and data protection, to the extent reasonably attainable. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the Company's practices. It is also possible that new laws, policies, legal obligations or industry codes of conduct may be passed, or existing laws, policies, legal obligations or industry codes of conduct may be interpreted in such a way that could prevent the Company from being able to offer services to citizens of a certain jurisdiction or may make it costlier or more difficult for it to do so. Any failure or perceived failure by the Company to comply with its privacy policy and terms of service, its privacy-related obligations to players or other third parties, or its privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against the Company by consumer advocacy groups or others and could cause players to lose trust in the Company, which could have an adverse effect on the business, financial condition or results of operations of the Company. Additionally, if third parties it works with, such as players, vendors or developers violate applicable laws or its policies, such violations may also put players' information at risk and could in turn have an adverse effect on the business, financial condition or results of operations of the Company.

Cybersecurity attacks, including breaches, computer viruses and computer hacking attacks could harm the Company's business, financial condition, results of operations or reputation.

Cybersecurity attacks, including breaches, computer malware and computer hacking have become more prevalent in the Company's industry. Any cybersecurity breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, or the inadvertent transmission of computer viruses could adversely affect the business, financial condition, results of operations or reputation of the Company. The Company believes that it is taken reasonable steps to protect the security, integrity and confidentiality of the information collected, used, stored and disclosed, but there is no guarantee that in the future inadvertent (e.g., software bugs or other technical malfunctions, employee error or malfeasance, or other factors) or unauthorized data access or use will not occur despite its efforts in the past and in the future. The Company will experience hacking attacks of varying degrees from time to time, including denial-of-service attacks. Techniques used to obtain unauthorized access to personal information, confidential information and/or the systems on which such information are stored and/or to sabotage systems change frequently and generally are not recognized until launched against a target. As a result, the Company may be unable to anticipate these techniques or to implement adequate preventative measures.

In addition, the Company stores sensitive information, including personal information about its employees, and its games involve the storage and transmission of players' personal information on equipment, networks and corporate systems run by the Company or managed by third-parties including Facebook, Apple, Microsoft, Amazon, and Google. The Company is subject to a number of laws, rules and regulations requiring it to provide notification to players, investors, regulators and other affected parties in the event of a security breach of certain personal data, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to



practically implement. The costs of compliance with these laws have increased and may increase in the future. The Company's corporate systems, third-party systems and security measures may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, and, as a result, an unauthorized party may obtain access to its data, its employees' data, its players' data or any third-party data it may possess. Any such security breach could require the Company to comply with various breach notification laws and may expose the Company to litigation, remediation and investigation costs, increased costs for security measures, loss of revenue, damage to the Company's reputation and potential liability.

If an actual or perceived security breach occurs, the market perception of the Company's security measures could be harmed and it could lose sales and customers and/or suffer other negative consequences to its business. A security breach could adversely affect the game playing experience and cause the loss or corruption of data, which could harm the Company's business, financial condition and operating results. Any failure to maintain the security of the Company's infrastructure could result in loss of personal information and/or other confidential information, damage to its reputation and customer relationships, early termination of its contracts and other business losses, indemnification of its customers, financial penalties, litigation, regulatory investigations and other significant liabilities. In the event of a major third-party security incident, the Company may incur losses in excess of its insurance coverage. Further, certain incidents that Company can experience may not be covered by the insurance coverage in place at the time.

Moreover, if a high profile security breach occurs with respect to the Company or another digital entertainment company, the Company's customers and potential customers may lose trust in the security of its business model generally, which could adversely impact its ability to retain existing customers or attract new ones.

Catastrophic events may disrupt the Company's business.

The Company's systems and operations are vulnerable to damage or interruption from fires, floods, power losses, telecommunications failures, cyber-attacks, terrorist attacks, acts of war, human errors, break-ins and similar events. Additionally, the Company will rely on data centers and third-party infrastructure and enterprise applications, internal technology systems and its website for development, marketing and operational support activities. In the event of a catastrophic event, the Company may be unable to continue its operations and may endure system interruptions, reputational harm, delays in application development, lengthy interruptions in services, breaches of data security and loss of critical data, all of which could have an adverse effect on the Company's future operating results.

If the Company does not successfully invest in, establish and maintain awareness of its brand and games, if it incurs excessive expenses promoting and maintaining its brand, or its games or if its games contain defects or objectionable content, the business, financial condition, results of operations or reputation of the Company could be harmed.

The Company believes that establishing and maintaining its brand is critical to maintaining and creating favorable relationships with players, platform providers, advertisers and content licensors, as well as competing for key talent. In addition, globalizing and extending its brand and recognition of its games requires significant investment and extensive management time to execute successfully. Although the Company will make significant sales and marketing expenditures in connection with the launch of its games, these efforts may not succeed in increasing awareness of its brand or newly acquired games. Brand promotion activities may not generate consumer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses the Company will incur in building its brand. In addition, the Company's brand can be harmed if it experiences adverse publicity for its



games for any reason, including due to “bugs”, outages, security breaches or violations of laws. If the Company fails to increase and maintain brand awareness and consumer recognition of its games, its potential revenues could be limited, its costs could increase and its business, financial condition, results of operations or reputation could suffer.

In addition, if a game contains objectionable content or the messaging functionality of the Company’s games is abused, it could experience damage to its reputation and brand. Despite reasonable precautions, some consumers may be offended by certain of its game content, the third-party advertisements displayed in certain of its games, or by treatment of other users. If consumers believe that a game the Company published or third-party advertisement displayed in a game contains objectionable content, it could harm its brand and consumers could refuse to play it and could pressure the platform providers to remove the game from their platforms. For example, the Company relies on third-party advertising partners to display ads within its games, the Company may experience instances where offensive or objectionable content has been displayed in its games through its advertising partners. While this may violate the terms of the Company’s agreements with these advertising partners, its reputation and player experience may suffer. Furthermore, steps that the Company may take in response to such instances, such as temporarily or permanently shutting off access of such advertising partner to its network, may negatively impact the Company’s revenue in such period.

Similarly, the Company’s games may contain errors, bugs, flaws, corrupted data, defects and other vulnerabilities, some of which may only become apparent after their launch, particularly as the Company releases new features to existing games under tight time constraints. Any such errors, flaws, defects and vulnerabilities may be exploited by cheating programs and other forms of misappropriation, which may disrupt the Company’s operations, adversely affect the game experience of the Company’s players, harm its reputation, cause its players to stop playing its games, divert its resources and delay market acceptance of its games, any of which could result in legal liability to the Company or harm its business, financial condition or results of operations.

If the Company is able to acquire, consolidate, operate, publish and enhance games and features that achieve success, it is possible that these games and features could divert players of its other games without growing the Company’s overall user base, which could harm operating results.

Although it is important to the Company’s future success that it operate, enhance and develop acquired games and new game features that are popular with players, it is possible that these games and features may reduce the amount of time players spend with its other games. In particular, the Company plans to continue leveraging its existing games to cross-promote acquired games and new features, which may encourage players of existing games to divert some of their playing time and discretionary spending away from its existing games. If these games and game features do not grow its player base, increase the overall amount of time players spend with its games, or generate sufficient new bookings to offset any declines from its other games, the Company’s bookings and revenue could be adversely affected.

The Company derives a significant portion of its revenues from advertisements and offers that are incorporated into its FTP games through relationships with third parties. If the Company is unable to continue to compete for these advertisements and offers, or if any events occur that negatively impact its relationships with advertisers, its advertising revenues and operating results would be negatively impacted.

The Company derives a significant portion of its revenues through advertisements and offers it serves to players. The Company needs to maintain good relationships with advertisers to provide a sufficient inventory of advertisements and offers. Online advertising, including through mobile games and other applications, is an intensely competitive



industry. Many large companies, such as Amazon, Facebook and Google, invest significantly in data analytics to make their websites and platforms more attractive to advertisers. In order for the Company's advertising business to continue to succeed, it needs to continue to demonstrate the reach of its player network and success of its advertising partners. If the Company's relationship with any advertising partners terminates for any reason, or if the commercial terms of its relationships are changed or do not continue to be renewed on favorable terms, the Company would need to qualify new advertising partners, which could negatively impact its revenues, at least in the short term.

In addition, internet-connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of advertising on their devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. For example, when Apple announced that UDID, a standard device identifier used in some applications, was being superseded and would no longer be supported, application developers were required to update their apps to utilize alternative device identifiers such as universally unique identifier, or, more recently, identifier-for-advertising, which simplify the process for Apple users to opt out of behavioral targeting. If users elect to utilize the opt-out mechanisms in greater numbers, the Company's ability to deliver effective advertising campaigns on behalf of its advertisers would suffer, which could cause the Company's business, financial condition, or results of operations to suffer. Finally, the revenues that the Company derives from advertisements and offers is subject to seasonality, as companies' advertising budgets are generally highest during the fourth quarter and decline significantly in the first quarter of the following year, which negatively impacts the Company's revenues in the first quarter.

The Company's revenue, bookings and operating margins may decline. The Company also may incur substantial net losses in the future and may not achieve or sustain profitability.

The industry in which the Company operates is highly competitive and rapidly changing, and relies heavily on successful new product launches and continually introducing compelling content, products and services. As such, if the Company fails to acquire, consolidate, operate, publish, enhance or otherwise deliver such content, products and services, does not execute its strategy successfully or if its new content launches are delayed, the Company's revenue, bookings and audience numbers may decline, and its operating results will suffer.

In addition, the Company's operating margin may experience downward pressure as a result of increasing competition and the other risks discussed in this report. The Company expects to continue to expend substantial financial and other resources on game acquisition and consolidation as well as game and feature development and marketing. The Company's operating costs will increase and its operating margins may decline if it does not effectively manage costs, launch new products and features on schedule that monetize successfully and enhance its franchise games so that these games continue to monetize successfully. In addition, weak economic conditions or other factors could cause the Company's business to further contract, requiring it to implement significant additional cost cutting measures, including a decrease in research and development and sales and marketing, which could harm the Company's long-term prospects.

In addition, following the Qualifying Transaction, as a public company, the Company incurs significant accounting, legal and other expenses that, as a private company, it did not incur. As a result of these increased expenditures, the Company's profitability may take longer than anticipated to achieve. While the Company's revenue is expected to grow after the closing Qualifying Transaction, this growth may take longer than anticipated to realize and it may not be sustainable, and the Company may not achieve sufficient revenue growth in future periods to achieve or maintain profitability. In future periods, the Company's revenue could decline or grow more slowly than expected.



The Company may also incur significant losses in the future for a number of reasons, including due to the other risks described herein, and it may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors. Accordingly, the Company may not be able to maintain profitability, and it may incur losses in the future.

If the Company's revenues do not increase to offset any additional expenses, if it fails to manage or experience unexpected increases in operating expenses or if it is required to take additional charges related to impairments or restructurings, the Company's financial results and results of operations may suffer.

The Company rely on assumptions and estimates to calculate certain of its key metrics, and real or perceived inaccuracies in such metrics may harm the Company's reputation and negatively affect its business.

Certain of the Company's key metrics are calculated using internal company data from multiple analytics systems that have not been independently verified. While these numbers are based on what the Company believes to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across its user base and its recently acquired operations, and factors relating to user activity and systems may impact these numbers.

The Company relies on the accuracy and transparency of data provided by individuals and reported by third parties to calculate its metrics and eliminate duplication of data. The Company's advertisers and investors rely on its key metrics as a representation of its performance. The Company regularly reviews and may adjust its processes for calculating its internal metrics to improve their accuracy, but these efforts may not prove successful and the Company may discover material inaccuracies. In addition, its methodology for calculating these metrics may differ from the methodology used by other companies to calculate similar metrics. If the Company determines that it can no longer calculate any of its key metrics with a sufficient degree of accuracy, and it cannot find an adequate replacement for the metric, the Company's business, financial condition or results of operations may be harmed. In addition, if advertisers, platform partners or investors do not perceive the Company's user metrics to be accurate representations of its user base or user engagement, or if the Company discovers material inaccuracies in its user metrics, the Company's reputation may be harmed and advertisers and platform partners may be less willing to allocate their budgets or resources to its products and services, which could negatively affect the Company's business, financial condition or results of operations.

Any restructuring actions and cost reduction initiatives that the Company undertakes may not deliver the expected results and these actions may adversely affect the Company's business.

The Company may implement a number of restructurings in which it implements certain restructuring actions and cost reduction initiatives to streamline operations and improve cost efficiencies to better align its operating expenses with its revenue. The Company plans to continue to manage costs to better and more efficiently manage its business. Any restructuring plans and other such efforts could result in disruptions to the Company operations and adversely affect its business, financial condition or results of operations.

The Company actively monitors its costs, however, if it does not fully realize or maintain the anticipated benefits of any restructuring actions and cost reduction initiatives, the Company's business, financial condition or results of operations could be adversely affected, and additional restructuring initiatives may be necessary. In addition, the Company cannot be sure that any cost reduction initiatives will be as successful in reducing its overall expenses as expected or that additional costs will not offset any such reductions. If its operating costs are higher than it expects or if it does not maintain adequate control of its costs and expenses, the Company's operating results will suffer.



In addition, any cost cutting measures by the Company could negatively impact its business, financial condition or results of operations including but not limited to, delaying the introduction of new games, features or events, interrupting live services, impairing its control environment, delaying introduction of new technology, impacting its ability to react nimbly to game or technology issues, or impacting employee retention and morale.

The Company's business and growth may suffer if it fails to attract, retain and motivate key personnel.

The Company's ability to compete and grow depends in large part on the efforts and talents of its employees and executives. Its success depends in a large part upon the continued service of its senior management team. The Company's management team is critical to the Company's vision, strategic direction, culture, products and technology, and the continued retention of its entire senior management team is important to the success of its operating plan. The loss of any member of its senior management team could cause disruption and harm the business, financial condition, results of operations or reputation of the Company.

In addition, the Company's ability to execute its strategy depends on its continued ability to identify, hire, develop, motivate and retain highly skilled employees, particularly in the competitive fields of game and feature design, product management and engineering. These employees are in high demand, and the Company devotes significant resources to identifying, recruiting, hiring, training, successfully integrating and retaining them. Any significant turnover in the Company's headcount may place significant demands on its management and its operational, financial and technological infrastructure.

As the Company operates as a public company, volatility of its stock price, changes in its compensation structure for its executive officers that significantly relies on performance linked stock awards, and any headcount reductions may make it more difficult for the Company to attract and retain top talent. In particular, should the Company's stock price decline it might be difficult for it to attract and retain qualified personnel, since individuals may elect to seek employment with other companies that they believe have better long-term prospects or that present better opportunities for earning equity-based compensation. If the Company is unable to identify, hire and retain its senior management team and its key employees, the Company's business, financial condition or results of operations could be harmed. Moreover, if the Company's team fails to work together effectively to execute its plans and strategies on a timely basis, the Company's business, financial condition or results of operations could be harmed.

The Company may hire a number of key personnel through acquisitions, and as competition with other game companies for attractive target companies with a skilled employee base persists and increases, the Company may incur significant expenses and difficulty in continuing this practice. In addition, volatility in the Company's operating results and the trading price of its common stock may negatively impact its perceived reputation and make it more difficult and more expensive to successfully retain employees through acquisitions. The loss of talented employees with experience in the assets it acquires could result in significant disruptions to the Company's business and the integration of acquired assets and businesses. If it does not succeed in recruiting, retaining, and motivating these key employees, the Company may not achieve the anticipated results of acquisitions.

The Company's core values of focusing on its players and acting for the long-term may conflict with the short-term expectations of investors and analysts.

The Company believes surprising and delighting its players is essential to its success and serves the best, long-term interests of the Company and its shareholders. Therefore, the Company may make in the future, significant investments or changes in strategy that it thinks will benefit the Company in the long-term, even if its decision has



the potential to negatively impact its operating results in the short term. In addition, the Company's decisions may not result in the long-term benefits that it expects, in which case the success of its games, business, financial condition or results of operations could be harmed.

If the use of mobile devices as game platforms and the proliferation of mobile devices generally do not increase, the Company's business could be adversely affected.

The number of people using mobile Internet-enabled devices has increased dramatically over time and the Company expects that this trend will continue. However, the mobile market, particularly the market for mobile games, may not grow in the way it anticipates. The Company's future success is substantially dependent upon the continued growth of the market for mobile games. The proliferation of mobile devices may not continue to develop at historical rates and consumers may not continue to use mobile Internet-enabled devices as a platform for games. In addition, the Company does not currently offer its games on all mobile devices. If the mobile devices on which its games are available decline in popularity or become obsolete faster than anticipated, the Company could experience a decline in bookings and revenue and may not achieve the anticipated return on its development efforts. Any such declines in the growth of the mobile market or in the use of mobile devices for games could harm the Company's business, financial condition or results of operations.

If the Company fails to deliver its games at the same time as new mobile devices are commercially introduced, its revenue may suffer.

The Company's business depends, in part, on the commercial introduction of new mobile devices with enhanced features, including larger, higher resolution color screens, improved audio quality, and greater processing power, memory, battery life and storage. For example, the introduction of new and more powerful versions of Apple's iPhone and iPad and devices based on Google's Android operating system, have helped drive the growth of the mobile games market. In addition, consumers generally purchase the majority of content, such as its games, for a new device within a few months of purchasing it. The Company does not control the timing of these device launches. The mobile games market could also be disrupted by new technologies, such as the introduction of next generation virtual reality devices. Some manufacturers give the Company access to their new devices prior to commercial release. If one or more major manufacturers were to stop providing the Company access to new device models prior to commercial release, the Company might be unable to operate and introduce games and features that are compatible with the new device when the device is first commercially released, and the Company might be unable to acquire, publish or operate compatible games for a substantial period following the device release. If the Company does not adequately build into its title plan the demand for games for a particular mobile device or experiences game and feature availability delays, it misses the opportunity to publish and operate games when new mobile devices are shipped or its end users upgrade to a new mobile device, the Company's revenue would likely decline and its business, operating results and financial condition would likely suffer.

The Company's ability to acquire and maintain licenses to intellectual property may affect its revenue and profitability. Competition for these licenses may make them more expensive and increase the Company's costs.

Competition for proprietary licenses is intense, and may result in increased advances, minimum payment guarantees and royalties that the Company must pay to the licensor. If the Company is unable to obtain and remain in compliance with the terms of these licenses or obtain additional licenses on reasonable economic terms, its revenue and profitability may be adversely impacted. In addition, use of these intellectual properties may require that it pay a



royalty to the licensor, which decreases its profitability. If the mix of player purchases shifts towards games in which the Company uses licensed intellectual properties increases, its overall margins may be reduced.

In addition, many of the Company's games are built on proprietary source code of third parties. If the Company is unable to renew licenses to proprietary source code underlying its games, or the terms and conditions of these licenses change at the time of renewal its business, financial condition or results of operations could be negatively impacted. If a third party from whom the Company licenses source code discontinues support for one or more of these platforms, the Company's business, financial condition or results of operations could be negatively impacted.

Failure to protect or enforce the Company's intellectual property rights or the costs involved in such enforcement could harm the Company's business, financial condition or results of operations.

The Company regards the protection of its trade secrets, copyrights, trademarks, service marks, trade dress, domain names, patents, and other product rights as critical to its success. The Company strives to protect its intellectual property rights by relying on federal, provincial and common law rights, as well as contractual restrictions and business practices. The Company enters into confidentiality and invention assignment agreements with its employees and contractors and confidentiality agreements with parties with whom it conducts business in order to limit access to, and disclosure and use of, its proprietary information. However, these contractual arrangements and business practices may not prevent the misappropriation of the Company's proprietary information or deter independent development of similar technologies by others. Further, in some instances the Company may be required to obtain licenses to intellectual property in lieu of ownership. Such licenses may be limited in scope and require the Company to renegotiate on a frequent basis for additional use rights. Moreover, to the extent that the Company may only have a license to any intellectual property used in any of its games, there may be no guarantee of continued access to such intellectual property, including on commercially reasonable terms.

The Company pursues the registration of its copyrights, trademarks, service marks, domain names, and patents in Canada and in certain locations outside Canada. This process can be expensive and time-consuming, may not always be successful depending on local laws or other circumstances, and the Company also may choose not to pursue registrations in every location depending on the nature of the project to which the intellectual property rights pertain. The Company may, over time, increase its investments in protecting its creative works and innovations through patent filings that are expensive and time-consuming and may not result in issued patents that can be effectively enforced.

Despite such efforts to protect intellectual property rights, unauthorized parties may attempt to copy or otherwise to obtain and use technology and games used or offered by the Company. For example, some companies have released games that are very similar to other successful games in an effort to confuse the market and divert players from their competitor's games to their copycat games. To the extent that these tactics are employed with respect to any of the games offered the Company, it could reduce the revenue that the Company generates from such games. Monitoring unauthorized use of the games is difficult and costly, and the Company cannot be certain that the steps it has taken in the past or the future will prevent piracy and other unauthorized distribution and use of the technology and applications or games used or offered by the Company. To the extent the Company expands its activities worldwide, exposure to unauthorized copying and use of its games and proprietary information may increase. In the future, litigation may be necessary to enforce intellectual property rights, protect trade secrets to determine the validity and scope of proprietary rights claimed by others or to defend against claims of infringement or invalidity. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs, adverse publicity or diversion of management and technical resources, any of which could adversely affect the Company's business and



operating results. If the Company fails to maintain, protect and enhance its intellectual property rights, its business and operating results may be harmed.

There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that its competitors will not independently develop similar technology or games. Furthermore, the Company's efforts to enforce its intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of its intellectual property rights. These steps may be inadequate to protect its intellectual property. The Company will not be able to protect its intellectual property if it is unable to enforce its rights or if it does not detect unauthorized use of its intellectual property.

The Company may be subject to intellectual property disputes, which are costly to defend and could require the Company to pay significant damages and could limit its ability to use certain technologies in the future.

From time to time, the Company may face allegations that it has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from its competitors, non-practicing entities and former employers of its personnel. Intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the Company faces increasing competition and as litigation becomes a more common way to resolve disputes, the Company faces a higher risk of being the subject of intellectual property infringement claims. The Company cannot make any assurances that it will not become, in the future, subject to claims that it has misappropriated or misused other parties' intellectual property rights. If the Company is sued by a third-party that claims that the Company's technology infringes its rights, the litigation (with or without merit) could be expensive and could divert management resources.

As the result of any court judgment or settlement, the Company may be obligated to do one or more of the following:

- cease making, selling, offering for sale or using technologies that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or
- redesign technology to avoid infringement.

If the Company is required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against the Company, such payments or costs could have a material adverse effect upon the Company's business and financial results.

In addition, the Company uses open-source software in its business and expect to continue to use open-source software in the future. From time to time, the Company may face claims from companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require the Company to purchase a costly license or require the Company to devote additional research and development resources to change its games, any of which would have a negative effect on the Company's business, financial condition or results of operations.

The Company may be involved in legal proceedings that may result in adverse outcomes.

The Company may be involved in claims, suits, government investigations, and proceedings arising in the ordinary course of its business, including actions with respect to intellectual property claims, privacy, data protection or law enforcement matters, tax matters, labor and employment claims, commercial and acquisition-related claims, as well as shareholder derivative actions, class action lawsuits, and other matters. Such claims, suits, government investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of their outcomes, such legal proceedings can have an adverse impact on the Company because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing the Company from offering certain features, functionalities, products, or services, or requiring a change in its business practices, products or technologies, which could in the future materially and adversely affect the Company's business, financial condition or results of operations.

The Company's business is subject to a variety of Canadian and foreign laws, many of which are unsettled and still developing and which could subject the Company to claims or otherwise harm its business.

The Company is subject to a variety of laws in different jurisdictions that affect its business, including provincial and federal laws regarding consumer protection, electronic marketing, protection of minors, data protection, competition, taxation, intellectual property, export and national security, which are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to the Company are often uncertain and may be conflicting, particularly laws outside Canada. There is a risk that these laws may be interpreted in a manner that is not consistent with the Company's current practices, and could have an adverse effect on the Company's business. It is also likely that as the Company's business grows and evolves and its games are played in a greater number of countries, it will become subject to laws and regulations in additional jurisdictions or other jurisdictions may claim that it is required to comply with their laws and regulations. This may require the Company to expend substantial resources or to modify its games, which would harm its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Company's reputation or otherwise impact the growth of its business. Any costs incurred as a result of this potential liability could harm the Company's business and operating results.

The Company is potentially subject to a number of foreign and domestic laws and regulations that affect the offering of certain types of content, such as that which depicts violence, many of which are ambiguous, still evolving and could be interpreted in ways that could harm the Company's business or expose it to liability. Additionally, "loot box" game mechanics have been the subject of increased public discussion. Mechanics in certain of the Company's games could be deemed as "loot boxes". New regulation, which may vary significantly across jurisdictions and which the Company may be required to comply with, could require that these game mechanics be modified or removed from games, increase the costs of operating its games, impact player engagement and monetization, prevent the Company from acquiring games that include such features in the future, or otherwise harm the Company's business performance. If the Company is not able to comply with new or existing laws or regulations or if it becomes liable under these laws or regulations, the Company could be directly harmed, and it may be forced to implement new measures to reduce its exposure to this liability. This may require the Company to expend substantial resources or to modify its games, which would harm its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Company's reputation or otherwise impact the growth of its business. Any costs incurred as a result of this potential liability could harm the Company's business, financial condition or results of operations.



It is possible that a number of laws and regulations may be adopted or construed to apply to the Company in Canada and elsewhere that could restrict the online and mobile industries, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of electronic commerce and virtual items may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as the Company conducting business through the Internet and mobile devices. The Company anticipates that scrutiny and regulation of its industry will increase and it will be required to devote legal and other resources to addressing such regulation. For example, existing laws or new laws regarding the marketing of in-app purchases, labeling of FTP games, regulation of currency and banking institutions unclaimed property and money transmission may be interpreted to cover its games and the virtual currency, goods or payments that it receives. If that were to occur the Company may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on the Company meeting certain capital and other requirements and the Company may be subject to additional regulation and oversight, all of which could significantly increase its operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in Canada or elsewhere regarding these activities may lessen the growth of social game services and impair the Company's business, financial condition or results of operations.

In addition, the Company's support operations in Bangalore, India through its subsidiary PopReach India may expose the Company to risks of political uncertainty and challenges with respect to remaining compliant with developing and changing local laws. Changes in laws and regulations in the region may negatively affect the business operations of PopReach India and its viability and could potentially harm the Company's business, financial condition or results of operations.

The Company's international operations are subject to increased challenges and risks.

Continuing to expand the Company's business to attract players in countries other than Canada is a critical element of its business strategy. An important part of targeting international markets is acquiring, consolidating, operating, publishing and enhancing offerings that are localized and customized for the players in those markets. The Company expects to continue to expand its international operations in the future by expanding its offerings in new languages. The Company's ability to expand its business and to attract talented employees and players in an increasing number of international markets will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Expanding its international focus may subject the Company to risks that it has not faced before or increase risks that it currently faces, including risks associated with:

- inability to offer certain games in certain foreign countries;
- burdens of complying with a variety of foreign laws in multiple jurisdictions;
- potential damage to its brand and reputation due to compliance with local laws, including requirements to provide player information to local authorities;
- recruiting and retaining talented and capable management and employees in foreign countries;
- recruiting and working through local partners;
- challenges caused by distance, language and cultural differences;

- acquiring, consolidating, operating, publishing, enhancing and customizing games and other offerings that appeal to the tastes and preferences of players in international markets;
- competition from local game makers with intellectual property rights and significant market share in those markets and with a better understanding of player preferences;
- utilizing, protecting, defending and enforcing its intellectual property rights;
- negotiating agreements with local distribution platforms that are sufficiently economically beneficial to the Company and protective of its rights;
- the inability to extend proprietary rights in its brand, content or technology into new jurisdictions;
- implementing alternative payment methods for virtual items in a manner that complies with local laws and practices and protects the Company from fraud;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content and consumer protection (for example, the United Kingdom's Office of Fair Trading's 2014 principles relating to in-app purchases in FTP games that are directed toward children 16 and under);
- compliance with anti-bribery laws;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- exposure to local banking, currency control and other financial-related risks;
- protectionist laws and business practices that favor local businesses in some countries;
- double taxation of its international earnings and potentially adverse tax consequences due to changes in the tax laws of the jurisdictions in which the Company operates;
- political, economic and social instability;
- natural disasters, including earthquakes, tsunamis and floods;
- inadequate local infrastructure;
- higher costs associated with doing business internationally;
- export or import regulations; and
- trade and tariff restrictions.

If the Company is unable to manage the complexity of its global operations successfully, its business, financial condition and operating results could be adversely affected. Additionally, the Company's ability to successfully gain market acceptance in any particular market is uncertain, and the distraction of its senior management team could harm the Company's business, financial condition or results of operations.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect the Company's business and operating results.

The Company currently transacts business in several countries and in different currencies. Conducting business in different currencies subjects the Company to fluctuations in currency exchange rates that could have a negative



impact on its reported operating results. To date, the Company has not engaged in exchange rate hedging activities, and it does not expect to do so in the foreseeable future.

Companies and governmental agencies may restrict access to platforms, the Company's website, mobile applications or the Internet generally, which could lead to the loss or slower growth of the Company's player base.

The Company's players generally need to access the Internet and in particular platforms such as Facebook, Apple, Google and the Company's website to play its games. Companies and governmental agencies could block access to Facebook, the Company's website, mobile applications or the Internet generally for a number of reasons such as security or confidentiality concerns or regulatory reasons, or they may adopt policies that prohibit employees from accessing Facebook, Apple, Google and the Company's website or other social platforms. If companies or governmental entities block or limit such or otherwise adopt policies restricting players from playing the Company's games, its business could be negatively impacted and could lead to the loss or slower growth of its player base.

Changes in the tax treatment of companies engaged in Internet commerce may adversely affect the commercial use of the Company's services and its financial results.

Due to the global nature of the Internet, it is possible that various countries might attempt to regulate transmissions or levy sales, income, consumption, use or other taxes relating to its activities, or impose obligations on the Company to collect such taxes. Tax authorities in various jurisdictions are reviewing the appropriate treatment of companies engaged in Internet commerce such as the sale of virtual items and the provision of online services. The imposition of new or revised tax laws or regulations may subject the Company or the players of its applications or games to additional sales, income, consumption, use or other taxes. The Company cannot predict the effect of current attempts to impose such taxes on commerce over the Internet. New or revised taxes and, in particular, sales, use or consumption taxes, the Value Added Tax and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling virtual items over the Internet. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have an adverse effect on the business and results of operations of the Company.

The Company may have exposure to greater than anticipated tax liabilities.

The Company's income tax obligations are based in part on its corporate operating structure and intercompany arrangements, including the manner in which the Company develops, values, manages, and uses its intellectual property and the valuation of its intercompany transactions. The tax laws applicable to its business, including the laws of Canada and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue. The Company's existing corporate structure and intercompany arrangements have been implemented in a manner that the Company believes is in compliance with current prevailing tax laws. However, the taxing authorities of the jurisdictions in which the Company operate may challenge its methodologies for valuing developed technology or intercompany arrangements, which could impact the Company's worldwide effective tax rate and harm its financial position and results of operations. In addition, changes to the Company's corporate structure and intercompany agreements, including through acquisitions, could impact its worldwide effective tax rate and harm its financial position and results of operation.

The Company must charge, collect and/or pay taxes other than income taxes, such as payroll, value-added, sales and use, net worth, property and goods and services taxes, in both Canadian and foreign jurisdictions. If tax



authorities assert that the Company has a taxable nexus in a jurisdiction, they may seek to impose past as well as future tax liability and/or penalties. Any such impositions could also cause significant administrative burdens and decrease the Company's future sales.

The Company may require additional capital to meet its financial obligations and support business growth, and this capital might not be available on acceptable terms or at all.

The Company intends to make significant investments to support its business growth and may require additional funds to respond to business challenges. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through future issuances of equity or convertible debt securities, its existing shareholders could suffer significant dilution, and any new equity securities the Company issues could have rights, preferences and privileges superior to those of holders of its common shares. Any debt financing that the Company secures in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may not be able to obtain additional financing on terms favorable to it, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to the Company when the Company requires it, the Company's ability to support its business growth and to respond to business challenges could be significantly impaired, and the Company's business, financial condition or results of operations may be harmed.

If securities or industry analysts do not publish research about the Company's business, or publish negative or misinformed reports about the Company's business, its share price and trading volume could decline and/or become more volatile.

The trading market for the Company's common stock will be affected by the research and reports that securities or industry analysts publish about its business. The Company does not have any control over these analysts. If one or more of the analysts who cover the Company downgrade its shares or lower their opinion of its shares, the Company's share price would likely decline. If one or more of these analysts cease coverage of the Company or fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline. In addition, the Company's share price and the volatility of its shares can be affected by misinformed or mistaken research reports on its business.

Novel Coronavirus ("COVID-19") and the potential global outbreak of a contagious disease.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. Depending on the duration and severity of the current COVID-19 pandemic, it may also have the effect of heightening many of the other risks described herein and in any other disclosure documents of the Company including, but not limited to, those risks relating to the successful completion of growth and expansion projects, the ability to obtain any required regulatory approvals in the future, the ability to raise additional capital to meet financial obligations and support business growth, the ability to service obligations under any debt securities and other debt obligations; and complying with the covenants contained in the agreements that govern indebtedness. In addition, a significant outbreak of contagious diseases in the human population could result



in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

The Company can provide no assurance that the proposed Transaction with Federated Foundry will be completed.

The completion of the proposed Transaction with Federated Foundry is subject to a number of conditions, certain of which are outside the control of the Company, including, among others, TSXV and regulatory approvals, PopReach shareholder approval, and third party consents and approvals. There can be no certainty, nor can the Company provide any assurance, that all conditions will be satisfied or, if satisfied, when they will be satisfied. In addition, a substantial delay in obtaining satisfactory approvals and, or, the imposition of unfavourable terms or conditions in the approvals to be obtained could, among other events, result in the termination of the proposed Transaction. There is no assurance the proposed Transaction will be completed.

Risks Related to Our Common Shares

The price of our common shares may be volatile and may decline regardless of our operating performance.

The price of our common shares has fluctuated in the past and we expect it to fluctuate in the future, and it may decline. The trading prices of gaming companies' securities may be highly volatile. The market price of our common shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including, among others:

- actual or anticipated fluctuations in our revenue and other results of operations, including as a result of the addition or loss of any number of customers;
- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of us, changes in ratings and financial estimates and the publication of other news by any securities analysts who follow the Company, or our failure to meet these estimates or the expectations of investors;
- changes in operating performance and stock market valuations of other technology companies, or those in our industry in particular;
- the size of our public float;
- price and volume fluctuations in the trading of our common shares and in the overall stock market, including as a result of trends in the economy as a whole;

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- new laws or regulations or new interpretations of existing laws or regulations applicable to our business or industry, including data privacy, data protection, and information security;
 - lawsuits threatened or filed against us for claims relating to intellectual property, employment issues, or otherwise;
 - changes in our board of directors or management;
 - short sales, hedging, and other derivative transactions involving our common shares;
 - sales of large blocks of our common shares including sales by our executive officers, directors, and significant shareholders; and
 - other events or factors, including changes in general economic, industry, and market conditions, and trends, as well as any natural disasters, which may affect our operations.

Failure to complete the proposed Transaction with Federated Foundry could negatively impact the market price of our common shares.

The market price of the Company's common shares may be volatile and may fluctuate due to a variety of factors, including those that relate the proposed Transaction, new or subsequent developments or public announcements in respect of the proposed Transaction, including in the event the proposed Transaction is not completed, or is completed on terms different than those previously announced or anticipated.

Share price volatility and limited market for securities

Our common shares are listed on the TSX Venture Exchange (the “**TSXV**”). However, in recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding the Company’s potential success in creating revenues, cash flows or earnings. The value of our common shares will be affected by such volatility. An active public market for our common shares might not develop or be sustained. If an active public market for our common shares does not develop, the liquidity of a shareholder’s investment may be limited and the share price may decline.

In addition, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many gaming companies. Share prices of many gaming companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management, and harm our business.

Future sales of common shares by existing shareholders could cause the price of our common shares to decline.



Sales of a substantial number of our common shares by our existing shareholders in the public market could occur at any time. If our shareholders sell, or the market perceives that our shareholders intend to sell, substantial amounts of our common shares in the public market, the market price of our common shares could decline. The magnitude of this risk will be inversely proportional to the size of the public float.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade our common shares, the price of our common shares could decline.

The trading market for our common shares depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, the price of our common shares would likely decline. In addition, if our results of operations fail to meet the forecast of analysts, the price of our common shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our common shares could decrease, which might cause the price and trading volume of our common shares to decline.

Our issuance of additional common shares in connection with financings, acquisitions, investments, our equity incentive plans, or otherwise will dilute all other shareholders.

We expect to issue additional common shares in the future that will result in dilution to all other shareholders. We expect to grant equity awards to employees, directors, and consultants under our equity incentive plans. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies, and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional common shares may cause shareholders to experience significant dilution of their ownership interests and the per share value of our common shares to decline.

We may also raise capital through equity financings in the future. Any additional capital raised through the sale of equity may dilute existing shareholders' percentage ownership of our common shares and shareholders could be asked in the future to approve the creation of new equity securities which could have rights, preferences and privileges superior to those of holders of our common shares. Capital raised through debt financing would require us to make periodic interest payments and may impose restrictive covenants on the conduct of our business. Furthermore, additional financings may not be available on terms favourable to us, or at all. A failure to obtain additional funding could prevent us from making expenditures that may be required to implement our growth strategy and grow or maintain our operations.

We do not currently intend to pay dividends for the foreseeable future.

We generally do not intend to pay dividends to the holders of our common shares for the foreseeable future. Our ability to pay dividends on our common shares is limited by our existing indebtedness, and may be further restricted by the terms of any future debt incurred or preferred securities issued by us or our subsidiaries or law. Payments of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our business, financial condition, and results of operations, current and anticipated cash needs, plans for expansion and any legal or contractual limitation on our ability to pay dividends. As a result, any capital appreciation in the price of our common shares may be your only source of gain on your investment in our common shares. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Shareholders have limited control over our Company's operations.

Shareholders have limited control over changes in our policies and operations, which increases the uncertainty and risks of an investment in our Company. The board of directors (the “**Board**”) determines major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, the Board may amend or revise these and other policies without a vote of the shareholders. The Board’s broad discretion in setting policies and the limited ability of shareholders to exert control over those policies increases the uncertainty and risks of an investment in our Company.

SCHEDULE H
Q1MEDIA AUDITED FINANCIAL STATEMENTS

(see attached)

Q1 MEDIA INC.

Financial Statements

For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

Independent Auditor's Report

To the Shareholders and the Board of Directors of Q1Media, Inc.

Opinion on the Financial Statements

We have audited the accompanying statements of financial position of Q1Media, Inc. (the Company) as of December 31, 2020, 2019 and 2018, the related statements of income, changes in shareholders' equity (deficiency), and cash flows for each of the two years in the period ended December 31, 2020, 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, 2020, 2019, and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's 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 auditing 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. 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 Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was required to be communicated to the board and that: (1) related to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments. The communication of this critical audit matter 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Classification and Valuation of Warrants

As discussed in Notes 3, 11, 14, and 16 to the financial statements, the Company issued certain stock purchase warrants to debt counterparties that contain put options exercisable by the counterparties. We identified that determining the proper accounting for the warrant and its fair value represents a critical audit matter. Due to inherent estimation uncertainty, assessment of the Company's judgments regarding the accounting model for the warrants and the use of specific valuation assumptions, we determined that our audit approach involved a high degree of subjective auditor judgment. Changes in these assumptions could have a significant impact on the accounting model applied and on the fair value of the warrants. In particular, the Company made judgments related to its own stock price, its volatility, and its unsecured borrowing rate used in discounted cash flow analyses. Additionally, specialized skill and knowledge were required for these assumptions.

Our audit procedures related to determining the appropriate accounting model for the warrants and evaluating their fair value included the following key procedures:

- We gained an understanding of management's process and internal control design with respect to determining the appropriate accounting model for the warrants and determining their fair value during each of the reporting periods subject to audit.
- We inspected the underlying legal agreement with respect to the warrants.
- We gained an understanding of the significance of inputs and assumptions using sensitivity analysis.
- We tested the significant inputs that were used in the model, which included agreeing certain information to the underlying warrant agreement.
- With the assistance of our internal valuation specialist, we assessed the relevance and reliability of the data used in significant assumptions, including the determination of the Company's stock price, as well as the volatility and borrowing rates.
- We compared management's assumptions to external sources, including the Company's ultimate sale price.
- We evaluated the appropriateness of the accounting model used by the Company for determining the value of the warrants and accounting for the activity.
- We recalculated the value of the warrants using a Black-Scholes pricing model

BKD, LLP

Austin, Texas

February 14, 2022

We have served as the Company's auditor since 2021.

Q1 MEDIA INC.
Statements of Financial Position
(expressed in United States Dollars)

		As at December 31, 2020	As at December 31, 2019	As at December 31, 2018
	Note			
ASSETS				
Current assets				
Cash and cash equivalents		\$ 659,448	\$ 648,459	\$ 500,072
Accounts receivable, net		3,702,720	4,746,020	4,075,029
Prepaid expenses and deposits	5	47,954	46,903	114,638
Total current assets		4,410,122	5,441,382	4,689,739
Non-current assets				
Prepaid expenses and deposits	5	34,717	34,717	75,570
Right-of-use asset	6	343,112	454,392	462,675
Property and equipment	7	46,582	95,932	167,649
Deferred tax asset	12	301,768	—	—
Total non-current assets		726,179	585,041	705,894
Total assets		\$ 5,136,301	\$ 6,026,423	\$ 5,395,633
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities				
Accounts payable and accrued liabilities	8, 15	\$ 2,805,816	\$ 4,043,819	\$ 5,328,924
Current portion of lease liability	9	108,548	100,543	284,444
Loans	10, 15	918,790	2,444,744	1,785,585
Warrant put liability	11	915,934	810,927	718,261
Total current liabilities		4,749,088	7,400,033	8,117,214
Long-term liabilities				
Lease liability	9	254,433	362,981	249,224
Total long-term liabilities		254,433	362,981	249,224
Total liabilities		5,003,521	7,763,014	8,366,438
Shareholders' equity (deficiency)				
Share capital	13	13,800	13,800	13,800
Contributed surplus	14	1,623,606	1,623,116	1,619,401
Deficit		(1,504,626)	(3,373,507)	(4,604,006)
Total shareholders' equity (deficiency)		132,780	(1,736,591)	(2,970,805)
Total liabilities and shareholders' equity (deficiency)		\$ 5,136,301	\$ 6,026,423	\$ 5,395,633

Nature of operations (note 1)
Subsequent events (note 20)

Approved on behalf of the Board:

/s/ Ted Hastings
Ted Hastings, Director

/s/ William Wiemann
William Wiemann, CEO

The accompanying notes form an integral part of these financial statements.

Q1 MEDIA INC.
Statements of Income and Comprehensive Income
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

		For the years ended December 31,	
	Note	2020	2019
Revenue		\$ 20,963,933	\$ 19,804,362
Media costs		11,488,390	10,383,512
Gross profit		9,475,543	9,420,850
Expenses			
Selling and marketing	17	6,539,702	6,009,997
General and administrative	17	1,708,823	1,831,329
Depreciation	6, 7	172,375	205,427
Stock based compensation	14	490	3,715
		8,421,390	8,050,468
Other income (loss)			
Interest expense	9, 10, 11	(224,372)	(281,361)
Gain on forgiveness of loan	10	773,400	—
Gain on lease modification		—	70,993
Loss on disposal of equipment		(6,953)	(7,425)
Other income		126,751	143,250
Net income before income taxes		1,722,979	1,295,839
Income tax recovery (expense)	12	145,902	(65,340)
Net income and comprehensive income		\$ 1,868,881	\$ 1,230,499
Net income and comprehensive income per share		\$ 0.14	\$ 0.09
Weighted average number of shares outstanding - basic and diluted		13,799,757	13,799,757

The accompanying notes form an integral part of these financial statements.

Q1 MEDIA INC.
Statements of Changes in Shareholders' Equity (Deficiency)
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

	Share Capital					
	Common shares Number	Common shares Amount	Contributed Surplus		Deficit	Total
Balance – December 31, 2018	13,799,757	\$ 13,800	\$ 1,619,401	\$ (4,604,006)	\$ (2,970,805)	
Stock based compensation	—	—	3,715	—	3,715	
Net income and comprehensive income	—	—	—	1,230,499	1,230,499	
Balance – December 31, 2019	13,799,757	13,800	1,623,116	(3,373,507)	(1,736,591)	
Stock based compensation	—	—	490	—	490	
Net income and comprehensive income	—	—	—	1,868,881	1,868,881	
Balance – December 31, 2020	13,799,757	\$ 13,800	\$ 1,623,606	\$ (1,504,626)	\$ 132,780	

The accompanying notes form an integral part of these financial statements.

Q1 MEDIA INC.
Statements of Cash Flows
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

	For the years ended December 31,	
	2020	2019
Cash flows from operating activities		
Net income and comprehensive income	\$ 1,868,881	\$ 1,230,499
Changes in non-cash operating items:		
Stock based compensation	490	3,715
Depreciation and amortization	172,375	205,427
Loss on disposal of property and equipment	—	7,425
Gain on forgiveness of loan	(773,400)	—
Gain on lease modification	—	(70,993)
Interest expense	224,372	281,361
	1,492,718	1,657,434
Changes in non-cash working capital		
Accounts receivable	1,043,300	(670,991)
Prepaid expenses and deposits	(1,051)	108,588
Deferred tax asset	(301,768)	—
Accounts payable and accrued liabilities	(1,249,970)	(1,249,107)
Net cash provided by (used in) operating activities	983,229	(154,076)
Cash flows from financing activities		
Lease payments	(100,543)	(114,164)
Proceeds from loans	773,400	1,701,704
Repayment of loans	(1,525,954)	(1,042,545)
Payment of interest	(107,398)	(223,519)
Net cash (used in) provided by financing activities	(960,495)	321,476
Cash flows from investing activities		
Proceeds from sale of property and equipment	—	3,675
Acquisition of property and equipment	(11,745)	(22,688)
Net cash (used in) provided by investing activities	(11,745)	(19,013)
Change in cash during the year	10,989	148,387
Cash – beginning of year	648,459	500,072
Cash – end of year	\$ 659,448	\$ 648,459
Supplemental information		
Taxes paid	(229,129)	51,632

The accompanying notes form an integral part of these financial statements

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)**

1. NATURE OF OPERATIONS

Q1Media, Inc. (the “Company”), was incorporated in the State of Delaware on December 12, 2012. The Company is a digital media services company that focuses on the small and medium business (“SMB”) category with its headquarters located in Austin, Texas.

The address of the Company’s registered office is 2140 S, DuPont Highway, Camden, Delaware 19934.

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company’s operations. The COVID-19 pandemic has impacted and could further impact the Company’s operations and the operations of the Company’s customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company’s business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company’s customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

2. BASIS OF PREPARATION**Statement of compliance**

These financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2022.

Basis of presentation

The financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These financial statements have been prepared in United States dollars (“USD”), which is the Company’s functional and presentation currency.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company’s accounting policies that have the most significant effect on the amounts in the financial statements.

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)**

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)**Provision and contingencies**

The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Expected credit losses

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company consider the counterparty's financial position, past experience and other factors.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires assumptions be made for the inputs to the valuation model, which include the expected life of the equity instrument, share price, volatility, dividend yield and forfeiture rate.

Useful lives of property and equipment

Management is depreciating the furniture and fixtures, equipment and leasehold improvements on a straight-line basis, with the following useful lives:

Furniture and fixtures	7 years
Equipment	3 years
Leasehold improvements	Shorter of lease term or life of the leasehold improvement
Software	3 years
Computer	3 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Determination of incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)**

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)**Income taxes**

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Warrant put liability

Warrant puts were issued in conjunction with stock purchase warrants and pursuant to the issuance of third-party debt. Warrant puts establish minimum compensation, in the form of cash, for the stock purchase warrants issued. The warrant puts are considered a warrant put liability and measured at fair value on a recurring basis.

4. SIGNIFICANT ACCOUNTING POLICIES**Cash and cash equivalents**

Cash and cash equivalents in the statements of financial position comprise cash at banks, cash on hand, and restricted cash.

Property and equipment

Furniture and fixtures, equipment, leasehold improvements, and software are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the equipment and any expenditure required to make the equipment ready for use. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Depreciation is provided annually on furniture and fixtures, equipment, and software at rates designed to charge the cost of the assets over their estimated useful lives, using the straight-line method.

The asset's residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Depreciation is recognized in the statements of income and comprehensive income.

Refer to note 3 for a discussion of the estimation uncertainty in respect of the determination of the appropriate method of depreciation the underlying useful life and the estimation of residual values in respect of furniture and fixtures, equipment, leasehold improvements, and software.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

The company elected the practical expedient to not apply IFRS 16 to leases of low value equipment. The expense associated with low value equipment leases was \$nil and \$5,268 at December 31, 2020 and 2019, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 10 years for facilities, equipment and vehicles. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statements of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Forgivable Loans

Forgivable loans from governments are accounted for under IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" and presented in the financial statements as loans payable until the conditions of the government grant are probable to be met. Forgivable loans are recognized under the income approach and recognized in other income in the period the related expenses are incurred. Cash flows from forgivable loans are presented as financing activities. Refer to note 10 for discussion of the terms and conditions of the forgivable loan.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)****4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the statements of income and comprehensive income.

Financial instruments (continued)***Financial liabilities (continued)***

The Company has classified its financial instruments as follows:

Financial instrument	Classification/ Measurement	Fair value hierarchy
<i>Assets</i>		
Cash and cash equivalents	Amortized cost	N/A
Accounts receivable	Amortized cost	N/A
<i>Liabilities</i>		
Accounts payable and accrued liabilities	Amortized cost	N/A
Loans	Amortized cost	N/A
Leases	Amortized cost	N/A
Warrant put liability	FVTPL	N/A

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the statements of income and comprehensive income and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of income and comprehensive income.

Earnings per share

The calculation of earnings per common share is based on the reported net income divided by the weighted average number of shares outstanding during the period. Diluted income per share is calculated using the treasury stock method. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)**

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized as the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

When the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

Revenue recognition

The Company's revenues are derived from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component. Customary terms require payment within 30 days.

The Company follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Company obligations remain, fees are fixed and determinable, and collection of the related receivable is probable. Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in IFRS 15 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are related to the provision of marketing solutions and platform solutions.

The marketing solutions and platform solutions are recognized over time as progress is made toward satisfying the performance obligations of each contract. The Company measures a contract's progress on the basis of the ratio of contracted views, clicks, or time has elapsed as compared to the total contracted quantity, because, in the Company's view, such method best depicts the progress toward completion. For contracts involving multiple performance obligations, the transaction, i.e., selling, price is allocated based on relative standalone selling prices of the goods or services.

Contract liabilities represent the Company's obligation to transfer goods or services to a customer when consideration has already been received from the customer. As at December 31, 2020, 2019 and 2018 the Company's contract liability balances were \$42,959, \$86,559 and \$34,000, respectively. Deferred revenue is included within accrued liabilities in the statements of financial position.

For incremental costs of obtaining a contract, the Company elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year. This election had an immaterial effect on the Company's financial statements.

For significant financing components, the Company elected a practical expedient, which allows an entity to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. As the Company's contracts are typically less than one year in length and do not have significant financing components, the Company does not present revenue on a present value basis.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Q1 MEDIA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Segment reporting

The Company currently operates in a single operating segment. The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or “CODM”) in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the financial statements also represent segment amounts.

5. PREPAID EXPENSES AND DEPOSITS

	2020	As at December 31, 2019	2018
Prepaid expenses	38,488	32,978	98,416
Prepaid insurance	9,466	13,925	16,222
Vendor deposits	34,717	34,717	75,570
Prepaid expenses and deposits	\$ 82,671	\$ 81,620	\$ 190,208
Current	47,954	46,903	114,638
Long-term	34,717	34,717	75,570

6. RIGHT-OF-USE ASSET

The Company’s leases consist of one facility lease. The lease term is for 60 months, commencing in February of 2019.

The following table summarized the balance of the right-of-use asset:

	Facility
Balance as at December 31, 2018	\$ 462,675
Lease additions	556,398
Lease termination	(442,558)
Depreciation	(122,123)
Balance as at December 31, 2019	454,392
Depreciation	(111,280)
Balance as at December 31, 2020	\$ 343,112

Q1 MEDIA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)
7. PROPERTY AND EQUIPMENT

COST	Leasehold improvements	Furniture and Fixtures	Equipment	Software	Total
Balance as at December 31, 2019	\$ 216,258	\$ 126,252	\$ 95,546	\$ 57,407	\$ 495,463
Additions	—	—	18,698	—	18,698
Disposals	(216,258)	—	(11,826)	—	(228,084)
Balance as at December 31, 2020	\$ —	\$ 126,252	\$ 102,418	\$ 57,407	\$ 286,077

ACCUMULATED DEPRECIATION

Balance as at December 31, 2019	\$ 178,684	\$ 90,697	\$ 72,743	\$ 57,407	\$ 399,531
Depreciation	30,895	17,220	12,980	—	61,095
Disposals	(209,579)	—	(11,552)	—	(221,131)
Balance as at December 31, 2020	\$ —	\$ 107,917	\$ 74,171	\$ 57,407	\$ 239,495

COST	Leasehold improvements	Furniture and Fixtures	Equipment	Software	Total
Balance as at December 31, 2018	\$ 299,346	\$ 123,752	\$ 76,392	\$ 1,207,619	\$ 1,707,109
Additions	—	2,500	20,188	—	22,688
Disposals	(83,088)	—	(1,034)	(1,150,212)	(1,234,334)
Balance as at December 31, 2019	\$ 216,258	\$ 126,252	\$ 95,546	\$ 57,407	\$ 495,463

ACCUMULATED DEPRECIATION

Balance as at December 31, 2018	\$ 197,814	\$ 72,663	\$ 61,365	\$ 1,207,619	\$ 1,539,461
Depreciation	52,859	18,034	12,412	—	83,305
Disposals	(71,989)	—	(1,034)	(1,150,212)	(1,223,235)
Balance as at December 31, 2019	\$ 178,684	\$ 90,697	\$ 72,743	\$ 57,407	\$ 399,531

NET BOOK VALUE

At December 31, 2019	\$ 37,574	\$ 35,555	\$ 22,803	\$ —	\$ 95,932
At December 31, 2020	\$ —	\$ 18,335	\$ 28,247	\$ —	\$ 46,582

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2020	As at December 31, 2019	2018
Trade accounts payable	2,095,432	3,506,471	4,787,429
Accrued liabilities	518,550	385,398	455,812
Deferred revenue	42,959	86,559	34,000
Taxes payable	148,875	65,391	51,683
Accounts payable and accrued liabilities	\$ 2,805,816	\$ 4,043,819	\$ 5,328,924

Q1 MEDIA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

9. LEASE LIABILITY

The Company's leases consist of an office lease. The Company has recognized right-of-use assets in respect of these leases (note 6).

The Company has also recognized lease liabilities for this lease, which was initially measured at the present value of the future lease payments, discounted at a rate of 5%. Interest on lease liabilities is included in interest expense in the statements of income and comprehensive income. The carrying amount of the Company's lease liability is summarized in the table below.

		Facility
Balance as at December 31, 2018	\$	533,668
Lease additions		556,398
Lease termination		(512,378)
Interest expense		19,627
Lease payments		(133,791)
Balance as at December 31, 2019		463,524
Interest expense		19,938
Lease payments		(120,481)
Balance as at December 31, 2020	\$	362,981
Current portion		108,548
Long-term portion		254,433

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at December 31, 2020:

	Within one year	Later than one year but not later than 5 years	More than 5 years
Facility	\$ 123,385	\$ 267,115	\$ —
Total	\$ 123,385	\$ 267,115	\$ —

10. LOANS

	As at December 31,	
	2020	2019
Beginning balance	\$ 2,444,744	\$ 1,785,585
Additions	773,400	1,701,704
Interest expense	99,427	171,131
Forgiveness of loan	(773,400)	—
Repayments of principal and interest	(1,625,381)	(1,213,676)
Ending balance	\$ 918,790	\$ 2,444,744

The Company's loan balance is comprised of lines of credit, third party notes payable, and related party notes payable and are described as follows:

Q1 MEDIA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

10. LOANS (continued)

Line of credit 1

On December 19, 2018, the Company entered into a loan and security agreement with a third-party lender for a revolving line of credit (the “2018 LOC”) of up to \$4,000,000, for an initial term of 12 months. The 2018 LOC bears interest until maturity at a floating per annum rate which is equal to prime plus 1.75%. Accrued interest is due and payable on a monthly basis during the term of the 2018 LOC agreement and at maturity. In December of 2019, the Company entered into an amendment to extend the maturity date to December 19, 2020. The 2018 LOC is collateralized by substantially all of the Company’s assets. As of December 31, 2020, the principal amount outstanding on the 2018 LOC was \$nil (2019 – \$1,834,873). Total interest expense for the period ended December 31, 2020, was \$77,083 (2019 – \$118,123). The Company is subject to financial covenants under this loan and security agreement. All borrowing costs were expensed during the period.

Line of credit 2

On December 15, 2020, the Company entered into a loan and security agreement with a third-party lender for a revolving line of credit (the “2020 LOC”) of up to \$3,000,000, for an initial term of 12 months. The 2020 LOC bears interest until maturity at a variable annual interest rate equal to 4.25%. Accrued interest is due and payable on a monthly basis during the term of the 2020 LOC agreement and at maturity. The 2020 LOC is collateralized by substantially all of the Company’s assets. As of December 31, 2020, the principal amount outstanding on the 2020 LOC was \$700,000 (2019 – \$nil). Total interest expense for the period ended December 31, 2020, was \$3,576 (2019 – \$nil). The Company is subject to financial covenants under this loan and security agreement. All borrowing costs were expensed during the period.

Subsequent to December 31, 2020, the full balance of the line of credit was settled and closed.

Third party note 1

From 2014 to 2016, the Company financed certain furniture purchased from a third-party supplier. The life of the purchase finance contracts are for a term of 5 years and bear interest at an average annual interest rate of 10%. The balance of these notes as at December 31, 2020 was \$nil (2019 – \$13,712). Total interest expense for the year ended December 31, 2020, was \$828 (2019 – \$942).

Third party note 2

On March 6, 2017, the Company entered into a promissory note with a third party for \$500,000 of principal balance. The note bears interest at 14% per annum. The Company is required to pay principal and accrued interest in 35 consecutive monthly installments followed by a 36th and final installment in the amount of the remaining balance thereof. Payments are due on the last day of each month. The note was fully settled and paid off during the year ended December 31, 2019. Total interest expense for the year ended December 31, 2019, was \$19,694.

Third party note 3

On April 16, 2020, the Company was approved to receive loan proceeds in the amount of approximately \$773,400 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. On January 22, 2021, subsequent to year end, the Company received confirmation from First United bank that the loan had been forgiven in full. As a result, the Company treated the loan as forgiven on December 31, 2020, and the gain on forgiveness on loan is recorded in the statement of income and comprehensive income.

Related party note 1

On February 20, 2018, the Company entered into a promissory note agreement with an individual related through stock ownership for \$350,000. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10%. The promissory note is unsecured. Accrued interest is payable monthly on the last day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due December 31, 2019.

On January 1, 2019, related party notes 1 and 2 were combined into one new note. See related party note 3 below.

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)****10. LOANS (continued)*****Related party note 2***

On July 27, 2018, the Company entered into a promissory note agreement with an individual related through stock ownership for \$350,000. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10%. The promissory note is unsecured. Accrued interest is payable monthly on the 15th day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due August 15, 2021.

On January 1, 2019, related party notes 1 and 2 were combined into one new note. See related party note 3 below.

Related party note 3

On January 1, 2019, the Company entered into a promissory note agreement with the holders of related party notes 1 & 2 to combines the two separate notes into one note. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10% starting April 1, 2019. The promissory note is unsecured. Accrued interest is payable monthly on the 1st day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due August 31, 2021. As at December 31, 2020, the outstanding principal balance was \$218,790 (2019 – \$596,158). Total interest expense for the year ended December 31, 2020, was \$54,060 (2019 – \$47,675). Subsequent to year end, the full amount of the note was settled.

11. WARRANT PUT LIABILITY

On February 14, 2014, and April 9, 2015, the Company entered into loan and security agreements. These loan agreements were accompanied by share purchase warrants (see note 14) as well as a warrant put option. The warrant put option had a maturity of seven years, terminating on February 20, 2021, and April 9, 2022 respectively. The warrant agreements contain a clause extending the maturity date of the warrant agreement until payment of the contractual put price if the holder of the warrant put gives notice of intent to exercise. Per the terms of the put option, in the event of (i) any acquisition or other change in control of the Company, (ii) any initial public offering or other listing of the Company's securities, (iii) any winding up, liquidation or deemed liquidation under the Company's Certificate of Incorporation, and (iv) upon expiry of this warrant, the holders have the right to exchange this warrant for the cash sum of \$500,000 for each of the February 2014 and April 2015 warrants, totaling an undiscounted liability of \$1,000,000. Subsequent to year end, the February 13, 2014, note expired. As of the date of these financial statements, no cash amount has been settled for this warrant put liability.

The Company has recognized a warrant put liability, which was initially measured at the present value of the future expected payments, discounted at a rate of 12% and 14% over the seven-year life of the liability. Interest accretion on the warrant put liability is included in interest expense in the statements of income and comprehensive income. The carrying amount of the Company's warrant put liability is summarized in the table below

	Amount
Balance - December 31, 2018	718,261
Interest accretion	92,666
Balance - December 31, 2019	810,927
Interest accretion	105,007
Balance - December 31, 2020	915,934

Q1 MEDIA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

12. INCOME TAX

The components of the provision (benefit) for income taxes are as follows for the year ended December 31, 2020 and December 31, 2019:

	Year Ended December 31,	
	2020	2019
Current income tax expense	\$ (155,866)	\$ (65,340)
Deferred income tax recovery	301,768	—
Income tax recovery (expense)	\$ 145,902	\$ (65,340)

The Company's provision for income taxes differs from the expected tax expense (benefit) amount computed by applying the statutory federal income tax rate of 21% to income before income taxes primarily as a result of the following:

	Year Ended December 31,	
	2020	2019
Net income before income taxes	\$ 1,722,979	\$ 1,295,839
Statutory tax rate	21.0%	21.0%
Statutory income tax expense	(361,830)	(272,130)
State taxes, net of federal benefit	(84,072)	(56,581)
Change in valuation allowance	455,374	305,314
Permanent items and other	136,430	(41,943)
Income tax recovery (expense)	\$ 145,902	\$ (65,340)

Significant components of the deferred tax assets and liabilities at December 31, 2020 and 2019, are as follows:

	As at December 31,	
	2020	2019
Deferred tax assets		
Net operating loss carryforwards	\$ —	\$ 86,927
R&D credit carryforwards	103,628	271,141
Bad debt reserve	77,258	27,280
Deferred rent	4,331	1,973
Accrued expenses	101,565	78,340
Contributions	—	3,985
Related party interest	23,686	13,434
Total deferred tax assets	310,468	483,080
Deferred tax liabilities		
Fixed assets	(8,700)	(27,705)
Net deferred tax asset	(8,700)	(27,705)
Valuation allowance	—	(455,375)
Net deferred tax asset	\$ 301,768	\$ —

The Company has established a valuation allowance equal to the deferred tax asset due to uncertainties regarding the realization of the deferred tax asset based on the Company's lack of earnings history at years ended December 31, 2019, and December 31, 2018. The valuation allowance decreased by approximately \$455,000 during the year ended December 31, 2019. As of December 31, 2020, the Company reassessed the need for the valuation allowance and released the valuation allowances based on all the positive evidence available at year end.

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)****12. INCOME TAX (continued)**

As of December 31, 2019, the Company had U.S. net operating loss carryforwards of approximately \$415,000, which was fully utilized in year ended December 31, 2020. The Company has approximately \$105,000 and \$270,000 of federal R&D credit carryforwards as of December 31, 2020, and 2019, respectively.

Utilization of the net operating loss and tax credit carryforwards may be subject to annual limitation due to the “change in ownership” provisions of the Internal Revenue Code. The annual limitation may result in the expiration of net operating loss and credit carryforwards before utilization.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. As of December 31, 2020, and 2019, the Company has recorded no unrecognized tax benefits. Additionally, the Company does not expect any unrecognized tax benefits to change significantly over the next twelve months.

13. SHARE CAPITAL***Common Stock***

The Company has authorized for issuance up to 20,000,000 shares of common stock, with a par value of \$0.001 per share. During the years ended December 31, 2020, and 2019, there were nil transactions impacting share capital.

Preferred Stock

The company has authorized for issuance up to 10,000,000 shares of preferred stock with a par value of \$0.001 per share. There is no preferred stock issued or outstanding as of December 31, 2020, 2019, and 2018. The specifics rights and obligations of the preferred stock will be determined by the Board of Directors upon issuance of shares.

Warrants

Warrants to purchase common stock were issued in conjunction with the Company’s execution of its loan and security agreements with third party lending institutions effective February 20, 2014 and April 9, 2015 (see note 11).

The following is a summary of outstanding warrant as at December 31, 2020, 2019, and 2018:

Issued	Exercise Price \$	Number of Warrants	Expiry
February 20, 2014	\$ 1.00	425,772	February 20, 2021
April 9, 2015	\$ 1.51	315,972	April 9, 2022
	\$ 1.22	741,744	

14. CONTRIBUTED SURPLUS***Stock options***

The Company reserved an aggregate of 1,300,000 shares of Common Stock for issuance under its 2013 Incentive Stock Plan (the “Plan”). The Plan provides for grants of incentive stock options, non-statutory stock options, restricted stock, stock appreciation rights, restricted stock units, performance units, performance shares, and other stock-based awards to employees, directors, and contractors of the Company. Options under the Plan are granted at the estimated fair value of the shares on the date of grant as determined by the Board of Directors. The maximum term of options granted under the Plan is ten years from the date of grant. Options under the Plan generally vest over three years. Options under the Plan are generally exercisable when vested and subject to such terms, conditions, performance criteria, and restrictions as determined by the Board of Directors and set forth in the related option agreements. The Company also has the right of first refusal for any proposed disposition of shares issued under the Plan.

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)****14. CONTRIBUTED SURPLUS (continued)**

During the year ended December 31, 2020, and 2019, there were nil grants of stock options.

The following table summarizes the balance of the stock options during the year ended December 31, 2020 ,and 2019:

	As at December 31, 2020 and 2019	
	Number of options	Weighted average exercise price \$
Balance	785,399	\$ 1.13

The following table provides additional information about the Company's stock options as at December 31, 2020:

Number of Options Outstanding	Exercise Price \$	Weighted average remaining life (years)	Number of Options Exercisable
785,399	\$ 0.24 - \$2.25	2.01	785,399
785,399	\$ 0.24 - \$2.25		785,399

The Company recorded stock-based compensation expense for options of \$490 (2019 – \$3,715) with an offsetting increase to contributed surplus in respect of the stock options granted and unexpended historically. All stock options granted to date have vested and the balance of unexpended stock based compensation expense is \$nil. No stock options were exercised during the year ended December 31, 2020, or 2019, and as a result \$nil was transferred to share capital from contributed surplus.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loans approximate their carrying values due to their short-term nature. The Company's warrant put liability is measured at fair value using Level 3 inputs.

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and account receivables. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies and accounts receivable are managed by management. The Company's secondary exposure to risk is on its other current assets. The carrying amount of financial assets represents the maximum credit exposure.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

Q1 MEDIA INC.**Notes to the Financial Statements****For the years ended December 31, 2020 and 2019****(expressed in United States Dollars)****15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)****Risk factors (continued)*****Liquidity risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from loans payable. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2020 and 2019:

	As at December 31, 2020		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	2,805,816	—	—
Lease liability	123,385	267,115	—
Loans payable	918,790	—	—
Total	\$ 3,847,991	\$ 267,115	\$ —

	As at December 31, 2019		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	4,043,819	—	—
Lease liability	120,479	390,500	—
Loans payable	2,444,744	—	—
Total	\$ 6,609,042	\$ 390,500	\$ —

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has floating rate debt on one of its loans, however the Company's exposure to fluctuations in its interest rate is not material.

16. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements.

Q1 MEDIA INC.
Notes to the Financial Statements
For the years ended December 31, 2020 and 2019
(expressed in United States Dollars)

17. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statements of income and comprehensive income. Below is a breakdown of expenses by nature:

	Years Ended December 31,	
	2020	2019
Employee compensation	6,936,689	6,033,137
Office and administrative	509,683	861,642
Technology	104,478	190,900
Legal and professional fees	52,234	43,893
Travel, meals, and entertainment	99,319	339,669
Advertising and promotion	68,905	157,571
Consulting fees	44,620	42,859
Insurance	52,942	57,359
Bad debt expense	379,655	114,296
	<u>\$ 8,248,525</u>	<u>\$ 7,841,326</u>

The above expenses are presented in the statements of income and comprehensive income as follows:

	Years Ended December 31,	
	2020	2019
Selling and marketing	6,539,702	6,009,997
General and administrative	1,708,823	1,831,329
	<u>\$ 8,248,525</u>	<u>\$ 7,841,326</u>

18. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in net income:

	Years Ended December 31,	
	2020	2019
Employee compensation	<u>\$ 1,056,396</u>	<u>\$ 747,766</u>
	<u>\$ 1,056,396</u>	<u>\$ 747,766</u>

As at December 31, 2020, included in accounts payable and accrued liabilities was \$25,000 (December 31, 2019 – \$53,000) of payments owed to key management personnel for accrued employee compensation.

As at December 31, 2020, there is an outstanding note payable to certain board of members and executive officers totaling \$218,790 (2019 – \$596,158).

For discussion of related party loans, see note 10 above.

19. SUBSEQUENT EVENTS

On July 9, 2021, the Company was acquired by Federated Foundry ("Federated") for \$13,000,000. As part of the transaction, the Company became party, as a Guarantor, to a convertible debenture payable to the Company's officers in the amount of \$8,000,000, included within the preceding total consideration paid by Federated Foundry. As of November 9, 2021, the Company was no longer a Guarantor on the convertible debentures.

On July 8, 2021, and prior to the close of the Federated transaction, the Company terminated its employee stock option plan.

SCHEDULE I
Q1MEDIA ANNUAL MD&A

(see attached)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Q1Media, Inc. ("Q1" or the "Company"), for the years ended December 31, 2020 and 2019.

This document should be read in conjunction with the information contained in the Company's audited financial statements and related notes for the year ended December 31, 2020 and 2019 (the "2020 and 2019 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$\$") and "USD" amounts and references in this MD&A are in United States dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, February 14, 2022, being the date the Company's board of directors (the "Board" or "Board of Directors") approved this MD&A and the 2020 and 2019 Financial Statements. All quarterly information contained herein is unaudited.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

OVERVIEW AND SIGNIFICANT EVENTS

Corporate Structure

Q1Media, Inc. ("Q1" or the "Company"), was incorporated in the State of Delaware on December 12, 2012. The Company's headquarters is located at 8240 North Mopac Expressway, Suite 250, Austin, TX 78759. Its registered office address is 2140 S, DuPont Highway, Camden, Delaware 19934.

General Development of the Business

Effective March 1, 2013, two entities with a control structure similar to Q1Media, Inc. (Gotcha Media Group, Inc. and Q1Media, LLC) were merged into Q1Media, Inc.

Q1 is a digital media services company that focuses on the small and medium business ("SMB") category.

The Company's revenues are derived from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component. Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Company obligations remain, fees are fixed and determinable, and collection of the related receivable is probable.

The Company provides custom digital advertising campaign solutions across all major advertising platforms.

To support its service offerings, the Company built out its own customer relationship management ("CRM") and Operations Console in 2019-2020, Q1.io, that also has a customer facing element for reporting on campaigns. This technology was Company built using outsourced developers and was managed by the Company's CTO and VP of Ad Operations. Including all individuals time for the initial build the company estimates it has incurred a cost of \$979,000. The company currently spends, on average, \$3,000 to \$5,000 per month on continued expansion of this platform.

Throughout 2019 and 2020, the Company also expanded its product offerings to include a variety of digital media marketing techniques on new and growing social advertising platforms including Tiktok, Pinterest, and SnapChat.

Loans

The Company has utilized various debt facilities to support the operation of the business.

Line of credit 1

On December 19, 2018, the Company entered into a loan and security agreement with a third-party lender for a revolving line of credit (the "2018 LOC") of up to \$4,000,000, for an initial term of 12 months. The 2018 LOC bears interest until maturity at a floating per annum rate which is equal to prime plus 1.75%. Accrued interest is due and payable on a monthly basis during the term of the 2018 LOC agreement and at maturity. In December of 2019, the Company entered into an amendment to extend the maturity date to December 19, 2020. The 2018 LOC is collateralized by substantially all of the Company's assets. As of December 31, 2020, the principal amount outstanding on the 2018 LOC was \$nil (2019 – \$1,834,873). Total interest expense for the period ended December 31, 2020, was \$77,083 (2019 – \$118,123). The Company is subject to financial covenants under this loan and security agreement. All borrowing costs were expensed during the period.

Line of credit 2

On December 15, 2020, the Company entered into a loan and security agreement with a third-party lender for a revolving line of credit (the "2020 LOC") of up to \$3,000,000, for an initial term of 12 months. The 2020 LOC bears interest until maturity at a variable annual interest rate equal to 4.25%. Accrued interest is due and payable on a monthly basis during the term of the 2020 LOC agreement and at maturity. The 2020 LOC is collateralized by substantially all of the Company's assets. As of December 31, 2020, the principal amount outstanding on the 2020 LOC was \$700,000 (2019 – \$nil). Total interest expense for the period ended December 31, 2020, was \$3,576 (2019 – \$nil). The Company is subject to financial covenants under this loan and security agreement. All borrowing costs were expensed during the period.

Subsequent to December 31, 2020, the full balance of the line of credit was settled and closed.

Paycheck Protection Program Loan

On April 16, 2020, the Company was approved to receive loan proceeds in the amount of approximately \$773,400 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying

business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. In accordance with the terms of the loan, the company has assessed that it meets the qualifications for loan forgiveness and has classified the loan as forgiven in the statement of income and comprehensive income. Subsequent to year end, the Company received confirmation from First United bank that the loan had been forgiven in full.

Related party note 1

On February 20, 2018, the Company entered into a promissory note agreement with an individual related through stock ownership for \$350,000. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10%. The promissory note is unsecured. Accrued interest is payable monthly on the last day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due December 31, 2019.

On January 1, 2019, related party notes 1 and 2 were combined into one new note. See Related party note 3 below.

Related party note 2

On July 27, 2018, the Company entered into a promissory note agreement with an individual related through stock ownership for \$350,000. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10%. The promissory note is unsecured. Accrued interest is payable monthly on the 15th day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due August 15, 2021.

On January 1, 2019, related party notes 1 and 2 were combined into one new note. See Related party note 3 below.

Related party note 3

On January 1, 2019, the Company entered into a promissory note agreement with the holders of related party notes 1 & 2 to combine the two separate notes into one note. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10% starting April 1, 2019. The promissory note is unsecured. Accrued interest is payable monthly on the 1st day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due August 31, 2021. As at December 31, 2020, the outstanding principal balance was \$218,790 (2019 – \$596,158). Total interest expense for the year ended December 31, 2020, was \$54,060 (2019 – \$47,675). Subsequent to year end, the full amount of the note was settled.

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

SUBSEQUENT EVENTS

On July 9, 2021, the Company was acquired by Federated Foundry ("Federated") for \$13,000,000. As part of the transaction, the Company became party, as a Guarantor, to a convertible debenture payable to the Company's officers in the amount of \$8,000,000, included within the preceding total consideration paid by Federated Foundry. As of November 9, 2021, the Company was no longer a Guarantor on the convertible debentures.

On July 8, 2021, and prior to the close of the Federated transaction, the Company terminated its employee stock option plan.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three month and years ended December 31, 2020 and 2019, is set forth below.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Revenue	\$ 7,505,844	\$ 6,175,095	\$ 20,963,933	\$ 19,804,362
Net income and comprehensive income	\$ 1,519,249	\$ 524,401	\$ 1,868,881	\$ 1,230,499
Total assets	\$ 5,136,301	\$ 6,026,423	\$ 5,136,301	\$ 6,026,423
Total liabilities	\$ 5,003,521	\$ 7,763,014	\$ 5,003,521	\$ 7,763,014
Basic and diluted net income and comprehensive income per common share	\$ 0.11	\$ 0.04	\$ 0.14	\$ 0.09

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended December 31, 2020 and 2019

	Three Months Ended December 31,			
	2020	2019	Variance	% Change
Revenue	7,505,844	6,175,095	1,330,749	22%
Media costs	4,165,622	3,286,450	879,172	27%
Selling and marketing	2,105,027	1,705,298	399,729	23%
General and administrative	595,787	481,618	114,169	24%
Interest expense	27,931	78,246	(50,315)	(64%)
Gain on forgiveness of loan	773,400	—	773,400	—

Revenue

Revenue increased by \$1,330,749 from \$6,175,095 for the three months ended December 31, 2019, to \$7,505,844 representing an increase of 22% over the same period 2019. The increase in revenue is related to certain existing and new customers increasing advertising spend for political campaign advertising in connection with the 2020 presidential election.

Media costs

Media costs are comprised of a platform fee payable to the partner the Company is using for a given campaign, data targeting costs related to the campaign and media costs for the actual placements of the advertisements themselves. Media costs increased by \$879,172 from \$3,286,450 for the three months ended December 31, 2019, to \$4,165,622 representing an increase of 27% over the same period 2019. The increase in media costs is directly related to the increase in revenue. A focus of the political campaign media spend, that drove the increase in revenue, was focused on heavily targeted television placements which carry higher media purchase costs, resulting in lower margin.

Selling and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Selling and marketing expenses increased by \$399,729 from \$1,705,298 for the three months ended December 31, 2019, to \$2,105,027 representing an increase of 23% over the three months ended December 31, 2019. The increase for the three months ended December 31, 2020, as compared to the prior year period was primarily the result of increased head count of sales team in new markets in the

Q1 Media, Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

United States resulting in increased in revenues, partially offset by (i) decreased travel, meals and entertainment as a result of the COVID-19 pandemic limiting travel, trade shows etc., and (ii) decreased advertising and promotion expenses driven by increased seasonal demand for the Company's services during the period.

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expense, and supplies.

General and administrative expenses increased by \$114,169 from \$481,618 for the three months ended December 31, 2019, to \$595,787 representing an increase of 24% over the three months ended December 31, 2019. The increase for the three months ended December 31, 2020, as compared to the prior year period was primarily the result of (i) increased bad debt expense based on the Company's expected credit loss as determined by analysis of the historical recovery of accounts receivable, and (ii) increase in corporate head count. These increase in costs were partially offset by the decrease in (i) programmatic cloud hosting costs tied to network arbitrage business which was eliminated by the Company in 2020, (ii) decrease in software licensing costs, and (iii) decrease in outsourced developers.

Interest expense

During the three months ended December 31, 2020, the Company incurred interest expenses of \$27,931 as compared to interest expense of \$78,246 for the prior year period, resulting in a variance of \$50,315, a decrease of 64% over the three months ended December 31, 2019. The decrease in interest expense is primarily related to the funds received in connection with the PPP, resulting in the Company having to draw less on its line of credit, carrying less of a balance and incurring less interest expense.

Gain on forgiveness of loan

As a result of the COVID-19 pandemic, the Company was approved to receive loan proceeds in the amount of approximately \$773,400 under the Paycheck Protection Program. In accordance with the terms of the loan, the company has assessed that it meets the qualifications for loan forgiveness and has classified the loan as forgiven. There was no pandemic and no paycheck protection program in 2019.

Comparison of the Year Ended December 31, 2020 and 2019

	Twelve Months Ended December 31,			
	2020	2019	Variance	% Change
Revenue	20,963,933	19,804,362	1,159,571	6%
Media costs	11,488,390	10,383,512	1,104,878	11%
Selling and marketing	6,539,702	6,009,997	529,705	9%
General and administrative	1,708,823	1,831,329	(122,506)	(7%)
Interest expense	224,372	281,361	(56,989)	(20%)
Gain on forgiveness of loan	773,400	—	773,400	—

Revenue

Revenue increased by \$1,159,571 from \$19,804,362 for the year ended December 31, 2019, to \$20,963,933 representing an increase of 6% over the same period 2019. The increase in revenue is related to certain existing and new customers increasing advertising spend for political campaign advertising in connection with the 2020 presidential election. This increase in total revenue for the year ended December 31, 2020, as compared to the year ended 2019, was partially offset by a decrease in revenue from March to June of 2020 directly related to the COVID-19 pandemic. During this uncertain time, certain customers decreased advertising spend given the uncertain economic conditions at the time.

Media costs

Media costs are comprised of a platform fee payable to the partner the Company is using for a given campaign, data targeting costs related to the campaign and media costs for the actual placements of the advertisements themselves.

Media costs increased by \$1,104,878 from \$10,383,512 for the year ended December 31, 2019, to \$11,488,390 representing an increase of 11% over the same period in 2019. The increase in media costs is directly related to the increase in revenue. A focus of the political campaign media spend, that drove the increase in revenue, was focused on heavily targeted television placements which carry higher media purchase costs, resulting in lower margin.

Selling and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Selling and marketing expenses increased by \$529,705 from \$6,009,997 for the year ended December 31, 2019, to \$6,539,702 representing an increase of 9% over the year ended December 31, 2019. The increase for the year ended December 31, 2020, as compared to the prior year period was primarily the result of increased head count of sales team in new markets in the United States resulting in increased revenues, partially offset by (i) decreased travel, meals and entertainment as a result of the COVID-19 pandemic limiting travel, trade shows etc., and (ii) decreased advertising and promotion expenses as a result of the COVID-19 pandemic creating uncertainty in demand for customers spending on advertising given the economic environment during the period March through to June of 2020 as compared to the same period 2019.

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expense, and supplies.

General and administrative expenses decreased by \$122,506 from \$1,831,329 for the year ended December 31, 2019, to \$1,708,823 representing a decrease of 7% over the year ended December 31, 2019. The decrease for the year ended December 31, 2020, as compared to the prior year period was primarily the result of the decrease in (i) programmatic cloud hosting costs tied to network arbitrage business which was eliminated by the Company in 2020, (ii) decrease in software licensing costs, and (iii) decrease in outsourced developers. These decreases were partially offset by increases in (i) bad debt expense based on the Company's expected credit loss as determined by analysis of the historical recovery of accounts receivable, and (ii) increase in corporate head count.

Interest expense

During the year ended December 31, 2020, the Company incurred interest expenses of \$224,372 as compared to interest expense of \$281,361 for the prior year period, resulting in a variance of \$56,989, a decrease of 20% over the year ended December 31, 2019. The decrease in interest expense is primarily related to the funds received in connection with the PPP, resulting in the Company having to draw less on its line of credit, carrying less of a balance and incurring less interest expense.

Gain on forgiveness of loan

As a result of the COVID-19 pandemic, the Company was approved to receive loan proceeds in the amount of approximately \$773,400 under the PPP. In accordance with the terms of the loan, the company has assessed that it meets the qualifications for loan forgiveness and has classified the loan as forgiven. There was no pandemic and no paycheck protection program in 2019.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	For the three months ended (unaudited)			
	March 31,	June 30,	September 30,	December 31,
	2019	2019	2019	2019
Revenue	3,549,087	4,730,779	5,349,401	6,175,095
Net income (loss) and comprehensive income (loss)	(34,860)	337,160	403,798	524,401
Total assets	4,447,280	5,357,565	5,689,216	6,026,423
Total liabilities	7,451,946	8,025,071	7,952,924	7,763,014
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ (0.00)	\$ 0.02	\$ 0.03	\$ 0.04

	For the three months ended (unaudited)			
	March 31,	June 30,	September 30,	December 31,
	2020	2020	2020	2020
Revenue	3,875,572	3,583,994	5,998,523	7,505,844
Net income (loss) and comprehensive income (loss)	(472,925)	101,125	721,432	1,519,249
Total assets	4,489,482	3,805,449	4,791,571	5,136,301
Total liabilities	6,699,169	5,914,011	6,178,700	5,003,521
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ (0.03)	\$ 0.01	\$ 0.05	\$ 0.11

The Company's revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of the Company's control, including seasonality and cyclicity. The fourth quarter ending December 31 historically reflects increased advertising activity during the holiday season.

Seasonality may be affected by customer mix, such that retail advertisers may concentrate their advertising spending with the Company in the fourth quarter while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies.

As the Company grows through additional investments in sales and account management headcount, there is a lag between when the additional compensation costs related to headcount increases are incurred and when those resources begin to produce incremental revenue. This lag can lead to fluctuating overall operating results from quarter-to-quarter. As a result of these factors, one quarter's operating results are not necessarily indicative of a future quarter's operating results.

LIQUIDITY AND CAPITAL RESOURCES

The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent upon the Company's ability to profitably manage its marketing service contracts. As at December 31, 2020, the Company had negative working capital of \$338,966 and has an accumulated deficit of \$1,504,626 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing in the future and to repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Contractual obligations

The following is a summary of the Company's contractual obligations at December 31, 2020:

	Total	Payments due by period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Lease obligations ¹	390,500	123,385	256,282	10,833	—
Loans	918,790	918,790	—	—	—
Total	\$ 1,309,290	\$ 1,042,175	\$ 256,282	\$ 10,833	\$ —

¹Includes principal and interest.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loans approximate their carrying values due to their short-term nature. The Company's warrant put liability is measured at fair value using Level 3 inputs.

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and amount receivables. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies and amounts receivable are managed by management. The Company's secondary exposure to risk is on its other current assets. The carrying amount of financial assets represents the maximum credit exposure.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from loans payable. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

Q1 Media, Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2020 and 2019:

	As at December 31, 2020		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	2,805,816	—	—
Lease liability	123,385	267,115	—
Loans payable	918,790	—	—
Total	\$ 3,847,991	\$ 267,115	\$ —

	As at December 31, 2019		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	4,043,819	—	—
Lease liability	120,479	390,500	—
Loans payable	2,444,744	—	—
Total	\$ 6,609,042	\$ 390,500	\$ —

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has floating rate debt on one of its loans, however the Company's exposure to fluctuations in its interest rate is not material.

Capital management

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2020 and 2019. The Company is not subject to externally imposed capital requirements.

CASH FLOWS BY ACTIVITY

Comparison of the Three Months Ended December 31, 2020 and 2019

The table below outlines a summary of cash inflows and outflows by activity for the three months ended December 31, 2020, and 2019.

	Three Months Ended December 31,	
	2020	2019
Net cash provided by operating activities	\$ 459,021	\$ 550,994
Net cash used in financing activities	\$ (441,191)	\$ (18,774)
Net cash (used in) provided by investing activities	\$ (1,869)	\$ 3,674

Cash provided by Operating Activities

The Company's net cash flows provided by operating activities decreased by \$91,974 to \$459,021 for the three months ended December 31, 2020. This variance, as compared to the prior year period, is primarily due to a decrease in operating income driven by an increase in selling and marketing headcount in the second half of 2020 the top line benefit of which is expected to be realized in early 2021. This decrease in cash provided by operating activity was partially offset by an increase in changes in non-cash working capital primarily driven by the increase in unpaid supplier balances.

Cash used in Financing Activities

During the three months ended December 31, 2020, the Company's cash outflows from financing activities relate to (i) repayment of loans, (ii) lease repayments, (iii) repayment of interest on loans.

For the three months ended December 31, 2019, the Company's cash outflows from financing activities relate to (i) repayment of loans, (ii) lease repayments, (iii) repayment of interest on loans. These cash outflows were partially offset by proceeds from entering into certain loans.

Cash (used in) provided by Investing Activities

During the three months ended December 31, 2020, the Company acquired certain equipment for use in its day-to-day operations resulting in cash outflows from investing activities. During the three months ended December 31, 2019, cash provided by investing activity resulted from proceeds received on the disposal of certain equipment.

Comparison of the Year Ended December 31, 2020 and 2019

The table below outlines a summary of cash inflows and outflows by activity for the year ended December 31, 2020 and 2019.

	Year Ended December 31,	
	2020	2019
Net cash provided by (used in) operating activities	\$ 983,229	\$ (154,076)
Net cash (used in) provided by financing activities	\$ (960,495)	\$ 321,476
Net cash (used in) provided by investing activities	\$ (11,745)	\$ (19,013)

Cash provided by (used in) Operating Activities

The Company's net cash flows from operating activities increased by \$1,137,305 to \$983,229 for the year ended December 31, 2020. This variance, as compared to the prior year period, is primarily due to collections of accounts receivable in 2020 related to balances outstanding at December 31, 2019. This increase in collection of accounts receivable was partially offset by (i) decrease in deferred tax assets as a result of generating increased income from operations, (ii) a decrease in operating income due to an increase in selling and marketing headcount in the second half of 2020 the top line benefit of which is expected to be realized in early 2021.

Cash (used in) provided by Financing Activities

During the year ended December 31, 2020, the Company's cash outflows from financing activities relate to (i) repayment of loans, (ii) lease repayments, (iii) repayment of interest on loans. These cash outflows were partially offset by proceeds received from PPP loans.

For the year ended December 31, 2019, the Company's cash inflows from financing activities are the result of proceeds from entering into certain loans. These proceeds were partially offset by the repayment of (i) certain loans, (ii) interest on loans, (iii) lease payments.

Cash (used in) provided by Investing Activities

During the year ended December 31, 2020, the Company acquired certain equipment for use in its day-to-day operations resulting in cash outflows from investing activities. During the year ended December 31, 2019, the Company disposed of certain equipment cash proceeds partially offset by the purchase of certain property and equipment for use in its day-to-day.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the combined consolidated financial statements were prepared. Existing circumstances and

assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the combined consolidated financial statements.

Provision and contingencies

The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Expected credit losses

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company consider the counterparty's financial position, past experience and other factors.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires assumptions be made for the inputs to the valuation model, which include the expected life of the equity instrument, share price, volatility, dividend yield and forfeiture rate.

Useful lives of property and equipment

Management is depreciating the furniture and fixtures, equipment and leasehold improvements on a straight-line basis, with the following useful lives:

Furniture and fixtures	7 years
Equipment	3 years
Leasehold improvements	Shorter of lease term or life of the leasehold improvement
Software	3 years
Computer	3 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Determination of incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods

compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Warrant put liability

Warrants put's were issued pursuant to issuance of third party debt that establishes a minimum compensation in the form of cash for the debt issued, and are considered a warrant put liability and therefore measured at fair value on issue and thereafter at amortized cost through interest accretion.

The Company uses the Black-Scholes option pricing model to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares, the expected life of the warrants and the fair value on a recurring basis.

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash at banks, cash on hand, and restricted cash.

Property and equipment

Furniture and fixtures, equipment, leasehold improvements, and software are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the equipment and any expenditure required to make the equipment ready for use. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Depreciation is provided annually on furniture and fixtures, equipment, and software at rates designed to charge the cost of the assets over their estimated useful lives, using the straight-line method.

The asset's residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Depreciation is recognized in the statements of income and comprehensive income.

Refer to note 3 of the 2020 and 2019 Annual Financial Statements for a discussion of the estimation of the uncertainty in respect of the determination of the appropriate method of depreciation, the underlying useful life and the estimation of residual values in respect of furniture and fixtures, equipment, leasehold improvements, and software.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

The contract involves the use of an identified asset;

The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

The Company has the right to direct the use of the asset.

The company elected the practical expedient to not apply IFRS 16 to leases of low value equipment. The expense associated with low value equipment leases was \$nil and \$5,268 at December 31, 2020 and 2019, respectively.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the

commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 10 years for facilities, equipment and vehicles. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the combined consolidated statements of loss and comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the combined consolidated statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the combined consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

Q1 Media, Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the combined consolidated statements of loss and comprehensive loss.

The Company has classified its financial instruments as follows:

Financial instrument	Classification/ Measurement	Fair value hierarchy
Assets		
Cash and cash equivalents	Amortized cost	N/A
Accounts receivable	Amortized cost	N/A
Liabilities		
Accounts payable and accrued liabilities	Amortized cost	N/A
Loans	Amortized cost	N/A
Leases	Amortized cost	N/A
Warrant put liability	FVTPL	N/A

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Losses are recognized in the combined consolidated statements of loss and comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the combined consolidated statements of loss and comprehensive loss.

Earnings per share

The calculation of earnings per common share is based on the reported net income divided by the weighted average number of shares outstanding during the period. Diluted income per share is calculated using the treasury stock method. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

Share-based payment transactions

The Company grants stock options to buy common shares of the Company to directors, officers, employees and service providers. The board of directors grants such options for periods of up to ten years, with vesting periods determined at its sole discretion and at prices equal to or greater than the closing market price on the day preceding the date the options were granted.

The fair value of the options granted to employees is measured at grant date, using the Black-Scholes option pricing model, and is recognized as the employees earn the options. The fair value is recognized as an expense with a corresponding increase in equity. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

The fair value of the options granted to non-employees is measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the fair value of the equity instruments issued is used. The value of the goods or services is recorded at the earlier of the vesting date, or the date the goods or services are received.

When the stock options are exercised, the applicable amounts of equity reserves are transferred to share capital.

Revenue recognition

The Company's revenues are derived from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between

invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component. Customary terms require payment within 30 days.

The Company follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Company obligations remain, fees are fixed and determinable, and collection of the related receivable is probable. Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in IFRS 15 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are related to the provision of marketing solutions and platform solutions.

The marketing solutions and platform solutions are recognized over time as progress is made toward satisfying the performance obligations of each contract. The Company measures a contract's progress on the basis of the ratio of contracted views, clicks, or time has elapsed as compared to the total contracted quantity, a so-called input method, because, in the Company's view, such method best depicts the progress toward completion. For contracts involving multiple performance obligations, the transaction, i.e., selling, price is allocated based on relative standalone selling prices of the goods or services.

Contract liabilities represent the Company's obligation to transfer goods or services to a customer when consideration has already been received from the customer. As at December 31, 2020, 2019 and 2018 the Company's contract liability balances were \$42,959, \$86,559 and \$34,000, respectively. Deferred revenue is included within accrued liabilities in the statements of financial position.

For incremental costs of obtaining a contract, the Company elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year. This election had an immaterial effect on the Company's financial statements.

For significant financing components, the Company elected a practical expedient, which allows an entity to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. As the Company's contracts are typically less than one year in length and do not have significant financing components, the Company does not present revenue on a present value basis.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred income tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the combined consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Segment reporting

The Company currently operates in a single operating segment. The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in

assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the financial statements also represent segment amounts.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in net income:

	Years Ended December 31,	
	2020	2019
Employee compensation	\$ 1,056,396	\$ 747,766
	<u>\$ 1,056,396</u>	<u>\$ 747,766</u>

As at December 31, 2020, included in accounts payable and accrued liabilities was \$25,000 (December 31, 2019 – \$53,000) of payments owed to key management personnel for accrued employee compensation.

As at December 31, 2020, there is an outstanding note payable to certain board of members and executive officers totaling \$218,790 (2019 – \$596,158).

For discussion of related party loans, see above.

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2020, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

OUTSTANDING SHARE DATA

The Company is authorized to issue 10,000,000 shares of preferred stock and 20,000,000 shares of common stock, in each case having a par value per share of \$0.001. The table below lists the securities outstanding:

	As at February 14, 2022
Common shares	13,799,757
Total Common Stock on a fully-diluted basis	<u>13,799,757</u>

RISK FACTORS AND UNCERTAINTIES

The Company is exposed to a variety of business risks, financial and accounting risks 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 Management Information Circular of PopReach Corporation dated February 14, 2022.

SCHEDULE J
Q1MEDIA INTERIM FINANCIAL STATEMENTS

(see attached)

Q1 MEDIA INC.

Condensed Interim Financial Statements
For the three and six months ending June 30, 2021 & 2020
(expressed in United States Dollars – unaudited)

Q1 MEDIA INC.
Condensed Interim Statements Financial Position
(expressed in United States Dollars – unaudited)

	Note	As at June 30, 2021	December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,436,304	\$ 659,448
Accounts receivable, net		4,108,063	3,702,720
Prepaid expenses and deposits	3	59,361	47,954
Total current assets		5,603,728	4,410,122
Non-current assets			
Prepaid expenses and deposits	3	34,717	34,717
Right-of-use asset		287,472	343,112
Property and equipment	4	46,162	46,582
Deferred tax asset		191,698	301,768
Total non-current assets		560,049	726,179
Total assets		\$ 6,163,777	\$ 5,136,301
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	5, 10	\$ 2,654,681	\$ 2,805,816
Current portion of lease liability	10	124,971	108,548
Loans	6, 10	1,500,000	918,790
Warrant put liability	7	951,999	915,934
Total current liabilities		5,231,651	4,749,088
Long-term liabilities			
Lease liability	10	184,533	254,433
Total long-term liabilities		184,533	254,433
Total liabilities		5,416,184	5,003,521
Shareholders' equity			
Share capital	8	13,800	13,800
Contributed surplus	9	4,930,061	1,623,606
Deficit		(4,196,268)	(1,504,626)
Total shareholders' equity		747,593	132,780
Total liabilities and shareholders' equity		\$ 6,163,777	\$ 5,136,301

Approved on behalf of the Board:

/s/ Ted Hastings
Ted Hastings, Director

/s/ Bill Wiemann
Bill Wiemann, CEO

The accompanying notes form an integral part of these condensed interim financial statements

Q1 MEDIA INC.**Condensed Interim Statements of Income (Loss) & Comprehensive Income (Loss)***(expressed in United States Dollars – unaudited)*

		Three months ended June 30,		Six months ended June 30,	
	Note	2021	2020	2021	2020
Revenue		\$ 6,680,737	\$ 3,583,995	\$ 11,724,324	\$ 7,459,566
Media costs		3,522,893	1,860,349	6,217,866	4,023,065
Gross profit		3,157,844	1,723,646	5,506,458	3,436,501
Expenses					
Selling and marketing	11	1,940,697	1,243,295	3,654,601	2,821,450
General and administrative	11	524,420	296,410	873,718	808,454
Depreciation	4	35,096	44,170	69,296	88,321
Stock based compensation		—	—	3,306,455	—
		2,500,213	1,583,875	7,904,070	3,718,225
Other income (loss)					
Interest expense	6,7	(40,979)	(62,808)	(85,753)	(139,777)
Loss on disposal of equipment		(1,413)	—	(1,413)	—
Other income		—	37,250	28,390	74,500
Net income before income taxes		615,239	114,213	(2,456,388)	(347,001)
Income tax expense (benefit)		170,266	13,757	235,254	(22,991)
Net income (loss) and comprehensive income (loss)		\$ 444,973	\$ 100,456	\$ (2,691,642)	\$ (324,010)
Net income (loss) and comprehensive income (loss) per share		\$ 0.03	\$ 0.01	\$ (0.20)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted		13,799,757	13,799,757	13,799,757	13,799,757

The accompanying notes form an integral part of these condensed interim financial statements

Q1 MEDIA INC.
Condensed Interim Statements of Shareholders' Equity (Deficiency)
(expressed in United States Dollars – unaudited)

	Share Capital					
	Common shares Number	Common shares Amount	Contributed Surplus	Deficit	Total	
Balance – December 31, 2019	13,799,757	\$ 13,800	\$ 1,623,116	\$ (3,373,507)	\$ (1,736,591)	
Net income and comprehensive income	—	—	—	(324,010)	(324,010)	
Balance – June 30, 2020	13,799,757	13,800	1,623,116	(3,697,517)	(2,060,601)	
Balance – December 31, 2020	13,799,757	13,800	1,623,606	(1,504,626)	\$ 132,780	
Stock based compensation	—	—	3,306,455	—	3,306,455	
Net income and comprehensive income	—	—	—	(2,691,642)	(2,691,642)	
Balance – June 30, 2021	13,799,757	\$ 13,800	\$ 4,930,061	\$ (4,196,268)	\$ 747,593	

The accompanying notes form an integral part of these financial statements.

Q1 MEDIA INC.**Condensed Interim Statements of Cash Flows***(expressed in United States Dollars – unaudited)*

	Six months ended June 30,	
	2021	2020
Cash flows from operating activities		
Net income and comprehensive income	\$ (2,691,642)	\$ (324,010)
Changes in non-cash operating items:		
Depreciation and amortization	69,296	88,321
Loss on disposal of property and equipment	1,413	—
Stock based compensation	3,306,455	—
Interest expense	85,753	139,777
	771,275	(95,912)
Changes in non-cash working capital		
Accounts receivable	(405,343)	1,853,922
Prepaid expenses and deposits	(11,407)	(16,228)
Deferred tax asset	110,070	—
Accounts payable and accrued liabilities	(151,135)	(1,704,790)
Net cash provided by operating activities	313,460	36,992
Cash flows from financing activities		
Lease payments	(53,477)	(49,658)
Proceeds from loans	800,000	773,400
Repayment of loans	(218,790)	(957,447)
Payment of interest	(49,688)	(98,074)
Net cash (used in) provided by financing activities	478,045	(331,779)
Cash flows from investing activities		
Acquisition of property and equipment	(14,649)	(2,111)
Net cash used in investing activities	(14,649)	(2,111)
Change in cash during the period	776,856	(296,898)
Cash – beginning of period	659,448	648,459
Cash – end of period	\$ 1,436,304	\$ 351,561

The accompanying notes form an integral part of these financial statements.

Q1 MEDIA INC.**Notes to the Condensed Interim Financial Statements**

(expressed in United States Dollars – unaudited)

1. NATURE OF OPERATIONS

Q1Media, Inc. (the “Company”), was incorporated in the State of Delaware on December 12, 2012. The Company is a digital media services company that focuses on the small and medium business (“SMB”) category with its headquarters located in Austin, Texas.

The address of the Company’s registered office is 2140 S, DuPont Highway, Camden, Delaware 19934.

2. BASIS OF PREPARATION**Statement of compliance**

These condensed interim financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim financial statements do not include all the information and disclosures required in the Company’s annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended December 31, 2020.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2022.

Basis of presentation

The condensed interim financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These condensed interim financial statements have been prepared in United States dollars (“USD”), which is the Company’s functional and presentation currency.

COVID-19

On March 11, 2020, the World Health Organization declared the coronavirus outbreak (“COVID-19”) to be a pandemic. Responses to the spread of COVID-19 have resulted in a significant disruption to business operations and a significant increase in economic uncertainty in North America and elsewhere, with more volatile currency exchange rates, higher lending rates and a marked decline in long-term interest rates. These events have resulted in a volatile and challenging economic climate which may adversely affect the Company’s operational results and financial position. The current economic climate is having and may continue to have significant adverse impacts on the Company, which may include, but are not limited to:

- a delay in business activity that could result in material reductions in future revenue and cashflows;
- inability to access equity and/or debt financing;
- increased risk of non-performance by the Company’s customers which could materially increase collection risk of accounts receivable and the risk of customer defaults on contracts; and,
- increased risk of non-renewals of future services, or cancelation of pending projects contracts.

While the Company does not believe there has been an impact to existing business, the current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgements made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

2. BASIS OF PREPARATION (continued)

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements and application of IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

There have been no changes to accounting estimates and judgements in the period. For additional information on accounting estimates and judgements as well as the Company's significant accounting policies, refer to the Company's audited annual financial statements for the year ended December 31, 2020. In addition, the company did not change, add, or adopt any new accounting policies during the period.

3. PREPAID EXPENSES AND DEPOSITS

	As at June 30, 2021	As at December 31, 2020
Prepaid expenses	9,828	38,488
Prepaid insurance	49,475	9,466
Vendor deposits	34,775	34,717
Prepaid expenses and deposits	\$ 94,078	\$ 82,671
Current	59,361	47,954
Long-term	34,717	34,717

Q1 MEDIA INC.**Notes to the Condensed Interim Financial Statements***(expressed in United States Dollars – unaudited)***4. PROPERTY AND EQUIPMENT**

COST	Leasehold improvements	Furniture and Fixtures	Equipment	Software	Total
Balance as at December 31, 2019	\$ 216,258	\$ 126,252	\$ 95,546	\$ 57,235	\$ 495,291
Additions	—	—	18,698	—	18,698
Disposals	(216,258)	—	(11,826)	—	(228,084)
Balance as at December 31, 2020	—	126,252	102,418	57,235	285,905
Additions	—	—	14,718	—	14,718
Disposals	—	—	(23,306)	—	(23,306)
Balance as at June 30, 2021	\$ —	\$ 126,252	\$ 93,830	\$ 57,235	\$ 277,317

ACCUMULATED DEPRECIATION

Balance as at December 31, 2019	\$ 178,684	\$ 90,697	\$ 72,743	\$ 57,235	\$ 399,359
Depreciation	30,895	17,220	12,980	—	61,095
Disposals	(209,579)	—	(11,552)	—	(221,131)
Balance as at December 31, 2020	—	107,917	74,171	57,235	239,323
Depreciation	—	5,329	9,808	—	15,137
Disposals	—	—	(23,305)	—	(23,305)
Balance as at June 30, 2021	\$ —	\$ 113,246	\$ 60,674	\$ 57,235	\$ 231,155

NET BOOK VALUE

At December 31, 2020	\$ —	\$ 18,335	\$ 28,247	\$ —	\$ 46,582
At June 30, 2021	\$ —	\$ 13,006	\$ 33,156	\$ —	\$ 46,162

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at June 30, 2021	As at December 31, 2020
Trade accounts payable	2,074,440	2,095,432
Accrued liabilities	432,142	518,550
Deferred revenue	42,959	42,959
Taxes payable	105,140	148,875
Accounts payable and accrued liabilities	\$ 2,654,681	\$ 2,805,816

Q1 MEDIA INC.**Notes to the Condensed Interim Financial Statements***(expressed in United States Dollars – unaudited)***6. LOANS**

	As at June 30, 2021	As at December 31, 2020
Beginning balance	\$ 918,790	\$ 2,444,744
Additions	800,000	773,400
Interest expense	41,605	99,427
Forgiveness of loan	—	(773,400)
Repayments of principal and interest	(260,395)	(1,625,381)
Ending balance	\$ 1,500,000	\$ 918,790

The Company's loan balance is comprised of lines of credit and related party notes payable and are described as follows:

Line of credit 1

On December 19, 2018, the Company entered into a loan and security agreement with a third party lender for a revolving line of credit (the "2018 LOC") of up to \$4,000,000, for an initial term of 12 months. The 2018 LOC bears interest until maturity at a floating per annum rate which is equal to prime plus 1.75%. Accrued interest is due and payable on a monthly basis during the term of the 2018 LOC agreement and at maturity. In December of 2019, the Company entered into an amendment to extend the maturity date to December 19, 2020. The 2018 LOC is collateralized by substantially all of the Company's assets. As at December 31, 2020, the principal amount outstanding on the 2018 LOC was \$nil. Total interest expense for the year ended December 31, 2020, was \$77,083. The Company is subject to financial covenants under this loan and security agreement. All borrowing costs were expensed during the period.

Line of credit 2

On December 15, 2020, the Company entered into a loan and security agreement with a third party lender for a revolving line of credit (the "2020 LOC") of up to \$3,000,000, for an initial term of 12 months. The 2020 LOC bears interest until maturity at a variable annual interest rate equal to prime rate plus a margin of 1.000%. LOC interest rate has been constant 4.25% December 15, 2020 through June 30, 2021. Accrued interest is due and payable on a monthly basis during the term of the 2020 LOC agreement and at maturity. The 2020 LOC is collateralized by substantially all of the Company's assets. As at June 30, 2021, the principal amount outstanding on the 2020 LOC was \$1,500,000 (December 2020 – \$700,000). Total interest expense for the six month period ended June 30, 2021, was \$24,547 (2020 – \$3,576). The Company is subject to financial covenants under this loan and security agreement. All borrowing costs were expensed during the period.

Subsequent to June 30, 2021, the full balance of the line of credit was settled and closed.

Third party note 1

From 2014 to 2016, the Company financed certain furniture purchased from a third-party supplier. The life of the purchase finance contracts are for a term of 5 years and bear interest at an average annual interest rate of 10%. The balance of these notes as at December 31, 2020 was \$nil. Total interest expense for the year ended December 31, 2020, was \$828.

Third party note 2

On April 16, 2020, the Company was approved to receive loan proceeds in the amount of approximately \$773,400 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. On January 22, 2021, the Company received confirmation from First United bank that the loan had been forgiven in full. As a result, the Company treated the loan as forgiven on December 31, 2020, and the gain on forgiveness on loan is recorded in the statement of income and comprehensive income.

6. LOANS (continued)

Related party note

On January 1, 2019, the Company entered into a promissory note agreement with an individual related through stock ownership for \$700,000. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10% starting April 1, 2019. The promissory note is unsecured. Accrued interest is payable monthly on the 1st day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due August 31, 2021. As at June 30, 2021, the outstanding principal balance was \$nil (2020 – \$218,790). Total interest expense for the six month period ended June 30, 2021, was \$17,057 (2020 – \$27,365).

7. WARRANT PUT LIABILITY

On February 14, 2014, and April 9, 2015, the Company entered into loan and security agreements. These loan agreements were accompanied by share purchase warrants (see note 9) as well as a warrant put option. The warrant put option had a maturity of seven years, terminating on February 20, 2021, and April 9, 2022 respectively. The warrant agreements contain a clause extending the maturity date of the warrant agreement until payment of the contractual put price if the holder of the warrant put gives notice of intent to exercise. Per the terms of the put option, in the event of (i) any acquisition or other change in control of the Company, (ii) any initial public offering or other listing of the Company's securities, (iii) any winding up, liquidation or deemed liquidation under the Company's Certificate of Incorporation, and (iv) upon expiry of this warrant, the holders have the right to exchange this warrant for the cash sum of \$500,000 for each of the February 2014 and April 2015 warrants, totaling an undiscounted liability of \$1,000,000. Subsequent to year end, the February 13, 2014, note expired. As of the date of these financial statements, no cash amount has been settled for this warrant put liability.

The Company has recognized a warrant put liability, which was initially measured at the present value of the future expected payments, discounted at a rate of 12% and 14% over the seven-year life of the liability. Interest accretion on the warrant put liability is included in interest expense in the statements of income and comprehensive income. The carrying amount of the Company's warrant put liability is summarized in the table below

	Amount
Balance - December 31, 2019	810,927
Interest accretion	105,007
Balance - December 31, 2020	915,934
Interest accretion	36,065
Balance - June 30, 2021	951,999

8. SHARE CAPITAL

Common Stock

The Company has authorized for issuance up to 20,000,000 shares of common stock, with a par value of \$0.001 per share. During the six month period ended June 30, 2021 and the year ended December 31, 2020, there were nil transactions impacting share capital.

Preferred Stock

The company has authorized for issuance up to 10,000,000 shares of preferred stock with a par value of \$0.001 per share. There is no preferred stock issued or outstanding as at June 30, 2021 and years ending December 31, 2020, and 2019. The specifics rights and obligations of the preferred stock will be determined by the Board of Directors upon issuance of shares.

Q1 MEDIA INC.
Notes to the Condensed Interim Financial Statements
(expressed in United States Dollars – unaudited)

8. SHARE CAPITAL (continued)

Warrants

Warrants to purchase common stock were issued in conjunction with the Company's execution of its loan and security agreements with third party lending institutions effective February 20, 2014 and April 9, 2015 (see note 7). On February 20 2021, the February 20, 2014, note expired.

The following is a summary of outstanding warrant as at June 30, 2021

Issued	Exercise Price \$	Number of Warrants	Expiry
April 9, 2015	\$ 1.51	315,972	April 9, 2022
	\$ 1.51	315,972	

9. CONTRIBUTED SURPLUS

Stock options

The Company reserved an aggregate of 1,300,000 shares of Common Stock for issuance under its 2013 Incentive Stock Plan (the "Plan"). The Plan provides for grants of incentive stock options, non-statutory stock options, restricted stock, stock appreciation rights, restricted stock units, performance units, performance shares, and other stock based awards to employees, directors, and contractors of the Company. Options under the Plan are granted at the estimated fair value of the shares on the date of grant as determined by the Board of Directors. The maximum term of options granted under the Plan is ten years from the date of grant. Options under the Plan generally vest over three years. Options under the Plan are generally exercisable when vested and subject to such terms, conditions, performance criteria, and restrictions as determined by the Board of Directors and set forth in the related option agreements. The Company also has the right of first refusal for any proposed disposition of shares issued under the Plan.

Subsequent to June 30, 2021, the Company cancelled the 2013 Incentive Stock Plan as a result of the Company being acquired by Federated Foundry on July 9, 2021 (see note 13).

During the six month period ended June 30, 2021 and year ended December 31, 2020, there were nil grants of stock options.

The following table summarizes the balance of the stock options during the six month period ended June 30, 2021 and year ended December 31, 2020.

	As at June 30, 2021 and December 31, 2020	
	Number of options	Weighted average exercise price \$
Balance	785,399	\$ 1.13

The following table provides additional information about the Company's stock options as at June 30, 2021:

Number of Options Outstanding	Exercise Price \$	Weighted average remaining life (years)	Number of Options Exercisable
785,399	\$ 0.24 - \$2.25	2.01	785,399
785,399	\$ 0.24 - \$2.25		785,399

No stock options were exercised during the six month period ended June 30, 2021 and year ended December 31, 2020, and as a result \$nil was transferred to share capital from contributed surplus.

9. CONTRIBUTED SURPLUS (continued)

All stock options granted to date have vested and the balance of unexpended stock-based compensation expense is \$nil. No stock options were exercised during the year ended December 31, 2020, and as a result \$nil was transferred to share capital from contributed surplus.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loans approximate their carrying values due to their short-term nature. The Company's warrant put liability is measured at fair value using Level 3 inputs.

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and account receivables. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies and accounts receivable are managed by management. The Company's secondary exposure to risk is on its other current assets. The carrying amount of financial assets represents the maximum credit exposure.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from loans payable. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

Q1 MEDIA INC.**Notes to the Condensed Interim Financial Statements***(expressed in United States Dollars – unaudited)***10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

The following is an analysis of the contractual maturities of the Company's financial liabilities as at June 30, 2021 and December 31, 2020:

	Within one year	As at June 30, 2021 Between one and five years	More than five years
Accounts payable and accrued liabilities	2,654,681	—	—
Lease liability	124,971	184,533	—
Loans	1,500,000	—	—
Total	\$ 4,279,652	\$ 184,533	\$ —

	Within one year	As at December 31, 2020 Between one and five years	More than five years
Accounts payable and accrued liabilities	2,805,816	—	—
Lease liability	123,385	267,115	—
Loans	918,790	—	—
Total	\$ 3,847,991	\$ 267,115	\$ —

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has floating rate debt on one of its loans, however the Company's exposure to fluctuations in its interest rate is not material.

11. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statements of income and comprehensive income. Below is a breakdown of expenses by nature:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Employee compensation	2,055,265	1,367,743	7,263,159	3,015,554
Office and administrative	84,797	71,368	141,912	274,926
Technology	3,908	5,246	8,717	14,336
Legal and professional fees	212,884	28,549	249,575	56,768
Travel, meals, and entertainment	38,427	1,407	43,777	68,978
Advertising and promotion	21,150	(152)	36,057	43,732
Consulting fees	14,626	16,637	26,138	75,067
Insurance	16,060	13,907	30,439	24,543
Bad debt expense	18,000	35,000	35,000	56,000
	\$ 2,465,117	\$ 1,539,705	\$ 7,834,774	\$ 3,629,904

The above expenses are presented in the statements of income and comprehensive income as follows:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Selling and marketing	1,940,697	1,243,295	3,654,601	2,821,450
General and administrative	524,420	296,410	4,180,173	808,454
	\$ 2,465,117	\$ 1,539,705	\$ 7,834,774	\$ 3,629,904

Q1 MEDIA INC.**Notes to the Condensed Interim Financial Statements***(expressed in United States Dollars – unaudited)*

12. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in net income:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Executive compensation	283,750	125,000	3,842,205	352,000
	<u>\$ 283,750</u>	<u>\$ 125,000</u>	<u>\$ 3,842,205</u>	<u>\$ 352,000</u>

During the six month period ended June 30, 2021, there was stock compensation awarded to certain executive officers totaling \$3,306,455

During the six month period ended June 30, 2021, there were payments made to certain board members and executive officers totaling \$218,790 that retired the note payable. For discussion of related party loan, see note 6 above.

13. SUBSEQUENT EVENTS

On July 9, 2021, the Company was acquired by Federated Foundry ("Federated") for \$13,000,000. As part of the transaction, the Company became party, as a Guarantor, to a convertible debenture payable to the Company's officers in the amount of \$8,000,000, included within the preceding total consideration paid by Federated Foundry. As of November 9, 2021, the Company was no longer a Guarantor on the convertible debentures.

On July 8, 2021, and prior to the close of the Federated transaction, the Company terminated its employee stock option plan.

SCHEDULE K
Q1MEDIA INTERIM MD&A

(see attached)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Q1Media, Inc. ("Q1" or the "Company"), for the three and six month period ended June 30, 2021.

This document should be read in conjunction with the information contained in the Company's condensed interim financial statements and related notes for the three and six month period ended June 30, 2021 (the "Q2 2021 Condensed Interim Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$") and "USD" amounts and references in this MD&A are in United States dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, February 14, 2022, being the date the Company's board of directors (the "Board" or "Board of Directors") approved this MD&A and the Q2 2021 Condensed Interim Financial Statements. All quarterly information contained herein is unaudited.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

OVERVIEW AND SIGNIFICANT EVENTS

Corporate Structure

Q1Media, Inc. ("Q1" or the "Company"), was incorporated in the State of Delaware on December 12, 2012. The Company's headquarters is located at 8240 North Mopac Expressway, Suite 250, Austin, TX 78759. The Company's registered office address is 2140 S, DuPont Highway, Camden, Delaware 19934.

General Development of the Business

Effective March 1, 2013, two entities with a control structure similar to Q1Media, Inc. (Gotcha Media Group, Inc. and Q1Media, LLC) were merged into Q1Media, Inc.

Q1 is a digital media services company that focuses on the small and medium business ("SMB") category.

The Company's revenues are derived from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between invoicing and when payment is due is not significant and none of Q1's contracts contain a significant financing component. Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Q1 obligations remain, fees are fixed and determinable, and collection of the related receivable is probable.

The Company provides custom digital advertising campaign solutions across all major advertising platforms.

To support its service offerings, the Company built out its own customer relationship management ("CRM") and Operations Console in 2019-2020, Q1.io, that also has a customer facing element for reporting on campaigns. This technology was Company built using outsourced developers and was managed by the Company's CTO and VP of Ad Operations. Including all individuals time for the initial build the Company estimates it has incurred a cost of \$979,000. The Company currently spends, on average, \$3,000 to \$5,000 per month on continued expansion of this platform.

Throughout 2020 and 2021, the Company also expanded its product offerings to include a variety of digital media marketing techniques on new and growing social advertising platforms including Tiktok, Pinterest, and SnapChat.

Loans

The Company has utilized various debt facilities to support the operation of the business.

Line of credit 1

On December 19, 2018, the Company entered into a loan and security agreement with a third party lender for a revolving line of credit (the "2018 LOC") of up to \$4,000,000, for an initial term of 12 months. The 2018 LOC bears interest until maturity at a floating per annum rate which is equal to prime plus 1.75%. Accrued interest is due and payable on a monthly basis during the term of the 2018 LOC agreement and at maturity. In December of 2019, the Company entered into an amendment to extend the maturity date to December 19, 2020. The 2018 LOC is collateralized by substantially all of the Company's assets. As at December 31, 2020, the principal amount outstanding on the 2018 LOC was \$nil. Total interest expense for the year ended December 31, 2020, was \$77,083. The Company is subject to financial covenants under this loan and security agreement. All borrowing costs were expensed during the period.

Line of credit 2

On December 15, 2020, the Company entered into a loan and security agreement with a third party lender for a revolving line of credit (the "2020 LOC") of up to \$3,000,000, for an initial term of 12 months. The 2020 LOC bears interest until maturity at a variable annual interest rate equal to prime rate plus a margin of 1.000%. LOC interest rate has been constant at 4.25% from December 15, 2020 through June 30, 2021. Accrued interest is due and payable on a monthly basis during the term of the 2020 LOC agreement and at maturity. The 2020 LOC is collateralized by substantially all of the Company's assets. As at June 30, 2021, the principal amount outstanding on the 2020 LOC was \$1,500,000 (December 2020 – \$700,000). Total interest expense for the six month period ended June 30, 2021, was \$24,547 (2020 – \$3,576). The Company is subject to financial covenants under this loan and security agreement. All borrowing costs were expensed during the period.

Subsequent to June 30, 2021, the full balance of the line of credit was settled and closed.

Third party note 1

From 2014 to 2016, the Company financed certain furniture purchased from a third-party supplier. The life of the purchase finance contracts are for a term of 5 years and bear interest at an average annual interest rate of 10%. The balance of these notes as at December 31, 2020 was \$nil. Total interest expense for the year ended December 31, 2020, was \$828.

Third party note 2

On April 16, 2020, the Company was approved to receive loan proceeds in the amount of approximately \$773,400 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. On January 22, 2021, the Company received confirmation from First United bank that the loan had been forgiven in full. As a result, the Company treated the loan as forgiven on December 31, 2020, and the gain on forgiveness on loan is recorded in the statement of income and comprehensive income.

Related party note

On January 1, 2019, the Company entered into a promissory note agreement with an individual related through stock ownership for \$700,000. The principal amount outstanding under the promissory note accrues interest at a per annum simple interest rate equal to 10% starting April 1, 2019. The promissory note is unsecured. Accrued interest is payable monthly on the 1st day of the month, and the outstanding principal balance of the promissory note together with all accrued but unpaid interest thereon is due August 31, 2021. As at June 30, 2021, the outstanding principal balance was \$nil (2020 – \$218,790). Total interest expense for the six month period ended June 30, 2021, was \$17,057 (2020 – \$27,365).

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

SUBSEQUENT EVENTS

On July 9, 2021, the Company was acquired by Federated Foundry ("Federated") for \$13,000,000. As part of the transaction, the Company became party, as a Guarantor, to a convertible debenture payable to the Company's officers in the amount of \$8,000,000, included within the preceding total consideration paid by Federated Foundry. As of November 9, 2021, the Company was no longer a Guarantor on the convertible debentures.

On July 8, 2021, and prior to the close of the Federated transaction, the Company terminated its employee stock option plan.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three and six months ended June 30, 2021 and 2020, is set forth below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 6,680,737	\$ 3,583,995	\$ 11,724,324	\$ 7,459,566
Net income (loss) and comprehensive income (loss)	\$ 444,973	\$ 100,456	\$ (2,691,642)	\$ (324,010)
Total assets	\$ 6,163,777	\$ 3,805,449	\$ 6,163,777	\$ 3,805,449
Total liabilities	\$ 5,416,184	\$ 5,914,011	\$ 5,416,184	\$ 5,914,011
Basic and diluted net income (loss) and comprehensive income (loss) per common share	\$ 0.03	\$ 0.01	\$ (0.20)	\$ (0.02)

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended June 30, 2021 and 2020

	Three Months Ended June 30,			
	2021	2020	Variance	% Change
Revenue	6,680,737	3,583,995	3,096,742	86%
Media costs	3,522,893	1,860,349	1,662,544	89%
Selling and marketing	1,940,697	1,243,295	697,402	56%
General and administrative	524,420	296,410	228,010	77%
Interest expense	40,979	62,808	(21,829)	(35%)

Revenue

Revenue increased by \$3,096,742 from \$3,583,995 for the three months ended June 30, 2020, to \$6,680,737 representing an increase of 86% over the same period in 2020. The increase in revenue is related to certain existing and new customers increasing overall spend as the marketing and advertising spend recovers from impact COVID-19 lockdowns had in the second quarter of 2020.

Media costs

Media costs are comprised of a platform fee payable to the partner the Company is using for a given campaign, data targeting costs related to the campaign and media costs for the actual placements of the advertisements themselves. Media costs increased by \$1,662,544 from \$1,860,349 for the three months ended June 30, 2020, to \$3,522,893 representing an increase of 89% over the same period 2020. The increase in media costs is directly related to the increase in revenue as the economy recovers.

Selling and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Selling and marketing expenses increased by \$697,402 from \$1,243,295 for the three months ended June 30, 2020, to \$1,940,697 representing an increase of 56% over the three months ended June 30, 2020. The increase for the three months ended June 30, 2021, as compared to the prior year period was primarily the result of increased head count of sales team in new markets in the United States resulting in increased revenues, partially offset by (i) decreased travel, meals and entertainment as a result of the COVID-19 pandemic limiting travel, trade shows etc., and (ii) decreased advertising and promotion expenses driven by increased seasonal demand for the Company's services during the period.

Q1 Media, Inc.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expense, and supplies.

General and administrative expenses increased by \$228,010 from \$296,410 for the three months ended June 30, 2020, to \$524,420 representing an increase of 77% over the three months ended June 30, 2020. The increase for the three months ended June 30, 2021, as compared to the prior year period was primarily the result of increased professional legal and accounting fees as part of IFRS audit.

Interest expense

During the three months ended June 30, 2021, the Company incurred interest expenses of \$40,979 as compared to interest expense of \$62,808 for the prior year period, resulting in a variance of \$21,829, a decrease of 35% over the three months ended June, 30, 2020. The decrease in interest expense is primarily related to less overall debt and lower average interest rate on the debt.

Comparison of the Six Months Ended June 30, 2021 and 2020

	Six Months Ended June 30,			
	2021	2020	Variance	% Change
Revenue	11,724,324	7,459,566	4,264,758	57%
Media costs	6,217,866	4,023,065	2,194,801	55%
Selling and marketing	3,654,601	2,821,450	833,151	30%
General and administrative	873,718	808,454	65,264	8%
Interest expense	85,753	139,777	(54,024)	(39%)

Revenue

Revenue increased by \$4,264,758 from \$7,459,566 for the six months ended June 30, 2020, to \$11,724,324 representing an increase of 57% over the same period in 2020. The increase in revenue is related to certain existing and new customers increasing overall spend as the marketing and advertising spend recovers from impact COVID-19 lockdowns had in the second quarter of 2020.

Media costs

Media costs are comprised of a platform fee payable to the partner the Company is using for a given campaign, data targeting costs related to the campaign and media costs for the actual placements of the advertisements themselves. Media costs increased by \$2,194,801 from \$4,023,065 for the six months ended June 30, 2020, to \$6,217,866 representing an increase of 55% over the same period in 2020. The increase in media costs is directly related to the increase in revenue as the economy recovers.

Selling and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Selling and marketing expenses increased by \$833,151 from \$2,821,450 for the six months ended June 30, 2020, to \$3,654,601 representing an increase of 30% over the six months ended June 30, 2020. The increase for the six months ended June 30, 2021, as compared to the prior year period was primarily the result of increased head count of sales team in new markets in the United States resulting in increased revenues, partially offset by (i) decreased travel, meals and entertainment as a result of the COVID-19 pandemic limiting travel, trade shows etc., and (ii) decreased advertising and promotion expenses driven by increased seasonal demand for the Company's services during the period.

Q1 Media, Inc.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expenses, and supplies.

General and administrative expenses increased by \$65,264 from \$808,454 for the six months ended June 30, 2020, to \$873,718 representing an increase of 8% over the six months ended June 30, 2020. The increase for the six months ended June 30, 2021, as compared to the prior year period was primarily the result of increased professional legal and accounting fees as part of IFRS audit.

Interest expense

During the six months ended June 30, 2021, the Company incurred interest expenses of \$85,753 as compared to interest expense of \$139,777 for the prior year period, resulting in a variance of \$54,024, a decrease of 39% over the six months ended June, 30, 2020. The decrease in interest expense is primarily related to less overall debt and lower average interest rate on the debt.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	For the three months ended (unaudited)			
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Revenue	5,349,401	6,175,095	3,875,572	3,583,995
Net income (loss) and comprehensive income (loss)	403,798	524,401	(472,925)	100,456
Total assets	5,689,216	6,026,423	4,489,482	3,805,449
Total liabilities	7,952,924	7,763,014	6,699,169	5,914,011
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ 0.03	\$ 0.04	\$ (0.03)	\$ 0.01

	For the three months ended (unaudited)			
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021
Revenue	5,998,523	7,505,844	5,043,587	6,680,737
Net income (loss) and comprehensive income (loss)	721,432	1,519,249	(3,136,615)	444,973
Total assets	4,791,571	5,136,301	5,068,603	6,163,777
Total liabilities	6,178,700	5,003,521	4,765,983	5,416,184
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ 0.05	\$ 0.11	\$ (0.23)	\$ 0.03

The Company's revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of the Company's control, including seasonality and cyclicalities. The fourth quarter ending December 31 historically reflects increased advertising activity during the holiday season.

Seasonality may be affected by customer mix, such that retail advertisers may concentrate their advertising spending with the Company in the fourth quarter while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies.

As the Company grows through additional investments in sales and account management headcount, there is a lag between when the additional compensation costs related to headcount increases are incurred and when those resources begin to produce incremental

Q1 Media, Inc.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

revenue. This lag can lead to fluctuating overall operating results from quarter-to-quarter. As a result of these factors, one quarter's operating results are not necessarily indicative of a future quarter's operating results.

LIQUIDITY AND CAPITAL RESOURCES

The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent upon the Company's ability to profitably manage its marketing service contracts. As at June 30, 2021, the Company had working capital of \$372,077 and has an accumulated deficit of \$4,196,268 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing in the future and to repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future.

Contractual obligations

The following is a summary of the Company's contractual obligations at June 30, 2021:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Lease obligations ¹	309,504	124,971	184,533	—	—
Loans	1,500,000	1,500,000	—	—	—
Total	\$ 1,809,504	\$ 1,624,971	\$ 184,533	\$ —	\$ —

¹Includes principal and interest.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loans approximate their carrying values due to their short-term nature. The Company's warrant put liability is measured at fair value using Level 3 inputs.

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and amount receivables. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies and amounts receivable are managed by management. The Company's secondary exposure to risk is on its other current assets. The carrying amount of financial assets represents the maximum credit exposure.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an

Q1 Media, Inc.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from loans payable. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at December 31, 2020 and 2019:

	Within one year	As at June 30, 2021 Between one and five years	More than five years
Accounts payable and accrued liabilities	2,654,681	—	—
Lease liability	124,971	184,533	—
Loans	1,500,000	—	—
Total	\$ 4,279,652	\$ 184,533	\$ —

	Within one year	As at December 31, 2020 Between one and five years	More than five years
Accounts payable and accrued liabilities	2,805,816	—	—
Lease liability	123,385	267,115	—
Loans	918,790	—	—
Total	\$ 3,847,991	\$ 267,115	\$ —

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has floating rate debt on one of its loans, however the Company's exposure to fluctuations in its interest rate is not material.

Capital management

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ending June 30, 2021. The Company is not subject to externally imposed capital requirements.

CASH FLOWS BY ACTIVITY

Comparison of the Three Months Ended June 30, 2021 and 2020

The table below outlines a summary of cash inflows and outflows by activity for the three months ended June 30, 2021 and 2020.

	Three Months Ended June 30,	
	2021	2020
Net cash provided by operating activities	\$ 266,190	\$ 168,292
Net cash (used in) provided by financing activities	\$ (8,041)	\$ 14,854
Net cash used in investing activities	\$ (14,649)	\$ —

Cash provided by Operating Activities

The Company's net cash flows provided by operating activities increased by \$97,898 to \$266,190 for the three months ended June 30, 2021. This variance, as compared to the prior year period, is primarily due the increase in net income earned during the three months ended June 30, 2021, as compared to the prior year period.

Cash (used in) provided by Financing Activities

During the three months ended June 30, 2021, the Company's cash outflows from financing activities relate to (i) repayment of loans, (ii) lease repayments, (iii) repayment of interest on loans.

For the three months ended June 30, 2020, the Company's cash outflows from financing activities relate to (i) repayment of loans, (ii) lease repayments, (iii) repayment of interest on loans. These cash outflows were partially offset by proceeds from entering into certain loans.

Cash used in Investing Activities

During the three months ended June 30, 2021, the Company acquired certain equipment for use in its day-to-day operations resulting in cash outflows from investing activities. During the three months ended June 30, 2020, there was no acquisition or disposal of equipment.

Comparison of the Six Months Ended June 30, 2021 and 2020

The table below outlines a summary of cash inflows and outflows by activity for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,	
	2021	2020
Net cash provided by operating activities	\$ 313,460	\$ 36,992
Net cash provided by (used in) financing activities	\$ 478,045	\$ (331,779)
Net cash used in investing activities	\$ (14,649)	\$ (2,111)

Cash provided by Operating Activities

The Company's net cash flows from operating activities increased by \$285,361 to \$313,460 for the six months ended June 30, 2021. This variance, as compared to the prior year period, is primarily due to (i) collections of accounts receivable in 2021 related to balances outstanding at December 31, 2020 and (ii) the increase in net income earned during the six months ended June 30, 2021, as compared to the prior year period

Cash provided by (used in) Financing Activities

During the six months ended June 30, 2021, the Company's cash inflows from financing activities are the result of proceeds from entering into certain loans. These proceeds were partially offset by the repayment of (i) certain loans, (ii) interest on loans, (iii) lease payments.

For the six months ended June 30, 2020, the Company's cash outflows from financing activities relate to (i) repayment of loans, (ii) lease repayments, (iii) repayment of interest on loans.

Cash used in Investing Activities

During the six months ended June 30, 2021, the Company acquired certain equipment for use in its day-to-day operations resulting in cash outflows from investing activities. During the six months ended June 30, 2020, the Company acquired certain equipment for use in its day-to-day operations resulting in cash outflows from investing activities

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and

other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the combined consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the combined consolidated financial statements.

Provision and contingencies

The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Expected credit losses

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company consider the counterparty's financial position, past experience and other factors.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires assumptions be made for the inputs to the valuation model, which include the expected life of the equity instrument, share price, volatility, dividend yield and forfeiture rate.

Useful lives of property and equipment

Management is depreciating the furniture and fixtures, equipment and leasehold improvements on a straight-line basis, with the following useful lives:

Furniture and fixtures	7 years
Equipment	3 years
Leasehold improvements	Shorter of lease term or life of the leasehold improvement
Software	3 years
Computer	3 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Determination of incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably

Q1 Media, Inc.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Warrant put liability

Warrants put's were issued pursuant to issuance of third party debt that establishes a minimum compensation in the form of cash for the debt issued, and are considered a warrant put liability and therefore measured at fair value on issue and thereafter at amortized cost through interest accretion.

The Company uses the Black-Scholes option pricing model to estimate fair value at each reporting date. The key assumptions used in the model are the expected future volatility in the price of the Company's shares, the expected life of the warrants and the fair value of the Company's shares.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in net income:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Executive compensation	283,750	125,000	3,842,205	352,000
	<u>\$ 283,750</u>	<u>\$ 125,000</u>	<u>\$ 3,842,205</u>	<u>\$ 352,000</u>

During the six month period ended June 30, 2021, there was stock compensation awarded to certain executive officers totaling \$3,306,455

During the six month period ended June 30, 2021, there were payments made to certain board members and executive officers totaling \$218,790 that retired the note payable. For discussion of related party loan, see above.

OFF BALANCE SHEET ARRANGEMENTS

As at June 30, 2021, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

OUTSTANDING SHARE DATA

The Company is authorized to issue 10,000,000 shares of preferred stock and 20,000,000 shares of common stock, in each case having a par value per share of \$0.001. The table below lists the securities outstanding:

	As at February 14, 2022
Common stock	13,799,757
Total Common Stock on a fully-diluted basis	<u>13,799,757</u>

RISK FACTORS AND UNCERTAINTIES

The Company is exposed to a variety of business risks, financial and accounting risks 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 Management Information Circular of PopReach Corporation dated February 14, 2022.

SCHEDULE L
NOTIFY AI AUDITED FINANCIAL STATEMENTS

(see attached)

Financial Statements of

NotifyAI, LLC.

December 31, 2020 and 2019

Independent Auditor's Report

To the Shareholders of NotifyAI LLC:

Opinion

We have audited the financial statements of NotifyAI LLC (the "Partnership"), which comprise the statements of financial position as at December 31, 2020 and December 31, 2019, and the statements of income and comprehensive income, changes in partners' capital and cash flows for the year ended December 31, 2020 and December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Partnership as at December 31, 2020 and December 31, 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Partnership in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Partnership or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Calgary, Alberta

February 11, 2022

MNP LLP

Chartered Professional Accountants

NotifyAI, LLC
Statements of Financial Position
(expressed in US dollars)

	Note	As at December 31, 2020	As at December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,404,075	\$ 204,492
Accounts receivable	5	2,059,526	2,093,925
Prepaid expenses and deposits		1,264	8,377
Due from related parties	11	130,733	—
Total current assets		3,595,598	2,306,794
Non-current assets			
Right-of-use asset	4	10,514	24,531
Total non-current assets		10,514	24,531
Total assets		\$ 3,606,112	\$ 2,331,325
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities			
Line of credit		\$ —	\$ 168,166
Accounts payable and accrued liabilities	6	1,491,007	1,784,174
Lease liability	4	10,869	13,778
Total current liabilities		1,501,876	1,966,118
Long-term liabilities			
Lease liability	4	—	10,869
Due to related parties	11	—	495
Total long-term liabilities		—	11,364
Total liabilities		1,501,876	1,977,482
Partners' Capital			
Partners' Capital	7	150	150
Net Income		2,104,086	353,693
Total partners' capital		2,104,236	353,843
Total liabilities and partners' capital		\$ 3,606,112	\$ 2,331,325

Nature of operations (note 1)
Subsequent events (note 13)

Approved on behalf of the Board:

/s/ Ted Hastings
Ted Hastings, Director

/s/ James Mansfield
James Mansfield, CEO

The accompanying notes are an integral part of these financial statements.

NotifyAI, LLC

Statements of Income & Comprehensive Income (expressed in US dollars)

		For the years ended December 31,	
	Note	2020	2019
Revenues		\$ 14,038,384	\$ 4,165,593
Media costs		9,043,342	2,606,890
Gross profit		\$ 4,995,042	\$ 1,558,703
Expenses			
Sales and marketing		120,232	133,071
Technology and development		555,237	96,755
General and administrative	12	2,172,210	956,025
Depreciation	4	14,017	2,336
		\$ 2,861,696	\$ 1,188,187
Other income (loss)			
Finance costs		(2,953)	(16,823)
Net income & comprehensive income for the year		\$ 2,130,393	\$ 353,693
Net income per unit		\$ 0.14	\$ 0.02
Weighted average number of shares outstanding - basic and diluted		15,000,000	15,000,000

The accompanying notes are an integral part of these financial statements.

NotifyAI, LLC

Statements of Changes in Partners' Capital

(expressed in US dollars)

	Partners' Capital		Income	Total
	Number	Amount		
Balance – January 1, 2019	15,000,000	\$ 150	\$ —	\$ 150
Net income and comprehensive income	—	—	353,693	353,693
Balance – December 31, 2019	15,000,000	150	353,693	353,843
Partners' distribution	—	—	(380,000)	(380,000)
Net income and comprehensive income	—	—	2,130,393	2,130,393
Balance – December 31, 2020	15,000,000	\$ 150	\$ 2,104,086	\$ 2,104,236

The accompanying notes are an integral part of these financial statements.

NotifyAI, LLC
Statements of Cash Flows
(expressed in US dollars)

	For the years ended December 31,	
	2020	2019
Cash flows from operating activities		
Net income	\$ 2,130,393	\$ 353,693
Changes in non-cash operating items:		
Depreciation	14,017	2,336
Changes in non-cash working capital:		
Accounts receivable	34,399	(2,093,925)
Prepaid expenses	7,113	(8,377)
Due from related party	(130,733)	—
Accounts payable and accrued liabilities	(293,167)	1,784,174
Net cash provided by operating activities	1,762,022	37,901
Net cash (used in) provided financing activities		
Paid in capital	—	150
Partner Distributions	(380,000)	—
Amount drawn from revolving line of credit	—	168,166
Repayment of revolving line of credit	(168,166)	—
Repayment of leases	(13,778)	(2,220)
Proceeds from related parties	—	495
Repayment of related parties	(495)	—
Net cash (used in) provided financing activities	(562,439)	166,591
Change in cash during the year	1,199,583	204,492
Cash and cash equivalents – Beginning of year	204,492	—
Cash and cash equivalents – End of year	\$ 1,404,075	\$ 204,492

The accompanying notes are an integral part of these financial statements.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

1. NATURE OF OPERATIONS

NotifyAI, LLC (“Notify” or the “Partnership”) operates a proprietary push messaging platform that allows publishers to collect, manage and monetize their subscriber databases and allows performance advertisers to reach highly targeted users with a positive return on investment “ROI”. The Partnership offers its fully managed service to advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers’ websites and take some further action. The Partnership was formed in Wyoming on February 23, 2018 and is domiciled in the United States.

The address of the Partnership’s registered office is 1712 Pioneer Avenue, Ste. 787, Cheyenne, WY 82001.

2. BASIS OF PREPARATION

Statement of compliance

These financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The accounting policies applied in these financial statements are based on IFRS issued and outstanding as of January 1, 2019. The Board of Directors authorized the financial statements for issue on February 11, 2022.

Basis of presentation

The financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These financial statements have been prepared in United States dollars (“USD”), which is the Partnership’s functional and presentation currency.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

2. BASIS OF PREPARATION *(Continued)*

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Partnership's operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Partnership's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Partnership's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Partnership's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Partnership. Even after the COVID-19 pandemic has subsided, the Partnership may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Partnership cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements and application of IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Partnership based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Partnership. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Partnership's accounting policies that have the most significant effect on the amounts in the financial statements.

The following are critical accounting policies subject to such judgements and the key sources of estimation uncertainty that the Partnership believes could have the most significant impact on the reported results of operations and financial position.

Key sources of estimation uncertainty:

- a) Provision and contingencies: The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

NotifyAI, LLC

Notes to the Financial Statements

December 31, 2020 and 2019

(expressed in US dollars unless otherwise noted)

2. BASIS OF PREPARATION *(Continued)*

ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

- b) Expected credit losses: The Partnership monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Partnership reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Partnership's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Partnership consider the counterparty's financial position, past experience and other factors.
- c) Determination of incremental borrowing rate: When the Partnership enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Partnership determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Partnership considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.
- d) Determination of the lease term: When the Partnership enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend a lease, the Partnership considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Partnership's operations; and any conditionality associated with exercising the option.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash in the statements of financial position comprise of cash at banks.

Technology and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed as incurred. Expenditures on development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditures are capitalized to intangible assets if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Partnership intends to and has sufficient resources to complete development and to use or sell the asset.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

At inception of a contract, the Partnership assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Partnership assesses whether:

- The contract involves the use of an identified asset;
- The Partnership has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Partnership has the right to direct the use of the asset.

Right-of-use asset

The Partnership recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Partnership is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Partnership's incremental borrowing rate. Generally, the Partnership uses its incremental borrowing rate as the discount rate.

The Partnership determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Partnership is reasonably certain to exercise, and lease payments in an optional renewal period if the Partnership is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Partnership changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the statements of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

Financial assets: On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at:

- (i) amortized cost;
- (ii) fair value through other comprehensive income ("FVOCI"); or
- (iii) fair value through profit or loss ("FVTPL").

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Partnership may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Partnership derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either:

- (i) fair value through profit or loss; or
- (ii) other financial liabilities.

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

Derivatives are included in the category of FVTPL unless they are designated as hedges. Subsequent changes in the fair value are recorded in the statements of loss and comprehensive loss.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Partnership also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the statements of loss and comprehensive loss.

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Partnership uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. The carrying amounts of the Partnership's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated based on value in use. Losses are recognized in the statements of income and comprehensive income and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of income and comprehensive income.

Revenues

The Partnership generates revenue from consumer activity that occurs in response to the delivery of targeted advertisements to opt-in subscribers via the Partnership's proprietary push notification platform. The Partnership offers its fully managed service to advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers' websites and take some further action. These arrangements are evidenced by a fully executed insertion order ("IO").

The Partnership agrees upon pricing for each advertisement prior to the execution and delivery of the associated advertising campaign. The pricing models are commonly referred to as cost per click ("CPC") or cost per action ("CPA"). Revenue is generated when the consumer visits the advertiser's designated website for CPC campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser's website for CPA campaigns.

The Partnership estimates the revenue that will be generated by the services by tracking the number of clicks and actions associated with the advertising campaigns. Advertisers provide real-time revenue reporting which is compared to the Partnership's estimates. Revenue is recognized in the month that the consumer activity (click or action) occurred.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenues *(Continued)*

The Partnership follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Partnership's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

Revenue is recognized and recorded on a gross basis as the Partnership has control and is responsible for fulfilling the advertisement delivery and performing all billing and collection activities.

Media costs

Media costs are considered the Partnership's cost of goods sold. These costs include amounts paid to publishers to secure rights to send push notification advertisements to the publisher's subscriber database.

Finance costs

Finance costs comprise interest expense on loans and borrowings, accretion of discount on loans and borrowings and changes in the fair value of financial instruments at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gain and losses arriving from the translation and settlement of assets and liabilities as well as revenue and expenses are reported on a net basis within finance cost (income).

Income taxes

No provision has been made for income taxes since the Partnership has elected to be taxed as a partnership as defined by the Internal Revenue Code. The Partnership's members will report the Partnership's taxable income or loss on their individual income tax returns.

Net income per unit

Basic income per unit is calculated by dividing the net income for the period by the weighted average number of common units outstanding during the period. Diluted income per unit is calculated by dividing the net income for the period by the sum of the weighted average number of common units outstanding and the dilutive common unit equivalents outstanding during the period. Common unit equivalents consist of the units issuable upon exercise of stock options and units issuable upon exercise of common unit warrants calculated using the treasury stock method. Common unit equivalents are not included in the calculation of the weighted average number of units outstanding for diluted net income per unit when the effect would be anti-dilutive.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Segment reporting

The Partnership currently operates in a single operating segment.

The Partnership has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the financial statements also represent segment amounts.

4. Right of use asset and lease liability

The Partnership's leases consist of one vehicle lease. The lease term is for 23 months, commencing in November 2019.

The following table outlines the undiscounted cash flow and contractual maturities of the Partnership's lease obligations, as at December 31, 2020 and 2019.

	Vehicles
Lease Liability at January 1, 2019	\$ —
Lease additions	26,867
Accretion on lease liability	242
Lease payments	(2,462)
Balance as at December 31, 2019	24,647
Accretion on lease liability	995
Lease payments	(14,773)
Balance as at December 31, 2020	\$ 10,869
Current portion	10,869
Long-term portion	—
2019	
Current portion	13,778
Long-term portion	10,869

NotifyAI, LLC

Notes to the Financial Statements

December 31, 2020 and 2019

(expressed in US dollars unless otherwise noted)

4. Right of use asset and lease liability (Continued)

The Partnership has also recognized lease liabilities for these leases, which were initially measured at the present value of the future lease payments, discounted at a rate of 5.95%. Interest on lease liabilities is included in interest expense in the statements of income and comprehensive income. The carrying amount of the Partnership's lease Right-of-use asset is summarized in the table below.

	Vehicles
Balance as at January 1, 2019	\$ —
Lease additions	26,867
Depreciation	(2,336)
Balance as at December 31, 2019	24,531
Depreciation	(14,017)
Balance as at December 31, 2020	<u>\$ 10,514</u>

5. Accounts Receivable

	Years Ended December 31,	
	2020	2019
Current	\$ 1,931,222	\$ 2,029,810
1 - 30	110,407	62,589
31 - 60	17,301	781
61 - 90	595	569
91 and over	—	177
	<u>\$ 2,059,526</u>	<u>\$ 2,093,925</u>

The Partnership has not established a provision for Expected Credit Loss ("ECL") based on historical collectability.

6. Accounts Payable and Accrued Liabilities

	As at December 31,	
	2020	2019
Trade accounts payable	1,480,493	1,693,474
Accrued liabilities	10,514	90,700
Accounts payable and accrued liabilities	<u>\$ 1,491,007</u>	<u>\$ 1,784,174</u>

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

7. Partners' Capital

The Partnership's authorized capital includes an unlimited number of Class A units without par value.

Any holder of a class of Class A common units shall be entitled to receive dividends as and when declared by the Board on such holder's class of Class A common units, and, in the event of the liquidation, dissolution or winding up of the Partnership (a "Dissolution Event"), to unit ratably with the other holders of Class A common units, subject to prior rights of other holders of any units ranking senior to the Class A common units with respect to priority upon a Dissolution Event, in all of the property and assets of the Partnership available for distribution.

The holders of Class A common units are entitled to receive notice of and to attend all meetings of the partners and to one vote per unit at meetings of the partners of the Partnership.

	Shares	\$
Units as at January 1, 2019, December 31, 2019 & 2020	15,000,000	\$ 150

The Partnership did not have any transactions impacting share capital during the years ended December 31, 2019 or December 31, 2020.

8. Financial Instruments

The Partnership provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, accounts receivable, due from related parties and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the statements of financial position and the market rates of interest is not considered significant. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

	Loans and receivables / financial liabilities (amortized cost)	
	2020	2019
Level 3 – Inputs that are not based on observable market data.		
Measurement Basis		
Financial assets		
Cash and cash equivalents	1,404,075	204,492
Accounts receivable	2,059,526	2,093,925
Due from related parties	130,733	—
	\$ 3,594,334	\$ 2,298,417
Financial liabilities		
Accounts payable and accrued liabilities	1,491,007	1,784,174
Lease liability	10,869	24,647
Due to related parties	—	495
	\$ 1,501,876	\$ 1,809,316

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

8. Financial Instruments *(Continued)*

There were no transfers of financial assets during the years ended December 31, 2020 and 2019 between any of the levels.

9. Capital Risk Management

The Partnership manages its capital structure and adjusts it based on the funds available to the Partnership, in order to support the general operations of the Partnership and facilitate its liquidity needs. The Partnership's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Partnership's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Partnership's management to sustain future development of the business. The Partnership defines capital to include its working capital position. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Partnership, is reasonable. There were no changes in the Partnership's approach to capital management during the year ended December 31, 2020 and 2019. The Partnership is not subject to externally imposed capital requirements.

10. Financial Risk Management

The Partnership is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Partnership's accounts receivable and cash. As at December 31, 2020 and 2019 the Partnership has not set up an allowance for uncollectible accounts, as losses due to expected credit losses have historically been immaterial. As at December 31, 2020, three customers represented 49.2% of the gross accounts receivable balance of \$2,059,526. As at December 31, 2019, one customer represented 86.9% of the gross accounts receivable balance of \$2,093,925. The balance due from the three (2019 - one) significant customers were current at December 31, 2020. No other individual customer represented more than 10% of the accounts receivable balance.

The Partnership reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Partnership's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

10. Financial Risk Management (Continued)

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they fall due. The Partnership has a planning and budgeting process in place to help determine the funds required to support the Partnership's normal operating requirements on an ongoing basis. The Partnership ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The following table provides information about the terms of the financial obligations and liabilities:

	As at December 31, 2020				
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	1,491,007	—	1,491,007	—	—
Lease obligations	10,869	—	10,869	—	—
	<u>\$1,501,876</u>	<u>\$ —</u>	<u>\$ 1,501,876</u>	<u>\$ —</u>	<u>\$ —</u>
	As at December 31, 2019				
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	1,784,176	—	—	—	—
Line of credit	168,166	—	—	—	—
Lease obligations	24,647	—	13,778	10,869	—
Amounts due to related parties	495	—	—	—	—
	<u>\$1,977,484</u>	<u>\$ —</u>	<u>\$ 13,778</u>	<u>\$ 10,869</u>	<u>\$ —</u>

11. Related Party Transactions

The key management personnel of the Partnership are certain members of the Partnership's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in General and Administrative expense:

	Years Ended December 31,	
	2020	2019
Salaries and director remuneration	\$ 542,931	\$ 110,208
	<u>\$ 542,931</u>	<u>\$ 110,208</u>

Certain partners of the Partnership are also significant shareholders who exude control over certain customers and vendors of the Partnership. These customers and vendors are therefore related to the Partnership. In addition to these transactions which flowed through the statement of income and comprehensive income, there were certain payments made on behalf of a related customer that have be classified as due from related parties.

NotifyAI, LLC
Notes to the Financial Statements
December 31, 2020 and 2019
(expressed in US dollars unless otherwise noted)

11. Related Party Transactions (Continued)

The following table presents the related party balances as they appear on the statement of financial position:

	As at December 31,	
	2020	2019
Balances included in accounts receivable	\$ 277,483	\$ 14
Due from related parties	130,733	—
Total related party balances receivable	408,216	14
Balances included in accounts payable and accrued liabilities	(273,032)	(443,715)
Due to related parties	—	(495)
Total related party balances	<u>\$ 135,184</u>	<u>\$ (444,196)</u>

The following table presents the cumulative related party customers and vendors transactions that flowed through the various line items of the statement of income and comprehensive income:

	Years Ended December 31,	
	2020	2019
Revenues from related parties	\$ 1,356,751	\$ 2,936
Media costs	18,397	—
Sales and marketing	19,315	99,118
Technology and development	131,289	96,747
General and administrative	2,025,093	746,143

Nature v. Function Expense

Expenses are classified by function on the statement of income and comprehensive income. Below is a breakdown of what is included within General and Administrative expense:

	Years Ended December 31,	
	2020	2019
Office and administrative	\$ 144,730	\$ 111,743
Professional Fees	146,180	265,829
Employee & Consultant Expenses	1,881,300	578,453
	<u>\$ 2,172,210</u>	<u>\$ 956,025</u>

12. Subsequent Event

On August 6, 2021, the Partnership sold all of its issued and outstanding shares to Federated Foundry for \$15,600,000. In accordance with the Share Purchase Agreement, \$5,000,000 cash was settled on closing and the remaining \$10,600,000 is in the form of a vendor take back note ("VTB Note"). In addition, during the period beginning on the closing date and ending on the earlier of (1) the date that is twelve (12) months from the Closing Date or (2) the date that the VTB Note is paid in full, pay to each vendor its Pro Rata Share of sixty-five (65%) of the EBITDA generated by the Company during the earnout period.

SCHEDULE M
NOTIFY AI ANNUAL MD&A

(see attached)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Notify AI, LLC. ("Notify" or the "Partnership"), for the years ended December 31, 2020 and 2019.

This document should be read in conjunction with the information contained in the Company's audited financial statements and related notes for the year ended December 31, 2020 and 2019 (the "2020 and 2019 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$\$") and "USD" amounts and references in this MD&A are in United States dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, February 11, 2022, being the date the Company's board of directors (the "Board" or "Board of Directors") approved this MD&A and the 2020 and 2019 Annual Financial Statements. All quarterly information contained herein is unaudited.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

OVERVIEW AND SIGNIFICANT EVENTS

Corporate Structure

Notify AI, LLC ("Notify" or the "Partnership") as formed in Wyoming on February 23, 2018 and is domiciled in the United States. The address of the Partnership's registered office is 1712 Pioneer Avenue, Ste. 787, Cheyenne, WY 82001.

Narrative Description & General Development of the Business

Notify has developed a proprietary push messaging platform ("Platform") that serves i) publishers and websites, ii) advertisers, and iii) other push notification providers.

- Publishers – collect subscribers, manage and monetize their subscriber databases and manage content delivery to their subscriber audience.
- Advertisers – reach highly targeted users for better conversions and return on investment ("ROI").
- Push providers – access to advertiser supply from Notify's direct advertiser and channel partner relationships.

Push notifications are a type of native advertising offering a non-intrusive and user-friendly way for any publisher, website or app to re-engage with their users. This is particularly useful because re-engaged users have significantly higher conversion rates and lower acquisition costs than new users.

Messages can be sent directly to a user's mobile or desktop device anytime and anywhere. Because you can receive push notifications while you're browsing or even when your device is locked through the notification tray, they are a great way to convey messages of urgency, such as breaking news, current traffic conditions, or limited-time offers.

A publisher, website or app can only send a push notification if the user has opted in as a subscriber to receive the notifications. Subscribers can also opt out at any time.

Notify generates revenue from consumer activity that occurs in response to the delivery of targeted advertisements to opted-in subscribers via the Notify's proprietary Platform. Notify offers its service to advertising channel partners as well as direct advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers' websites and take some further action. Revenue from channel partners is typically based on a cost-per-click ("CPC") model while direct advertisers are typically based on either a fixed CPC, cost-per-action ("CPA") or cost-per-thousand impressions ("CPM") model that is agreed upon with the advertiser prior to the execution and delivery of the associated advertising campaign. Revenue is generated when the consumer clicks an advertisement to visit the advertiser's designated website for CPC or CPM campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser's website for CPA campaigns.

Notify's cost of goods sold is the traffic costs it pays to publishers and websites and other push service providers using its Platform. For users of the Subscription Widget feature of the Platform, there are two types of pricing models; a cost per subscriber model under which Notify pays a fixed fee for each subscriber opting in using the Platform, or a revenue share of the advertising revenue generated from subscribers. For users of the Monetization Widget and the Monetization API features of the Platform, pricing is based on a revenue share.

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Partnership's operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Partnership's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Partnership's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Partnership's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Partnership. Even after the COVID-19 pandemic has subsided, the Partnership may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in

NotifyAI, LLC.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

the future. Therefore, the Partnership cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

SUBSEQUENT EVENTS

On August 6, 2021, the Partnership sold all of its issued and outstanding shares to Federated Foundry for \$15,600,000. In accordance with the Share Purchase Agreement, \$5,000,000 cash was settled on closing and the remaining \$10,600,000 is in the form of a vendor take back note ("VTB Note"). In addition, during the period beginning on the closing date and ending on the earlier of (1) the date that is twelve (12) months from the Closing Date or (2) the date that the VTB Note is paid in full, pay to each vendor its Pro Rata Share of sixty-five (65%) of the EBITDA generated by the Company during the earnout period.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three month and years ended December 31, 2020 and 2019, is set forth below.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Revenues	\$ 5,014,783	\$ 2,764,133	\$ 14,038,384	\$ 4,165,593
Net income and comprehensive income	\$ 860,422	\$ 509,227	\$ 2,130,393	\$ 353,693
Total assets	\$ 3,606,112	\$ 2,331,325	\$ 3,606,112	\$ 2,331,325
Total liabilities	\$ 1,501,876	\$ 1,977,482	\$ 1,501,876	\$ 1,977,482
Basic and diluted net income and comprehensive income per common share	\$ 0.06	\$ 0.03	\$ 0.14	\$ 0.02

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended December 31, 2020 and 2019

	Three Months Ended December 31,			
	2020	2019	Variance	% Change
Revenues	5,014,783	2,764,133	2,250,650	81%
Media costs	3,181,146	1,764,247	1,416,899	80%
Sales and marketing	26,856	46,902	(20,046)	(43%)
Technology and development	209,691	44,365	165,326	373%
General and administrative	732,168	380,942	351,226	92%

Revenues

Revenues increased by \$2,250,650 from \$2,764,133 for the three months ended December 31, 2020, to \$5,014,783 representing an increase of 81% over the same period in 2019. The increase in revenue is related to onboarding of new publisher and advertiser clients as a result of expansion of the sales team as well as improvements in monetization algorithms and other Platform features.

Media costs

Media costs are considered the Partnership's cost of goods sold. These costs include amounts paid to publishers to secure rights to send push notification advertisements to the publisher's subscriber database.

Media costs increased by \$1,416,899 from \$1,764,247 for the three months ended December 31, 2019, to \$3,181,146 representing an increase of 81% over the same period in 2019. The increase in media costs is directly related to the increase in revenue. Media costs will vary as a percentage of revenue due to shifts in product mix from changes in publishers who are on varying pricing models and have varying performance.

Sales and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Partnership's services. The costs include all travel, marketing, conferences, promotional events incurred by the Partnership.

NotifyAI, LLC.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

Sales and marketing expenses decreased by \$20,046 from \$46,902 for the three months ended December 31, 2019, to \$26,856 representing a decrease of 43% over the three months ended December 31, 2019. The decrease for the three months ended December 31, 2020, as compared to the prior year period was primarily the result of travel and conference limitations as a result of the COVID-19 pandemic limiting travel, trade shows.

Technology and development

Technology and development expenses includes web hosting and various hardware and software costs incurred by the Partnership.

Technology and development expenses increased by \$165,326 from \$44,365 for the three months ended December 31, 2019, to \$209,691 representing an increase of 373% over the three months ended December 31, 2019. The increase for the three months ended December 31, 2020, as compared to the prior year period was primarily the result of increased web hosting costs related to more ads being served by the Platform due to growth in available ad inventory from new publisher relationships.

General and administrative

General and administrative expenses include salaries and benefits, occupancy costs, legal and professional fees, insurance, and other administrative costs.

General and administrative expenses increased by \$351,226 from \$380,942 for the three months ended December 31, 2019, to \$732,168 representing an increase of 92% over the three months ended December 31, 2019. The increase for the three months ended December 31, 2020, as compared to the prior year period was primarily the result of increase in head count as a result of the rapid growth in revenue and operations. This increase was partially offset by a decrease in professional fees due to various onetime non-recurring costs during the year ended December 31, 2019, related to establishing contracts, policies, etc. during the early stages of the Partnership.

Comparison of the Year Ended December 31, 2020 and 2019

	Twelve Months Ended December 31,			
	2020	2019	Variance	% Change
Revenues	14,038,384	4,165,593	9,872,791	237%
Media costs	9,043,342	2,606,890	6,436,452	247%
Sales and marketing	120,232	133,071	(12,839)	(10%)
Technology and development	555,237	96,755	458,482	474%
General and administrative	2,172,210	956,025	1,216,185	127%

Revenues

Revenues increased by \$9,872,791 from \$4,165,593 for the year ended December 31, 2019, to \$14,038,384 representing an increase of 237% over the same period in 2019. The increase in revenue is related to onboarding of new publisher and advertiser clients as a result of expansion of the sales team as well as improvements in monetization algorithms and other Platform features.

Media costs

Media costs are considered the Partnership's cost of goods sold. These costs include amounts paid to publishers to secure rights to send push notification advertisements to the publisher's subscriber database.

Media costs increased by \$6,436,452 from \$2,606,890 for the year ended December 31, 2019, to \$9,043,342 representing an increase of 247% over the same period in 2019. The increase in media costs is directly related to the increase in revenue. Media costs will vary as a percentage of revenue due to shifts in product mix from changes in publishers who are on varying pricing models and have varying performance.

Sales and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Partnership's services. The costs include all travel, marketing, conferences, promotional events incurred by the Partnership.

Sales and marketing expenses decreased by \$12,839 from \$133,071 for the year ended December 31, 2019, to \$120,232 representing a decrease of 10% over the year ended December 31, 2019. The decrease for the year ended December 31, 2020, as compared to the prior year period was primarily the result of travel and conference limitations as a result of the COVID-19 pandemic limiting travel, trade shows.

NotifyAI, LLC.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

Technology and development

Technology and development expenses includes web hosting and various hardware and software costs incurred by the Partnership.

Technology and development expenses increased by \$458,482 from \$96,755 for the year ended December 31, 2019, to \$555,237 representing an increase of 474% over the year ended December 31, 2019. The increase for the three months ended December 31, 2020, as compared to the prior year period was primarily the result of increased web hosting costs related to more ads being served by the Platform due to growth in available ad inventory from new publisher relationships.

General and administrative

General and administrative expenses include salaries and benefits, occupancy costs, legal and professional fees, insurance, and other administrative costs.

General and administrative expenses increased by \$1,216,185 from \$956,025 for the year ended December 31, 2019, to \$2,172,210 representing an increase of 127% over the year ended December 31, 2019. The increase for the year ended December 31, 2020, as compared to the prior year period was primarily the result of increase in head count as a result of the rapid growth in revenue and operations. This increase was partially offset by a decrease in professional fees due to various onetime non-recurring costs during the year ended December 31, 2019, related to establishing contracts, policies, etc. during the early stages of the Partnership.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	For the three months ended (unaudited)			
	March 31,	June 30,	September 30,	December 31,
	2019	2019	2019	2019
Revenues	34,909	501,765	864,786	2,764,133
Net income (loss) and comprehensive income (loss)	(96,913)	(35,421)	(23,200)	509,227
Total assets	16,280	476,768	666,053	2,331,325
Total liabilities	113,244	609,153	821,637	1,977,482
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ (0.01)	\$ —	\$ —	\$ 0.03

	For the three months ended (unaudited)			
	March 31,	June 30,	September 30,	December 31,
	2020	2020	2020	2020
Revenues	1,861,561	3,043,593	4,118,447	5,014,783
Net income and comprehensive income	107,885	376,766	785,320	860,422
Total assets	1,347,978	2,184,191	2,476,754	3,606,112
Total liabilities	886,252	1,345,699	1,232,942	1,501,876
Basic and diluted income and comprehensive income per common share	\$ 0.01	\$ 0.03	\$ 0.05	\$ 0.06

The Company's revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of the Company's control, including seasonality and cyclicalities. The fourth quarter ending December 31 historically reflects increased advertising activity during the holiday season.

Seasonality may be affected by customer mix, such that retail advertisers may concentrate their advertising spending with the Company in the fourth quarter while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies.

LIQUIDITY AND CAPITAL RESOURCES

Contractual obligations

The Partnership's contractual obligations at December 31, 2020 totals \$11,079 and represents the balance of lease liability payments, all of which are due within the next twelve months.

The Partnership provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, accounts receivable, due from related parties and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the statements of financial position and the market rates of interest is not considered significant. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

	Loans and receivables / financial liabilities (amortized cost)	
	2020	2019
Measurement Basis		
Financial assets		
Cash and cash equivalents	1,404,075	204,492
Accounts receivable	2,059,526	2,093,925
Due from related parties	130,733	—
	\$ 3,594,334	\$ 2,298,417
Financial liabilities		
Accounts payable and accrued liabilities	1,491,007	1,784,174
Lease liability	10,869	24,647
Due to related parties	—	495
	\$ 1,501,876	\$ 1,809,316

There were no transfers of financial assets during the years ended December 31, 2020 and 2019 between any of the levels.

Risk factors

The Partnership is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Partnership's accounts receivable and cash. As at December 31, 2020 and 2019 the Partnership has not set up an allowance for uncollectible accounts, as losses due to expected credit losses have historically been immaterial.

As at December 31, 2020, three customers represented 49.2% of the gross accounts receivable balance of \$2,059,526. As at December 31, 2019, one customer represented 86.9% of the gross accounts receivable balance of \$2,093,925. The balance due from the three (2019 - one) significant customers were current at December 31, 2020. No other individual customer represented more than 10% of the accounts receivable balance.

The Partnership reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Partnership's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

NotifyAI, LLC.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they fall due. The Partnership has a planning and budgeting process in place to help determine the funds required to support the Partnership's normal operating requirements on an ongoing basis. The Partnership ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The following table provides information about the terms of the financial obligations and liabilities:

	As at December 31, 2020				
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	1,491,007	—	1,491,007	—	—
Lease obligations	10,869	—	10,869	—	—
	\$ 1,501,876	\$ —	\$ 1,501,876	\$ —	\$ —

	As at December 31, 2019				
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	1,784,174	—	—	—	—
Line of credit	168,166	—	—	—	—
Lease obligations	24,647	—	13,778	10,869	—
Amounts due to related parties	495	—	—	—	—
	\$ 1,977,482	\$ —	\$ 13,778	\$ 10,869	\$ —

Capital management

The Partnership manages its capital structure and adjusts it based on the funds available to the Partnership, in order to support the general operations of the Partnership and facilitate its liquidity needs. The Partnership's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Partnership's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Partnership's management to sustain future development of the business. The Partnership defines capital to include its working capital position. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Partnership, is reasonable. There were no changes in the Partnership's approach to capital management during the year ended December 31, 2020 and 2019. The Partnership is not subject to externally imposed capital requirements.

CASH FLOWS BY ACTIVITY

Comparison of the Three Months Ended December 31, 2020 and 2019

The table below outlines a summary of cash inflows and outflows by activity for the three months ended December 31, 2020, and 2019.

	Three Months Ended December 31,	
	2020	2019
Net cash provided by (used in) operating activities	\$ 638,095	\$ (70,333)
Net cash (used in) provided financing activities	\$ (4,014)	\$ 138,744

Cash provided by (used in) Operating Activities

The Company's net cash inflows from operating activities increased by \$708,427 to \$638,095 for the three months ended December 31, 2020 as compared to that same period in 2019. This variance, as compared to the prior year period, is primarily due to the increase in net income earned during the three months ended December 31, 2020, as compared to the prior year period.

Cash (used in) provided by Financing Activities

During the three months ended December 31, 2020, the Company's cash outflows from financing activities relate to lease repayments. For the three months ended December 31, 2019, the Company's cash inflows from financing activities relate to amounts drawn from a revolving line of credit which were partially offset by lease repayments.

Comparison of the Year Ended December 31, 2020 and 2019

The table below outlines a summary of cash inflows and outflows by activity for the year ended December 31, 2020 and 2019.

	Year Ended December 31,	
	2020	2019
Net cash provided by operating activities	\$ 1,762,022	\$ 37,901
Net cash (used in) provided financing activities	\$ (562,439)	\$ 166,591

Cash provided by provided by Operating Activities

The Company's net cash inflows from operating activities increased by \$1,724,121 to \$1,762,022 for the year ended December 31, 2020 as compared to the same period in 2019. This variance, as compared to the prior year period, is primarily due the increase in net income earned during the year ended December 31, 2020, as compared to the prior year period.

Cash (used in) provided by Financing Activities

During the year ended December 31, 2020, the Company's cash outflows from financing activities relate to (i) partner distributions, (ii) repayment of revolving line of credit, and (iii) lease repayments.

For the year ended December 31, 2019, the Company's cash inflows from financing activities are the result of proceeds from a revolving line of credit, partially offset by lease payments.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of financial statements and application of IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Partnership based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Partnership. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Partnership's accounting policies that have the most significant effect on the amounts in the financial statements.

The following are critical accounting policies subject to such judgements and the key sources of estimation uncertainty that the Partnership believes could have the most significant impact on the reported results of operations and financial position.

Key sources of estimation uncertainty:

- Provision and contingencies:** The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition,

contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.

- b) Expected credit losses: The Partnership monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Partnership reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Partnership's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Partnership consider the counterparty's financial position, past experience and other factors.
- c) Determination of incremental borrowing rate: When the Partnership enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Partnership determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Partnership considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.
- d) Determination of the lease term: When the Partnership enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend a lease, the Partnership considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Partnership's operations; and any conditionality associated with exercising the option.

SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash in the statements of financial position comprise of cash at banks.

Technology and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed as incurred. Expenditures on development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditures are capitalized to intangible assets if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Partnership intends to and has sufficient resources to complete development and to use or sell the asset.

Leases

At inception of a contract, the Partnership assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Partnership assesses whether:

- The contract involves the use of an identified asset;
- The Partnership has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Partnership has the right to direct the use of the asset.

Right-of-use asset

The Partnership recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Partnership is reasonably certain to exercise that option. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Partnership's incremental borrowing rate. Generally, the Partnership uses its incremental borrowing rate as the discount rate.

The Partnership determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Partnership is reasonably certain to exercise, and lease payments in an optional renewal period if the Partnership is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Partnership changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the statements of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

Financial assets: On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at:

- (i) amortized cost;
- (ii) fair value through other comprehensive income ("FVOCI"); or
- (iii) fair value through profit or loss ("FVTPL").

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Partnership may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Partnership derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either:

- (i) fair value through profit or loss; or
- (ii) other financial liabilities.

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

Derivatives are included in the category of FVTPL unless they are designated as hedges. Subsequent changes in the fair value are recorded in the statements of loss and comprehensive loss.

The Partnership derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Partnership also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the statements of loss and comprehensive loss.

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Partnership uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. The carrying amounts of the Partnership's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated based on value in use. Losses are recognized in the statements of income and comprehensive income and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statements of income and comprehensive income.

Revenues

The Partnership generates revenue from consumer activity that occurs in response to the delivery of targeted advertisements to opt-in subscribers via the Partnership's proprietary push notification platform. The Partnership offers its fully managed service to advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers' websites and take some further action. These arrangements are evidenced by a fully executed insertion order ("IO").

The Partnership agrees upon pricing for each advertisement prior to the execution and delivery of the associated advertising campaign. The pricing models are commonly referred to as cost per click ("CPC") or cost per action ("CPA"). Revenue is generated when the consumer visits the advertiser's designated website for CPC campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser's website for CPA campaigns.

The Partnership estimates the revenue that will be generated by the services by tracking the number of clicks and actions associated with the advertising campaigns. Advertisers provide real-time revenue reporting which is compared to the Partnership's estimates. Revenue is recognized in the month that the consumer activity (click or action) occurred.

The Partnership follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Partnership's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

Revenue is recognized and recorded on a gross basis as the Partnership has control and is responsible for fulfilling the advertisement delivery and performing all billing and collection activities.

Media costs

Media costs are considered the Partnership's cost of goods sold. These costs include amounts paid to publishers to secure rights to send push notification advertisements to the publisher's subscriber database.

Finance costs

Finance costs comprise interest expense on loans and borrowings, accretion of discount on loans and borrowings and changes in the fair value of financial instruments at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gain and losses arriving from the translation and settlement of assets and liabilities as well as revenue and expenses are reported on a net basis within finance cost (income).

Income taxes

No provision has been made for income taxes since the Partnership has elected to be taxed as a partnership as defined by the Internal Revenue Code. The Partnership's members will report the Partnership's taxable income or loss on their individual income tax returns.

Net income per unit

Basic income per unit is calculated by dividing the net income for the period by the weighted average number of common units outstanding during the period. Diluted income per unit is calculated by dividing the net income for the period by the sum of the weighted average number of common units outstanding and the dilutive common unit equivalents outstanding during the period. Common unit equivalents consist of the units issuable upon exercise of stock options and units issuable upon exercise of common unit warrants calculated using the treasury stock method. Common unit equivalents are not included in the calculation of the weighted average number of units outstanding for diluted net income per unit when the effect would be anti-dilutive.

Segment reporting

The Partnership currently operates in a single operating segment.

The Partnership has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the financial statements also represent segment amounts.

RELATED PARTY TRANSACTIONS

The key management personnel of the Partnership are certain members of the Partnership's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in General and Administrative expense:

	Years Ended December 31,	
	2020	2019
Salaries and director remuneration	\$ 542,931	\$ 110,208
	\$ 542,931	\$ 110,208

Certain partners of the Partnership are also significant shareholders who exude control over certain customers and vendors of the Partnership. These customers and vendors are therefore related to the Partnership. In addition to these transactions which flowed through the statement of income and comprehensive income, there were certain payments made on behalf of a related customer that have been classified as due from related parties.

NotifyAI, LLC.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

The following table presents the related party balances as they appear on the statement of financial position:

	As at December 31,	
	2020	2019
Balances included in accounts receivable	\$ 277,483	\$ 14
Due from related parties	130,733	—
Total related party balances receivable	408,216	14
Balances included in accounts payable and accrued liabilities	(273,032)	(443,715)
Due to related parties	—	(495)
Total related party balances	\$ 135,184	\$ (444,196)

The following table presents the cumulative related party customers and vendors transactions that flowed through the various line items of the statement of income and comprehensive income:

	Years Ended December 31,	
	2020	2019
Revenues from related parties	\$ 1,356,751	\$ 2,936
Media costs	18,397	—
Sales and marketing	19,315	99,118
Technology and development	131,289	96,747
General and administrative	2,025,093	746,143

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2020, the Partnership had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

OUTSTANDING UNIT DATA

The Partnership is authorized to issue an unlimited number of Class A units. The table below lists the Class A units outstanding at February 11, 2022:

	As at February 11, 2022
Class A Units	15,789,474
Total Class A Units on a fully-diluted basis	15,789,474

RISK FACTORS AND UNCERTAINTIES

The Partnership is exposed to a variety of business risks, financial and accounting risks and industry risks in the normal course of operations. A detailed description of risk factors associated with the Partnership's business is given in the "Risk Factors" section of the Management Information Circular of PopReach Corporation.

SCHEDULE N
NOTIFY AI INTERIM FINANCIAL STATEMENTS

(see attached)

NotifyAI, LLC.

Condensed Interim Financial Statements
For the three and six month periods ended June 30, 2021 & 2020
(expressed in United States Dollars - unaudited)

NotifyAI, LLC

Condensed Interim Statements of Financial Position

(expressed in US dollars – unaudited)

	Note	As at June 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,373,262	\$ 1,404,075
Accounts receivable	3	2,505,977	2,059,526
Prepaid expenses and deposits		59,766	1,264
Due from related parties	7	10,110	130,733
Total current assets		3,949,115	3,595,598
Non-current assets			
Right-of-use asset		3,505	10,514
Total non-current assets		3,505	10,514
Total assets		\$ 3,952,620	\$ 3,606,112
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities			
Accounts payable and accrued liabilities	4	\$ 1,980,321	\$ 1,491,007
Current portion of lease liability		3,675	10,869
Total current liabilities		1,983,996	1,501,876
Total liabilities		1,983,996	1,501,876
Partners' Capital			
Partners' Capital	5	150	150
Retained Earnings		1,968,474	2,104,086
Total partners' capital		1,968,624	2,104,236
Total liabilities and partners' capital		\$ 3,952,620	\$ 3,606,112

Nature of operations (note 1)

Subsequent event (note 9)

Approved on behalf of the Board:

/s/ Ted Hastings
Ted Hastings, Director

/s/ James Mansfield
James Mansfield, CEO

The accompanying notes are an integral part of these condensed interim financial statements.

NotifyAI, LLC

Condensed Interim Statements of Income & Comprehensive Income

(expressed in US dollars – unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Note	2021	2020	2021	2020
Revenues		\$ 6,382,195	\$ 3,043,593	\$ 11,931,274	\$ 4,905,154
Media costs		3,989,904	2,050,477	7,573,091	3,294,572
Gross profit		\$ 2,392,291	\$ 993,116	\$ 4,358,183	\$ 1,610,582
Expenses					
Sales and marketing		45,537	21,235	66,583	69,596
Technology and development		246,496	135,351	433,985	200,065
General and administrative	8	922,575	456,260	1,760,662	849,262
Depreciation		3,505	3,505	7,009	7,009
		\$ 1,218,113	\$ 616,351	\$ 2,268,239	\$ 1,125,932
Net income & comprehensive income for the period		\$ 1,174,178	\$ 376,765	\$ 2,089,944	\$ 484,650
Net income per unit		\$ 0.08	\$ 0.03	\$ 0.14	\$ 0.03
Weighted average number of shares outstanding - basic and diluted		15,000,000	15,000,000	15,000,000	15,000,000

The accompanying notes are an integral part of these condensed interim financial statements.

NotifyAI, LLC

Condensed Interim Statements of Changes in Partners' Capital

(expressed in US dollars – unaudited)

	Partners' Capital		Income	Total
	Number	Amount		
Balance – December 31, 2019	15,000,000	\$ 150	\$ 353,693	\$ 353,843
Net income and comprehensive income	—	—	484,650	484,650
Balance – June 30, 2020	15,000,000	150	838,343	838,493
Balance – December 31, 2020	15,000,000	150	2,104,086	2,104,236
Partners' distribution	—	—	(2,225,556)	(2,225,556)
Net income and comprehensive income	—	—	2,089,944	2,089,944
Balance – June 30, 2021	15,000,000	\$ 150	\$ 1,968,474	\$ 1,968,624

The accompanying notes are an integral part of these condensed interim financial statements.

NotifyAI, LLC

Condensed Interim Statements of Cash Flows

(expressed in US dollars – unaudited)

	Six months ended June 30,	
	2021	2020
Cash flows from operating activities		
Net income	\$ 2,089,944	\$ 484,650
Changes in non-cash operating items:		
Depreciation	7,009	7,009
Changes in non-cash working capital:		
Accounts receivable	(446,451)	886,750
Prepaid expenses	(58,502)	(4,786)
Due from related party	120,623	—
Accounts payable and accrued liabilities	489,314	(457,268)
Net cash provided by operating activities	2,201,937	916,355
Cash flows from financing activities		
Partner Distributions	(2,225,556)	—
Repayment of revolving line of credit	—	(168,166)
Repayment of leases, net of accretion	(7,194)	(7,193)
Repayment of related parties	—	(3,459)
Net used in financing activities	(2,232,750)	(178,818)
Change in cash during the period	(30,813)	737,537
Cash and cash equivalents – Beginning of period	1,404,075	204,492
Cash and cash equivalents – End of period	\$ 1,373,262	\$ 942,029

The accompanying notes are an integral part of these condensed interim financial statements.

NotifyAI, LLC

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2021 and 2020

(expressed in US dollars unless otherwise noted – unaudited)

1. NATURE OF OPERATIONS

NotifyAI, LLC (“Notify” or the “Partnership”) operates a proprietary push messaging platform that allows publishers to collect, manage and monetize their subscriber databases and allows performance advertisers to reach highly targeted users with a positive return on investment “ROI”. The Partnership offers its fully managed service to advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers’ websites and take some further action. The Partnership was formed in Wyoming on February 23, 2018 and is domiciled in the United States.

The address of the Partnership’s registered office is 1712 Pioneer Avenue, Ste. 787, Cheyenne, WY 82001.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standard Board (“IASB”), applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. As a result, they do not conform in all respects with the disclosure requirements for annual financial statements under IFRS and should be read in conjunction with the Company’s audited financial statements for the fiscal year ended December 31, 2020.

These condensed interim financial statements were approved and authorized for issuance by the Board of Directors on February 11, 2022.

Basis of presentation

The condensed interim financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These condensed interim financial statements have been prepared in United States dollars (“USD”), which is the Partnership’s functional and presentation currency.

NotifyAI, LLC

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2021 and 2020

(expressed in US dollars unless otherwise noted – unaudited)

2. BASIS OF PREPARATION *(Continued)*

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Partnership's operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Partnership's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Partnership's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Partnership's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Partnership. Even after the COVID-19 pandemic has subsided, the Partnership may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Partnership cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial statements and application of IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Partnership based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Partnership. Such changes are reflected in the assumptions when they occur.

There have been no changes to accounting estimates and judgements in the period. For additional information on accounting estimates and judgements as well as the Company's significant accounting policies, refer to the Company's audited annual financial statements for the year ended December 31, 2020. In addition, the company did not change, add, or adopt any new accounting policies during the period.

NotifyAI, LLC

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2021 and 2020

(expressed in US dollars unless otherwise noted – unaudited)

3. Accounts Receivable

	As at June 30, 2021	As at December 31, 2020
Current	\$ 2,285,430	\$ 1,931,223
1 - 30	107,312	110,407
31 - 60	111,292	17,301
61 - 90	757	595
91 and over	1,186	—
	<u>\$ 2,505,977</u>	<u>\$ 2,059,526</u>

The Partnership has not established a provision for Expected Credit Loss (“ECL”) based on historical collectability.

4. Accounts Payable and Accrued Liabilities

	As at June 30, 2021	As at December 31, 2020
Trade accounts payable	1,978,389	1,480,493
Accrued liabilities	1,932	10,514
Accounts payable and accrued liabilities	<u>\$ 1,980,321</u>	<u>\$ 1,491,007</u>

5. Partners' Capital

The Partnership's authorized capital includes an unlimited number of Class A units without par value.

Any holder of a class of Class A common units shall be entitled to receive dividends as and when declared by the Board on such holder's class of Class A common units, and, in the event of the liquidation, dissolution or winding up of the Partnership (a “Dissolution Event”), to unit ratably with the other holders of Class A common units, subject to prior rights of other holders of any units ranking senior to the Class A common units with respect to priority upon a Dissolution Event, in all of the property and assets of the Partnership available for distribution.

The holders of Class A common units are entitled to receive notice of and to attend all meetings of the partners and to one vote per unit at meetings of the partners of the Partnership.

	Shares	\$
Units as at the period ended June 30, 2021, June 30, 2020, and December 31, 2020	<u>15,000,000</u>	<u>\$ 150</u>

The Partnership did not have any transactions impacting share capital during the periods ended June 30, 2021, June 30, 2020, or December 31, 2020.

NotifyAI, LLC

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2021 and 2020

(expressed in US dollars unless otherwise noted – unaudited)

6. Financial Instruments and risk management

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

The following table summarises the Partnership's financial assets and liabilities:

	Loans and receivables / financial liabilities (amortized cost)	
	June 30, 2021	December 31, 2020
Measurement Basis		
Financial assets		
Cash and cash equivalents	1,373,262	1,404,075
Accounts receivable	2,505,977	2,059,526
Due from related parties	10,110	130,733
	\$ 3,889,349	\$ 3,594,334
Financial liabilities		
Accounts payable and accrued liabilities	1,980,321	1,491,007
	\$ 1,980,321	\$ 1,491,007

The carrying values of cash and cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liabilities approximate their fair value due to their short-term nature. There were no transfers of financial assets during the period ended June 30, 2021, and year ended December 31, 2020, between any of the levels.

Risk factors

The Partnership is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk arises from the Partnership's accounts receivable and cash and is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations. As at June 30, 2021 and December 31, 2020 the Partnership has not set up an allowance for uncollectible accounts, as losses due to expected credit losses have historically been immaterial.

NotifyAI, LLC

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2021 and 2020

(expressed in US dollars unless otherwise noted – unaudited)

6. Financial Instruments and risk management (Continued)

Credit Risk (Continued)

As at June 30, 2021, three customers (December 31, 2020 – three) represented 58.4% (December 31, 2021 – 49.2%) of the gross accounts receivable balance of \$2,505,977 (December 31, 2020 – \$2,059,526). The balance due from the three significant customers were current at June 30, 2021 (December 31, 2020 – current). No other individual customer represented more than 10% of the accounts receivable balance.

The Partnership reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Partnership's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they fall due. The Partnership has a planning and budgeting process in place to help determine the funds required to support the Partnership's normal operating requirements on an ongoing basis. The Partnership ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The following is an analysis of the contractual maturities of the Partnerships financial liabilities as at June 30, 2021 and December 31, 2020:

	As at June 30, 2021		
	Carrying amount	Total contractual cash flows	Less than 1 year
Accounts payable and accrued liabilities	1,980,321	—	1,980,321
Lease obligations	3,675	—	3,675
	\$ 1,983,996	\$ —	\$ 1,983,996

	As at December 31, 2020		
	Carrying amount	Total contractual cash flows	Less than 1 year
Accounts payable and accrued liabilities	1,491,007	—	1,491,007
Lease obligations	10,869	—	10,869
	\$ 1,501,876	\$ —	\$ 1,501,876

NotifyAI, LLC

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2021 and 2020

(expressed in US dollars unless otherwise noted – unaudited)

7. Related Party Transactions

The key management personnel of the Partnership are certain members of the Partnership's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in General and Administrative expense:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Salaries and director remuneration	\$ 209,953	\$ 76,009	\$ 419,679	\$ 146,809
	<u>\$ 209,953</u>	<u>\$ 76,009</u>	<u>\$ 419,679</u>	<u>\$ 146,809</u>

Certain partners of the Partnership are also significant shareholders who exude control over certain customers and vendors of the Partnership. These customers and vendors are therefore related to the Partnership. In addition to these transactions which flowed through the statement of income and comprehensive income, there were certain payments made on behalf of a related customer that have be classified as due from related parties.

The following table presents the related party balances as the appear on the statement of financial position:

	As at June 30, 2021	As at December 31, 2020
Balances included in accounts receivable	\$ 501,845	\$ 277,483
Due from related parties	10,110	130,733
Total related party balances receivable	511,955	408,216
Balances included in accounts payable and accrued liabilities	(193,445)	(273,033)
Total related party balances	\$ 318,510	\$ 135,183

The following table presents the cumulative related party customers and vendors transactions that flowed through the various line items of the statement of income and comprehensive income:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenues from related parties	\$ 393,997	\$ 465,280	\$ 722,373	\$ 596,045
Media costs	—	—	3,496	—
Sales and marketing	1,051	426	2,001	14,606
Technology and development	240,393	2,016	396,188	4,477
General and administrative	794,914	429,492	1,505,076	788,201

NotifyAI, LLC

Notes to the Condensed Interim Financial Statements

For the three and six month periods ended June 30, 2021 and 2020

(expressed in US dollars unless otherwise noted – unaudited)

8. Nature v. Function Expense

Expenses are classified by function on the statement of income and comprehensive income. Below is a breakdown of what is included within General and Administrative expense:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Office and administrative	\$ 36,560	\$ 32,164	\$ 113,651	\$ 75,933
Professional fees	74,448	17,453	106,194	44,449
Employee & consultant expenses	811,567	406,643	1,540,817	728,880
	<u>\$ 922,575</u>	<u>\$ 456,260</u>	<u>\$ 1,760,662</u>	<u>\$ 849,262</u>

9. Subsequent Event

On August 6, 2021, the Partnership sold all of its issued and outstanding shares to Federated Foundry for \$15,600,000. In accordance with the Share Purchase Agreement, \$5,000,000 cash was settled on closing and the remaining \$10,600,000 is in the form of a vendor take back note ("VTB Note"). In addition, during the period beginning on the closing date and ending on the earlier of (1) the date that is twelve (12) months from the Closing Date or (2) the date that the VTB Note is paid in full, pay to each vendor its Pro Rata Share of sixty-five (65%) of the EBITDA generated by the Company during the earnout period.

SCHEDULE O
NOTIFY AI INTERIM MD&A

(see attached)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Notify AI, LLC. ("Notify" or the "Partnership"), for the three and six period ended June 30, 2021.

This document should be read in conjunction with the information contained in the Company's condensed interim financial statements and related notes for the three and six period ended June 30, 2021 (the "Q2 2021 Condensed Interim Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$") and "USD" amounts and references in this MD&A are in United States dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, February 11, 2022, being the date the Company's board of directors (the "Board" or "Board of Directors") approved this MD&A and the Q2 2021 Condensed Interim Financial Statements. All quarterly information contained herein is unaudited.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

OVERVIEW AND SIGNIFICANT EVENTS

Corporate Structure

Notify AI, LLC ("Notify" or the "Partnership") as formed in Wyoming on February 23, 2018 and is domiciled in the United States.

The address of the Partnership's registered office is 1712 Pioneer Avenue, Ste. 787, Cheyenne, WY 82001.

Narrative Description & General Development of the Business

Notify has developed a proprietary push messaging platform ("Platform") that serves i) publishers and websites, ii) advertisers, and iii) other push notification providers.

- Publishers – collect subscribers, manage and monetize their subscriber databases and manage content delivery to their subscriber audience.
- Advertisers – reach highly targeted users for better conversions and return on investment ("ROI").
- Push providers – access to advertiser supply from Notify's direct advertiser and channel partner relationships.

Push notifications are a type of native advertising offering a non-intrusive and user-friendly way for any publisher, website or app to re-engage with their users. This is particularly useful because re-engaged users have significantly higher conversion rates and lower acquisition costs than new users.

Messages can be sent directly to a user's mobile or desktop device anytime and anywhere. Because you can receive push notifications while you're browsing or even when your device is locked through the notification tray, they are a great way to convey messages of urgency, such as breaking news, current traffic conditions, or limited-time offers.

A publisher, website or app can only send a push notification if the user has opted in as a subscriber to receive the notifications. Subscribers can also opt out at any time.

Notify generates revenue from consumer activity that occurs in response to the delivery of targeted advertisements to opted-in subscribers via Notify's proprietary Platform. Notify offers its service to advertising channel partners as well as direct advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers' websites and take some further action. Revenue from channel partners is typically based on a cost-per-click ("CPC") model while direct advertisers are typically based on either a fixed CPC, cost-per-action ("CPA") or cost-per-thousand impressions ("CPM") model that is agreed upon with the advertiser prior to the execution and delivery of the associated advertising campaign. Revenue is generated when the consumer clicks an advertisement to visit the advertiser's designated website for CPC or CPM campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser's website for CPA campaigns.

Notify's cost of goods sold is the traffic costs it pays to publishers and websites and other push service providers using its Platform. For users of the Subscription Widget feature of the Platform, there are two types of pricing models; a cost per subscriber model under which Notify pays a fixed fee for each subscriber opting in using the Platform, or a revenue share of the advertising revenue generated from subscribers. For users of the Monetization Widget and the Monetization API features of the Platform, pricing is based on a revenue share.

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Partnership's operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Partnership's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Partnership's business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Partnership's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Partnership. Even after the COVID-19 pandemic has subsided, the Partnership may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in

NotifyAI, LLC.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

the future. Therefore, the Partnership cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

SUBSEQUENT EVENTS

On August 6, 2021, the Partnership sold all of its issued and outstanding shares to Federated Foundry for \$15,600,000. In accordance with the Share Purchase Agreement, \$5,000,000 cash was settled on closing and the remaining \$10,600,000 is in the form of a vendor take back note ("VTB Note"). In addition, during the period beginning on the closing date and ending on the earlier of (1) the date that is twelve (12) months from the Closing Date or (2) the date that the VTB Note is paid in full, pay to each vendor its Pro Rata Share of sixty-five (65%) of the EBITDA generated by the Company during the earnout period.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three and six months ended June 30, 2021 and 2020, is set forth below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 6,382,195	\$ 3,043,593	\$ 11,931,274	\$ 4,905,154
Net income and comprehensive income	1,174,178	376,765	2,089,944	484,650
Total assets	3,952,620	2,187,154	3,952,620	2,187,154
Total liabilities	1,983,996	1,348,663	1,983,996	1,348,663
Basic and diluted net income and comprehensive income per common share	\$ 0.08	\$ 0.03	\$ 0.14	\$ 0.03

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended June 30, 2021 and 2020

	Three Months Ended June 30,			
	2021	2020	Variance	% Change
Revenue	\$ 6,382,195	\$ 3,043,593	\$ 3,338,602	110%
Media costs	3,989,904	2,050,477	1,939,427	95%
Sales and marketing	45,537	21,235	24,302	114%
Technology and development	246,496	135,351	111,145	82%
General and administrative	922,575	456,260	466,315	102%

Revenues

Revenues increased by \$3,338,602 from \$3,043,593 for the three months ended June 30, 2020, to \$6,382,195 representing an increase of 110% over the same period in 2020. The increase in revenue is related to onboarding of new publisher and advertiser clients as a result of expansion of the sales team as well as improvements in monetization algorithms and other Platform features.

Media costs

Media costs are considered the Partnership's cost of goods sold. These costs include amounts paid to publishers to secure rights to send push notification advertisements to the publisher's subscriber database.

Media costs increased by \$1,939,427 from \$2,050,477 for the three months ended June 30, 2020, to \$3,989,904 representing an increase of 95% over the same period in 2020. The increase in media costs is directly related to the increase in revenue. Media costs will vary as a percentage of revenue due to shifts in product mix from changes in publishers who are on varying pricing models and have varying performance.

NotifyAI, LLC.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

Sales and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Partnership's services. The costs include all travel, marketing, conferences, promotional events incurred by the Partnership.

Sales and marketing expenses increased by \$24,302 from \$21,235 for the three months ended June 30, 2020, to \$45,537 representing an increase of 114% over the same period ending June 30, 2020. The increase for the three months ended June 30, 2021, as compared to the prior year period was primarily the result of COVID-19 restrictions being lifted to allow for travel and conferences to resume.

Technology and development

Technology and development expenses includes web hosting and various hardware and software costs incurred by the Partnership.

Technology and development expenses increased by \$111,145 from \$135,351 for the three months ended June 30, 2020, to \$246,496 representing an increase of 82% over the three months ended June 30, 2020. The increase for the three months ended June 30, 2021, as compared to the prior year period was primarily the result of increased web hosting costs related to more ads being served by the Platform due to growth in available ad inventory from new publisher relationships.

General and administrative

General and administrative expenses include salaries and benefits, occupancy costs, legal and professional fees, insurance, and other administrative costs.

General and administrative expenses increased by \$466,315 from \$456,260 for the three months ended June 30, 2020, to \$922,575 representing an increase of 102% over the three months ended June 30, 2020. The increase for the three months ended June 30, 2021, as compared to the prior year period was primarily the result of increase in headcount as a result of the rapid growth in revenue and operations.

Comparison of the Six Months Ended June 30, 2021 and 2020

	Six Months Ended June 30,			
	2021	2020	Variance	% Change
Revenue	\$ 11,931,274	\$ 4,905,154	\$ 7,026,120	143%
Media costs	7,573,091	3,294,572	4,278,519	130%
Sales and marketing	66,583	69,596	(3,013)	(4%)
Technology and development	433,985	200,065	233,920	117%
General and administrative	1,760,662	849,262	911,400	107%

Revenues

Revenues increased by \$7,026,120 from \$4,905,154 for the six months ended June 30, 2020, to \$11,931,274 representing an increase of 143% over the same period in 2020. The increase in revenue is related to onboarding of new publisher and advertiser clients as a result of expansion of the sales team as well as improvements in monetization algorithms and other Platform features.

Media costs

Media costs are considered the Partnership's cost of goods sold. These costs include amounts paid to publishers to secure rights to send push notification advertisements to the publisher's subscriber database.

Media costs increased by \$4,278,519 from \$3,294,572 for the six months ended June 30, 2020, to \$7,573,091 representing an increase of 130% over the same period in 2020. The increase in media costs is directly related to the increase in revenue. Media costs will vary as a percentage of revenue due to shifts in product mix from changes in publishers who are on varying pricing models and have varying performance.

NotifyAI, LLC.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

Sales and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Partnership's services. The costs include all travel, marketing, conferences, promotional events incurred by the Partnership.

Sales and marketing expenses decreased by \$3,013 from \$69,596 for the six months ended June 30, 2020, to \$66,583 representing a decrease of 4% over the same period in 2020. The decrease for the six months ended June 30, 2021, as compared to the prior year period was primarily the result less travel and conferences during the first three months of the period.

Technology and development

Technology and development expenses includes web hosting and various hardware and software costs incurred by the Partnership.

Technology and development expenses increased by \$233,920 from \$200,065 for the six months ended June 30, 2020, to \$433,985 representing an increase 117% over the six months ended June 30, 2020. The increase for the three months ended June 30, 2021, as compared to the prior year period was primarily the result of increased web hosting costs related to more ads being served by the Platform due to growth in available ad inventory from new publisher relationships.

General and administrative

General and administrative expenses include salaries and benefits, occupancy costs, legal and professional fees, insurance, and other administrative costs.

General and administrative expenses increased by \$911,400 from \$849,262 for the six months ended June 30, 2020, to \$1,760,622 representing an increase of 107% over the six months ended June 30, 2020. The increase for the year ended June 30, 2021, as compared to the prior year period was primarily the result of increase in head count as a result of the rapid growth in revenue and operations.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	For the three months ended (unaudited)			
	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020
Revenue	\$ 864,786	\$ 2,764,133	\$ 1,861,561	\$ 3,043,593
Net income (loss) and comprehensive income (loss)	(23,200)	509,227	107,885	376,765
Total assets	666,053	2,331,325	1,347,978	2,184,191
Total liabilities	821,637	1,977,482	886,252	1,345,699
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ (0.00)	\$ 0.03	\$ 0.01	\$ 0.03

	For the three months ended (unaudited)			
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021
Revenue	\$ 4,118,447	\$ 5,014,783	\$ 5,549,079	\$ 6,382,195
Net income and comprehensive income	785,320	860,422	915,766	1,174,178
Total assets	2,476,754	3,606,112	3,723,842	3,952,620
Total liabilities	1,232,942	1,501,876	1,828,840	1,983,996
Basic and diluted income and comprehensive income per common share	\$ 0.05	\$ 0.06	\$ 0.06	\$ 0.08

The Company's revenues and operating results may vary from quarter to quarter as a result of a variety of factors, some of which are outside of the Company's control, including seasonality and cyclicity. The fourth quarter ending December 31 historically reflects increased advertising activity during the holiday season.

NotifyAI, LLC.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

Seasonality may be affected by customer mix, such that retail advertisers may concentrate their advertising spending with the Company in the fourth quarter while entertainment advertisers may concentrate their spending to coincide with the launch and display of content, such as television shows or movies.

LIQUIDITY AND CAPITAL RESOURCES

Contractual obligations

The Partnership provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, accounts receivable, due from related parties and accounts payable and accrued liabilities approximate their fair value due to their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the statements of financial position and the market rates of interest is not considered significant. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

	Loans and receivables / financial liabilities (amortized cost)	
	June 30, 2021	December 31, 2020
Measurement Basis		
Financial assets		
Cash and cash equivalents	1,373,262	1,404,075
Accounts receivable	2,505,977	2,059,526
Other assets	10,110	130,733
	\$ 3,889,349	\$ 3,594,334
Financial liabilities		
Accounts payable and accrued liabilities	1,980,321	1,491,007
	\$ 1,980,321	\$ 1,491,007

There were no transfers of financial assets during the six months ended June 30, 2021 between any of the levels.

Risk factors

The Partnership is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit Risk

Credit risk is the risk of financial loss to the Partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Partnership's accounts receivable and cash. As at June 30, 2021 the Partnership has not set up an allowance for uncollectible accounts, as losses due to expected credit losses have historically been immaterial.

As at June 30, 2021, three customers represented 58.4% of the gross accounts receivable balance of \$2,505,977. As at December 31, 2020, three customers represented 49.2% of the gross accounts receivable balance of \$2,059,526. The balance due from the three significant customers were current at June 30, 2021. No other individual customer represented more than 10% of the accounts receivable balance.

The Partnership reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Partnership's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

NotifyAI, LLC.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

Liquidity Risk

Liquidity risk is the risk that the Partnership will not be able to meet its financial obligations as they fall due. The Partnership has a planning and budgeting process in place to help determine the funds required to support the Partnership's normal operating requirements on an ongoing basis. The Partnership ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The following table provides information about the terms of the financial obligations and liabilities:

	As at June 30, 2021				
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	1,980,321	—	1,980,321	—	—
Lease obligations	3,675	—	3,675	—	—
	<u>\$ 1,983,996</u>	<u>\$ —</u>	<u>\$ 1,983,996</u>	<u>\$ —</u>	<u>\$ —</u>

	As at December 31, 2020				
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	1,491,007	—	1,491,007	—	—
Lease obligations	10,869	—	10,869	—	—
	<u>\$ 1,501,876</u>	<u>\$ —</u>	<u>\$ 1,501,876</u>	<u>\$ —</u>	<u>\$ —</u>

Capital management

The Partnership manages its capital structure and adjusts it based on the funds available to the Partnership, in order to support the general operations of the Partnership and facilitate its liquidity needs. The Partnership's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Partnership's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Partnership's management to sustain future development of the business. The Partnership defines capital to include its working capital position. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Partnership, is reasonable. There were no changes in the Partnership's approach to capital management during the three and six months ended June 30, 2021. The Partnership is not subject to externally imposed capital requirements.

CASH FLOWS BY ACTIVITY

Comparison of the Three Months Ended June 30, 2021 and 2020

The table below outlines a summary of cash inflows and outflows by activity for the three months ended June 30, 2021, and 2020.

	Three Months Ended June 30,	
	2021	2020
Net cash provided by operating activities	\$ 1,111,974	\$ 573,653
Net cash used in financing activities	\$ (1,100,556)	\$ (3,623)

Cash provided by Operating Activities

The Company's net cash inflows from operating activities increased by \$538,321 to \$1,111,974 for the three months ended June 30, 2021 as compared to that same period in June 30, 2020. This variance, as compared to the prior year period, is primarily due to the increase in net income earned during the three months ended June 30, 2021, as compared to the prior year period.

NotifyAI, LLC.
Management's Discussion and Analysis
For the three and six month period ended June 30, 2021

Cash provided by Financing Activities

During the three months ended June 30, 2021, the Company's cash outflows from financing activities increased by \$1,096,933 to \$1,100,556 over the three months ended June 30, 2020. This variance, as compared to the prior year period, is primarily due to partner distributions and lease repayments

Comparison of the Six Months Ended June 30, 2021 and 2020

The table below outlines a summary of cash inflows and outflows by activity for the six months ended June 30, 2021, and 2020.

	Six Months Ended June 30,	
	2021	2020
Net cash provided by operating activities	\$ 2,201,937	\$ 916,355
Net cash used in financing activities	\$ (2,232,750)	\$ (178,818)

Cash provided by Operating Activities

The Company's net cash inflows from operating activities increased by \$1,285,582 to \$2,201,937 for the six months ended June 30, 2021 as compared to the same period in 2020. This variance, as compared to the prior year period, is primarily due the increase in net income earned during the six months ended June 30, 2021, as compared to the prior year period.

Cash used in Financing Activities

During the six months ended June 30, 2021, the Company's cash outflows from financing activities increased by \$2,053,932 to \$2,232,750 over the six months ended June 30, 2020. This variance, as compared to the prior year period, is primarily due to partner distributions and lease repayments

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of financial statements and application of IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Partnership based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Partnership. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Partnership's accounting policies that have the most significant effect on the amounts in the financial statements.

The following are critical accounting policies subject to such judgements and the key sources of estimation uncertainty that the Partnership believes could have the most significant impact on the reported results of operations and financial position.

Key sources of estimation uncertainty:

- Provision and contingencies:** The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgement and estimates of the outcome of future events.
- Expected credit losses:** The Partnership monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Partnership reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Partnership's customers are

generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Partnership consider the counterparty's financial position, past experience and other factors.

- c) Determination of incremental borrowing rate: When the Partnership enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Partnership determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Partnership considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.
- d) Determination of the lease term: When the Partnership enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend a lease, the Partnership considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Partnership's operations; and any conditionality associated with exercising the option.

RELATED PARTY TRANSACTIONS

The key management personnel of the Partnership are certain members of the Partnership's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in General and Administrative expense:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Salaries and director remuneration	\$ 209,953	\$ 76,009	\$ 419,679	\$ 146,809
	<u>\$ 209,953</u>	<u>\$ 76,009</u>	<u>\$ 419,679</u>	<u>\$ 146,809</u>

Certain partners of the Partnership are also significant shareholders who exude control over certain customers and vendors of the Partnership. These customers and vendors are therefore related to the Partnership. In addition to these transactions which flowed through the statement of income and comprehensive income, there were certain payments made on behalf of a related customer that have been classified as due from related parties.

The following table presents the related party balances as they appear on the statement of financial position:

	As at June 30, 2021	As at December 31, 2020
Balances included in accounts receivable	\$ 501,845	\$ 277,483
Due from related parties	10,110	130,733
Total related party balances receivable	511,955	408,216
Balances included in accounts payable and accrued liabilities	(193,445)	(273,033)
Total related party balances	\$ 318,510	\$ 135,183

The following table presents the cumulative related party customers and vendors transactions that flowed through the various line items of the statement of income and comprehensive income:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Revenues from related parties	\$ 393,997	\$ 465,280	\$ 722,373	\$ 596,045
Media costs	—	—	3,496	—
Sales and marketing	1,051	426	2,001	14,606
Technology and development	240,393	2,016	396,188	4,477
General and administrative	794,914	429,492	1,505,076	788,201

OFF BALANCE SHEET ARRANGEMENTS

As at June 30, 2021, the Partnership had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

OUTSTANDING UNIT DATA

The Partnership is authorized to issue an unlimited number of Class A units. The table below lists the membership units outstanding at February 11, 2022:

	As at February 11, 2022
Class A Units	15,789,474
Total Class A Units on a fully-diluted basis	15,789,474

RISK FACTORS AND UNCERTAINTIES

The Partnership is exposed to a variety of business risks, financial and accounting risks and industry risks in the normal course of operations. A detailed description of risk factors associated with the Partnership's business is given in the "Risk Factors" section of the Management Information Circular of PopReach Corporation.

SCHEDULE P
CIHI AUDITED FINANCIAL STATEMENTS

(see attached)

Crucial Interactive Holdings Inc.

Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(Expressed in Canadian Dollars)

Table of Contents

	<u>Page</u>
<u>Consolidated Statements of Financial Position</u>	1
<u>Consolidated Statements of Loss</u>	2
<u>Consolidated Statements of Changes in Shareholders' Equity</u>	3
<u>Consolidated Statements of Cash Flows</u>	4
<u>Notes to the Consolidated Financial Statements</u>	5



Independent Auditor's Report

To the Shareholders of Crucial Interactive Inc.:

Opinion

We have audited the consolidated financial statements of Crucial Interactive Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and December 31, 2019 and the consolidated statements of loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and December 31, 2019 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the years ended December 31, 2020 and December 31, 2019 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Toronto, Ontario
February 14, 2022

MNP LLP
Chartered Professional Accountants
Licensed Public Accountants

CRUCIAL INTERACTIVE HOLDINGS INC.
Consolidated Statements of Financial Position
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars)

	Note	As at December 31,	
		2020	2019
ASSETS			
Current assets			
Cash and cash equivalents		\$ 715,079	\$ 827,604
Accounts receivable		2,036,096	1,846,826
Prepaid expenses and deposits	4	39,663	71,418
Investment tax credits receivable	5	375,000	530,000
Other assets		266,160	45,201
Total current assets		3,431,998	3,321,049
Non-current assets			
Restricted cash	6	125,000	125,000
Right-of-use assets	7	33,696	192,458
Property and equipment	8	29,588	114,354
Intangible assets	9	122,249	90,000
Total non-current assets		310,533	521,812
Total assets		\$ 3,742,531	\$ 3,842,861
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 2,746,382	\$ 2,260,397
Income taxes payable	12	83,727	128,094
Unearned revenue		99,229	68,820
Current portion of lease liability	7	35,662	165,477
Current portion of loans	11	53,050	1,034,268
Due to related parties	13	1,537,381	1,405,089
Total current liabilities		4,555,431	5,062,145
Non-current liabilities			
Lease liability	7	—	32,522
Loans	11	3,133,884	2,374,356
Deferred tax liabilities	12	70,660	46,224
Total non-current liabilities		3,204,544	2,453,102
Total liabilities		7,759,975	7,515,247
Shareholders' deficiency			
Share capital	14	2,827,568	2,827,568
Warrants	15	1	1
Contributed surplus	11	148,119	148,119
Deficit		(6,993,132)	(6,648,074)
Total shareholders' deficiency		(4,017,444)	(3,672,386)
Total liabilities and shareholders' deficiency		\$ 3,742,531	\$ 3,842,861

The accompanying notes are an integral part of these consolidated financial statements.

CRUCIAL INTERACTIVE HOLDINGS INC.
Consolidated Statements of Loss
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars)

		For the years ended December 31,	
	Note	2020	2019
Revenue		\$ 4,750,278	\$ 6,953,924
Media costs		474,756	1,020,552
Gross profit		\$ 4,275,522	\$ 5,933,372
Expenses			
Sales and marketing	21	1,044,274	2,288,198
Technology and development	21	1,939,726	2,873,331
General and administrative	21	856,020	1,429,439
Transaction and restructuring costs		636,286	432,997
Depreciation and amortization	8	329,081	238,334
		\$ 4,805,387	\$ 7,262,299
Loss from operations		(529,865)	(1,328,927)
Other income (loss)			
Finance costs		(475,615)	(604,700)
Gain on sale		—	2,829
Gain/(loss) on modification of debt		678,403	125,892
Foreign exchange gain (loss)		(45,074)	(45,422)
		157,714	(521,401)
Net income (loss) before income taxes		(372,151)	(1,850,328)
Income taxes		(27,093)	99,271
Net loss for the year		\$ (345,058)	\$ (1,949,599)
Net loss per share		\$ (0.03)	\$ (0.16)
Weighted average number of shares outstanding - basic and diluted		12,421,592	12,421,592

The accompanying notes are an integral part of these consolidated financial statements.

CRUCIAL INTERACTIVE HOLDINGS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars)

	Share Capital					
	Common shares Number	Common shares Amount	Warrants	Contributed Surplus	Deficit	Total
Balance – January 1, 2019	12,421,592	\$ 2,827,568	\$ —	\$ 148,119	\$(4,698,475)	\$(1,722,788)
Issuance of warrants in conjunction with loan restructuring	—	—	1	—	—	1
Net loss and comprehensive loss	—	—	—	—	(1,949,599)	(1,949,599)
Balance – December 31, 2019	12,421,592	2,827,568	1	148,119	(6,648,074)	(3,672,386)
Cancellation of Warrants	—	—	(1)	—	—	—
Issuance of warrants in conjunction with loan restructuring	—	—	1	—	—	—
Contributed surplus	—	—	—	—	—	—
Net loss and comprehensive loss	—	—	—	—	(345,058)	(345,058)
Balance – December 31, 2020	12,421,592	\$ 2,827,568	\$ 1	\$ 148,119	\$(6,993,132)	\$(4,017,444)

The accompanying notes are an integral part of these consolidated financial statements.

CRUCIAL INTERACTIVE HOLDINGS INC.
Consolidated Statements of Cash Flows
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars)

	For the years ended December 31,	
	2020	2019
Cash flows from operating activities		
Net loss	\$ (345,058)	\$ (1,949,599)
Changes in non-cash operating items:		
Depreciation and amortization	329,081	238,334
Finance costs	6,391	15,507
Interest expense on loans	403,664	576,242
Gain/loss on modification of debt	(678,403)	(125,892)
Issuance of warrants	—	1
Changes in non-cash working capital		
Amounts receivable	(189,270)	2,992,680
Prepaid expenses	31,755	23,199
Investment tax credits receivable	155,000	(530,000)
Other assets	(220,959)	471,950
Accounts payable and accrued liabilities	485,985	(2,742,053)
Unearned revenue	30,409	68,820
Income tax payable	(19,931)	134,773
Net cash (used in) provided by operating activities	(11,336)	(826,038)
Cash flows from investing activities		
Additions to restricted cash	—	(125,000)
Additions to intangible assets	(100,349)	(6,000)
Additions to property and equipment	(17,453)	(35,378)
Net cash used in investing activities	(117,802)	(166,378)
Cash flows from financing activities		
Share Issuance	—	-
Repayment of line of credit	—	(355,000)
Proceeds from loans	53,049	—
Repayment of leases	(168,728)	(168,728)
Payment of loan interest	—	—
Net cash provided by (used in) financing activities	16,613	1,176,361
Change in cash during the year	(112,525)	183,945
Cash and cash equivalents – Beginning of year	827,604	643,659
Cash and cash equivalents – End of year	\$ 715,079	\$ 827,604
Supplemental disclosure of non-cash transactions		
Additions to property and equipment under leases	—	—

The accompanying notes are an integral part of these consolidated financial statements.

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

1. NATURE OF OPERATIONS AND GOING CONCERN

Crucial Interactive Holdings Inc. (doing business as “Contobox”) (the “Company”) is a corporation incorporated on September 4, 2014, in the province of Ontario, Canada. The Company enables businesses to personalize their messaging across video, mobile, social, and display advertising campaigns. The Company’s proprietary technology scores interest in products based on shopper engagements and purchase trends; uses predictive intelligence to recommend products to new and existing shoppers; and enhances experiences across multiple channels throughout the customer journey, providing marketers with deeper, more accurate insights, full transparency into performance and machine learning solutions. The Company’s registered and records office are located at 21 Camden Street, 5th Floor, Toronto, ON, M5V 1V2, Canada.

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. During the year ended December 31, 2020, the Company incurred a net loss of \$345,055 and a working capital deficit of \$1,123,428. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management believes that the going concern assumption is appropriate for these consolidated financial statements. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The accounting policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2020. These consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2022.

Basis of presentation

The consolidated financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These consolidated financial statements have been prepared in Canadian dollars (“CAD”), which is the Company’s and subsidiaries functional and presentation currency.

Basis of consolidation

- a) **Subsidiaries:** Subsidiaries are controlled by the Company. These consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries.

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

The company has following wholly owned subsidiaries:

Subsidiary	Jurisdiction of Incorporation	Ownership Interest For the year ended December 31,	
		2020	2019
Crucial Interactive Inc.	Ontario	100%	100%
Skuyou Inc.	Ontario	100%	100%
Contobox U.S. Inc.	Delaware	100%	100%
Media Xeo Inc	Quebec	100%	100%
Okra Media Inc.	Quebec	100%	100%

b) Transactions eliminated on consolidation:

All inter-company balances and transactions, and any unrealized income and expenses arising from such transactions are eliminated on consolidation.

COVID-19

In early March 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") to be a pandemic. Responses to the spread of COVID-19 have resulted in a significant disruption to business operations and a significant increase in economic uncertainty in North America and elsewhere, with more volatile currency exchange rates, higher lending rates and a marked decline in long-term interest rates. These events have resulted in a volatile and challenging economic climate which may adversely affect the Company's operational results and financial position. The current economic climate is having and may continue to have significant adverse impacts on the Company, which may include, but are not limited to:

- a delay in business activity that could result in material reductions in future revenue and cashflows;
- inability to access equity and/or debt financing;
- increased risk of non-performance by the Company's customers which could materially increase collection risk of accounts receivable and the risk of customer defaults on contracts; and,
- increased risk of non-renewals of future subscription license, or cancelation of pending projects contracts.

While the Company does not believe there has been an impact to existing business, the current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

The following are critical accounting policies subject to such judgements and the key source of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results of operations and consolidated financial position.

Key sources of estimation uncertainty:

a) Provision and contingencies: The amount recognized as a provision, including legal, contractual, constructive, and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

b) Useful lives of property and equipment: Management is depreciating the furniture and fixtures, equipment, and leasehold improvements on a straight-line basis, with the following useful lives:

Leasehold improvements	Over the lesser of useful life of asset and term of lease
Furniture and fixtures	5 years
Computer equipment	3 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

c) Useful lives of intangible assets: Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.

d) Determination of incremental borrowing rate: When the Company enters leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

e) Determination of the lease term: When the Company enters leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

f) Income taxes: Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

g) Going concern: Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2020, and 2019. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. The Company has considered debt financing on January 2021, and credit facility restructuring on December 18, 2020.

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

- h) Government grants:** In the context of certain government programs where a benefit is received by both the Company and another party, management has applied significant judgment in determining whether the Company is the recipient of a government grant, or whether it is receiving an indirect benefit from a third party.
- i) Convertible debt and warrants:** The accounting for certain financial and equity instruments require judgement on discount rates and cash flow estimates to determine the initial accounting between debt and equity, as well subsequently to determine if any adjustments to loan agreements are considered modifications or settlements.

3. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks, cash on hand, and cash held in trust.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in net income (loss). The costs of the day-to-day servicing of property and equipment are recognized in net income (loss) as incurred.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized on a straight-line basis over the estimated useful lives of the property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation methods, useful lives and residual values are reviewed at each year-end and adjusted if appropriate.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net income (loss) as incurred.

Expenditures on development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Intangible assets

The useful life of an intangible asset is either finite or indefinite. Intangible assets are initially measured at fair value. Following the initial recognition, intangible assets are carried at the initial fair value less accumulated amortization and impairment losses, if any. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 2 to 5 years for facilities. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statements of loss and comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

Warrants and convertible loans

The Company follows the residual method with respect to the measurement of convertible loans. Where warrants are issued as consideration for goods and services received and some or all the goods or services received cannot be specifically identified or reliably measured, then these warrants are measured at the fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model. Where warrants are issued as part of a unit offering, the unit proceeds are allocated using a relative fair value method. If the

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

warrants are exercised, the applicable relative fair value recognized in warrants is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL").

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either at (i) fair value through profit or loss; or (ii) other financial liabilities.

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

Derivatives are included in the category of FVTPL unless they are designated as hedges. Subsequent changes in the fair value are recorded in the consolidated statements of loss and comprehensive loss.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the consolidated statements of loss and comprehensive loss.

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Losses are recognized in the consolidated statements of loss and comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statements of loss and comprehensive loss.

Revenue

Revenue is recognized based on the five-step model outlined in IFRS 15:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

In instances where the Company contracts with third party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. When the Company has control and responsibility for fulfilling the delivery and perform all billing and collection activities, revenue is recognized on a gross basis. If the company relies on third party advertising agencies to deliver, and perform billing and collection activities, revenue is recognized on a net basis.

Advertising Services

The company generates revenue from enabling businesses to personalize their messaging across video, mobile, social, and display online advertising campaigns using Contobox interactive ad platform. The company offers fully managed service to advertisers seeking to display their advertisements to target audience to interact with ad unit and take further action. The company also offers self-service where the client accesses the company's technology. The performance obligation is satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully managed service revenue and the delivery of impressions for self-serve revenue. These arrangements are evidenced by a fully executed insertion order ("IO") or contract.

Fully executed IO's or contracts specify the volume and type of advertising to be delivered over a specified time at an agreed upon price. The pricing models are commonly referred as a cost per impression ("CPM"), or cost per engagement ("CPE").

Publisher Representation

The company generates revenue from publisher representation using automated buying and selling of online advertising space. For the Company, programmatic sales are made by clients who use technology to buy inventory from the sites that the Company represents. The company makes inventory of its publishers available to various advertising networks, including Google ADX and Index Exchange.

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

Media Costs

Media costs are considered the Company's cost of goods sold. The costs include the third-party media costs, third-party real-time bidding costs to secure advertising space.

Investment tax credits

The Company is entitled to certain refundable Investment Tax Credits ("ITC") for qualifying research and development activities performed. The ITC are accounted for as a reduction of the related expenditures for items expensed in the consolidated statements of comprehensive loss, being primarily as part of employee compensation and benefits, or as a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position when the amount can be reliably estimated, and realization is reasonably assured.

Government assistance

Government grants and subsidies are recognized at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grants. To the extent that government grants are earned under the conditions of the grant prior to receipt of funds, the Company records a government grants receivable. Government grants related to operating expenses are reflected as a reduction of such expenses in the year when they are incurred (note 19).

Finance cost

Finance income comprises of interest income on funds invested (including available-for-sale financial instruments), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on loans and borrowings, accretion of discount on loans and borrowings and changes in the fair value of financial instruments at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gain and losses arriving from the translation and settlement of assets and liabilities as well as revenue and expenses are reported on a net basis within finance cost (income).

Income taxes

Income tax expense for the year comprises current and deferred income taxes. Current taxes and deferred taxes are recognized in the consolidated statements of comprehensive loss, except to the extent that they relate to items recognized in other comprehensive income ("OCI") or directly in equity. In these cases, the taxes are also recognized in OCI or directly in equity, respectively.

The Company uses the asset and liability method of accounting for deferred income taxes. Under this method, the Company recognizes deferred income tax assets and liabilities for future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carry forwards. The Company measures deferred income taxes using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. The Company recognizes deferred income tax assets only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences as well as unused tax losses and tax credit carry forwards can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company recognizes the effect of a change in income tax rates in the year of enactment or substantive enactment.

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

Deferred income taxes are not recognized if they arise from the initial recognition of goodwill, nor are they recognized on temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable income (loss). Deferred income taxes are also not recognized on temporary differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

The Company records current income tax expense or recovery based on income earned or loss incurred for the year in each tax jurisdiction where it operates, and for any adjustment to taxes payable in respect of previous years, using tax laws that are enacted or substantively enacted at the consolidated statements of financial position dates.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining the Company's income tax provisions. Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax rules are subject to interpretation. The Company establishes provisions related to tax uncertainties where appropriate based on its best estimate of the amount that will ultimately be paid to or received from tax authorities.

Share issue costs

Costs incurred for the issue of common shares are deducted from share capital.

Net income (loss) per share

Basic income (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated by dividing the net income (loss) for the period by the sum of the weighted average number of common shares outstanding and the dilutive common share equivalents outstanding during the period. Common share equivalents consist of the shares issuable upon exercise of stock options and shares issuable upon exercise of common share warrants calculated using the treasury stock method. Common share equivalents are not included in the calculation of the weighted average number of shares outstanding for diluted net income (loss) per share when the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented as any dilutive impacts were considered anti-dilutive.

Segment reporting

The Company currently operates in a single operating segment.

The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

Change in accounting policies

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material – amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Definition of a Business – amendments to IFRS 3 – Business Combinations

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

- Interest Rate Benchmark Reform – amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures
- Revised Conceptual Framework for Financial Reporting

The Company also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. PREPAID EXPENSES AND DEPOSITS

As of December 31, 2020, and 2019, the prepaid expenses and deposits are broken down as follows:

	As at December 31,	
	2020	2019
Prepaid expenses	\$ 13,330	\$ 12,437
Prepaid Insurance	16,790	58,981
Vendor deposits	2,904	—
Employee Advances	6,639	—
Prepaid expenses and deposits	\$ 39,663	\$ 71,418
Current	\$ 39,663	\$ 71,418
Non-current	-	-

5. INVESTMENT TAX CREDITS RECEIVABLE

As of December 31, 2020, the Company has recorded an accrued receivable for \$375,000 in ITCs relating to 2020 SRED expenditures. As at December 31, 2019, the Company had \$300,000 in investment tax credits recorded related to 2019 SRED expenditures.

	As at December 31,	
	2020	2019
SR&ED ITC Accrual	375,000	530,000
Investment tax credits receivable	\$ 375,000	\$ 530,000
Current	375,000	530,000
Non-current	-	-

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

6. RESTRICTED CASH

As at December 31, 2020, the Company had \$125,000 (December 31, 2019 - \$125,000) in restricted marketable securities on reserve at financial institutions as security for credit card facilities. The maturity value is equal to the original principal and does not include any past interest payments, accrued interest, or future interest payments.

7. RIGHT FOR USE ASSETS AND LEASE LIABILITY

The Company's leases consist of two office facilities. The lease terms are for 5 years and 2 years, commencing in 2017 and 2019 respectively, with an option to renew each lease after that date.

	Facilities
Lease Liability at January 1, 2019, recognized on adoption of IFRS 16	\$ 351,220
Accretion on lease liability	15,508
Lease payments	(168,728)
Balance as at December 31, 2019	197,999
Lease additions	—
Accretion on lease liability	6,391
Lease payments	(168,728)
Balance as at December 31, 2020	\$ 35,662
Current portion	35,662
Long-term portion	—

The Company has also recognized lease liabilities for these leases, which were initially measured at the present value of the future lease payments, discounted at a rate of 5.95%. Interest on lease liabilities is included in interest expense in the consolidated statements of loss and comprehensive loss. The carrying amount of the Company's right of use assets is summarized in the table below.

	Facilities
Balance as at January 1, 2019	\$ 351,220
Depreciation	(158,763)
Balance as at December 31, 2019	\$ 192,457
Lease additions	\$ —
Depreciation	(158,763)
Balance as at December 31, 2020	\$ 33,694

The following table outlines details the undiscounted cash flow and contractual maturities of the Company's lease obligations, as at December 31, 2020.

	Within one year
Facilities	36,440
Total	\$ 36,440

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

8. PROPERTY AND EQUIPMENT

Cost	Leasehold improvements	Furniture and fixtures	Computer equipment	Right-of- use assets	Total
Balance as at December 31, 2019	\$ 245,332	\$ 131,051	\$ 171,001	\$ 351,220	\$ 547,384
Additions	—	—	17,453	—	17,453
Balance as at December 31, 2020	\$ 245,332	\$ 131,051	\$ 188,454	\$ 351,220	\$ 564,837
Accumulated Depreciation					
Balance as at December 31, 2019	\$ 167,624	\$ 124,598	\$ 140,808	\$ 158,762	\$ 433,030
Depreciation	76,163	4,682	21,374	158,762	102,219
Balance as at December 31, 2020	\$ 243,787	\$ 129,280	\$ 162,182	\$ 317,524	\$ 535,249
Cost	Leasehold improvements	Furniture and fixtures	Computer equipment	Right-of- use assets	Total
Balance as at January 1, 2019	\$ 234,286	\$ 130,119	\$ 147,601	\$ 351,220	\$ 512,006
Additions	11,046	932	23,400	—	35,378
Balance as at December 31, 2019	\$ 245,332	\$ 131,051	\$ 171,001	\$ 351,220	\$ 547,384
Accumulated Depreciation					
Balance as at January 1, 2019	\$ 144,123	\$ 116,104	\$ 112,400	\$ —	\$ 372,627
Depreciation	23,501	8,494	28,408	158,762	60,403
Balance as at December 31, 2019	\$ 167,624	\$ 124,598	\$ 140,808	\$ 158,762	\$ 433,030
Net Book Value					
At December 31, 2019	\$ 77,708	\$ 6,453	\$ 30,193	\$ 192,458	\$ 114,354
At December 31, 2020	\$ 1,545	\$ 1,771	\$ 26,272	\$ 33,696	\$ 29,588

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

9. INTANGIBLE ASSETS

Cost	Software	Tradename	Total
Balance as at December 31, 2019	\$ 108,000	\$ —	\$ 108,000
Additions	96,300	4,049	100,349
Balance as at December 31, 2020	\$ 204,300	\$ 4,049	\$ 208,349
Accumulated Amortization			
Balance as at December 31, 2019	\$ 18,000	\$ —	\$ 18,000
Amortization	68,100	—	68,100
Balance as at December 31, 2020	\$ 86,100	\$ —	\$ 86,100
Cost	Software	Tradename	Total
Balance as at January 1, 2019	\$ 102,000	\$ —	\$ 102,000
Additions	6,000	—	6,000
Balance as at December 31, 2019	\$ 108,000	\$ —	\$ 108,000
Accumulated Amortization			
Balance as at January 1, 2019	\$ —	\$ —	\$ —
Amortization	18,000	—	18,000
Balance as at December 31, 2019	\$ 18,000	\$ —	\$ 18,000
Net Book Value			
At December 31, 2019	\$ 90,000	\$ —	\$ 90,000
At December 31, 2020	\$ 118,200	\$ 4,049	\$ 122,249

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at December 31,	
	2020	2019
Trade accounts payable	\$ 826,934	\$ 977,273
Accrued liabilities	1,813,516	1,182,215
Sales tax payable	105,932	100,909
Accounts payable and accrued liabilities	\$ 2,746,382	\$ 2,260,397

11. LOANS

2018 Debentures

In April 2018, the Company issued secured convertible debentures to its existing shareholders in the aggregate principal amount of \$1,956,390 (the "2018 Debentures"), bearing interest at the rate of 20% per annum and maturing on April 1, 2019 ("Maturity date"). The 2018 Debentures are secured by all movable and immovable assets of the Company. The principal of the 2018 Debenture shall be paid in four equal quarterly installments together with accrued interest commencing March 31, 2019. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$0.50 per common share, subject to adjustments as provided in the 2018 Debenture. The Company initially recognized \$1,876,473 as the fair value of the 2018 Debentures, and \$79,917 was initially recognized in contributed surplus with

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

respect to the value of the conversion feature. As at December 31, 2018, the carrying amount of the 2018 Debenture including accrued and unpaid interest was \$2,195,922.

In August 2019, the Company entered into a first Amending Agreement with the 2018 Debenture holders which provides for:

- a. The extended maturity date to December 31, 2022;
- b. The interest rate shall be 20% per annum compounded monthly until March 31, 2019, on which date the interest rate shall be reduced to the LIBOR rate plus 3% per annum compounded monthly;
- c. The Debenture repayment by twelve equal quarterly installments of principal and accrued interest commencing March 31, 2019;
- d. The holders shall receive 4,519,226 purchase warrants of the Company, each of which shall entitle the holders to purchase one common share in the capital of the Company at an exercise price of \$0.50 per common share. The Company estimated the fair value of warrants to be nominal. The issuance of the warrants were considered as a cost of the amendment.

As a result of the first Amending Agreement, the Company recorded modification gain of \$94,080 in its consolidated statements of loss and legal fees of \$83,353 were deducted from the loan amount and amortized over the loan period. During the year ended December 31, 2019, the Company recorded \$427,125 interest expense in its consolidated statements of loss.

In December 2020, the Company entered into a second Amending Agreement with the 2018 Debenture holders which provides for:

- a. The extended maturity date to January 1, 2026;
- b. The interest rate shall be 20% per annum compounded monthly until March 31, 2019, on which date the interest rate shall be reduced to the greater of: the TD Prime Rate plus 3% per annum or 6% per annum;
- c. The principal shall be repaid by the Company in 16 equal installments on a calendar quarter basis beginning on April 1, 2022; all interest accruing up to and including April 1, 2022 shall be paid on such date. Thereafter, interest shall be payable quarterly, commencing on July 1, 2022;
- d. The conversion price of the 2018 Debenture was reduced from \$0.50 per common share to \$0.05 per common share.
- e. The holders shall receive 70,437,823 purchase warrants of the Company, each of which shall entitle the holders to purchase one common share in the capital of the Company at an exercise price of \$0.0001 per common share; the warrants issued in the first Amending Agreement are cancelled. The Company estimated the fair value of warrants to be substantial. The issuance of the warrants was considered as a cost of the amendment.

As a result of the second Amending Agreement, the Company extinguished an original 2018 Debenture and recognised \$722,597 gain on extinguishment and recorded legal fees of \$13,208 in its consolidated statements of loss. The fair value of \$1,882,711 of the new debt was determined using a market interest rate of 20%.

During the year ended December 31, 2020, the Company recorded \$198,922 interest expense in its consolidated statements of loss.

2016 Debentures

During the year ended December 31, 2016, the Company issued secured convertible debentures to its existing shareholder in the aggregate principal amount of \$600,000 (the "2016 Debentures"), bearing interest at the rate of 8% per annum and maturing on January 1, 2019 ("Maturity date"). The 2016 Debentures are secured by all movable and immovable assets of the Company. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$1 per common share, subject to adjustments as provided in the 2016 Debenture. The Company initially recognized \$531,798 as the fair value of the 2016 Debentures, and \$68,202 was initially recognized in contributed surplus with

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

respect to the value of the conversion feature. As at December 31, 2018, a carrying amount of the 2016 Debenture including accrued and unpaid interest was \$762,352 after giving an effect to the Amending Agreement 1 entered by the Company with the 2016 Debenture holder in April 2018 which increased an interest rate to 20% per annum and reduced a conversion price to \$0.50 per common share.

In August 2019, the Company entered into an Amending Agreement 2 with the Debenture holder which provides for:

- a. The extended maturity date to January 1, 2020;
- b. The conversion price of the 2016 Debenture was reduced from \$0.50 per common share to \$0.40 per common share.

As a result of the Amending Agreement 2, the Company recorded modification loss of \$18,189 in its consolidated statements of loss. During the year ended December 31, 2019, the Company recorded \$149,116 interest expense in its consolidated statements of loss.

In December 2020, the Company entered into Amending Agreement 3 with the 2016 Debenture holders which provides for the extended maturity date to April 1, 2022.

As a result of the Amending Agreement 3, the Company recorded modification loss of \$94,194 in its consolidated statements of loss. During the year ended December 31, 2020, the Company recorded \$204,742 interest expense in its consolidated statements of loss.

	2016 Debentures	2018 Debentures	Total
Beginning balance, January 1, 2019	\$ 762,352	\$ 2,195,922	\$ 2,958,274
Interest expense	103,976	363,641	467,617
Loan modification, August 23, 2019	18,189	(144,080)	(125,892)
Interest expense	45,140	63,484	108,624
Ending balance, December 31, 2019	\$ 929,657	\$ 2,478,966	\$ 3,408,623
	2016 Debentures	2018 Debentures	Total
Beginning balance, January 1, 2020	\$ 929,657	\$ 2,478,966	\$ 3,408,623
Interest Expense	196,525	176,342	372,866
Loan modification, December 15, 2020	94,194	—	94,194
Liability derecognized at December 18, 2020	—	(2,655,308)	(2,655,308)
Liability recognized at December 18, 2020	—	1,882,711	1,882,711
Interest expense	8,218	22,580	30,798
Ending balance, December 31, 2020	\$ 1,228,593	\$ 1,905,291	\$ 3,133,884
Current	—	—	—
Long term	1,228,593	1,905,291	3,133,884

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

12. INCOME TAX

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 12.2% (2019-12.5%) to the effective tax rate is as follows:

	Year Ended December 31,	
	2020	2019
Net loss before income taxes	\$ (372,151)	\$ (1,850,328)
Expected income tax (recovery) expense	(46,673)	(217,260)
Tax rate changes and other adjustments	24,630	(162,830)
Non-deductible expenses and other permanent difference	3,580	25,510
SR&ED related ITC differences	(87,640)	57,080
Prior Year True-Up		83,410
Difference in current and future tax rate	16,190	(178,370)
Change in tax benefits not recognized	62,820	491,730
Income tax (recovery) expense	\$ (27,093)	\$ 99,270

The Company's income tax (recovery) is allocated as follows:

	Year Ended December 31,	
	2020	2019
Current income tax (recovery) expense	\$ (51,528)	\$ 88,734
Deferred income tax (recovery) expense	24,435	10,536
Income tax recovery	\$ (27,093)	\$ 99,270

The following table summarizes the components of deferred tax:

	As at December 31,	
	2020	2019
Deferred tax assets		
Payroll Reserve	\$ 1,300	
Lease Liability	9,450	20,283
Unpaid remuneration	28,710	63,806
SR&ED pool from T661	—	44,551
Property, plant and equipment	7,380	—
Share issuance costs - 20(1)(e)	1,260	1,897
Non-capital losses carry forward	204,660	40,127
Deferred Tax Liabilities		
Property, plant and equipment	—	(11,097)
Intangible Assets	(26,550)	(8,379)
Convertible debenture	(204,660)	(40,127)
ROU Asset	(8,930)	(51,075)
Federal ITC	(83,280)	(106,210)
Net deferred tax asset	\$ (70,660)	\$ (46,224)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the company has the legal right and intent to offset.

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

Movement in net deferred tax assets:

	As at December 31,	
	2020	2019
Balance at the beginning of the year	\$ —	\$ —
Recognized in profit/loss	(46,224)	(35,688)
Recognized in OCI	(24,436)	(10,536)
Recognized in equity	—	—
Other	—	—
Balance at the end of the year	\$ (70,660)	\$ (46,224)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	As at December 31,	
	2020	2019
Property and equipment	\$ —	\$ 1,420
Lease liability	—	121,750
Severance Accrual	—	30,000
Unpaid remuneration	1,541,160	1,187,300
SR&ED pool from T661	—	—
Payroll Reserve	45,180	—
Share issuance costs - 20(1)(e)	110,010	21,300
Schedule 13 Reserves		
Non-capital losses carried forward - CAN	792,090	774,380
Non-capital losses carried forward - US Federal	919,720	1,053,820
Non-capital losses carried forward - US NYS	369,110	441,000
Non-capital losses carried forward - US NYC	384,520	457,510
Minimum Tax Carryforward Credit	3,480	—
Charitable donations carry forward	—	—
Unrecognized deferred tax assets	\$ 4,165,270	\$ 4,088,480

The Canadian non-capital loss carry forwards expire as noted in the table below. Share issue and financing costs will be fully amortized in 2024. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses expire as follows:

2036	\$ —
2037	—
2038	647,100
2039	114,990
2040	647,100
	\$ 1,409,190

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

The Company's US federal non-capital income tax losses expire as follows:

		USD
2036	\$	170,390
2037		246,510
2038		—
2039		305,750
	\$	722,650

13. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors. All amounts included in the Due to Related Parties balance are non interest bearing, unsecured and have no fixed terms of repayment.

The following table presents the compensation of the key management personnel recognized in net loss:

	As at December 31, 2020	
	2020	2019
Employee Compensation and Benefits	\$ 675,000	\$ 847,500

As at December 31, 2020, \$1,537,381 (December 31, 2019 – \$1,405,089) and \$108,333 (December 31, 2019 - \$nil) of payments owed to key management personnel was recorded on due to related parties and accounts payable and accrued liabilities respectively.

For discussion of related party loans, see note 11 above and for discussion on related party share transactions, see note 14 below.

14. SHARE CAPITAL

The Company's authorized capital includes 11,389,592 Class A and 1,032,000 Class B common shares without par value.

Any holder of a class of Class A or B common share shall be entitled to receive dividends as and when declared by the Board on such holder's class of Class A or B common shares, and, in the event of the liquidation, dissolution or winding up of the Company (a "Dissolution Event"), to share ratably with the other holders of Class A and B common shares, subject to prior rights of other holders of any shares ranking senior to the Class A to B common shares with respect to priority upon a Dissolution Event, in all of the property and assets of the Company available for distribution.

The holders of Class A and B common shares are entitled to receive notice of and to attend all meetings of the shareholders and to one vote per share at meetings of the shareholders of the Company.

	Shares	\$
Common shares as at January 1, 2019	12,421,592	\$ 2,827,568
Balance – December 31, 2019	12,421,592	2,827,568
Share issuance	—	—
Balance – December 31, 2020	12,421,592	\$ 2,827,568

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

The Company did not have any transactions impacting share capital during the years ended December 31, 2019 or December 31, 2020

15. WARRANTS

A summary of warrant transactions for the year ended December 31, 2020, are as follows:

	As at December 31, 2020		
	Number of warrants	Weighted average exercise price \$	Total \$
Beginning balance	—	\$ —	\$ —
<u>Issued</u>			
Issuance of units in connection with the December 17 loan restructuring, net of issuance costs net of issuance costs	70,437,823	0.0001	1.0000
Ending balance	70,437,823	\$ 0.0001	\$ 1.0000

The following provides a summary of warrants outstanding as at December 31, 2020:

Expiry date	Number of warrants outstanding and exercisable	Exercise price	Weighted average remaining life (years)
December 17, 2025	70,437,823	\$ 0.0001	4.97
	70,437,823	\$ 0.0001	4.97

16. FINANCIAL INSTRUMENTS

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, restricted cash, accounts receivable, ITC receivable, accounts payable and accrued liabilities, current portion of finance lease obligations, current portion of loans approximate their fair values given their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the consolidated statements of financial position and the market rates of interest is not considered significant. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

- Level 3 – Inputs that are not based on observable market data.

	Loans and receivables / financial liabilities	
	2020	2019
Measurement Basis		
Financial assets		
Cash and cash equivalents (FTPL)	715,079	827,604
Restricted cash (FTPL)	125,000	125,000
Accounts receivable (amortized cost)	2,036,096	1,846,826
Investment tax credits receivable (amortized cost)	375,000	530,000
CEWS (amortized cost)	227,351	—
CERS (amortized cost)	32,443	—
Other assets	6,366	—
	\$ 3,517,335	\$ 3,329,430
Financial liabilities		
Accounts payable and accrued liabilities (amortized cost)	2,746,382	2,260,397
Lease Liability (amortized cost)	35,662	197,999
Loans (amortized cost)	3,186,934	3,408,624
	\$ 5,968,978	\$ 5,867,020

There were no transfers of financial assets during the years ended December 31, 2020, and 2019 between any of the levels.

17. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, loans, share capital, and accumulated deficit. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

18. FINANCIAL RISK MANAGEMENT

The Company's Board of Directors has overall responsibility for the establishment an oversight of the Company's risk management framework and reviews the companies risk management policies on an annual basis management identifies in evaluates financial risks and it's charged with the responsibility of establishing controls and procedures to ensure that financial risks are medicated in accordance with the approved policies.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable, restricted marketable securities and cash. As at December 31, 2020 and 2019 the Company has nominal expected credit loss on its accounts receivable, as losses due to uncollectible accounts have historically been immaterial.

December 31, 2020, three customers represented 68.9% of the gross accounts receivable balance of \$2,036,096. As at December 31, 2019, one customers represented 49.4% of the gross accounts receivable balance of \$1,846,826. Of

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

the balance due from the three (2019 - one) significant customer, 45.7% (2019 - 49.4%) of the receivables were current, 11.8% (2019 - 0%) were aged 1-30 days, and 6.6% (2019 - 0%) were aged 31-60 days and 4.8% (2019 - 0%) were aged 61-90 days. No other individual customer represented more than 10% of the accounts receivable balance.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, historical experience and other factors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding outside of operations has been from debt and equity financing. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

The following table provides information about the terms of the financial obligations and liabilities:

As at December 31, 2020					
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	2,746,382	2,746,382	—	—	—
Loans	123,710	5,554,127	53,050	3,076,083	2,424,994
Lease obligations	35,662	36,440	35,662	—	—
Amounts due to related parties	1,537,381	1,537,381	1,537,381	—	—
	\$4,443,135	\$ 9,874,330	\$1,626,093	\$3,076,083	\$ 2,424,994

As at December 31, 2019					
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	2,260,397	2,260,397	—	—	—
Loans	1,080,492	4,626,675	1,957,037	2,669,638	—
Lease obligations	197,999	205,168	168,728	36,440	—
Amounts due to related parties	1,405,089	1,405,089	1,405,089	—	—
	\$4,943,977	\$ 8,497,329	\$3,530,854	\$2,706,078	\$ —

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

Interest Rate Risk

The Company's interest rate risk arises primarily from its floating rate demand loans which bear interest at the prime rate as quoted by the Toronto Dominion Bank's prime rate plus 0.75% to 2%. As at December 31, 2020, the prime rate was 3.50%. Management believes that the Company's cash flows are not significantly exposed to interest rate risk in the next 12 months. Interest rate risk is insignificant on the Company's restricted marketable securities due to the short-term maturity of the investments held.

Currency Risk

The Company operates internationally with the Canadian dollar as its functional currency and the Company is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S. dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. dollars on hand to support forecasted obligations in the respective currencies. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held. A 10% movement in the foreign exchange rates between USD and CAD would not lead to a material impact on the Company's financial statements.

	As at December 31,	
	2020	2019
Balances held in US dollars are as follows in CAD		
Cash	426,530	525,290
Accounts receivable	581,534	625,024
Current portion of loans	53,050	-
Accounts payable	464,733	690,374

19. GOVERNMENT ASSISTANCE

During the year ended December 31, 2020, the Canadian federal government made certain government support programs available to eligible entities as part of its COVID-19 economic response plan. The Company applied and received support under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS"). Each applicant's eligibility for these programs is subject to validation and detailed verification by the federal government. During the year ended December 31, 2020, the Company has been approved for the following benefits from government programs directly.

- \$1,285,421 of wage subsidies in connection with the CEWS program used to reduce general and administrative expense on the consolidated statement of income. Of this amount, \$227,351 was recorded in Other Assets and amounts were received subsequent to year end.
- \$32,443 of rent subsidies in connection with the CERS program used to reduce general and administrative expense on the consolidated statement of income. \$32,443 was recorded in Other Assets and amounts were received subsequent to year end.

20. REVOLVING LINE OF CREDIT AND PURCHASE CARD FACILITY

The Company has the following bank credit facilities at December 31, 2020:

i. Revolving line of credit(s)

A loan agreement with an asset management firm ("Firm"), whereby they may purchase, in its sole discretion eligible accounts receivable of the Company, on a revolving basis, up to a maximum of \$3,000,000. Under the terms of the Loan Agreement, the Firm purchases eligible receivables from the Company with full recourse for the face amount of such eligible receivables. The Firm retains 20% of the purchase price of the purchased receivables as a reserve amount. The

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

Company is required to pay the Firm on the last Business Day of each calendar month (commencing of the last Business Day of October 2019) prior to Termination Date and on the Termination Date, an aggregate fee equal to 2.4% per annum of the Unutilized Portion.

The Loan Agreement contains standard representations, warranties, indemnities and releases for agreements governing financing arrangements of this type. Pursuant to the Loan Agreement, the Company's obligations under the Loan Agreement are secured by a first priority security interest on all assets of the Company.

The Company had not drawn any amounts under the facility at December 31, 2020 of \$Nil (December 31, 2019 - \$Nil).

Prior to the establishment of this credit facility, the Company maintained a revolving demand loan credit facility with a Tier 1 Canadian bank to a maximum of \$800,000 to provide working capital. The loan bears interest at the lower of the Canadian prime plus 2% per annum and United States base rate plus 2% per annum. The loan is secured by a general security agreement, guarantees by the shareholder and a postponement of repayment of shareholder and other related company loans. The Company was also required to maintain certain ratios in relation to accounts receivable and debt service. The Company terminated the facility in 2019.

21. NATURE V. FUNCTION EXPENSE

Below is a breakdown of what is included within General and Administrative, Sales and Marketing and Technology and Development expense.

	As at December 31, 2020	
	2020	2019
Employee compensation	2,978,504	5,004,203
IRAP/SRED	(794,480)	(631,325)
Office and administrative	247,417	349,343
Occupancy	(6,139)	126,153
Bad Debt Expense	136,000	30,734
Communications	40,613	58,894
Consultants	52,444	42,623
Contractors	309,416	369,222
Domain, website, H/W, S/W expenses	470,025	351,480
Professional fees	258,714	109,017
Recruitment	1,253	5,536
Auto Expense	44,909	249,310
Advertising & Promotion	49,678	243,719
Conferences	3,329	13,751
Meals & Entertainment	48,337	268,308
	\$ 3,840,020	\$ 6,590,968

Expenses are classified by function on the consolidated statement of loss and comprehensive loss.

	As at December 31, 2020	
	2020	2019
General & Administrative	856,020	1,429,439
Sales & Marketing	1,044,274	2,288,197
Technology & Development	1,939,726	2,873,331
	\$ 3,840,020	\$ 6,590,967

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

22. SEGMENT INFORMATION

The company's assets and operations are all located in Canada, however the Company services customers and employees in the United States. Revenue by region for the years ended December 31, 2020 and 2019 is as follows:

	As at December 31,	
	2020	2019
Canada	\$ 3,971,835	\$ 6,679,061
United States	\$ 778,443	\$ 274,863
Total	\$ 4,750,278	\$ 6,953,924

The company has no material assets in the United States

23. SUBSEQUENT EVENTS

2021 Debentures

In January and February 2021, the Company issued secured convertible debentures to its existing shareholders in the aggregate principal amount of \$1,000,000 (the "2021 Debentures"), bearing interest at the greater of: the TD Prime Rate plus 3% per annum, or 6% per annum and maturing on January 1, 2026 ("Maturity date"). The 2021 Debentures are secured by all assets of the Company. The principal of the 2021 Debenture shall be in sixteen (16) equal installments on a calendar quarter basis beginning on April 1, 2022. All interest accruing up to and including April 1, 2022, on the Principal Amount shall be payable on such date. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$0.05 per common share, subject to adjustments as provided in the 2021 Debenture.

The 2021 Debenture holders also received a total 20,000,000 purchase warrants of the Corporation, each of which shall entitle the Holder to purchase one (1) Common Share at an exercise price of \$0.0001 per Common Share on the terms and conditions set forth in warrant agreements.

Warrants

Subsequent to year end, Warrant holders exercised a total of 90,437,823 Warrants which is comprised of 70,437,823 warrants issued in conjunction with the second Amending Agreement with the 2018 Debenture holders of the 2018 Debentures and 20,000,000 warrants related to the 2021 Debentures. The Company received proceeds on exercise of \$9,044 and the Company issued 90,437,823 Common Shares in the Company.

PPP Forgiveness

On May 5, 2020, the Company secured a loan of US\$41,667 (CAD\$53,259) pursuant to the Paycheck Protection Program as part of the Coronavirus Aid, Relief and Economic Security Act. On March 8, 2021, the Company applied for the loan forgiveness in accordance with the terms of that program, and the loan was fully forgiven on Mar 19, 2021. The total loan of US\$41,667 (CAD\$53,259) was used to reduce salary costs on the statement of loss.

Sale of the Company

On October 1, 2021, the shareholders of the Company (the "Vendors") sold all of the issued and outstanding shares of the Company to 2810735 Ontario Inc. (d/b/a Federated Foundry) ("Federated"). In conjunction with the acquisition, Federated will be undertaking a go public transaction via a reverse takeover of PopReach Corporation (the "RTO Transaction"). The consideration payable by Federated to the Vendors in connection with the acquisition was satisfied

CRUCIAL INTERACTIVE HOLDINGS INC.
Notes to the Consolidated Financial Statements
For the years ended December 31, 2020, and 2019
(expressed in Canadian dollars unless otherwise noted)

by the issuance to the Vendors of a convertible debenture in the principal amount of \$4,675,000 (the "Federated Debenture"). As part of the sale, the indebtedness owed by the Company pursuant to the 2016, 2018 and 2021 Debentures was superseded and replaced with a promissory note (the "Amended and Restated Note") in the principal amount of \$4,325,000, bearing interest at the rate of 5% per annum, issued by the Company to the holders of the 2018 Debentures and the 2021 Debentures (the "Shareholder Lenders") on October 1, 2021. Pursuant to the terms of the Amended and Restated Note, (i) \$725,000 of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$2,525,000 of the principal amount is payable on the earlier to occur of the date that is (x) 6 months following the closing of the acquisition, and (y) the occurrence of the RTO Transaction (of which \$888,301.48 was repaid on December 6, 2021); and (iii) \$1,075,000 will be transferred by the Shareholder Lenders to Federated immediately prior to the occurrence of the RTO Transaction in exchange for Federated Shares on the basis of a conversion price of \$0.63, being 1,706,349 Federated Shares. Federated's obligations under the Federated Debenture and the Company's obligations pursuant to the Amended and Restated Note are secured by all of the shares and assets of the Company and each of the Company's subsidiaries.

Addition of Right-of-use-asset for new office lease in Montreal

In October 2021, the Company entered into a new lease agreement to extend the lease of office space in Montreal. The new lease includes escalating rent payments over an thirty-six month term from November 01, 2021. The Company will recognize the lease as a right-of-use asset and a lease obligation at the lease commencement date.

The undiscounted future minimum lease payments are as follows:

2021	\$8,490
2022	50,940
2023	50,940
2024	42,450
Total	<u>\$152,820</u>

SCHEDULE Q
CIHI ANNUAL MD&A

(see attached)

CRUCIAL INTERACTIVE HOLDINGS INC.

**Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019**

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Crucial Interactive Holding Inc. ("Contobox" or the "Company"), for the years ended December 31, 2020 and 2019.

This document should be read in conjunction with the information contained in the Company's audited financial statements and related notes for the year ended December 31, 2020 and 2019 (the "2020 and 2019 Annual Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$") and "CAD" amounts and references in this MD&A are in Canadian dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, February 14, 2022, being the date the Company's board of directors (the "Board" or "Board of Directors") approved this MD&A and the 2020 and 2019 Annual Financial Statements. All quarterly information contained herein is unaudited.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

OVERVIEW AND SIGNIFICANT EVENTS

Corporate Structure

Crucial Interactive Holdings Inc. (the "Company") is a corporation incorporated on September 4, 2014, in the province of Ontario, Canada.

General Development of the Business

Company enables businesses to personalize their messaging across video, mobile, social, and display advertising campaigns. The Company's proprietary technology scores interest in products based on shopper engagements and purchase trends; uses predictive intelligence to recommend products to new and existing shoppers; and enhances experiences across multiple channels throughout the customer journey, providing marketers with deeper, more accurate insights, full transparency into performance and machine learning solutions.

Throughout 2019 and 2020, the Company expanded its product offerings to include performance advertising solutions with a specific focus on eCommerce brands. This expansion has helped the Company offer a more diverse set of options in the market and shift the focus away from budgets designated for seasonal campaigns towards year-round initiatives.

Loans and other financing

The Company has utilized various debt facilities to support the operation of the business.

2018 Debentures

In April 2018, the Company issued secured convertible debentures to its existing shareholders in the aggregate principal amount of \$1,956,390 (the "2018 Debentures"), bearing interest at the rate of 20% per annum and maturing on April 1, 2019 ("Maturity date"). The 2018 Debentures are secured by all movable and immovable assets of the Company. The principal of the 2018 Debenture shall be paid in four equal quarterly installments together with accrued interest commencing March 31, 2019. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$0.50 per common share, subject to adjustments as provided in the 2018 Debenture. The Company initially recognized \$1,876,473 as the fair value of the 2018 Debentures, and \$79,917 was initially recognized in contributed surplus with respect to the value of the conversion feature. As at December 31, 2018, the carrying amount of the 2018 Debenture including accrued and unpaid interest was \$2,195,922.

In August 2019, the Company entered into a first Amending Agreement with the 2018 Debenture holders which provides for:

- a. The extended maturity date to December 31, 2022;
- b. The interest rate shall be 20% per annum compounded monthly until March 31, 2019, on which date the interest rate shall be reduced to the LIBOR rate plus 3% per annum compounded monthly;
- c. The Debenture repayment by twelve equal quarterly installments of principal and accrued interest commencing March 31, 2019;
- d. The holders shall receive 4,519,226 purchase warrants of the Company, each of which shall entitle the holders to purchase one common share in the capital of the Company at an exercise price of \$0.50 per common share. The Company estimated the fair value of warrants to be nominal. The issuance of the warrants were considered as a cost of the amendment.

As a result of the first Amending Agreement, the Company recorded modification gain of \$94,080 in its consolidated statements of loss and legal fees of \$83,353 were deducted from the loan amount and amortized over the loan period. During the year ended December 31, 2019, the Company recorded \$427,125 interest expense in its consolidated statements of loss.

In December 2020, the Company entered into a second Amending Agreement with the 2018 Debenture holders which provides for:

- a. The extended maturity date to January 1, 2026;

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

- b. The interest rate shall be 20% per annum compounded monthly until March 31, 2019, on which date the interest rate shall be reduced to the greater of: the TD Prime Rate plus 3% per annum or 6% per annum;
- c. The principal shall be repaid by the Company in 16 equal installments on a calendar quarter basis beginning on April 1, 2022; all interest accruing up to and including April 1, 2022 shall be paid on such date. Thereafter, interest shall be payable quarterly, commencing on July 1, 2022;
- d. The conversion price of the 2018 Debenture was reduced from \$0.50 per common share to \$0.05 per common share.
- e. The holders shall receive 70,437,823 purchase warrants of the Company, each of which shall entitle the holders to purchase one common share in the capital of the Company at an exercise price of \$0.0001 per common share; the warrants issued in the first Amending Agreement are cancelled. The Company estimated the fair value of warrants to be substantial. The issuance of the warrants was considered as a cost of the amendment.

As a result of the second Amending Agreement, the Company extinguished an original 2018 Debenture and recognised \$722,597 gain on extinguishment and recorded legal fees of \$13,208 in its consolidated statements of loss. The fair value of \$1,882,711 of the new debt was determined using a market interest rate of 20%.

During the year ended December 31, 2020, the Company recorded \$198,922 interest expense in its consolidated statements of loss.

2016 Debentures

During the year ended December 31, 2016, the Company issued secured convertible debentures to its existing shareholder in the aggregate principal amount of \$600,000 (the "2016 Debentures"), bearing interest at the rate of 8% per annum and maturing on January 1, 2019 ("Maturity date"). The 2016 Debentures are secured by all movable and immovable assets of the Company. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$1 per common share, subject to adjustments as provided in the 2016 Debenture. The Company initially recognized \$531,798 as the fair value of the 2016 Debentures, and \$68,202 was initially recognized in contributed surplus with respect to the value of the conversion feature. As at December 31, 2018, a carrying amount of the 2016 Debenture including accrued and unpaid interest was \$762,352 after giving an effect to the Amending Agreement 1 entered by the Company with the 2016 Debenture holder in April 2018 which increased an interest rate to 20% per annum and reduced a conversion price to \$0.50 per common share.

In August 2019, the Company entered into an Amending Agreement 2 with the Debenture holder which provides for:

- a. The extended maturity date to January 1, 2020;
- b. The conversion price of the 2016 Debenture was reduced from \$0.50 per common share to \$0.40 per common share.

As a result of the Amending Agreement 2, the Company recorded modification loss of \$18,189 in its consolidated statements of loss. During the year ended December 31, 2019, the Company recorded \$149,116 interest expense in its consolidated statements of loss.

In December 2020, the Company entered into Amending Agreement 3 with the 2016 Debenture holders which provides for the extended maturity date to April 1, 2022.

As a result of the Amending Agreement 3, the Company recorded modification loss of \$94,194 in its consolidated statements of loss. During the year ended December 31, 2020, the Company recorded \$204,742 interest expense in its consolidated statements of loss.

Government assistance

During the year ended December 31, 2020, the Canadian federal government made certain government support programs available to eligible entities as part of its COVID-19 economic response plan. The Company applied and received support under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS"). Each applicant's eligibility for these programs is subject to validation and detailed verification by the federal government.

During the year ended December 31, 2020, the Company has been approved for the following benefits from government programs directly:

- \$1,285,421 of wage subsidies in connection with the CEWS program used to reduce general and administrative expense on the consolidated statement of income. Of this amount, \$227,351 was recorded in Other Assets and amounts were received subsequent to year end.
- \$32,443 of rent subsidies in connection with the CERS program used to reduce general and administrative expense on the consolidated statement of income. \$32,443 was recorded in Other Assets and amounts were received subsequent to year end.

PPP Forgiveness

On May 5, 2020, the Company secured a loan of US\$41,667 (CAD\$53,259) pursuant to the Paycheck Protection Program as part of the Coronavirus Aid, Relief and Economic Security Act. On March 8, 2021, the Company applied for the loan forgiveness in accordance with the terms of that program, and the loan was fully forgiven on Mar 19, 2021. The total loan of US\$41,667 (CAD\$53,259) was used to reduce salary costs on the statement of loss

Revolving line of credit and purchase card facility

The Company has the following bank credit facilities at December 31, 2020:

A loan agreement with an asset management firm ("Firm"), whereby they may purchase, in its sole discretion eligible accounts receivable of the Company, on a revolving basis, up to a maximum of \$3,000,000. Under the terms of the Loan Agreement, the Firm purchases eligible receivables from the Company with full recourse for the face amount of such eligible receivables. The Firm retains 20% of the purchase price of the purchased receivables as a reserve amount. The Company is required to pay the Firm on the last Business Day of each calendar month (commencing of the last Business Day of October 2019) prior to the termination date and on the termination date, an aggregate fee equal to 2.4% per annum of the Unutilized Portion.

The Loan Agreement contains standard representations, warranties, indemnities and releases for agreements governing financing arrangements of this type. Pursuant to the Loan Agreement, the Company's obligations under the Loan Agreement are secured by a first priority security interest on all assets of the Company.

The Company had not drawn any amounts under the facility at December 31, 2020 of \$Nil (December 31, 2019 - \$Nil).

Prior to the establishment of this credit facility, the Company maintained a revolving demand loan credit facility with a Tier 1 Canadian bank to a maximum of \$800,000 to provide working capital. The loan bears interest at the lower of the Canadian prime plus 2% per annum and United States base rate plus 2% per annum. The loan is secured by a general security agreement, guarantees by the shareholder and a postponement of repayment of shareholder and other related company loans. The Company was also required to maintain certain ratios in relation to accounts receivable and debt service. The Company terminated the facility in 2019.

COVID-19

In early March 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") to be a pandemic. Responses to the spread of COVID-19 have resulted in a significant disruption to business operations and a significant increase in economic uncertainty in North America and elsewhere, with more volatile currency exchange rates, higher lending rates and a marked decline in long-term interest rates. These events have resulted in a volatile and challenging economic climate which may adversely affect the Company's operational results and financial position. The current economic climate is having and may continue to have significant adverse impacts on the Company, which may include, but are not limited to:

- a delay in business activity that could result in material reductions in future revenue and cashflows;
- inability to access equity and/or debt financing;
- increased risk of non-performance by the Company's customers which could materially increase collection risk of accounts receivable and the risk of customer defaults on contracts; and,
- increased risk of non-renewals of future subscription license, or cancelation of pending projects contracts.

While the Company does not believe there has been an impact to existing business, the current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

SUBSEQUENT EVENTS

2021 Debentures

In January and February 2021, the Company issued secured convertible debentures to its existing shareholders in the aggregate principal amount of \$1,000,000 (the "2021 Debentures"), bearing interest at the greater of: the TD Prime Rate plus 3% per annum, or 6% per annum and maturing on January 1, 2026 ("Maturity date"). The 2021 Debentures are secured by all assets of the Company. The principal of the 2021 Debenture shall be in sixteen (16) equal installments on a calendar quarter basis beginning on April 1, 2022. All interest accruing up to and including April 1, 2022, on the Principal Amount shall be payable on such date. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$0.05 per common share, subject to adjustments as provided in the 2021 Debenture.

The 2021 Debenture holders also received a total 20,000,000 purchase warrants of the Corporation, each of which shall entitle the Holder to purchase one (1) Common Share at an exercise price of \$0.0001 per Common Share on the terms and conditions set forth in warrant agreements.

Warrants

During the year 2021, Warrant holders exercised a total of 90,437,823 Warrants which is comprised of 70,437,823 warrants issued in conjunction with the second Amending Agreement with the 2018 Debenture holders of the 2018 Debentures and 20,000,000 warrants related to the 2021 Debentures. The Company received proceeds on exercise of \$9,044 and the Company issued 90,437,823 Common Shares in the Company.

Sale of the Company

On October 1, 2021, the shareholders of the Company (the "Vendors") sold all of the issued and outstanding shares of the Company to 2810735 Ontario Inc. (d/b/a Federated Foundry) ("Federated"). In conjunction with the acquisition, Federated will be undertaking a go public transaction via a reverse takeover of PopReach Corporation (the "RTO Transaction"). The consideration payable by Federated to the Vendors in connection with the acquisition was satisfied by the issuance to the Vendors of a convertible debenture in the principal amount of \$4,675,000 (the "Federated Debenture"). As part of the sale, the indebtedness owed by the Company pursuant to the 2016, 2018 and 2021 Debentures was superseded and replaced with a promissory note (the "Amended and Restated Note") in the principal amount of \$4,325,000, bearing interest at the rate of 5% per annum, issued by the Company to the holders of the 2018 Debentures and the 2021 Debentures (the "Shareholder Lenders") on October 1, 2021. Pursuant to the terms of the Amended and Restated Note, (i) \$725,000 of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$2,525,000 of the principal amount is payable on the earlier to occur of the date that is (x) 6 months following the closing of the acquisition, and (y) the occurrence of the RTO Transaction (of which \$888,301.48 was repaid on December 6, 2021); and (iii) \$1,075,000 will be transferred by the Shareholder Lenders to Federated immediately prior to the occurrence of the RTO Transaction in exchange for Federated Shares on the basis of a conversion price of \$0.63, being 1,706,349 Federated Shares. Federated's obligations under the Federated Debenture and the

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

Company's obligations pursuant to the Amended and Restated Note are secured by all of the shares and assets of the Company and each of the Company's subsidiaries..

Addition of Right-of-use-asset for new office lease in Montreal

In October 2021, the Company entered into a new lease agreement to extend the lease of office space in Montreal. The new lease includes escalating rent payments over an thirty-six month term from November 01, 2021. The Company will recognize the lease as a right-of-use asset and a lease obligation at the lease commencement date.

The undiscounted future minimum lease payments are as follows:

2021	\$8,490
2022	50,940
2023	50,940
2024	42,450
Total	<u>\$152,820</u>

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three month and years ended December 31, 2020 and 2019, is set forth below.

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2020	2019	2020	2019
Revenue	\$ 1,791,077	\$ 1,610,896	\$ 4,750,278	\$ 6,953,924
Net income (loss) and comprehensive income (loss)	\$ 853,902	\$ (860,832)	\$ (345,058)	\$ (1,949,599)
Total assets	\$ 3,742,531	\$ 3,842,861	\$ 3,742,531	\$ 3,842,861
Total liabilities	\$ 7,759,975	\$ 7,515,247	\$ 7,759,975	\$ 7,515,247
Basic and diluted net income (loss) and comprehensive income (loss) per common share	\$ 0.07	\$ (0.07)	\$ (0.03)	\$ (0.16)

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended December 31, 2020 and 2019

	Three Months Ended December 31,			
	2020	2019	Variance	% Change
Revenue	1,791,077	1,610,896	180,181	11%
Media costs	354,733	75,364	279,369	371%
Sales and marketing	(1,928)	200,032	(201,960)	(101%)
Technology and development	151,496	104,266	47,230	45%
General and administrative	810,173	1,574,296	(764,123)	(49%)
Transaction and restructuring costs	47,875	199,295	(151,420)	(76%)

Revenue

Revenue for the three months ended December 31, 2020, was \$1.79 million as compared to \$1.61 million for the three months ended December 31, 2019, an increase of 11%. The increase in revenues year over year is a result of an increase in the number of managed service campaigns delivered in the fourth quarter of 2020 compared to the same period in the prior year.

Media costs

Media costs comprise advertising impressions that the Company purchased from real-time advertising exchanges or through other third parties.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

For the three months ended December 31, 2020 and 2019 media costs were \$0.35 million and \$0.08 million, respectively, representing an increase of 371%. As outlined above, the increase in revenues year over year was driven by an increase in the number of managed service campaigns. For managed service campaigns, the Company is responsible for acquiring media as part of offering and the increase in managed service revenues is accompanied by an increase in third party media costs.

Sales and marketing expenses

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services and products. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing programs, marketing collateral, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Sales and marketing expenses for the three months ended December 31, 2020 was (\$1,928), a decrease of \$201,960 compared to the same period of the prior year. The year-over-year decrease was primarily related to management's execution of cost optimization initiatives.

Technology and Development

Technology and development expenses consist of all costs associated with the Company's investment in its Engagement Management Platform, dynamic technologies and investments in improving the effectiveness and efficiency of the platform, its integrations and usability. The majority of the costs related to technology and development related specifically to employee compensation, benefits, third party technologies utilized and platform hosting and ad serving fees.

Technology expenses for the three months ended December 31, 2020 were \$0.15 million, an increase of \$0.05 million compared to the same period of the prior year. The increase in technology and development costs is due to an increase in third party platform fees paid for data collection, processing, and storage.

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expense, and supplies.

General and administrative expenses for the three months ended December 31, 2020, was \$0.81 million, a decrease of \$0.76 compared to the same period of the prior year. The decrease in general and administrative costs as compared to the prior year period is due to (i) a reduction in headcount, (ii) the receipt of Canadian Employee Wage Subsidies (CEWS) for employees, (iii) a reduction in headcount, and (iv) an increased emphasis on costs reduction initiatives given the impact of COVID-19 on the Company during 2020.

Transaction and restructuring costs

Transaction costs consist of legal, accounting, tax and advisory expenditures related to the 2019 and 2020 financings, corporate development activities and certain other costs related to headcount restructuring.

During the three months ended December 31, 2020, transaction costs of \$0.05 million were incurred as compared to the prior year period of \$0.20 million, a decrease of 76%. The decrease in transaction and restructuring costs is primarily the result of the Company being actively engaged in corporate development initiatives with third parties.

Comparison of the Year Ended December 31, 2020 and 2019

	Twelve Months Ended December 31,			
	2020	2019	Variance	% Change
Revenue	4,750,278	6,953,924	(2,203,646)	(32%)
Media costs	474,756	1,020,552	(545,796)	(53%)
Sales and marketing	1,044,274	2,288,198	(1,243,924)	(54%)
Technology and development	1,939,726	2,873,331	(933,605)	(32%)
General and administrative	856,020	1,429,439	(573,419)	(40%)
Transaction and restructuring costs	636,286	432,997	203,289	47%

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

Revenue

Revenue for year ended December 31, 2020, was \$4.75 million as compared to \$6.95 million for the year ended December 31, 2019, a decrease of 32%. The decrease in revenues year over year is a result of the Company continuing to transition its focus away from managed service sales to technology licensing sales through strategic reseller partners in addition to the impact of COVID-19 on the Company's sales from March to August 2020. During this period, the Company continued to support all of its partners despite a significant decline in activity, new bookings, and clients deciding to cancel existing orders or defer campaigns where possible.

Media costs

Media costs comprise advertising impressions that the Company purchased from real-time advertising exchanges or through other third parties.

For the year ended December 31, 2020 and 2019 media costs were \$0.47 million and \$1.02 million, respectively, representing a decrease of 53%. The decrease in media costs is a result of the Company's deliberate transition from managed service sales to transacting directly with brands and/or working through strategic reseller partners.

Sales and marketing expenses

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services and products. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing programs, marketing collateral, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Sales and marketing expenses for the twelve months ended December 31, 2020, was \$1.04 million, a decrease of \$1.24 million compared to the same period of the prior year representing a decrease of 54%. The year-over-year decrease was primarily related to management's execution of cost optimization initiatives, and reduction in resources in 2020 when compared to 2019. In early 2020, the Company reduced its sales overhead and invested in resources that were able to support reseller clients.

Technology and Development

Technology expenses consist of all costs associated with increasing the Company's Programmatic Marketing Platform's effectiveness and efficiency. Most of such costs comprise of salary and benefit costs and costs associated with housing the required computer equipment.

Technology expenses for the year ended December 31, 2020, was \$1.94 million, a decrease of \$0.93 million compared to the same period of the prior year. The decrease in technology and development costs is due (i) a decrease in headcount, (ii) a decrease in third party contractors, (iii) a decrease in third party technology fees, and (iv) an increase in provision for Scientific Research and Experimental Development tax credits.

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expense, and supplies.

General and administrative expenses for the year ended December 31, 2020, was \$0.85 million, a decrease of \$0.57 compared to the same period of the prior year, a decrease of 40%. The decrease in general and administrative costs as compared to the prior year period is due to (i) decrease in employee compensation as a result of proceeds received and offset from the CEWS programs, and (ii) overall decrease in operating costs as employees worked from home.

Transaction and restructuring costs

Transaction costs consist of legal, accounting, tax and advisory expenditures related to the 2019 and 2020 financings, corporate development activities and certain other costs related to headcount restructuring.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

During the year ended December 31, 2020, transaction costs of \$0.64 million were incurred as compared to the prior year period of \$0.43 million, an increase of 47%. The increase in transaction and restructuring costs is primarily the result of one-time severance costs associated with the departure of employees.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

For the three months ended (unaudited)				
	March 31,	June 30,	September 30,	December 31,
	2019	2019	2019	2019
Revenue	1,885,849	1,754,307	1,702,872	1,610,896
Net loss and comprehensive loss	(419,460)	(451,635)	(217,672)	(860,832)
Total assets	5,064,938	4,258,071	4,521,790	3,842,861
Total liabilities	7,207,186	6,851,954	7,333,345	7,515,247
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ (0.03)	\$ (0.04)	\$ (0.02)	\$ (0.07)

For the three months ended (unaudited)				
	March 31,	June 30,	September 30,	December 31,
	2020	2020	2020	2020
Revenue	1,491,325	599,373	868,503	1,791,077
Net income (loss) and comprehensive income (loss)	(496,065)	(437,945)	(264,950)	853,902
Total assets	3,735,784	2,817,134	3,101,362	3,742,531
Total liabilities	7,904,235	7,423,530	7,972,708	7,759,975
Basic and diluted income (loss) and comprehensive income (loss) per common share	\$ (0.04)	\$ (0.04)	\$ (0.02)	\$ 0.07

Seasonality

Online advertising, online commerce and internet usage are seasonally strongest in the fourth quarter and generally slower during the first quarter and summer months and as a result, operating results will fluctuate quarter by quarter. In addition, the Company's revenue and operating results may fluctuate quarter to quarter depending on sales cycles, network performance and customer demand. Costs are incurred more evenly throughout the year. In addition to the seasonal trends, revenue and operating profit can fluctuate from general economic conditions, as a result, one quarter's revenue and operating results may not necessarily be indicative of a subsequent quarter's revenue and operating results. For these reasons, performance is not comparable quarter to consecutive quarter and is best considered on the basis of results for the whole year or by comparison of results in a quarter with results in the same quarter for the previous year.

Impact of COVID-19

For the year ended December 31, 2019, the Company's revenues and expenses were impacted by seasonality. During the holiday and summer seasons, the Company typically anticipates revenues to be lower as a higher proportion of individuals choose to forgo eating at restaurants or ordering online. While this is typically the case, the COVID-19 pandemic has had, and may continue to have, an impact on this trend.

For the year ended December 31, 2020, the Company was impacted both negatively and positively by the COVID-19 pandemic. Revenues and costs decreased as compared to the same quarter 2019 for the first three quarters as a result of the COVID-19 pandemic. As the world saw the introduction of vaccinations and calming of the pandemic, the economy picked up and companies returned to advertising online.

LIQUIDITY AND CAPITAL RESOURCES

The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent upon the Company's ability to profitably manage its advertising services. As at December 31, 2020, the Company had negative working capital of \$1,123,433 and has an accumulated deficit of \$6,993,132 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing in the future and to repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, restricted cash, accounts receivable, ITC receivable, accounts payable and accrued liabilities, current portion of finance lease obligations, current portion of loans approximate their fair values given their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the consolidated statements of financial position and the market rates of interest is not considered significant. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

	Loans and receivables / Financial liabilities	
	2020	2019
Measurement Basis		
Financial assets		
Cash and cash equivalents (FTPL)	715,079	827,604
Restricted cash (FTPL)	125,000	125,000
Accounts receivable (amortized cost)	2,036,096	1,846,826
Investment tax credits receivable (amortized cost)	375,000	530,000
CEWS (amortized cost)	227,351	—
CERS (amortized cost)	32,443	—
Other assets	6,366	—
	\$ 3,517,335	\$ 3,329,430
Financial liabilities		
Accounts payable and accrued liabilities (amortized cost)	2,746,382	2,260,397
Lease Liability (amortized cost)	35,662	197,999
Loans (amortized cost)	3,186,934	3,408,624
	\$ 5,968,978	\$ 5,867,020

Risk factors

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the company's risk management policies on an annual basis. Management identifies, evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are managed in accordance with the approved policies.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable, restricted marketable securities and cash. As at December 31, 2020 and 2019 the Company has nominal expected credit loss on its accounts receivable, as losses due to uncollectible accounts have historically been immaterial.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

On December 31, 2020, three customers represented 68.9% of the gross accounts receivable balance of \$2,036,096. As at December 31, 2019, one customers represented 49.4% of the gross accounts receivable balance of \$1,846,826. Of the balance due from the three (2019 - one) significant customer, 45.7% (2019 - 49.4%) of the receivables were current, 11.8% (2019 - 0%) were aged 1-30 days, and 6.6% (2019 - 0%) were aged 31-60 days and 4.8% (2019 - 0%) were aged 61-90 days. No other individual customer represented more than 10% of the accounts receivable balance.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, historical experience and other factors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding outside of operations has been from debt and equity financing. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

The following table provides information about the terms of the financial obligations and liabilities:

As at December 31, 2020					
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	2,746,382	2,746,382	—	—	—
Loans	123,710	5,554,127	53,050	3,076,083	2,424,994
Lease obligations	35,662	36,440	35,662	—	—
Amounts due to related parties	1,537,381	1,537,381	1,537,381	—	—
	\$4,443,135	\$ 9,874,330	\$1,626,093	\$3,076,083	\$ 2,424,994

As at December 31, 2019					
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	2,260,397	2,260,397	—	—	—
Loans	1,080,492	4,626,675	1,957,037	2,669,638	—
Lease obligations	197,999	205,168	168,728	36,440	—
Amounts due to related parties	1,405,089	1,405,089	1,405,089	—	—
	\$4,943,977	\$ 8,497,329	\$3,530,854	\$2,706,078	\$ —

Interest Rate Risk

The Company's interest rate risk arises primarily from its floating rate demand loans which bear interest at the prime rate as quoted by the Toronto Dominion Bank's prime rate plus 0.75% to 2%. As at December 31, 2020, the prime rate was 3.50%. Management believes that the Company's cash flows are not significantly exposed to interest rate risk in the next 12 months. Interest rate risk is insignificant on the Company's restricted marketable securities due to the short-term maturity of the investments held.

Currency Risk

The Company operates internationally with the Canadian dollar as its functional currency and the Company is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S. dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. dollars on hand to support forecasted obligations in the respective currencies. To achieve this objective, the Company monitors forecasted cash flows in

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

foreign currencies and attempts to mitigate the risk by modifying the nature of cash held. A 10% movement in the foreign exchange rates between USD and CAD would not lead to a material impact on the Company's financial statements.

<i>Balances held in US dollars are as follows in CAD</i>	As at December 31,	
	2020	2019
Cash	426,530	525,290
Accounts receivable	581,534	625,024
Current portion of loans	53,050	—
Accounts payable	464,733	690,374

Capital risk management

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, loans, share capital, and accumulated deficit. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended December 31, 2020. The Company is not subject to externally imposed capital requirements.

CASH FLOWS BY ACTIVITY

Comparison of the Three Months Ended December 31, 2020 and 2019

	Three Months Ended December 31,	
	2020	2019
Net cash provided by (used in) operating activities	\$ 47,259	\$ (1,441,690)
Net cash (used in) provided by financing activities	\$ (103,641)	\$ 1,362,907
Net cash used in investing activities	\$ —	\$ (131,647)

Cash provided by (used in) Operating Activities

The Company's net cash flows from operating activities increased by \$1,488,949 to \$47,259 for the three months ended December 31, 2020. This variance, as compared to the prior year period, is primarily due to proceeds received in connection with the Canada Emergency Wage Subsidy that was offset against wage expenses in the Company's statement of loss and comprehensive loss. In addition to this wage subsidy, the Company also experienced an increase in net income as a result of increased revenues and management focus on reducing overhead costs as a result of the impact of the COVID 19 pandemic.

Cash (used in) provided by Financing Activities

During the three months ended December 31, 2020, the Company's cash outflows from financing activities relate to (i) repayment of related party loans, and (ii) lease repayments.

For the three months ended December 31, 2019, the Company's cash inflows from financing activities relate to proceeds from related parties. These proceeds were partially offset lease payments.

Cash used in Investing Activities

During the three months ended December 31, 2020, the Company had \$nil from investing activities. During the three months ended December 31, 2019, cash used in investing activity resulted from the restricted cash security in connection with the Company's credit card facility.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

Comparison of the Year Ended December 31, 2020 and 2019

The table below outlines a summary of cash inflows and outflows by activity for the year ended December 31, 2020 and 2019.

	Year Ended December 31,	
	2020	2019
Net cash used in operating activities	\$ (11,336)	\$ (826,038)
Net cash provided by financing activities	\$ 16,613	\$ 1,176,361
Net cash used in investing activities	\$ (117,802)	\$ (166,378)

Cash used in Operating Activities

The Company's net cash flows from operating activities decreased by \$814,702 to \$11,336 for the year ended December 31, 2020. This variance, as compared to the prior year period, is primarily due to proceeds received in connection with the Canada Emergency Wage Subsidy that was offset against wage expenses in the Company's statement of loss and comprehensive loss. In addition to this wage subsidy, the Company also experienced a decrease in net income as a result of decreased revenues and management focus on reducing overhead costs as a result of the impact of the COVID 19 pandemic.

Cash provided by Financing Activities

During the year ended December 31, 2020, the Company's cash inflows from financing activities relate to (i) cash received from related parties, and (ii) proceeds from loans. These cash inflows were partially offset by lease repayments.

For the year ended December 31, 2019, the Company's cash inflows from financing activities are the result of proceeds from related parties. These proceeds were partially offset by the repayment of (i) line of credit, and (ii) lease payments.

Cash used in Investing Activities

During the year ended December 31, 2020, the Company acquired certain intangible software and computer equipment for use in its day-to-day operations resulting in cash outflows from investing activities. During the year ended December 31, 2019, the Company's cash out flows relate to (i) the restricted cash security in connection with the Company's credit card facility, (ii) addition of leasehold improvements, and (iii) the purchase of certain intangible software.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are critical accounting policies subject to such judgements and the key source of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results of operations and consolidated financial position.

Key sources of estimation uncertainty:

- a) **Provision and contingencies:** The amount recognized as a provision, including legal, contractual, constructive, and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

- b) **Useful lives of property and equipment:** Management is depreciating the furniture and fixtures, equipment, and leasehold improvements on a straight-line basis, with the following useful lives:

Leasehold improvements	Over the lesser of useful life of asset and term of lease
Furniture and fixtures	5 years
Computer equipment	3 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

- c) **Useful lives of intangible assets:** Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.
- d) **Determination of incremental borrowing rate:** When the Company enters leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.
- e) **Determination of the lease term:** When the Company enters leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.
- f) **Income taxes:** Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.
- g) **Going concern:** Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2020, and 2019. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. The Company has considered debt financing on January 2021, and credit facility restructuring on December 18, 2020.
- h) **Government grants:** In the context of certain government programs where a benefit is received by both the Company and another party, management has applied significant judgment in determining whether the Company is the recipient of a government grant, or whether it is receiving an indirect benefit from a third party.
- i) **Convertible debt and warrants:** The accounting for certain financial and equity instruments require judgement on discount rates and cash flow estimates to determine the initial accounting between debt and equity, as well subsequently to determine if any adjustments to loan agreements are considered modifications or settlements.

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of financial position comprise cash at banks, cash on hand, and cash held in trust.

Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in net income (loss). The costs of the day-to-day servicing of property and equipment are recognized in net income (loss) as incurred.

Depreciation

Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized on a straight-line basis over the estimated useful lives of the property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation methods, useful lives and residual values are reviewed at each year-end and adjusted if appropriate.

Research and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net income (loss) as incurred.

Expenditures on development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Intangible assets

The useful life of an intangible asset is either finite or indefinite. Intangible assets are initially measured at fair value. Following the initial recognition, intangible assets are carried at the initial fair value less accumulated amortization and impairment losses, if any. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to

renew for which the Company is reasonably certain to exercise, range from 2 to 5 years for facilities. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in the consolidated statements of loss and comprehensive loss if the carrying amount of the right-of-use asset has been reduced to zero.

Warrants and convertible loans

The Company follows the residual method with respect to the measurement of convertible loans. Where warrants are issued as consideration for goods and services received and some or all the goods or services received cannot be specifically identified or reliably measured, then these warrants are measured at the fair value of the share-based payment. The fair value of the share-based payment is determined using the Black-Scholes option pricing model. Where warrants are issued as part of a unit offering, the unit proceeds are allocated using a relative fair value method. If the warrants are exercised, the applicable relative fair value recognized in warrants is transferred to share capital. Any consideration paid on the exercise of the warrants is credited to share capital. For those warrants that expire unexercised on maturity, the recorded value is transferred to contributed surplus.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A derivative is a financial instrument whose value changes in response to a specified variable, requires little or no net investment and is settled at a future date.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL").

The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either at (i) fair value through profit or loss; or (ii) other financial liabilities.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the consolidated statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

Derivatives are included in the category of FVTPL unless they are designated as hedges. Subsequent changes in the fair value are recorded in the consolidated statements of loss and comprehensive loss.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the consolidated statements of loss and comprehensive loss.

Impairment

IFRS 9 includes an expected credit loss model for all financial assets measured at amortized cost. Expected credit losses are the present value of cash shortfalls over the remaining expected life of the financial asset using either 12-month expected credit losses or lifetime expected credit loss. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In assessing collective impairment, the Company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Losses are recognized in the consolidated statements of loss and comprehensive loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statements of loss and comprehensive loss.

Revenue

Revenue is recognized based on the five-step model outlined in IFRS 15:

- 1) Identify the contract with a customer;
- 2) Identify the performance obligations in the contract;
- 3) Determine the transaction price;
- 4) Allocate the transaction price to the performance obligations in the contract; and
- 5) Recognize revenue when (or as) the entity satisfies a performance obligation.

In instances where the Company contracts with third party advertising agencies on behalf of their advertiser clients, a determination is made to recognize revenue on a gross or net basis based on an assessment of whether the Company is acting as the principal or an agent in the transaction. When the Company has control and responsibility for fulfilling the delivery and perform all billing and collection activities, revenue is recognized on a gross basis. If the Company relies on third party advertising agencies to deliver, and perform billing and collection activities, revenue is recognized on a net basis.

Advertising Services

The Company generates revenue from enabling businesses to personalize their messaging across video, mobile, social, and display online advertising campaigns using Contobox interactive ad platform. The Company offers fully managed service to advertisers seeking to display their advertisements to target audience to interact with ad unit and take further action. The Company also offers self-service where the client accesses the Company's technology. The performance obligation is satisfied over time as the volume of impressions are delivered up to the contractual maximum for fully managed service revenue and the delivery of impressions for self-serve revenue. These arrangements are evidenced by a fully executed insertion order ("IO") or contract.

Fully executed IO's or contracts specify the volume and type of advertising to be delivered over a specified time at an agreed upon price. The pricing models are commonly referred as a cost per impression ("CPM"), or cost per engagement ("CPE").

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

Publisher Representation

The Company generates revenue from publisher representation using automated buying and selling of online advertising space. For the Company, programmatic sales are made by clients who use technology to buy inventory from the sites that the Company represents. The Company makes inventory of its publishers available to various advertising networks, including Google ADX and Index Exchange.

Media Costs

Media costs are considered the Company's cost of goods sold. The costs include the third-party media costs, third-party real-time bidding costs to secure advertising space.

Investment tax credits

The Company is entitled to certain refundable Investment Tax Credits ("ITC") for qualifying research and development activities performed. The ITC are accounted for as a reduction of the related expenditures for items expensed in the consolidated statements of comprehensive loss, being primarily as part of employee compensation and benefits, or as a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position when the amount can be reliably estimated, and realization is reasonably assured.

Government assistance

Government grants and subsidies are recognized at fair value when there is reasonable assurance that they will be received, and the Company will comply with the conditions associated with the grants. To the extent that government grants are earned under the conditions of the grant prior to receipt of funds, the Company records a government grants receivable. Government grants related to operating expenses are reflected as a reduction of such expenses in the year when they are incurred (see note 19 in the 2019 and 2020 Financial Statements).

Finance cost

Finance income comprises of interest income on funds invested (including available-for-sale financial instruments), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost comprises interest expense on loans and borrowings, accretion of discount on loans and borrowings and changes in the fair value of financial instruments at fair value through profit or loss and impairment losses recognized on financial assets.

Foreign currency gain and losses arising from the translation and settlement of assets and liabilities as well as revenue and expenses are reported on a net basis within finance cost (income).

Income taxes

Income tax expense for the year comprises current and deferred income taxes. Current taxes and deferred taxes are recognized in the consolidated statements of comprehensive loss, except to the extent that they relate to items recognized in other comprehensive income ("OCI") or directly in equity. In these cases, the taxes are also recognized in OCI or directly in equity, respectively.

The Company uses the asset and liability method of accounting for deferred income taxes. Under this method, the Company recognizes deferred income tax assets and liabilities for future income tax consequences attributable to temporary differences between the financial statement carrying amounts of assets and liabilities and their respective income tax bases, and on unused tax losses and tax credit carry forwards. The Company measures deferred income taxes using tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled. The Company recognizes deferred income tax assets only to the extent that it is probable that future taxable income will be available against which the deductible temporary differences as well as unused tax losses and tax credit carry forwards can be utilized. Deferred income tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. The Company recognizes the effect of a change in income tax rates in the year of enactment or substantive enactment.

Deferred income taxes are not recognized if they arise from the initial recognition of goodwill, nor are they recognized on temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither accounting nor taxable income (loss). Deferred income taxes are also not recognized on

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

temporary differences relating to investments in subsidiaries to the extent that it is probable that the temporary differences will not reverse in the foreseeable future.

The Company records current income tax expense or recovery based on income earned or loss incurred for the year in each tax jurisdiction where it operates, and for any adjustment to taxes payable in respect of previous years, using tax laws that are enacted or substantively enacted at the consolidated statements of financial position dates.

In the ordinary course of business, there are many transactions for which the ultimate tax outcome is uncertain. The final tax outcome of these matters may be different from the estimates originally made by management in determining the Company's income tax provisions. Management periodically evaluates the positions taken in the Company's tax returns with respect to situations in which applicable tax rules are subject to interpretation. The Company establishes provisions related to tax uncertainties where appropriate based on its best estimate of the amount that will ultimately be paid to or received from tax authorities.

Share issue costs

Costs incurred for the issue of common shares are deducted from share capital.

Net income (loss) per share

Basic income (loss) per share is calculated by dividing the net income (loss) for the period by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is calculated by dividing the net income (loss) for the period by the sum of the weighted average number of common shares outstanding and the dilutive common share equivalents outstanding during the period. Common share equivalents consist of the shares issuable upon exercise of stock options and shares issuable upon exercise of common share warrants calculated using the treasury stock method. Common share equivalents are not included in the calculation of the weighted average number of shares outstanding for diluted net income (loss) per share when the effect would be anti-dilutive. Basic and diluted loss per share are the same for the periods presented as any dilutive impacts were considered anti-dilutive.

Segment reporting

The Company currently operates in a single operating segment.

The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

Change in accounting policies

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2020:

- Definition of Material – amendments to IAS 1 – Presentation of Financial Statements and IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors
- Definition of a Business – amendments to IFRS 3 – Business Combinations
- Interest Rate Benchmark Reform – amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Financial Instruments: Disclosures
- Revised Conceptual Framework for Financial Reporting

The Company also elected to adopt the following amendments early:

- Annual Improvements to IFRS Standards 2018-2020 Cycle.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the years ended December 31, 2020 and 2019

Certain new accounting standards and interpretations have been published that are not mandatory for December 31, 2020 reporting periods and have not been early adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors. All amounts included in the Due to Related Parties balance are non interest bearing, unsecured and have no fixed terms of repayment.

The following table presents the compensation of the key management personnel recognized in net loss:

	As at December 31, 2020	
	2020	2019
Employee Compensation and Benefits	\$ 675,000	\$ 847,500

As at December 31, 2020, \$1,537,381 (December 31, 2019 – \$1,405,089) and \$108,333 (December 31, 2019 - \$nil) of payments owed to key management personnel was recorded on due to related parties and accounts payable and accrued liabilities respectively.

For discussion of related party loans, see note 11 and for discussion on related party share transactions, see note 14 in the Company's consolidated financial statements for the years ended December 31, 2020 and 2019.

OFF-BALANCE SHEET ARRANGMENTS

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material adverse effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

OUTSTANDING SHARE DATA

The Company's authorized capital includes 11,389,592 common shares and 1,032,000 Class B common shares without par value.

Any holder of a common shares Class B common share shall be entitled to receive dividends as and when declared by the Board on such holder's common shares or Class B common shares, and, in the event of the liquidation, dissolution or winding up of the Company (a "Dissolution Event"), to share ratably with the other holders of common shares and Class B common shares, subject to prior rights of other holders of any shares ranking senior to the common shares and Class B common shares with respect to priority upon a Dissolution Event, in all of the property and assets of the Company available for distribution.

The holders of common shares and Class B common shares are entitled to receive notice of and to attend all meetings of the shareholders and to one vote per share at meetings of the shareholders of the Company.

The following table summarizes Contobox's capital structure at February 14, 2022:

	As at February 14, 2022
Common shares	102,859,415
Total Common Shares on a fully-diluted basis	102,859,415

SCHEDULE R
CIHI INTERIM FINANCIAL STATEMENTS

(see attached)

Crucial Interactive Holdings Inc.

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2021 and 2020
(expressed in Canadian Dollars - unaudited)

Table of Contents

	<u>Page</u>
<u>Condensed Interim Consolidated Statements of Financial Position</u>	3
<u>Condensed Interim Consolidated Statements of Loss</u>	4
<u>Condensed Interim Consolidated Statements of Changes in Shareholders' Equity</u>	5
<u>Condensed Interim Consolidated Statements of Cash Flows</u>	6
<u>Notes to the Condensed Interim Consolidated Financial Statements</u>	7 - 27

CRUCIAL INTERACTIVE HOLDINGS INC.
Condensed Interim Consolidated Statements of Financial Position
For the nine months ended September 30, 2021
(expressed in Canadian dollars - unaudited)

	Note	As at Sept 30, 2021	As at December 31, 2020
ASSETS			
Current assets			
Cash and cash equivalents		\$ 1,245,360	\$ 715,079
Accounts receivable		1,516,950	2,036,096
Prepaid expenses and deposits	3	31,700	39,663
Investment tax credits receivable	4	360,854	375,000
Other assets		174,977	266,160
Total current assets		3,329,841	3,431,998
Non-current assets			
Restricted cash	5	125,000	125,000
Right-of-use assets	6	3,373	33,696
Property and equipment	7	21,968	29,588
Intangible assets	8	71,174	122,249
Total non-current assets		221,515	310,533
Total assets		\$ 3,551,356	\$ 3,742,531
LIABILITIES AND SHAREHOLDERS' DEFICIENCY			
Current liabilities			
Accounts payable and accrued liabilities	9	\$ 3,232,554	2,746,382
Unearned revenue		268,792	99,229
Income taxes payable		83,727	83,727
Current portion of lease liability	6	3,644	35,662
Current portion of loans	10	576,824	53,050
Due to related parties	11	1,018,951	1,537,381
Total current liabilities		5,184,492	4,555,431
Non-current liabilities			
Loans	10	2,788,121	3,133,884
Deferred tax liabilities		70,660	70,660
Total non-current liabilities		2,858,781	3,204,544
Total liabilities		8,043,273	7,759,975
Shareholders' deficiency			
Share capital	12	2,836,612	2,827,568
Warrants	13	—	1
Contributed surplus		571,680	148,119
Deficit		(7,900,209)	(6,993,132)
Total shareholders' deficiency		(4,491,917)	(4,017,444)
Total liabilities and shareholders' deficiency		\$ 3,551,356	\$ 3,742,531

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CRUCIAL INTERACTIVE HOLDINGS INC.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2021 and 2020
(expressed in Canadian dollars - unaudited)

	Note	Three months ended		Nine months ended	
		Sept 30, 2021	Sept 30, 2020	Sept 30, 2021	Sept 30, 2020
Revenue		\$ 1,359,970	\$ 868,503	\$ 4,029,882	\$ 2,959,201
Media costs		21,633	19,960	196,214	120,023
Gross profit		\$ 1,338,337	\$ 848,543	\$ 3,833,668	\$ 2,839,178
Expenses					
Sales and marketing	19	281,542	290,529	835,752	765,219
Technology and development	19	473,055	530,114	1,571,499	1,305,790
General and administrative	19	354,107	56,496	752,382	809,270
Transaction and restructuring costs		1,353,683	61,571	1,540,800	588,411
Depreciation and amortization	6,7,8	31,226	69,149	98,475	208,110
		\$ 2,493,613	\$ 1,007,859	\$ 4,798,908	\$ 3,676,800
Loss from operations		(1,155,276)	(159,316)	(965,240)	(837,622)
Other income (loss)					
Finance costs		(110,585)	(94,080)	(570,268)	(286,317)
Loan forgiveness	11,17	590,000	—	642,745	—
Foreign exchange loss		(985)	(3,853)	(14,314)	(29,755)
		478,430	(97,933)	58,163	(316,072)
Net loss before income taxes		(676,846)	(257,249)	(907,077)	(1,153,694)
Income taxes		—	(7,162)	—	(7,162)
Net loss and comprehensive loss for the period		\$ (676,846)	\$ (250,087)	\$ (907,077)	\$ (1,146,532)
Net loss and comprehensive loss per share		\$ (0.01)	\$ (0.02)	\$ (0.01)	\$ (0.09)
Weighted average number of shares outstanding - basic and diluted		102,859,415	12,421,592	89,277,178	12,421,592

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CRUCIAL INTERACTIVE HOLDINGS INC.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2021 and 2020
(expressed in Canadian dollars - unaudited)

	Share Capital						
	Common shares Number	Common shares Amount	Warrants	Contributed Surplus	Deficit	Total	
Balance – January 1, 2019	12,421,592	\$ 2,827,568	\$ —	\$ 148,119	\$ (4,698,475)	\$ (1,722,788)	
Issuance of warrants in conjunction with loan restructuring	—	—	1	—	—	1	
Net loss and comprehensive loss	—	—	—	—	(1,949,599)	(1,949,599)	
Balance – December 31, 2019	12,421,592	\$ 2,827,568	\$ 1	\$ 148,119	\$ (6,648,074)	\$ (3,672,386)	
Net loss and comprehensive loss	—	—	—	—	(1,146,532)	(1,146,532)	
Balance - September 30, 2020	12,421,592	2,827,568	1	148,119	(7,794,606)	(4,818,918)	
Balance – December 31, 2020	12,421,592	\$ 2,827,568	\$ 1	\$ 148,119	\$ (6,993,132)	\$ (4,017,444)	
Common shares issued upon exercise of warrants	90,437,823	9,044	(1)	—	—	9,043	
Fair value of conversion feature on debenture	—	—	—	423,561	—	423,561	
Net loss and comprehensive loss	—	—	—	—	(907,077)	(907,077)	
Balance - September 30, 2021	102,859,415	\$ 2,836,612	\$ —	\$ 571,680	\$ (7,900,209)	\$ (4,491,917)	

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CRUCIAL INTERACTIVE HOLDINGS INC.
Condensed Interim Consolidated Statements of Cash Flows
For the nine months ended September 30, 2021 and 2020
(expressed in Canadian dollars - unaudited)

	For the nine months ended	
	Sept 30 2021	Sept 30 2020
Cash flows from operating activities		
Net loss and comprehensive loss	\$ (907,077)	\$ (1,146,532)
Changes in non-cash operating items:		
Depreciation and amortization	98,475	208,110
Finance costs	778	5,677
Interest expense on loans	659,620	285,290
Loan forgiveness	(642,745)	—
Changes in non-cash working capital		
Amounts receivable	519,146	335,641
Prepaid expenses	7,963	38,491
Investment tax credits receivable	14,146	314,086
Other assets	91,183	(93,121)
Accounts payable and accrued liabilities	485,869	(112,679)
Unearned revenue	169,563	103,960
Net cash (used in) provided by operating activities	496,921	(61,077)
Cash flows from investing activities		
Additions to intangible assets	—	(100,349)
Additions to property and equipment	(9,458)	(17,501)
Net cash used in investing activities	(9,458)	(117,850)
Cash flows from financing activities		
Exercise of warrants	9,044	—
Advances of loan payable	1,000,000	55,579
Repayment of leases	(32,796)	(126,546)
Repayment of loans	(1,005,000)	—
Additions to amounts due to related parties	71,570	193,751
Net cash provided by (used in) financing activities	42,818	122,784
Change in cash during the year	530,281	(56,143)
Cash and cash equivalents – Beginning of period	715,079	827,604
Cash and cash equivalents – End of period	\$ 1,245,360	\$ 771,461
Supplemental disclosure of non-cash transactions		
Additions to property and equipment under leases	—	—

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

CRUCIAL INTERACTIVE HOLDINGS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(expressed in Canadian - unaudited)

1. NATURE OF OPERATIONS AND GOING CONCERN

Crucial Interactive Holdings Inc. (doing business as “Contobox”) (the “Company”) is a corporation incorporated on September 4, 2014, in the province of Ontario, Canada. The Company enables businesses to personalize their messaging across video, mobile, social, and display advertising campaigns. The Company’s proprietary technology scores interest in products based on shopper engagements and purchase trends; uses predictive intelligence to recommend products to new and existing shoppers; and enhances experiences across multiple channels throughout the customer journey, providing marketers with deeper, more accurate insights, full transparency into performance and machine learning solutions. The Company’s registered and records office are located at 21 Camden Street, 5th Floor, Toronto, ON, M5V 1V2, Canada.

These condensed interim consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to discharge its obligations and realize its assets in the normal course of operations for the foreseeable future. During the three and nine months ended September 30, 2021, the Company incurred a net loss of \$676,846 and \$907,077 respectively. During the nine months ended September 30, 2021, working capital deficit is \$1,729,651. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company’s ability to continue as a going concern. Management believes that the going concern assumption is appropriate for these condensed interim consolidated financial statements. Should the going concern assumption not be appropriate and the Company is not able to realize its assets and settle its liabilities, these condensed interim consolidated financial statements would require adjustments to the amounts and classifications of assets and liabilities.

2. BASIS OF PREPARATION

Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not include all the information and disclosures required in the Company’s annual financial statements and should be read in conjunction with the Company’s annual consolidated financial statements for the years ended December 31, 2020 and 2019.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2022.

Basis of presentation

The condensed interim consolidated financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

These condensed interim consolidated financial statements have been prepared in Canadian dollars (“CAD”), which is the Company’s and subsidiaries functional and presentation currency.

Basis of consolidation

- a) **Subsidiaries:** Subsidiaries are controlled by the Company. These condensed interim consolidated financial statements include the financial statements of the Company and its wholly owned subsidiaries.

CRUCIAL INTERACTIVE HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2021 and 2020***(expressed in Canadian dollars unless otherwise noted)*

The company has following wholly owned subsidiaries:

Subsidiary	Jurisdiction of Incorporation	Ownership Interest	
		As at September 30, 2021	As at December 31, 2020
Crucial Interactive Inc.	Ontario	100%	100%
Skuyou Inc.	Ontario	0%	100%
Contobox U.S. Inc.	Delaware	100%	100%
Media Xeo Inc	Quebec	100%	100%
Okra Media Inc.	Quebec	100%	100%

(1) Skuyou Inc. was dissolved on May 20, 2021.

b) Transactions eliminated on consolidation:

All inter-company balances and transactions, and any unrealized income and expenses arising from such transactions are eliminated on consolidation.

3. PREPAID EXPENSES AND DEPOSITS

The prepaid expenses and deposits are broken down as follows:

	As at September 30, 2021	As at December 31, 2020
Prepaid expenses	28,796	16,790
Prepaid Insurance	—	13,330
Vendor deposits	2,904	2,904
Employee Advances	—	6,639
Prepaid expenses and deposits	\$ 31,700	\$ 39,663
Current	\$ 31,700	\$ 39,663
Non-current	-	-

4. INVESTMENT TAX CREDITS RECEIVABLE

As at September 30, 2021 the Company's investment tax credits receivable include an accrued receivable for \$250,000 in ITCs relating to 2021 SRED expenditures and remaining \$110,854 in ITCs relating to 2020 SRED expenditures. As of December 31, 2020, the Company has recorded an accrued receivable for \$375,000 in ITCs relating to 2020 SRED expenditures.

	As at September 30, 2021	As at December 31, 2020
SR&ED ITC Accrual	360,854	375,000
Investment tax credits receivable	\$ 360,854	\$ 375,000
Current	360,854	375,000
Non-current	-	-

5. RESTRICTED CASH

CRUCIAL INTERACTIVE HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2021 and 2020***(expressed in Canadian dollars unless otherwise noted)*

As at September 30, 2021, the Company had \$125,000 (December 31, 2020 - \$125,000) in restricted marketable securities on reserve at financial institutions as security for credit card facilities. The maturity value is equal to the original principal and does not include any past interest payments, accrued interest, or future interest payments.

6. RIGHT FOR USE ASSETS AND LEASE LIABILITY

The Company's leases consist of an office facility. The lease terms are for 2 years, commencing in 2019, with an option to renew each lease after that date.

	Facilities
Balance as at December 31, 2020	35,662
Lease additions	—
Accretion on lease liability	778
Lease payments	(32,796)
Balance as at September 30, 2021	\$ 3,644
Current portion	3,644
Long-term portion	—

The Company has also recognized lease liabilities for these leases, which were initially measured at the present value of the future lease payments, discounted at a rate of 5.95%. Interest on lease liabilities is included in interest expense in the condensed interim consolidated statements of loss and comprehensive loss. The carrying amount of the Company's right of use assets is summarized in the table below.

	Facilities
Balance as at December 31, 2020	\$ 33,696
Depreciation	(30,323)
Balance as at September 30, 2021	\$ 3,373

7. PROPERTY AND EQUIPMENT

Cost	Leasehold improvements	Furniture and fixtures	Computer equipment	Total	Right-of-use assets
Balance as at December 31, 2020	245,332	131,051	188,454	564,837	351,220
Additions	-	-	9,457	9,457	-
Balance as at September 30, 2021	245,332	131,051	197,911	574,294	351,220
Accumulated Depreciation					
Balance as at December 31, 2020	243,787	129,280	162,182	535,249	317,524
Depreciation	1,545	1,771	13,761	17,077	30,323
Balance as at September 30, 2021	245,332	131,051	175,943	552,326	347,847
Net Book Value					
At December 31, 2020	1,545	1,771	26,272	29,588	33,696
At September 30, 2021	-	-	21,968	21,968	3,373

CRUCIAL INTERACTIVE HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2021 and 2020***(expressed in Canadian dollars unless otherwise noted)***8. INTANGIBLE ASSETS**

Cost	Software	Tradename	Total
Balance as at December 31, 2020	\$ 204,300	\$ 4,049	\$ 208,349
Additions	—	—	—
Balance as at September 30, 2021	\$ 204,300	\$ 4,049	\$ 208,349
Accumulated Amortization			
Balance as at December 31, 2020	\$ 86,100	\$ —	\$ 86,100
Amortization	51,075	—	51,075
Balance as at September 30, 2021	\$ 137,175	\$ —	\$ 137,175
Net Book Value			
At December 31, 2020	\$ 118,200	\$ 4,049	\$ 122,249
At September 30, 2021	\$ 67,125	\$ 4,049	\$ 71,174

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at Sept 30, 2021	As at December 31, 2020
Trade accounts payable	454,777	826,934
Accrued liabilities	2,656,859	1,813,516
Sales tax payable	120,918	105,932
Accounts payable and accrued liabilities	\$ 3,232,554	\$ 2,746,382

10. LOANS**2021 Debentures**

In January and February 2021, the Company issued secured convertible debentures to its existing debenture holders in the aggregate principal amount of \$1,000,000 (the "2021 Debentures"), bearing interest at the greater of: the TD Prime Rate plus 3% per annum, or 6% per annum and maturing on January 1, 2026 ("Maturity date"). The 2021 Debentures are secured by all assets of the Company. The principal of the 2021 Debenture shall be in sixteen (16) equal installments on a calendar quarter basis beginning on April 1, 2022. All interest accruing up to and including April 1, 2022, on the Principal Amount shall be payable on such date. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$0.05 per common share, subject to adjustments as provided in the 2021 Debenture.

The Company initially recognized \$576,441 as the fair value of the 2021 Debentures, and \$423,561 was initially recognized in contributed surplus with respect to the value of the conversion feature.

The 2021 Debenture holders also received a total 20,000,000 purchase warrants of the Corporation, each of which shall entitle the Holder to purchase one (1) Common Share per warrant at an exercise price of \$0.0001 per Common Share on the terms and conditions set forth in warrant agreements.

CRUCIAL INTERACTIVE HOLDINGS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

During the three and nine months ended September 30, 2021, the Company recorded interest expense of \$44,835 and \$109,582 respectively in its condensed interim consolidated statements of loss and comprehensive loss. On September 29, 2021, the company made a payment of \$230,000 to the debenture holder.

Subsequent to the period end, the company made a payment of \$145,000 to the debenture holder. Please refer to Note 21 for additional events subsequent to year end.

2018 Debentures

In April 2018, the Company issued secured convertible debentures to its existing shareholders in the aggregate principal amount of \$1,956,390 (the "2018 Debentures"), bearing interest at the rate of 20% per annum and maturing on April 1, 2019 ("Maturity date"). The 2018 Debentures are secured by all movable and immovable assets of the Company. The principal of the 2018 Debenture shall be paid in four equal quarterly installments together with accrued interest commencing March 31, 2019. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$0.50 per common share, subject to adjustments as provided in the 2018 Debenture. The Company initially recognized \$1,876,473 as the fair value of the 2018 Debentures, and \$79,917 was initially recognized in contributed surplus with respect to the value of the conversion feature. As at December 31, 2018, the carrying amount of the 2018 Debenture including accrued and unpaid interest was \$2,195,922.

In August 2019, the Company entered into a first Amending Agreement with the 2018 Debenture holders which provides for:

- a. The extended maturity date to December 31, 2022;
- b. The interest rate shall be 20% per annum compounded monthly until March 31, 2019, on which date the interest rate shall be reduced to the LIBOR rate plus 3% per annum compounded monthly;
- c. The Debenture repayment by twelve equal quarterly installments of principal and accrued interest commencing March 31, 2019;
- d. The holders shall receive 4,519,226 purchase warrants of the Company, each of which shall entitle the holders to purchase one common share in the capital of the Company at an exercise price of \$0.50 per common share. The Company estimated the fair value of warrants to be nominal. The issuance of the warrants were considered as a cost of the amendment.

In December 2020, the Company entered into a second Amending Agreement with the 2018 Debenture holders which provides for:

- a. The extended maturity date to January 1, 2026;
- b. The interest rate shall be 20% per annum compounded monthly until March 31, 2019, on which date the interest rate shall be reduced to the greater of: the TD Prime Rate plus 3% per annum or 6% per annum;
- c. The principal shall be repaid by the Company in 16 equal installments on a calendar quarter basis beginning on April 1, 2022; all interest accruing up to and including April 1, 2022 shall be paid on such date. Thereafter, interest shall be payable quarterly, commencing on July 1, 2022;
- d. The conversion price of the 2018 Debenture was reduced from \$0.50 per common share to \$0.05 per common share.
- e. The holders shall receive 70,437,823 purchase warrants of the Company, each of which shall entitle the holders to purchase one common share in the capital of the Company at an exercise price of \$0.0001 per common

CRUCIAL INTERACTIVE HOLDINGS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

share; the warrants issued in the first Amending Agreement are cancelled. The Company estimated the fair value of warrants to be substantial. The issuance of the warrants was considered as a cost of the amendment.

As a result of this amendment, the Principal Balance of the loan on December 2020 were \$1,882,711

During the three and nine month ended September 30, 2021, the Company recorded interest expense of \$146,568 and \$413,839 respectively in its condensed interim consolidated statements of loss and comprehensive loss (three and nine month ended September 30, 2020 - \$45,578 and \$136,175 respectively).

Subsequent to the period end, the company made a payment of \$944,526 to the debenture holder. Please refer to Note 21 for additional events subsequent to year end.

2016 Debentures

During the year ended December 31, 2016, the Company issued secured convertible debentures to its existing shareholder in the aggregate principal amount of \$600,000 (the "2016 Debentures"), bearing interest at the rate of 8% per annum and maturing on January 1, 2019 ("Maturity date"). The 2016 Debentures are secured by all movable and immovable assets of the Company. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$1 per common share, subject to adjustments as provided in the 2016 Debenture. The Company initially recognized \$531,798 as the fair value of the 2016 Debentures, and \$68,202 was initially recognized in contributed surplus with respect to the value of the conversion feature. As at December 31, 2018, a carrying amount of the 2016 Debenture including accrued and unpaid interest was \$762,352 after giving an effect to the Amending Agreement 1 entered by the Company with the 2016 Debenture holder in April 2018 which increased an interest rate to 20% per annum and reduced a conversion price to \$0.50 per common share.

In August 2019, the Company entered into an Amending Agreement 2 with the Debenture holder which provides for:

- a. The extended maturity date to January 1, 2020;
- b. The conversion price of the 2016 Debenture was reduced from \$0.50 per common share to \$0.40 per common share.

In December 2020, the Company entered into Amending Agreement 3 with the 2016 Debenture holders which provides for the extended maturity date to April 1, 2022. As a result of this amendment, the Principal Balance of the loan on December 2020 were \$1,126,181.

During the three and nine month ended September 30, 2021, the Company recorded interest expense of \$45,004 and \$136,200 respectively in its condensed interim consolidated statements of loss and comprehensive loss (three and nine month ended September 30, 2020 - \$52,189 and \$149,155 respectively). On September 29, 2021, the company made

CRUCIAL INTERACTIVE HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2021 and 2020***(expressed in Canadian dollars unless otherwise noted)*

a payment of \$775,000 to the debenture holder. Subsequent to the period end, the company made a payment of \$543,775 to the debenture holder.

	2016 Debentures	2018 Debentures	2021 Debentures	Total
Beginning balance, January 1, 2020	929,657	2,478,966	—	3,408,623
Interest Expense	149,115	136,175	—	285,290
Ending balance, September 30, 2020	\$ 1,078,772	\$ 2,615,141	\$ —	\$ 3,693,913
Beginning balance, January 1, 2021	1,228,593	1,905,291	—	3,133,884
Proceeds from issuance of convertible notes	—	—	1,000,000	1,000,000
Amount classified as equity	—	—	(423,559)	(423,559)
Interest Expense	136,200	413,838	109,582	659,620
Repayment	(775,000)	—	(230,000)	(1,005,000)
Ending balance, September 30, 2021	\$ 589,793	\$ 2,319,129	\$ 456,023	\$ 3,364,945
Current	—	366,823	210,001	576,824
Long term	589,793	1,952,306	246,022	2,788,121

11. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors. All amounts included in the Due to related parties balance are non interest bearing, unsecured and have no fixed terms of repayment.

The following table presents the compensation of the key management personnel recognized in net loss:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Employee Compensation and Benefits	940,814	168,750	1,278,257	506,250
Rent Expense	31,250	7,813	93,749	46,875
	\$ 972,064	\$ 176,563	\$ 1,372,006	\$ 553,125

As at September 30, 2021, \$1,018,951 (December 31, 2020 – \$1,537,381) and \$903,253 (December 31, 2020 - \$108,333) of payments owed to key management personnel was recorded on due to related parties and accounts payable and accrued liabilities respectively. During the three and nine months ended September 30, 2021, the company recorded a loan forgiveness from the shareholders for \$590,000.

For discussion of debentures with related parties, see note 10.

12. SHARE CAPITAL

The Company's authorized capital includes 11,389,592 Class A and 1,032,000 Class B common shares without par value.

Any holder of a class of Class A or B common share shall be entitled to receive dividends as and when declared by the Board on such holder's class of Class A or B common shares, and, in the event of the liquidation, dissolution or winding up of the Company (a "Dissolution Event"), to share ratably with the other holders of Class A and B common shares, subject to prior rights of other holders of any shares ranking senior to the Class A to B common shares with respect to priority upon a Dissolution Event, in all of the property and assets of the Company available for distribution.

CRUCIAL INTERACTIVE HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2021 and 2020***(expressed in Canadian dollars unless otherwise noted)*

The holders of Class A and B common shares are entitled to receive notice of and to attend all meetings of the shareholders and to one vote per share at meetings of the shareholders of the Company.

	Shares	\$
Common shares as at January 1, 2019	12,421,592	\$ 2,827,568
Balance – December 31, 2019	12,421,592	2,827,568
Share issuance	—	—
Balance – September 30, 2020	12,421,592	\$ 2,827,568
Balance – December 31, 2020	12,421,592	2,827,568
Common shares issued in conjunction with exercise of warrants	90,437,823	9,044
Balance – September 30, 2021	102,859,415	\$ 2,836,612

The Company issued 90,437,823 shares issued at \$9,044 during the nine months ended September 30, 2021.

13. WARRANTS

A summary of warrant transactions are as follows:

	As at September 30, 2021		
	Number of warrants	Weighted average exercise price \$	Total \$
Balance as at December 31, 2020	70,437,823	\$ 0.0001	\$ 1
Issuance of warrants in conjunction with issuance of debenture	20,000,000	0.0001	\$ 1
Common shares issued in conjunction with exercise of warrants	(90,437,823)	0.0001	\$ (2)
Balance as at September 30, 2021	—	\$ 0.0001	\$ —

During the nine months ended September 30, 2021, warrant holders exercised a total of 90,437,823 Warrants which is comprised of 70,437,823 warrants issued in conjunction with the second Amending Agreement with the 2018 Debenture holders of the 2018 Debentures and 20,000,000 warrants related to the 2021 Debentures. The Company received proceeds on exercise of \$9,044 and the Company issued 90,437,823 Common Shares in the Company.

14. FINANCIAL INSTRUMENTS

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, restricted cash, accounts receivable, ITC receivable, accounts payable and accrued liabilities, current portion of finance lease obligations, current portion of loans approximate their fair values given their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the condensed interim consolidated statements of financial position and the market rates of interest is not considered significant. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

CRUCIAL INTERACTIVE HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2021 and 2020***(expressed in Canadian dollars unless otherwise noted)*

	Loans and receivables / financial liabilities	
	September 30, 2021	December 31, 2020
Measurement Basis		
Financial assets		
Cash and cash equivalents (FVTPL)	1,245,360	715,079
Restricted cash (FVTPL)	125,000	125,000
Accounts receivable (amortized cost)	1,516,950	2,036,096
Investment tax credits receivable (amortized cost)	360,854	375,000
CEWS (amortized cost)	174,977	227,351
CERS (amortized cost)	—	32,443
Other Assets	—	6,366
	\$ 3,423,141	\$ 3,517,335
Financial liabilities		
Accounts payable and accrued liabilities (amortized cost)	3,232,554	2,746,382
Lease Liability (amortized cost)	3,644	35,662
Loans (amortized cost)	3,364,945	3,186,934
	\$ 6,601,143	\$ 5,968,978

There were no transfers of financial assets during the years ended September 30, 2021, and December 31, 2020 between any of the levels.

15. CAPITAL RISK MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, loans, share capital, and accumulated deficit. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine-month ended September 30, 2021. The Company is not subject to externally imposed capital requirements.

16. FINANCIAL RISK MANAGEMENT

The Company's Board of Directors has overall responsibility for the establishment an oversight of the Company's risk management framework and reviews the companies risk management policies on an annual basis management identifies in evaluates financial risks and it's charged with the responsibility of establishing controls and procedures to ensure that financial risks are medicated in accordance with the approved policies.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable, restricted marketable securities and cash. As at September 30, 2021 the Company has nominal expected credit loss on its accounts receivable, as losses due to uncollectible accounts have historically been immaterial.

As at September 30, 2021, four customers (December 31, 2020 – three customers) represented 71.9% (December 31, 2020 – 68.9%) of the gross accounts receivable balance of 1,516,950. Of the balance due from the four (2020 - three) significant customer, 39.50% (2020 – 45.7%) of the receivables were current, 12.4% (2020 - 11.8%) were aged 1-30 days, and 12.5% (2020 - 6.6%) were aged 31-60 days, 0.8% (2020 – 4.8%) were aged 61-90 days and 6.8% (2020 – 0%) were aged greater than 90 days. No other individual customer represented more than 10% of the accounts

CRUCIAL INTERACTIVE HOLDINGS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

receivable balance.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, historical experience and other factors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding outside of operations has been from debt and equity financing. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

The following table provides information about the terms of the financial obligations and liabilities:

As at September 30, 2021					
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	3,232,554	3,232,554	3,232,554	—	—
Loans	3,364,945	5,562,976	576,824	2,436,259	2,549,893
Lease obligations	3,644	3,644	3,644	—	—
Amounts due to related parties	1,018,951	1,018,951	1,018,951	—	—
	\$ 7,620,094	\$ 9,818,125	\$4,831,973	\$2,436,259	\$ 2,549,893

As at December 31, 2020					
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	2,746,382	2,746,382	2,746,382	—	—
Loans	3,186,934	5,554,127	53,050	3,076,083	2,424,994
Lease obligations	35,662	36,440	35,662	—	—
Amounts due to related parties	1,537,381	1,537,381	1,537,381	—	—
	\$ 7,506,359	\$ 9,874,330	\$4,372,475	\$3,076,083	\$ 2,424,994

Interest Rate Risk

The Company's interest rate risk arises primarily from its floating rate demand loans which bear interest at the prime rate as quoted by the Toronto Dominion Bank's prime rate plus 0.75% to 2%. As at September 30, 2021, the prime rate was 3.50%. Management believes that the Company's cash flows are not significantly exposed to interest rate risk in the next 12 months. Interest rate risk is insignificant on the Company's restricted marketable securities due to the short-term maturity of the investments held.

Currency Risk

The Company operates internationally with the Canadian dollar as its functional currency and the Company is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S. dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. dollars on hand to support forecasted obligations in the respective currencies. To achieve this objective, the Company monitors

CRUCIAL INTERACTIVE HOLDINGS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held. A 10% movement in the foreign exchange rates between USD and CAD would not lead to a material impact on the Company's financial statements.

Balances held in US dollars are as follows in CAD

	As at September 30, 2021	As at December 31, 2020
Accounts receivable	569,819	581,534
Current portion of loans	-	53,050
Accounts payable and accrued liabilities	190,781	464,732

17. GOVERNMENT ASSISTANCE

During the three and nine-months ended September 30, 2021, the Canadian federal government made certain government support programs available to eligible entities as part of its COVID-19 economic response plan. The Company applied and received support under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS"). Each applicant's eligibility for these programs is subject to validation and detailed verification by the federal government. During three and nine-months ended September 30, 2021, the Company has been approved for the following benefits from government programs directly.

- During the three and nine months ended September 30, 2021, the Company recorded \$174,725 and \$768,547 respectively (2020 - \$562,579 and \$953,775 respectively) of wage subsidies in connection with the CEWS program used to reduce general and administrative expense on the condensed interim consolidated statement of loss and comprehensive loss. Of this amount, \$174,978 was recorded in Other Assets and amounts were received subsequent to September 30, 2021.
- During the three and nine months ended September 30, 2021, the Company recorded \$nil and \$14,545 respectively (2020 - \$nil and \$nil) of rent subsidies in connection with the CERS program used to reduce general and administrative expense on the condensed interim consolidated statement of loss and comprehensive loss. All payments were received prior to September 30, 2021.
- On May 5, 2020, the Company secured a loan of US\$41,667 (CAD\$53,259) pursuant to the Paycheck Protection Program as part of the Coronavirus Aid, Relief and Economic Security Act. On March 8, 2021, the Company applied for the loan forgiveness in accordance with the terms of that program, and the loan was fully forgiven on Mar 19, 2021. The total loan of US\$41,667 (CAD\$53,259) was recorded as loan forgiveness and CAD\$514 was recorded as foreign exchange loss on the statement of loss and comprehensive loss,

18. REVOLVING LINE OF CREDIT AND PURCHASE CARD FACILITY

The Company had the following bank credit facilities in place during the three and nine months ended September 30, 2021:

i. Revolving line of credit(s)

A loan agreement with an asset management firm ("Firm"), whereby they may purchase, in its sole discretion eligible accounts receivable of the Company, on a revolving basis, up to a maximum of \$3,000,000. Under the terms of the Loan Agreement, the Firm purchases eligible receivables from the Company with full recourse for the face amount of such eligible receivables. The Firm retains 20% of the purchase price of the purchased receivables as a reserve amount. The Company is required to pay the Firm on the last Business Day of each calendar month (commencing of the last Business Day of October 2019) prior to Termination Date and on the Termination Date, an aggregate fee equal to 2.4% per annum of the Unutilized Portion.

The Loan Agreement contains standard representations, warranties, indemnities and releases for agreements governing financing arrangements of this type. Pursuant to the Loan Agreement, the Company's obligations under the Loan Agreement are secured by a first priority security interest on all assets of the Company.

The Company had not drawn any amounts under the facility at September 30, 2021 of \$Nil (December 31, 2020 -

CRUCIAL INTERACTIVE HOLDINGS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the nine months ended September 30, 2021 and 2020***(expressed in Canadian dollars unless otherwise noted)*

\$Nil).

19. NATURE V. FUNCTION EXPENSE

Below is a breakdown of what is included within General and Administrative, Sales and Marketing and Technology and Development expense

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Employee compensation	770,379	903,970	2,286,736	2,106,124
IRAP/SRED	(83,171)	(419,480)	(283,171)	(419,480)
Office and administrative	35,165	65,788	112,181	197,214
Occupancy	52,199	(18,973)	156,728	(7,593)
Bad Debt Expense	—	—	—	136,000
Communications	17,065	10,022	32,852	30,534
Consultants	32,050	9,331	86,256	32,802
Contractors	90,078	78,617	253,354	235,076
Domain, website, H/W, S/W expenses	101,601	141,197	361,738	318,529
Professional fees	34,668	74,371	43,063	101,639
Recruitment	—	(201)	—	1,253
Auto Expense	239	4,349	3,583	41,267
Advertising & Promotion	24,042	25,374	47,944	60,712
Conferences	—	—	—	3,329
Meals & Entertainment	34,389	2,774	58,369	42,873
	\$ 1,108,704	\$ 877,139	\$ 3,159,633	\$ 2,880,279

Expenses are classified by function on the condensed interim consolidated statement of loss and comprehensive loss.

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
General & Administrative	354,107	56,496	752,382	809,270
Sales & Marketing	281,542	290,529	835,752	765,219
Technology & Development	473,055	530,114	1,571,499	1,305,790
	\$ 1,108,704	\$ 877,139	\$ 3,159,633	\$ 2,880,279

20. SEGMENT INFORMATION

The company's assets and operations are all located in Canada, however the Company services customers and employees in the United States. Revenue by region for the three and nine-months ended September 30, 2021 is as follows:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Canada	\$ 929,247	\$ 579,566	\$ 2,781,822	\$ 2,296,517
United States	\$ 430,723	\$ 288,937	\$ 1,248,060	\$ 662,684
Total	\$ 1,359,970	\$ 868,503	\$ 4,029,882	\$ 2,959,201

The company has no material assets in the United States.

21. SUBSEQUENT EVENTS

CRUCIAL INTERACTIVE HOLDINGS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the nine months ended September 30, 2021 and 2020

(expressed in Canadian dollars unless otherwise noted)

Addition of Right-of-use-asset for new office lease in Montreal

In October 2021, the Company entered into a new lease agreement to extend the lease of office space in Montreal. The new lease includes escalating rent payments over a thirty-six month term from November 01, 2021. The Company will recognize the lease as a right-of-use asset and a lease obligation at the lease commencement date.

The undiscounted future minimum lease payments are as follows:

2021	\$8,490
2022	50,940
2023	50,940
2024	42,450
Total	<u>\$152,820</u>

Sale of Company

On October 1, 2021, the shareholders of the Company (the "Vendors") sold all of the issued and outstanding shares of the Company to 2810735 Ontario Inc. (d/b/a Federated Foundry) ("Federated"). In conjunction with the acquisition, Federated will be undertaking a go public transaction via a reverse takeover of PopReach Corporation (the "RTO Transaction"). The consideration payable by Federated to the Vendors in connection with the acquisition was satisfied by the issuance to the Vendors of a convertible debenture in the principal amount of \$4,675,000 (the "Federated Debenture"). As part of the sale, the indebtedness owed by the Company pursuant to the 2016, 2018 and 2021 Debentures was superseded and replaced with a promissory note (the "Amended and Restated Note") in the principal amount of \$4,325,000, bearing interest at the rate of 5% per annum, issued by the Company to the holders of the 2018 Debentures and the 2021 Debentures (the "Shareholder Lenders") on October 1, 2021. Pursuant to the terms of the Amended and Restated Note, (i) \$725,000 of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$2,525,000 of the principal amount is payable on the earlier to occur of the date that is (x) 6 months following the closing of the acquisition, and (y) the occurrence of the RTO Transaction (of which \$888,301 was repaid on December 6, 2021); and (iii) \$1,075,000 will be transferred by the Shareholder Lenders to Federated immediately prior to the occurrence of the RTO Transaction in exchange for Federated Shares on the basis of a conversion price of \$0.63, being 1,706,349 Federated Shares. Federated's obligations under the Federated Debenture and the Company's obligations pursuant to the Amended and Restated Note are secured by all of the shares and assets of the Company and each of the Company's subsidiaries.

SCHEDULE S
CIHI INTERIM MD&A

(see attached)

CRUCIAL INTERACTIVE HOLDINGS INC.
(dba Contobox)

Management's Discussion and Analysis
For the three and nine months ended September 30, 2021, and 2020

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for Crucial Interactive Holding Inc. ("Contobox" or the "Company"), for the three and nine months ended September 30, 2021, and 2020.

This document should be read in conjunction with the information contained in the Company's condensed interim financial statements and related notes for the three and nine month period ended September 30, 2021 (the "Q3 2021 Condensed Consolidated Interim Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$") and "CAD" amounts and references in this MD&A are in Canadian dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, February 14, 2022, being the date the Company's board of directors (the "Board" or "Board of Directors") approved this MD&A and the Q3 2021 Financial Statements. All quarterly information contained herein is unaudited.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

OVERVIEW AND SIGNIFICANT EVENTS

Corporate Structure

Crucial Interactive Holdings Inc. (doing business as "Contobox") (the "Company") is a corporation incorporated on September 4, 2014, in the province of Ontario, Canada.

General Development of the Business

Contobox enables businesses to personalize their messaging across video, mobile, social, and display advertising campaigns. The Company's proprietary technology scores interest in products based on shopper engagements and purchase trends; uses predictive intelligence to recommend products to new and existing shoppers; and enhances experiences across multiple channels throughout the customer journey, providing marketers with deeper, more accurate insights, full transparency into performance and machine learning solutions.

Throughout 2019, 2020 and 2021, the Company expanded its product offerings to include performance advertising solutions with a specific focus on eCommerce brands. This expansion has helped the Company offer a more diverse set of options in the market and shift the focus away from budgets designated for seasonal campaigns towards year-round initiatives.

Loans and other financing

The Company has utilized various debt facilities to support the operation of the business.

2021 Debentures

In January and February 2021, the Company issued secured convertible debentures to its existing debenture holders in the aggregate principal amount of \$1,000,000 (the "2021 Debentures"), bearing interest at the greater of: the TD Prime Rate plus 3% per annum, or 6% per annum and maturing on January 1, 2026 ("Maturity date"). The 2021 Debentures are secured by all assets of the Company. The principal of the 2021 Debenture shall be in sixteen (16) equal installments on a calendar quarter basis beginning on April 1, 2022. All interest accruing up to and including April 1, 2022, on the Principal Amount shall be payable on such date. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$0.05 per common share, subject to adjustments as provided in the 2021 Debenture.

The Company initially recognized \$576,441 as the fair value of the 2021 Debentures, and \$423,561 was initially recognized in contributed surplus with respect to the value of the conversion feature.

The 2021 Debenture holders also received a total 20,000,000 purchase warrants of the Corporation, each of which shall entitle the Holder to purchase one (1) Common Share per warrant at an exercise price of \$0.0001 per Common Share on the terms and conditions set forth in warrant agreements.

During the three and nine months ended September 30, 2021, the Company recorded interest expense of \$44,835 and \$109,582 respectively in its condensed interim consolidated statements of loss and comprehensive loss. On September 29, 2021, the company made a payment of \$230,000 to the debenture holder.

Subsequent to the period end, the company made a payment of \$145,000 to the debenture holder.

2018 Debentures

In April 2018, the Company issued secured convertible debentures to its existing shareholders in the aggregate principal amount of \$1,956,390 (the "2018 Debentures"), bearing interest at the rate of 20% per annum and maturing on April 1, 2019 ("Maturity date"). The 2018 Debentures are secured by all movable and immovable assets of the Company. The principal of the 2018 Debenture shall be paid in four equal quarterly installments together with

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

accrued interest commencing March 31, 2019. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a conversion price of \$0.50 per common share, subject to adjustments as provided in the 2018 Debenture. The Company initially recognized \$1,876,473 as the fair value of the 2018 Debentures, and \$79,917 was initially recognized in contributed surplus with respect to the value of the conversion feature. As at December 31, 2018, the carrying amount of the 2018 Debenture including accrued and unpaid interest was \$2,195,922.

In August 2019, the Company entered into a first Amending Agreement with the 2018 Debenture holders which provides for:

- a. The extended maturity date to December 31, 2022;
- b. The interest rate shall be 20% per annum compounded monthly until March 31, 2019, on which date the interest rate shall be reduced to the LIBOR rate plus 3% per annum compounded monthly;
- c. The Debenture repayment by twelve equal quarterly installments of principal and accrued interest commencing March 31, 2019;
- d. The holders shall receive 4,519,226 purchase warrants of the Company, each of which shall entitle the holders to purchase one common share in the capital of the Company at an exercise price of \$0.50 per common share. The Company estimated the fair value of warrants to be nominal. The issuance of the warrants were considered as a cost of the amendment.

In December 2020, the Company entered into a second Amending Agreement with the 2018 Debenture holders which provides for:

- a. The extended maturity date to January 1, 2026;
- b. The interest rate shall be 20% per annum compounded monthly until March 31, 2019, on which date the interest rate shall be reduced to the greater of: the TD Prime Rate plus 3% per annum or 6% per annum;
- c. The principal shall be repaid by the Company in 16 equal installments on a calendar quarter basis beginning on April 1, 2022; all interest accruing up to and including April 1, 2022 shall be paid on such date. Thereafter, interest shall be payable quarterly, commencing on July 1, 2022;
- d. The conversion price of the 2018 Debenture was reduced from \$0.50 per common share to \$0.05 per common share.
- e. The holders shall receive 70,437,823 purchase warrants of the Company, each of which shall entitle the holders to purchase one common share in the capital of the Company at an exercise price of \$0.0001 per common share; the warrants issued in the first Amending Agreement are cancelled. The Company estimated the fair value of warrants to be substantial. The issuance of the warrants was considered as a cost of the amendment.

As a result of this amendment, the Principal Balance of the loan on December 2020 were \$1,882,711

During the three and nine month ended September 30, 2021, the Company recorded interest expense of \$146,568 and \$413,839 respectively in its condensed interim consolidated statements of loss and comprehensive loss (three and nine month ended September 30, 2020 - \$45,578 and \$136,175 respectively).

Subsequent to the period end, the company made a payment of \$944,526 to the debenture holder.

2016 Debentures

During the year ended December 31, 2016, the Company issued secured convertible debentures to its existing shareholder in the aggregate principal amount of \$600,000 (the "2016 Debentures"), bearing interest at the rate of 8% per annum and maturing on January 1, 2019 ("Maturity date"). The 2016 Debentures are secured by all movable and immovable assets of the Company. At any time prior to the maturity date, debenture holders may elect not to be repaid the principal amount together with all accrued and unpaid interest outstanding thereon and instead, may elect to convert the Debenture including all accrued and unpaid interest into common shares of the Company at a

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

conversion price of \$1 per common share, subject to adjustments as provided in the 2016 Debenture. The Company initially recognized \$531,798 as the fair value of the 2016 Debentures, and \$68,202 was initially recognized in contributed surplus with respect to the value of the conversion feature. As at December 31, 2018, a carrying amount of the 2016 Debenture including accrued and unpaid interest was \$762,352 after giving an effect to the Amending Agreement 1 entered by the Company with the 2016 Debenture holder in April 2018 which increased an interest rate to 20% per annum and reduced a conversion price to \$0.50 per common share.

In August 2019, the Company entered into an Amending Agreement 2 with the Debenture holder which provides for:

- a. The extended maturity date to January 1, 2020;
- b. The conversion price of the 2016 Debenture was reduced from \$0.50 per common share to \$0.40 per common share.

In December 2020, the Company entered into Amending Agreement 3 with the 2016 Debenture holders which provides for the extended maturity date to April 1, 2022. As a result of this amendment, the Principal Balance of the loan on December 2020 were \$1,126,181.

During the three and nine month ended September 30, 2021, the Company recorded interest expense of \$45,004 and \$136,200 respectively in its condensed interim consolidated statements of loss and comprehensive loss (three and nine month ended September 30, 2020 - \$52,189 and \$149,155 respectively). On September 29, 2021, the company made a payment of \$775,000 to the debenture holder. Subsequent to the period end, the company made a payment of \$543,775 to the debenture holder.

Government assistance

During the three and nine-months ended September 30, 2021, the Canadian federal government made certain government support programs available to eligible entities as part of its COVID-19 economic response plan. The Company applied and received support under the Canada Emergency Wage Subsidy ("CEWS") and Canada Emergency Rent Subsidy ("CERS"). Each applicant's eligibility for these programs is subject to validation and detailed verification by the federal government. During three and nine-months ended September 30, 2021, the Company has been approved for the following benefits from government programs directly.

- During the three and nine months ended September 30, 2021, the Company recorded \$174,725 and \$768,547 respectively (2020 - \$562,579 and \$953,775 respectively) of wage subsidies in connection with the CEWS program used to reduce general and administrative expense on the condensed interim consolidated statement of loss and comprehensive loss. Of this amount, \$174,978 was recorded in Other Assets and amounts were received subsequent to September 30, 2021.
- During the three and nine months ended September 30, 2021, the Company recorded \$nil and \$14,545 respectively (2020 - \$nil and \$nil) of rent subsidies in connection with the CERS program used to reduce general and administrative expense on the condensed interim consolidated statement of loss and comprehensive loss. All payments were received prior to September 30, 2021.

PPP Forgiveness

On May 5, 2020, the Company secured a loan of US\$41,667 (CAD\$53,259) pursuant to the Paycheck Protection Program as part of the Coronavirus Aid, Relief and Economic Security Act. On March 8, 2021, the Company applied for the loan forgiveness in accordance with the terms of that program, and the loan was fully forgiven on Mar 19, 2021. The total loan of US\$41,667 (CAD\$53,259) was recorded as loan forgiveness and CAD\$514 was recorded as foreign exchange loss on the statement of loss and comprehensive loss.

Warrants

During the nine months ended September 30, 2021, warrant holders exercised a total of 90,437,823 Warrants which is comprised of 70,437,823 warrants issued in conjunction with the second Amending Agreement with the 2018 Debenture holders of the 2018 Debentures and 20,000,000 warrants related to the 2021 Debentures. The Company received proceeds on exercise of \$9,044 and the Company issued 90,437,823 Common Shares in the Company.

COVID-19

In early March 2020, the World Health Organization declared the coronavirus outbreak ("COVID-19") to be a pandemic. Responses to the spread of COVID-19 have resulted in a significant disruption to business operations and a significant increase in economic uncertainty in North America and elsewhere, with more volatile currency exchange rates, higher lending rates and a marked decline in long-term interest rates. These events have resulted in a volatile and challenging economic climate which may adversely affect the Company's operational results and financial position. The current economic climate is having and may continue to have significant adverse impacts on the Company, which may include, but are not limited to:

- a delay in business activity that could result in material reductions in future revenue and cashflows;
- inability to access equity and/or debt financing;
- increased risk of non-performance by the Company's customers which could materially increase collection risk of accounts receivable and the risk of customer defaults on contracts; and,
- increased risk of non-renewals of future subscription license, or cancelation of pending projects contracts.

While the Company does not believe there has been an impact to existing business, the current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of these financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

SUBSEQUENT EVENTS

Addition of Right-of-use-asset for new office lease in Montreal

In October 2021, the Company entered into a new lease agreement to extend the lease of office space in Montreal. The new lease includes escalating rent payments over a thirty-six month term from November 01, 2021. The Company will recognize the lease as a right-of-use asset and a lease obligation at the lease commencement date.

Sale of Company

On October 1, 2021, the shareholders of the Company (the "Vendors") sold all of the issued and outstanding shares of the Company to 2810735 Ontario Inc. (d/b/a Federated Foundry) ("Federated"). In conjunction with the acquisition, Federated will be undertaking a go public transaction via a reverse takeover of PopReach Corporation (the "RTO Transaction"). The consideration payable by Federated to the Vendors in connection with the acquisition was satisfied by the issuance to the Vendors of a convertible debenture in the principal amount of \$4,675,000 (the "Federated Debenture"). As part of the sale, the indebtedness owed by the Company pursuant to the 2016, 2018, and 2021 Debentures was superseded and replaced with a promissory note (the "Amended and Restated Note") in the principal amount of \$4,325,000, bearing interest at the rate of 5% per annum, issued by the Company to the holders of the 2018 Debentures and the 2021 Debentures (the "Shareholder Lenders") on October 1, 2021. Pursuant to the terms of the Amended and Restated Note, (i) \$725,000 of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$2,525,000 of the principal amount is payable on the earlier to occur of the date that is (x) 6 months following the closing of the acquisition, and (y) the occurrence of the RTO Transaction (of which \$888,301.48 was repaid on December 6, 2021); and (iii) \$1,075,000 will be transferred by the Shareholder Lenders to Federated immediately prior to the occurrence of the RTO Transaction in exchange for Federated Shares on the basis of a conversion price of \$0.63, being 1,706,349 Federated Shares. Federated's obligations under the Federated Debenture and the Company's obligations pursuant to the Amended and Restated Note are secured by all of the shares and assets of the Company and each of the Company's subsidiaries.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three and nine months ended September 30, 2021 is set forth below.

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue	\$ 1,359,970	\$ 868,503	\$ 4,029,882	\$ 2,959,201
Net income (loss) and comprehensive income (loss)	(676,846)	(250,087)	(907,077)	(1,146,532)
Total assets	3,551,356	3,101,362	3,551,356	3,101,362
Total liabilities	8,043,273	7,920,280	8,043,273	7,920,280
Basic and diluted net income (loss) and comprehensive income (loss) per common share	\$ (0.05)	\$ (0.02)	\$ (0.07)	\$ (0.09)

DISCUSSION OF OPERATIONS

Comparison of the Three Months Ended September 30, 2021 and 2020

	Three months ended			
	September 30, 2021	September 30, 2020	Variance	% Change
Revenue	\$ 1,359,970	\$ 868,503	491,467	57%
Media costs	21,633	19,960	1,673	8%
Sales and marketing	281,542	290,529	(8,987)	(3%)
Technology and development	473,055	530,114	(57,059)	(11%)
General and administrative	354,107	56,496	297,611	527%
Transaction and restructuring costs	1,353,683	61,571	1,292,112	2099%

Revenue

Revenue for the three months ended September 30, 2021, was \$1,359,970 as compared to \$868,503 for the three months ended September 30, 2020, an increase of 57%. The increase in revenues year over year is a result of an increase in the number of technology fee campaigns delivered in the third quarter of 2021 compared to the third quarter of 2020. The prior year was impacted by COVID-19 as the Company saw a significant reduction in the number of advertising campaigns sold and delivered in July and August 2020.

Media costs

Media costs comprise advertising impressions that the Company purchased from real-time advertising exchanges or through other third parties.

For the three months ended September 30, 2021, and September 30, 2020, media costs were \$21,633 and \$19,960 respectively, representing an increase of 8%. The increase in media costs is related to an increase in the number of managed service campaigns run in the third quarter of 2021. For managed service campaigns, the Company is responsible for acquiring media as part of offering and the increase in managed service revenues is accompanied by an increase in third party media costs.

Sales and marketing expenses

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services and products. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing programs, marketing collateral, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

Sales and marketing expenses for the three months ended September 30, 2021, was \$281,542, a decrease of \$8,987 compared to the three months ended September 30, 2020.

Technology and Development

Technology and development expenses consist of all costs associated with the Company's investment in its Engagement Management Platform, dynamic technologies and investments in improving the effectiveness and efficiency of the platform, its integrations and usability. The majority of the costs related to technology and development related specifically to employee compensation, benefits, third party technologies utilized and platform hosting and ad serving fees.

Technology expenses for the three months ended September 30, 2021 were \$473,055, a decrease of \$57,059 compared to the same period of the prior year. The decrease in technology and development costs is due to a decrease in third party platform fees paid for data collection, processing, and storage.

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expense, and supplies.

General and administrative expenses for the three months ended September 30, 2021, was \$354,107, an increase of \$297,611 compared to the three months ended September 30, 2020. The increase in general and administrative costs as compared to the prior year period is due to (i) a reduction in headcount, (ii) a reduction in the subsidies in the third quarter of 2021 related to Canadian Employee Wage Subsidies (CEWS) for employees, and (iii) an increased emphasis on costs reduction initiatives given the impact of COVID-19 on the Company since 2020.

Transaction and restructuring costs

Transaction costs consist of legal, accounting, tax and advisory expenditures related to financings, corporate development activities and certain other costs related to headcount restructuring.

During the three months ended September 30, 2021, transaction costs of \$1,353,683 were incurred as compared to the prior year period of \$61,571, an increase of \$1,292,112. The increase in transaction and restructuring costs is primarily the result of the sale of the Company to Federated.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

Comparison of the Nine Months Ended September 30, 2021 and 2020

		Nine months ended			
	September 30, 2021	September 30, 2020	Variance	% Change	
Revenue	\$ 4,029,882	\$ 2,959,201	1,070,681	36%	
Media costs	196,214	120,023	76,191	63%	
Sales and marketing	835,752	765,219	70,533	9%	
Technology and development	1,571,499	1,305,790	265,709	20%	
General and administrative	752,382	809,270	(56,888)	(7%)	
Transaction and restructuring costs	1,540,800	726,135	814,665	112%	

Revenue

Revenue for the nine months ended September 30, 2021, was \$4,029,882 as compared to \$2,959,201 for the nine months ended September 30, 2020, an increase of 36%. The increase in revenues year over year is a result of the Company continuing to transition its focus away from managed service sales to technology licensing sales through strategic reseller partners in addition to the impact of COVID-19 on the Company's sales from March to August 2020.

Media costs

Media costs comprise advertising impressions that the Company purchased from real-time advertising exchanges or through other third parties.

For the nine months ended September 30, 2021, and 2020 media costs were \$196,214 and \$120,023, respectively, representing an increase of 63%. The increase in media costs is the result of an increase in revenues year over year from managed service campaigns where the Company buys media for the client as part of the sales transaction.

Sales and marketing expenses

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services and products. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing programs, marketing collateral, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

Sales and marketing expenses for the nine months ended September 30, 2021, was \$835,752, an increase of \$70,533 compared to the same period of the prior year representing an increase of 9%. The year-over-year increase was primarily related to an increase in commissions related to increased sales as well as an increase in marketing activities in 2021 compared to 2020 when the Company substantially reduced its marketing efforts due to the uncertain impacts of COVID-19 on its sales development efforts.

Technology and Development

Technology expenses consist of all costs associated with increasing the Programmatic Marketing Platform's effectiveness and efficiency. Most of such costs comprise of salary and benefit costs and costs associated with housing the required computer equipment.

Technology expenses for the nine months ended September 30, 2021, was \$1,571,499, an increase of \$265,709 compared to the same period of the prior year. The increase in technology and development costs is due (i) an increase in headcount and in third party contractors, and (ii) an increase in third party technology fees associated with the growth of the Company's revenues.

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expense, and supplies.

General and administrative expenses for the nine months ended September 30, 2021, was \$752,382, a decrease of \$56,888, or 7%, when compared to the same period of the prior year. The decrease in general and administrative costs as compared to the prior year period is due to decrease in employee compensation year over year.

Transaction and restructuring costs

Transaction costs consist of legal, accounting, tax and advisory expenditures related to financings, corporate development activities and certain other costs related to headcount restructuring.

During the nine months ended September 30, 2021, transaction costs of \$1,540,800 were incurred as compared to the prior year period of \$726,135, an increase of 112%. The increase in transaction and restructuring costs in 2021 is primarily the result of the costs associated with the Company's sales process efforts that culminated in its sale to Federated in October 2021. In 2020 the costs were related to one-time severance costs associated with the departure of employees in 2020.

SUMMARY OF QUARTERLY RESULTS

The following financial data for each of the eight most recently completed quarters has been prepared in accordance with IFRS.

	For the three months ended (unaudited)			
	September 30, 2021	June 30, 2021	March 31, 2021	December 31, 2020
Revenue	\$ 1,359,970	\$ 1,438,845	\$ 1,231,067	\$ 1,791,077
Net income (loss) and comprehensive income (loss)	\$ (676,846)	\$ 136,702	\$ (366,933)	\$ 801,474
Total assets	3,551,356	4,756,007	4,843,054	3,742,531
Total liabilities	8,043,273	8,571,078	8,794,827	7,759,975
Basic and diluted net income (loss) and comprehensive income (loss) per common share	\$ (0.05)	\$ 0.01	\$ (0.03)	\$ 0.06

	For the three months ended (unaudited)			
	September 30, 2020	June 30, 2020	March 31, 2020	December 31, 2019
Revenue	\$ 868,503	\$ 599,373	\$ 1,491,325	\$ 1,610,896
Net income (loss) and comprehensive income (loss)	\$ (250,087)	\$ (421,957)	\$ (474,488)	\$ (858,827)
Total assets	3,101,362	2,817,134	3,735,784	3,842,861
Total liabilities	7,920,280	7,385,965	7,882,658	7,515,247
Basic and diluted net income (loss) and comprehensive income (loss) per common share	\$ (0.02)	\$ (0.03)	\$ (0.04)	\$ (0.07)

Seasonality

Online advertising, online commerce and internet usage are seasonally strongest in the fourth quarter and generally slower during the first quarter and summer months and as a result, operating results will fluctuate quarter by quarter. In addition, our revenue and operating results may fluctuate quarter to quarter depending on sales cycles, network performance and customer demand. Costs are incurred more evenly throughout the year. In addition to the seasonal trends, revenue and operating profit can fluctuate from general economic conditions, as a result, one quarter's

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

revenue and operating results may not necessarily be indicative of a subsequent quarter's revenue and operating results. For these reasons, performance is not comparable quarter to consecutive quarter and is best considered on the basis of results for the whole year or by comparison of results in a quarter with results in the same quarter for the previous year.

Impact of COVID-19

For the three and nine months ended September 30, 2021 and 2020, the Company's revenues and expenses were impacted by seasonality. During the holiday and summer seasons, the Company typically anticipates revenues to be lower as a higher proportion of individuals choose to forgo eating at restaurants or ordering online. While this is typically the case, the COVID-19 pandemic has had, and may continue to have, an impact on this trend.

For the three and nine months ended September 30, 2021 and 2020, the Company was impacted both negatively and positively by the COVID-19 pandemic. Revenues and costs increased as compared to the same quarters 2020 as a result of the COVID-19 pandemic. As the world saw the introduction of vaccinations and calming of the pandemic, the economy picked up and companies returned to advertising online.

LIQUIDITY AND CAPITAL RESOURCES

The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent upon the Company's ability to profitably manage its advertising services. As at September 30, 2021, the Company had negative working capital of \$1,854,651 and has an accumulated deficit of \$7,900,209 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing in the future and to repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

The Company provides disclosure of the three-level hierarchy that reflects the significance of the inputs used in making the fair value measurement. The carrying values of cash and cash equivalents, restricted cash, accounts receivable, ITC receivable, accounts payable and accrued liabilities, current portion of finance lease obligations, current portion of loans approximate their fair values given their short-term nature. The carrying value of the non-current liabilities approximates their fair value, given that the difference between the discount rates used to recognize the liabilities in the consolidated statements of financial position and the market rates of interest is not considered significant. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

	Loans and receivables / financial liabilities	
	September 30, 2021	December 31, 2020
Measurement Basis		
Financial assets		
Cash and cash equivalents (FVTPL)	1,245,360	715,079
Restricted cash (FVTPL)	125,000	125,000
Accounts receivable (amortized cost)	1,516,950	2,036,096
Investment tax credits receivable (amortized cost)	360,854	375,000
CEWS (amortized cost)	174,977	227,351
CERS (amortized cost)	—	32,443
Other Assets	—	6,366
	\$ 3,423,141	\$ 3,517,335
Financial liabilities		
Accounts payable and accrued liabilities (amortized cost)	3,232,554	2,746,382
Lease Liability (amortized cost)	3,644	35,662
Loans (amortized cost)	3,364,945	3,186,934
	\$ 6,601,143	\$ 5,968,978

Risk factors

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework and reviews the company's risk management policies on an annual basis. Management identifies and evaluates financial risks and is charged with the responsibility of establishing controls and procedures to ensure that financial risks are managed in accordance with the approved policies.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises from the Company's accounts receivable, restricted marketable securities and cash. As at September 30, 2021 the Company has nominal expected credit loss on its accounts receivable, as losses due to uncollectible accounts have historically been immaterial.

As at September 30, 2021, four customers (December 31, 2020 – three customers) represented 71.9% (December 31, 2020 – 68.9%) of the gross accounts receivable balance of 1,516,950. Of the balance due from the four (2020 - three) significant customer, 39.50% (2020 – 45.7%) of the receivables were current, 12.4% (2020 - 11.8%) were aged 1-30 days, and 12.5% (2020 - 6.6%) were aged 31-60 days, 0.8% (2020 – 4.8%) were aged 61-90 days and 6.8% (2020 – 0%) were aged greater than 90 days. No other individual customer represented more than 10% of the accounts receivable balance.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, historical experience and other factors.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding outside of operations has been from debt and equity financing. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding. The following table provides information about the terms of the financial obligations and liabilities:

As at September 30, 2021					
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	3,232,554	3,232,554	3,232,554	—	—
Loans	3,364,945	5,562,976	576,824	2,436,259	2,549,893
Lease obligations	3,644	3,644	3,644	—	—
Amounts due to related parties	1,018,951	1,018,951	1,018,951	—	—
	\$ 7,620,094	\$ 9,818,125	\$4,831,973	\$2,436,259	\$ 2,549,893

As at December 31, 2020					
	Carrying amount	Total contractual cash flows	Less than 1 year	1 to 3 years	Greater than 3 years
Accounts payable and accrued liabilities	2,746,382	2,746,382	2,746,382	—	—
Loans	3,186,934	5,554,127	53,050	3,076,083	2,424,994
Lease obligations	35,662	36,440	35,662	—	—
Amounts due to related parties	1,537,381	1,537,381	1,537,381	—	—
	\$ 7,506,359	\$ 9,874,330	\$4,372,475	\$3,076,083	\$ 2,424,994

Interest Rate Risk

The Company's interest rate risk arises primarily from its floating rate demand loans which bear interest at the prime rate as quoted by the Toronto Dominion Bank's prime rate plus 0.75% to 2%. As at September 30, 2021, the prime rate was 3.50%. Management believes that the Company's cash flows are not significantly exposed to interest rate risk in the next 12 months. Interest rate risk is insignificant on the Company's restricted marketable securities due to the short-term maturity of the investments held.

Currency Risk

The Company operates internationally with the Canadian dollar as its functional currency and the Company is exposed to foreign exchange risk from purchase transactions, as well as recognized financial assets and liabilities denominated in U.S. dollars. The Company's main objective in managing its foreign exchange risk is to maintain U.S. dollars on hand to support forecasted obligations in the respective currencies. To achieve this objective, the Company monitors forecasted cash flows in foreign currencies and attempts to mitigate the risk by modifying the nature of cash held. A 10% movement in the foreign exchange rates between USD and CAD would not lead to a material impact on the Company's financial statements.

Balances held in US dollars are as follows in CAD

	As at September 30, 2021	As at December 31, 2020
Accounts receivable	569,819	581,534
Current portion of loans	-	53,050
Accounts payable and accrued liabilities	190,781	464,732

Capital risk management

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, loans, share capital, and accumulated deficit. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the nine-month ended September 30, 2021. The Company is not subject to externally imposed capital requirements.

CASH FLOWS BY ACTIVITY

Comparison of the Three and Nine Months Ended September 30, 2021 and 2020

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Operating activities	\$ 78,322	\$ (783,449)	\$ 496,921	\$ (61,077)
Investing activities	—	(11,620)	(9,458)	(117,850)
Financing activities	(890,652)	578,396	42,818	122,784
Net change in cash and cash equivalents	\$ (812,330)	\$ (216,673)	\$ 530,281	\$ (56,143)

Net Cash Provided by (Used in) in Operating Activities

Cash flows generated from operations totaled \$78,322 for the three months ended September 30, 2021, compared to cash utilized from operations of \$783,449 for the same period in 2020. In 2021, the Company was able to offset

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

its net loss through changes in non-cash working capital, with the majority of the change the result of an increase in accounts payable and accrued liability which is due to transaction costs the Company incurred in conjunction with its transaction with Federated which closed on October 1, 2021. In 2020, the negative cash from operations is driven by an increase in accounts receivable in the third quarter as the Company was able to grow revenues substantially from the second quarter to third quarter as customers and clients increased their advertising efforts after the initial impacts of COVID-19.

Cash flows generated from operations totaled \$496,921 for the nine months ended September 30, 2021, compared to cash utilized from operations of \$61,077 for the same period in 2020. The increase in cash flow from operations in 2021 compared to 2020, is largely driven by a decrease in period end accounts receivables, in addition to an increase in the Company's accounts payable and accrued liabilities outstanding at September 30, 2021 due to the timing of the Company's sale transaction to Federated.

Cash provided by (used in) Financing Activities

Cash used in financing activities for the three months ended September 30, 2021, was \$890,652 due to the Company's repayment of loans to related parties, compared to cash generated from financing activities of \$578,396 generated for 2020 for the three months ended September 30, 2020 related to an increase in amounts owing to related parties.

Cash provided by financing activities for the nine months ended September 30, 2021, was \$42,818 compared to cash provided of \$122,784 for the nine months ended September 30, 2020. During the nine-months ended September 30, 2021, the Company's cash inflows from financing activities related to (i) proceeds from loans from related parties; (ii) proceeds from the exercise of warrants and amounts due to related parties, which was partially offset by (a) the repayment of loans, and (b) the repayment of leases. During the nine-months ended September 30, 2020, the Company's cash inflows from financing activities relate to an increase in amounts due to related party loans, partially offset by repayment of leases.

Cash used in Investing Activities

Cash flow used in investing activities was \$- for the three months ended September 30, 2021, compared to \$11,620 for the three months ended September 30, 2020. Cash used in investing activity for the three months ended September 30, 2020, relate to the acquisition of certain intangible and capital assets.

Cash flow used in investing activities was \$9,458 for the nine months ended September 30, 2021, compared to \$117,850 for the nine months ended September 30, 2020. During the nine months ended September 30, 2021, the Company acquired certain computer equipment for use in its day-to-day operations resulting in cash outflows from investing activities. During the nine months ended September 30, 2020, the Company acquired certain intangible software and computer equipment for use in its day-to-day operations resulting in cash outflows from investing activities.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes

or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are critical accounting policies subject to such judgements and the key source of estimation uncertainty that the Company believes could have the most significant impact on the reported consolidated results of operations and consolidated financial position.

Key sources of estimation uncertainty:

- a) **Provision and contingencies:** The amount recognized as a provision, including legal, contractual, constructive, and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.
- b) **Useful lives of property and equipment:** Management is depreciating the furniture and fixtures, equipment, and leasehold improvements on a straight-line basis, with the following useful lives:

Leasehold improvements	Over the lesser of useful life of asset and term of lease
Furniture and fixtures	5 years
Computer equipment	3 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

- c) **Useful lives of intangible assets:** Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions.
- d) **Determination of incremental borrowing rate:** When the Company enters leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.
- e) **Determination of the lease term:** When the Company enters leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.
- f) **Income taxes:** Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.
- g) **Going concern:** Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2020, and 2019. Management prepares the financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative

Crucial Interactive Holdings Inc.
Management's Discussion and Analysis
For the nine months ended September 30, 2021 and 2020

but to do so. The Company has considered debt financing on January 2021, and credit facility restructuring on December 18, 2020.

- h) **Government grants:** In the context of certain government programs where a benefit is received by both the Company and another party, management has applied significant judgment in determining whether the Company is the recipient of a government grant, or whether it is receiving an indirect benefit from a third party.
- i) **Convertible debt and warrants:** The accounting for certain financial and equity instruments require judgement on discount rates and cash flow estimates to determine the initial accounting between debt and equity, as well subsequently to determine if any adjustments to loan agreements are considered modifications or settlements.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors. All amounts included in the Due to Related Parties balance are non interest bearing, unsecured and have no fixed terms of repayment.

The following table presents the compensation of the key management personnel recognized in net loss:

	Three months ended		Nine months ended	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Employee Compensation and Benefits	940,814	168,750	1,278,257	506,250
Rent Expense	31,250	7,813	93,749	46,875
	\$ 972,064	\$ 176,563	\$ 1,372,006	\$ 553,125

As at September 30, 2021, \$1,018,951 (December 31, 2020 – \$1,537,381) and \$903,253 (December 31, 2020 - \$108,333) of payments owed to key management personnel was recorded on due to related parties and accounts payable and accrued liabilities respectively. During the three and nine months ended September 30, 2021, the company recorded a loan forgiveness from the shareholders for \$590,000.

For discussion of related party loans, see note 10 in the Company's condensed consolidated financial statements for three and nine months ended September 30, 2021 and 2020.

OFF-BALANCE SHEET ARRANGMENTS

The Company has no off-balance sheet arrangements that have or are reasonably likely to have a current or future material adverse effect on its financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

OUTSTANDING SHARE DATA

The Company's authorized capital includes 11,389,592 Class A and 1,032,000 Class B common shares without par value.

Any holder of a class of Class A or B common share shall be entitled to receive dividends as and when declared by the Board on such holder's class of Class A or B common shares, and, in the event of the liquidation, dissolution or winding up of the Company (a "Dissolution Event"), to share ratably with the other holders of Class A and B common shares, subject to prior rights of other holders of any shares ranking senior to the Class A to B common shares with respect to priority upon a Dissolution Event, in all of the property and assets of the Company available for distribution.

The holders of Class A and B common shares are entitled to receive notice of and to attend all meetings of the shareholders and to one vote per share at meetings of the shareholders of the Company.

The following table summarizes Contobox's capital structure at February 14, 2022:

	As at February 14, 2022
Common shares	102,859,415
Total Common Shares on a fully-diluted basis	102,859,415

SCHEDULE T
FEDERATED AUDITED FINANCIAL STATEMENTS

(see attached)

2810735 ONTARIO INC.

(d/b/a Federated Foundry)

Consolidated Financial Statements

For the period from the date of incorporation (January 25) to September 30, 2021
(expressed in United States Dollars)



Independent Auditor's Report

To the Shareholders of 2810735 ONTARIO INC. (d/b/a Federated Foundry):

Opinion

We have audited the consolidated financial statements of 2810735 ONTARIO INC. ("Federated Foundry" or the "Company"), which comprise the consolidated statement of financial position as at September 30, 2021 and the consolidated statements of loss and other comprehensive loss, changes in equity and cash flows for the period from incorporation (January 25, 2021) to September 30, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at September 30, 2021, and its consolidated financial performance and its consolidated cash flows for the period then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Ontario
February 14, 2022

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Statements of Financial Position
(expressed in United States Dollars)

	Note	As at September 30, 2021
ASSETS		
Current assets		
Cash		\$ 2,042,182
Accounts receivable, net	18	7,431,888
Prepaid expenses and deposits	5	162,983
Total current assets		9,637,053
Non-current assets		
Prepaid expenses and deposits	5	17,358
Right-of-use asset	6	259,652
Property and equipment	7	46,776
Goodwill and intangibles	8	55,924,540
Total non-current assets		56,248,326
Total assets		\$ 65,885,379
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	9	\$ 5,533,040
Bank indebtedness	10	1,300,000
Current portion of lease liability	11	115,019
Convertible debenture	12	8,000,000
Contingent consideration	13	829,805
Loans	14	13,370,257
Warrant put liability	15	967,172
Total current liabilities		30,115,293
Long-term liabilities		
Lease liability	11	167,118
Loans	14	4,272,750
Deferred tax liability	16	2,811,042
Total long-term liabilities		7,250,910
Total liabilities		37,366,203
Shareholders' equity		
Share capital	17	28,547,998
Deficit		(120,664)
Accumulated other comprehensive income		91,842
Total shareholders' equity		28,519,176
Total liabilities and shareholders' equity		\$ 65,885,379

Nature of operations (note 1)

Subsequent events (note 24)

Approved on behalf of the Board:

/s/ Ted Hastings

Ted Hastings, Director

The accompanying notes form an integral part of these consolidated financial statements.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Statements of Loss and Comprehensive Loss
For the period from the date of incorporation (January 25) to September 30, 2021
(expressed in United States Dollars)

	Note	From January 25 to September 30, 2021
Revenue	20	\$ 10,265,424
Media costs		5,624,907
Gross profit		4,640,517
Expenses		
Selling and marketing	21	1,917,146
General and administrative	21	1,390,628
Technology and development	21	210,091
Depreciation	6, 7, 8	1,035,440
		4,553,305
Other income (loss)		
Interest expense	11, 13, 14	(527,136)
Foreign exchange loss		(85,966)
Fair value adjustment	14	341,184
Other income		10,646
Net loss before income taxes		(174,060)
Income tax recovery	16	53,396
Net loss after tax		(120,664)
Cumulative translation adjustment		91,842
Net loss and other comprehensive loss		\$ (28,822)
Net loss and comprehensive loss per share		\$ (0.00)
Weighted average number of shares outstanding - basic and diluted		174,810,981

The accompanying notes form an integral part of these consolidated financial statements.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Statements of Changes in Shareholders' Equity
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

	Share Capital		Accumulated other comprehensive income		Deficit	Total
	Common shares Number	Common shares Amount				
Balance – January 25, 2021	—	\$ —	\$ —	—	\$ —	—
Issuance of shares	71,857,144	5,998	—	—	—	5,998
Issuance of shares in connection with Notify (note 17, 23)	99,206,349	25,000,000	—	—	—	25,000,000
Issuance of shares in connection with financing, net of transaction costs	14,849,206	3,542,000	—	—	—	3,542,000
Other comprehensive income	—	—	91,842	—	—	91,842
Net loss	—	—	—	(120,664)	(120,664)	(120,664)
Balance – September 30, 2021	185,912,699	\$ 28,547,998	\$ 91,842	\$ (120,664)	\$ 28,519,176	

The accompanying notes form an integral part of these consolidated financial statements.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Statements of Cash Flows
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

	From January 25 to September 30, 2021
Cash flows from operating activities	
Net loss after tax	\$ (120,664)
Changes in non-cash operating items:	
Depreciation and amortization	1,035,439
Fair value adjustment	(341,184)
Deferred tax recovery	(276,993)
Interest expense	527,136
	823,734
Changes in non-cash working capital	
Accounts receivable	(912,118)
Prepaid expenses and deposits	(48,342)
Accounts payable and accrued liabilities	(660,965)
Net cash used in operating activities	(797,691)
Cash flows from financing activities	
Lease payments	(33,369)
Proceeds from loans	13,100,000
Repayment of loans	(10,550,000)
Repayment of contingent consideration	(218,884)
Proceeds from financing	3,547,998
Payment of interest	(43,857)
Net cash provided by financing activities	5,801,888
Cash flows from investing activities	
Acquisition of property and equipment	(6,005)
Acquisition of subsidiaries	(2,956,010)
Net cash used in investing activities	(2,962,015)
Change in cash during the year	2,042,182
Cash – beginning of year	—
Cash – end of year	\$ 2,042,182

The accompanying notes form an integral part of these consolidated financial statements.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

1. NATURE OF OPERATIONS

2810735 Ontario Inc. (d/b/a Federated Foundry) (the “Company” or “Federated”), was incorporated under the Business Corporations Act (Ontario) on January 25, 2021, under the name "2810735 Ontario Inc." On July 28, 2021, Federated registered the business name "Federated Foundry" under the Business Names Act (Ontario). Federated is a diversified, rapidly growing acquirer and operator of digital technology companies. Federated identifies businesses with the potential of scale and longevity and provides them with the platform, personnel and synergistic assets to accelerate their growth.

The Company’s registered office is located at 50 Queen Street North, #1020, Kitchener, Ontario, N2H 6M2.

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company’s operations. The COVID-19 pandemic has impacted and could further impact the Company’s operations and the operations of the Company’s customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company’s business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company’s customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements have been prepared in accordance and compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on February 14, 2022.

Basis of presentation

The consolidated financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

The Company’s consolidated financial statements are presented in United States Dollars (“USD”).

Based on an analysis of the primary and secondary indicators, the functional currency of each of the Company and its subsidiaries have been determined to be as follow:

	Functional currency
Federated	CAD
Q1Media Inc.	USD
Notify AcquisitionCo Inc.	USD
NotifyAI, LLC	USD

2. BASIS OF PREPARATION (continued)

Assets and liabilities of entities having a functional currency other than the USD are translated at the rate of exchange at the reporting period end date. Revenues and expenses are translated at average rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transaction are used. The resulting foreign currency translation adjustments are recognized in the accumulated other comprehensive income included in shareholders' equity. Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the date of the transactions. At the end of each reporting period, foreign currency denominated monetary assets and liabilities are translated to the functional currency using the prevailing rate of exchange at the reporting period date. Gains and losses on translation of monetary items are recognized in the consolidated statements of loss and comprehensive loss.

Basis of consolidation

The Company's consolidated financial statements include the accounts of the Company and its two wholly owned subsidiaries, i) Q1Media Inc. (Delaware), and ii) Notify AcquisitionCo Inc. (Delaware) who's only operations are through its wholly owned subsidiary NotifyAI, LLC (Wyoming). Upon consolidation, all inter-entity transactions and balances have been eliminated.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements.

Goodwill impairment testing and recoverability of long-lived assets

Goodwill and long-lived assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. The recoverable amounts of the cash-generating units were estimated based on an assessment of value in use using a discounted cash flow approach and fair value less costs to sell. The approach uses cash flow projections based upon a financial forecast approved by management, covering a four to five-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate for value in use impairment analysis. Cash flows for the terminal period for fair value less costs to sell impairment analysis is determined using an exist multiple. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events.

The determination of a cash generating unit ("CGU") is based on management's judgment and is an assessment of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method.

Further, significant judgments are necessary in assessing the taxable status of the business combinations, which has a direct correlation to the recognition of a deferred tax liability, for any difference in basis between tax and accounting, and corresponding amount in goodwill. An assessment by a tax authority that concluded differently could materially change the deferred tax amounts. The Company bases their judgments on their assessment of the facts of the underlying contractual agreements.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Revenue

The Company is required to make estimates that affect the amount of revenue from contracts with customers under IFRS15, Revenue from Contracts with Customers ("IFRS 15"). The Company uses judgment to determine 1) whether it is the principal or the agent and 2) the timing of the transfer of control, at a point in time or over time.

Revenue is recognized and recorded on a gross basis as the Company has control and is responsible for fulfilling the advertisement delivery and performing all billing and collection activities.

Provision and contingencies

The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Expected credit losses

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company consider the counterparty's financial position, past experience and other factors.

Estimated useful lives of long-lived assets

Management reviews useful lives of depreciable assets at each reporting date. Management assesses that the useful lives represent the expected utilization in terms of duration of the assets to the Company. Actual utilization, however, may vary due to technical obsolescence, particularly relating to software and information technology equipment.

Determination of discount and incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Convertible debt, contingent consideration, vendor take back notes, and promissory notes represent liabilities of the Company for which the amount or timing is uncertain. These debt obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. These debt obligations are not recognized for future operating losses. Where material, these obligations are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the debt due to passage of time is recognized as interest expense.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES (continued)

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Warrant put liability

Warrant puts were issued in conjunction with stock purchase warrants and pursuant to the issuance of third-party debt. Warrant puts establish minimum compensation, in the form of cash, for the stock purchase warrants issued. The warrant puts are considered a warrant put liability and measured at fair value on a recurring basis.

4. SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash in the statements of financial position comprise cash at banks and cash on hand.

Technology and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed as incurred. Expenditures on development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditures are capitalized to intangible assets if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Property and equipment

Furniture and fixtures and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the equipment and any expenditure required to make the equipment ready for use. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Management is depreciating the furniture and fixtures and equipment on a straight-line basis, with the following useful lives:

Furniture and fixtures	7 years
Equipment	3 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Depreciation is provided annually on furniture and fixtures and equipment at rates designed to charge the cost of the assets over their estimated useful lives, using the straight-line method.

The asset's residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Depreciation is recognized in the statements of income and comprehensive income.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)Intangibles

The useful life of an intangible asset is either finite or indefinite. Intangible assets are initially measured at fair value. Following the initial recognition, intangible assets are carried at the initial fair value less accumulated amortization and impairment losses, if any. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Management is depreciating the acquired customer relationships, developed software, technology, and brand on a straight-line basis, with the following useful lives:

Customer relationships	5 to 7 years
Software	6 years
Technology	5 years
Brand	7 years

Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, at the date of the business acquisition, to the Company's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized and is tested annually for impairment, or more frequently if there are changes in circumstances that indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The company has determined it has two separate CGU's, Notify and Q1Media. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment of non-financial assets

The carrying value of property and equipment and intangibles are reviewed at each reporting period to determine if indicators of impairment are present. If any such indicator exists, the asset's recoverable amount is estimated. For the purpose of impairment testing, the recoverable amount is determined for an individual asset or are grouped together into a CGU, which represents the smallest group of assets that generates independent cash inflows. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognized in the consolidated statements of loss and comprehensive loss as a reduction in the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairments of non-financial assets recognized in a prior period are re-assessed at the end of each reporting period to determine if indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the asset or CGU's carrying amount. The reversal of an impairment loss may not exceed the carrying amount, net of amortization, of the asset or CGU had no impairment loss been recognized.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company is reasonably certain to exercise, range from 1 to 10 years for facilities, equipment and vehicles. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statements of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the statements of income and comprehensive income.

The Company has classified its financial instruments as follows:

Financial instrument	Classification/ Measurement	Fair value hierarchy
Assets		
Cash and cash equivalents	Amortized cost	N/A
Accounts receivable	Amortized cost	N/A
Liabilities		
Accounts payable and accrued liabilities	Amortized cost	N/A
Bank indebtedness	Amortized cost	N/A
Leases	Amortized cost	N/A
Contingent consideration	FVTPL	Level 3
Loans	Amortized cost	N/A
Convertible debenture	FVTPL	Level 3
Warrant put liability	FVTPL	Level 3

Impairment

The impairment of financial assets under IFRS 9 is based on an expected credit loss (“ECL”) model. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Company elected to measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs applied at each reporting date. The Company adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experience to estimate lifetime ECL adjusted for estimated changes to credit risks and forecasts of future economic conditions and the results are discussed in Note 17. Impairment losses are recorded in the consolidated statements of loss and comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. When an impairment loss has decreased in a subsequent period, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed immediately in the consolidated statements of loss and comprehensive loss. The reversal of an impairment loss may not exceed the amortized cost had no impairment loss been recognized.

Earnings per share

The calculation of earnings per common share is based on the reported net income divided by the weighted average number of shares outstanding during the period. Diluted income per share is calculated using the treasury stock method. The only dilutive instrument the Company has is the convertible debenture. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The Company's revenues are derived from i) the sale of marketing and platform solutions, and ii) from consumer activity that occurs in response to the delivery of targeted advertisements to opt-in subscribers via the Company's proprietary push notification platform.

The Company follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

Marketing and platform solutions

The Company derives revenue from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component. Customary terms require payment within 30 days.

Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Company obligations remain, fees are fixed and determinable, and collection of the related receivable is probable. Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in IFRS 15 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are related to the provision of marketing solutions and platform solutions.

The marketing solutions and platform solutions are recognized over time as progress is made toward satisfying the performance obligations of each contract. The Company measures a contract's progress on the basis of the ratio of contracted views, clicks, or time elapsed as compared to the related contracted measure, because, in the Company's view, such method best depicts the progress toward completion. For contracts involving multiple performance obligations, the transaction, i.e., selling, price is allocated based on relative standalone selling prices of the goods or services. The Company determines the total transaction price, including an estimate of any variable consideration, at contract inception and reassesses this estimate each reporting period. By the nature of its contracted revenue, the Company is not exposed to any refunds or chargebacks.

For incremental costs of obtaining a contract, the Company elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year. In obtaining these contracts, the Company incurs a number of incremental costs, such as commissions paid to sales staff. As the amortization period of these costs, if capitalized, would be less than one year, the Company makes use of the practical expedient in IFRS 15.94 and expenses them as they are incurred.

For significant financing components, the Company elected a practical expedient, which allows an entity to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. As the Company's contracts are typically less than one year in length and do not have significant financing components, the Company does not present revenue on a present value basis.

Push notification platform

The Company offers its fully managed service to advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers' websites and take some further action. These arrangements are evidenced by a fully executed insertion order ("IO").

The Company agrees upon pricing for each advertisement prior to the execution and delivery of the associated advertising campaign. The pricing models are commonly referred to as cost per click ("CPC") or cost per action ("CPA"). Revenue is generated when the consumer visits the advertiser's designated website for CPC campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser's website for CPA campaigns.

Media Costs

Media costs are considered the Company's cost of goods sold. The costs include the third-party media costs, and third-party real-time bidding costs to secure advertising space.

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

The Company is treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States.

Deferred income tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Business Combination

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognized, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Company's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the consideration transferred is immediately recognized in the consolidated statements of loss.

The consideration transferred by the Company to acquire control of an entity is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Company, including the fair value of all the assets and liabilities resulting from a deferred payment arrangement. Acquisition-related costs are expensed as incurred. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's weighted average cost of capital, calculated by estimating a specific company risk premium over the risk-free rate. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

Compound financial instruments

Compound financial instruments issued by the Company comprise of warrants and the convertible debenture.. The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized using the residual value method, at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and is included within equity. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized. The conversion feature of the convertible debenture is variable; accordingly, the Company has elected to measure the entire instrument at fair value through profit and loss. The Company has assessed the equity value of the warrants to be nominal and the liability for the related warrant put liability has been recognized initially at fair value and will be thereafter measured at amortized cost.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

The Company currently operates in a single operating segment. The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or “CODM”) in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

5. PREPAID EXPENSES AND DEPOSITS

	As at September 30, 2021
Prepaid expenses	\$ 121,611
Prepaid insurance	33,374
Vendor deposits	25,356
Prepaid expenses and deposits	\$ 180,341
Current	162,983
Long-term	17,358

6. RIGHT-OF-USE ASSET

The Company’s leases consist of one facility lease and one vehicle lease. The facility lease term is for 60 months, commencing in February of 2019, while the vehicles lease terminated during the period. Both leases were acquired on acquisition.

The following table summarized the balance of the right-of-use asset:

	Facility	Vehicle	Total
Balance as at January 25, 2021	\$ —	\$ —	\$ —
Acquired on acquisition	284,780	3,504	288,284
Depreciation	(25,128)	(3,504)	(28,632)
Balance as at September 30, 2021	\$ 259,652	\$ —	\$ 259,652

7. PROPERTY AND EQUIPMENT

COST	Furniture and Fixtures	Equipment	Total
Balance as at January 25, 2021	\$ —	\$ —	\$ —
Acquired on acquisition	12,706	32,789	45,495
Additions	—	6,005	6,005
Balance as at September 30, 2021	\$ 12,706	\$ 38,794	\$ 51,500
ACCUMULATED DEPRECIATION			
Balance as at January 25, 2021	\$ —	\$ —	\$ —
Depreciation	2,121	2,603	4,724
Balance as at September 30, 2021	\$ 2,121	\$ 2,603	\$ 4,724
NET BOOK VALUE			
As at September 30, 2021	\$ 10,585	\$ 36,191	\$ 46,776

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

8. GOODWILL AND INTANGIBLES

COST	Customer Relationships	Software	Technology	Brand	Goodwill	Total
Balance as at January 25, 2021	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Acquired on acquisition	15,900,000	650,000	11,300,000	1,500,000	27,576,623	56,926,623
Balance as at September 30, 2021	\$ 15,900,000	\$ 650,000	\$ 11,300,000	\$ 1,500,000	\$ 27,576,623	\$ 56,926,623
ACCUMULATED DEPRECIATION						
Balance as at January 25, 2021	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation	544,762	27,083	376,667	53,571	—	1,002,083
Balance as at September 30, 2021	\$ 544,762	\$ 27,083	\$ 376,667	\$ 53,571	\$ —	\$ 1,002,083
NET BOOK VALUE						
As at September 30, 2021	\$ 15,355,238	\$ 622,917	\$ 10,923,333	\$ 1,446,429	\$ 27,576,623	\$ 55,924,540

The additions to goodwill and intangibles during the period ended September 30, 2021, relates to the acquisitions of Q1Media and Notify (note 23).

The recoverable amount of the Company's Q1Media CGU was determined based on a value in use model which uses cash flow projections based on financial budgets covering a five-year period and an after-tax discount rate of 30.1% (pre-tax – 37.4%) per annum. The cash flows beyond the five-year period have been extrapolated using a steady 2.0% per annum growth rate. The recoverable amount of the Company's Notify CGU was determined using a value in use model, which uses cash flow projections based on financial budgets covering a five-year period and an after-tax discount rate of 24.4% (pre-tax – 31.4%) per annum. The cash flows beyond the five-year period have been extrapolated using a steady 2.0% per annum growth rate. The Company believes that any reasonably possible change in key assumptions on which the recoverable amounts were based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGUs.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	As at September 30, 2021
Trade accounts payable	3,303,147
Accrued liabilities	1,863,225
Deferred revenue	50,041
Taxes payable	316,627
Accounts payable and accrued liabilities	\$ 5,533,040

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

10. BANK INDEBTEDNESS

	As at September 30, 2021
Balance as at January 25, 2021	\$ —
Additions	4,850,000
Acquired on acquisition	1,000,000
Interest expense	11,496
Repayments of principal and interest	(4,561,496)
Balance as at September 30, 2021	\$ 1,300,000

One of the Company's subsidiaries, Q1Media, entered into a loan and security agreement with a third-party lender for a revolving line of credit (the "2020 LOC") for up to \$3,000,000, for an initial term of 12 months. The 2020 LOC bears interest until maturity at a rate of prime plus 1%, where prime is determined by the Wall Street prime rate as published in the Wall Street Journal. Accrued interest is due and payable on a monthly basis during the term of the 2020 LOC agreement and at maturity. The 2020 LOC is collateralized by substantially all of the Q1Media's assets.

On acquisition, the Company acquired an outstanding loan balance of \$1,000,000. During the period ended September 30, 2021, \$4,850,000 of borrowing were made against the 2020 LOC, with a total of \$4,550,000 repayments of principal. Total interest expense for the period ended September 30, 2021, was \$11,496, and interest paid was \$11,496. Subsequent to September 30, 2021, the full balance of the line of credit was settled and closed.

11. LEASE LIABILITY

The Company's leases consist of an office lease and a vehicle lease. The Company has recognized right-of-use assets in respect of these leases (note 6).

The Company has also recognized lease liabilities for these leases, which was initially measured at the present value of the future lease payments, discounted at a rate of 5%. Interest on lease liabilities is included in interest expense in the statements of loss and comprehensive loss. The carrying amount of the Company's lease liability is summarized in the table below.

	Facility	Vehicle	Total
Balance as at January 25, 2021	\$ —	\$ —	\$ —
Acquired on acquisition	309,504	2,456	311,960
Interest expense	3,546	—	3,546
Lease payments	(30,913)	(2,456)	(33,369)
Balance as at September 30, 2021	\$ 282,137	\$ —	\$ 282,137
Current portion	115,019	—	115,019
Long-term portion	167,118	—	167,118

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at September 30, 2021:

	Within one year	Later than one year but not later than 5 years	More than 5 years
Facility	\$ 125,763	\$ 172,263	\$ —
Total	\$ 125,763	\$ 172,263	\$ —

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

12. CONVERTIBLE DEBENTURE

	As at September 30, 2021
Balance as at January 25, 2021	\$ —
Acquired on acquisition	8,000,000
Balance as at September 30, 2021	\$ 8,000,000

The Company entered into a convertible debenture with the shareholders of Q1Media Inc. (“Q1Media”) in connection with the purchase consideration in accordance with the Q1Media acquisition (note 21). The convertible debenture converts prior to the occurrence of a going public transaction based on applicable going public transaction price, and otherwise is repayable on the maturity date if conversion does not earlier occur.

The convertible debenture is to convert i) upon the occurrence of a Going Public Transaction, immediately be automatically converted into common shares based on the conversion price or, ii) immediately prior to the occurrence of a sale transaction, be converted into common shares based on the sale transaction price.

As the debt is convertible at market value, the Company has chosen to record the debenture at fair value.

Subsequent to September 30, 2021, the terms of the convertible debenture were modified to set the conversion price and provide for early conversion prior to a Going Public Transaction. As a result, the convertible debenture was converted into shares of the Company resulting in the issuance of 15,873,016 common shares of the Company at a price per share of \$0.504.

13. CONTINGENT CONSIDERATION

	As at September 30, 2021
Balance as at January 25, 2021	\$ —
Issued on acquisition	1,011,049
Interest expense	37,640
Payment of consideration	(218,884)
Balance as at September 30, 2021	\$ 829,805

The contingent consideration is part of the purchase consideration in connection with the Notify acquisition (note 21). For the period commencing on August 6, 2021, and continuing until the shorter period of (i) 12 months from the valuation date or (ii) the date on which the VTB Note is paid in full, the Notify vendors are entitled to 65% of the EBITDA of Notify, calculated and payable to the Notify vendors on a monthly basis.

Management estimated the VTB Note is expected to be paid in four months. The Company calculated the expected EBITDA due to its vendors to be \$1,096,000 for the four months through to November 30, 2021, and discounted this to 1,011,049 at a discount factor of 27.3% %. As at September 30, 2021, the Company has paid \$218,884 of the contingent consideration and incurred \$37,640 of interest accretion.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

14. LOANS

	<u>As at September 30,</u> <u>2021</u>
Balance as at January 25, 2021	\$ —
Additions	7,903,536
Acquired on acquisition	15,312,552
Interest expense	459,279
Repayments of principal and interest	(6,032,360)
Balance as at September 30, 2021	\$ 17,643,007
Current	13,370,257
Long term	4,272,750

The Company's loan balance is comprised of both related and third party notes payable, and are described as follows:

Third-party note 1

On May 26, 2021, the Company issued an unsecured promissory note to a third-party lender in the principal amount of \$1,000,000, bearing interest at 12.00% per annum and with a maturity date of September 1, 2021 (the "Federated \$1 Million Note"). In connection with the issuance of the Federated \$1 Million Note, the Company issued 1,488,095 Federated Shares to the lender as a loan bonus. The Federated \$1 Million Note was originally recorded at its fair value of \$994,720 using a discount rate of 15% with \$5,280 being allocated to the fair value of the loan bonus common shares. On September 1, 2021, the Federated \$1 Million Note was repaid in full and the Company incurred \$37,641 of interest expense.

Initial Nye Note

On June 17, 2021, the Company issued a promissory note to Timothy Nye in the principal amount of \$1,500,000 with a maturity date of December 1, 2021, and bearing interest at the rate of 10.00% per annum (the "Initial Nye Note"). The Initial Nye Note was originally recorded at its fair value of \$1,472,026 using a discount rate of 15%. The fair value adjustment of \$27,974 was recorded as fair value adjustment on the consolidated statement of loss and comprehensive loss. As at September 30, 2021, the Company had incurred \$60,497 of interest expense. Subsequent to September 30, 2021, the Initial Nye Note was repaid in full.

Subsequent Nye Note

On August 4, 2021, the Company issued an additional promissory note to Mr. Nye in the principal amount of \$5,000,000 with a maturity date of August 4, 2024, and bearing interest at the rate of 8.00% per annum (the "Subsequent Nye Note"). A loan fee of \$1,000,000 is also payable by the Company to Mr. Nye under the terms of the Subsequent Nye Note on the maturity thereof. The Company's obligations under the Subsequent Nye Note are secured by a security interest over all of the assets of the Company. The Subsequent Nye Note was originally recorded at its fair value of \$4,686,790 using a discount rate of 19.3%. The fair value adjustment of \$313,210 was recorded as fair value adjustment on the consolidated statement of loss and comprehensive loss. As at September 30, 2021, the Company had incurred \$151,979 of interest expense.

Wiemann Note

On September 1, 2021, the Company issued an unsecured promissory note to William Wiemann in the principal amount of \$750,000 with a maturity date of January 3, 2022 (the "Wiemann Note"). A loan fee of \$75,000 is also payable by the Company to Mr. Wiemann under the terms of the Wiemann Note on the maturity thereof. As at September 30, 2021, the Company had incurred \$17,495 of interest expense related to the accretion of the loan fee payable. Subsequent to September 30, 2021, the Wiemann Note was repaid in full.

14. LOANS (continued)

Q1Media VTB Note

On July 9, 2021, the Company issued a vendor take back note to the vendors of Q1Media, in connection with the Q1Media acquisition (note 24), in the principal amount of \$5,000,000 (the “Q1Media VTB Note”). The Q1Media VTB Note matures on the earlier of (i) January 9, 2022 and (ii) a going public transaction (as defined therein to include the Transaction). The Company’s obligations under the Q1Media VTB Note are secured by a security interest granted to the Q1Media Vendors over the membership interests and the assets of Q1Media. The Q1Media VTB Note was originally recorded at its fair value of \$4,887,000 using a discount rate of 4.66% over a management estimated period of 6 months. On July 12, 2022, the full amount of the Q1Media VTB Note was repaid and the Company recorded interest accretion of \$113,000.

Notify VTB Note

On August 6, 2021, the Company issued a vendor take back note to the vendors of Notify, in connection with the Notify acquisition (note 21), in the principal amount of \$10,600,000 (the “Notify VTB Note”). The Notify VTB Note matures on the earlier of (i) February 6, 2022, and (ii) a going public transaction (as defined therein to include the Transaction). The Company’s obligations under the Notify VTB Note are secured by a security interest granted to the Notify Vendors over the membership interests and the assets of Notify. The Notify VTB Note was originally recorded at its fair value of \$10,425,552 using a discount rate of 5.09% over a management estimated period of 5 months. As at September 30, 2021, the Company had incurred \$78,668 of interest expense. Subsequent to September 30, 2021, the Notify VTB Note was repaid in full using the proceeds from the Fiera Facility (note 22).

15. WARRANT PUT LIABILITY

As part of the Q1Media acquisition, the Company acquired a warrant put liability. On February 14, 2014, and April 9, 2015, Q1Media entered into loan and security agreements. These loan agreements were accompanied by share purchase warrants as well as a warrant put option. The warrant put option had a maturity of seven years, terminating on February 20, 2021, and April 9, 2022, respectively. The warrant agreements contain a clause extending the maturity date of the warrant agreement until payment of the contractual put price if the holder of the warrant put gives notice of intent to exercise. Per the terms of the put option, in the event of (i) any acquisition or other change in control of Q1Media, (ii) any initial public offering or other listing of Q1Media’s securities, (iii) any winding up, liquidation or deemed liquidation under Q1Media’s Certificate of Incorporation, and (iv) upon expiry of this warrant, the holders have the right to exchange this warrant for the cash sum of \$500,000 for each of the February 2014 and April 2015 warrants, totaling an undiscounted liability of \$1,000,000. As of the date of these consolidated financial statements, no cash amount has been settled for this warrant put liability.

The Company has recognized a warrant put liability, which was initially measured at the present value of the future expected payments, discounted at a rate of 14% over the seven-year life of the liability. Interest accretion on the warrant put liability is included in interest expense in the statements of income and comprehensive income. The carrying amount of the Company’s warrant put liability is summarized in the table below

	Amount
Balance - January 25, 2021	—
Acquired on acquisition	951,999
Interest accretion	15,173
Balance - December 31, 2020	967,172

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

16. INCOME TAX

The Company is subject to income tax in Canada and US. The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% to the effective tax rate is as follows:

	From January 25 to September 30, 2021
Net loss before recovery of income taxes	\$ (174,060)
Statutory tax rate	26.5%
Statutory income tax expense	(46,130)
Difference in foreign tax rates	36,008
Fair value adjustment on loan	(65,792)
Other non-deductible expenses	1,367
Change in tax benefits not recognized	21,151
Income tax expense (recovery)	\$ (53,396)

The Company's income tax recovery is allocated as follows:

	From January 25 to September 30, 2021
Current income tax expense	\$ 223,597
Deferred income tax recovery	(276,993)
Income tax recovery	\$ (53,396)

The following table summarizes the components of deferred tax:

	As at September 30, 2020
Deferred tax assets	
Property and equipment	\$ 632
Lease liability	62,965
Contingent consideration	204,086
Accrued expenses	97,766
Bad debt reserve	95,494
Unrealized foreign exchange gain or losses	18,053
Total deferred tax assets	478,996
Deferred tax liabilities	
Intangible assets	(3,208,534)
ROU asset	(57,947)
Loans	(23,557)
Total deferred tax liabilities	(3,290,038)
Net deferred tax liability	\$ (2,811,042)

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

16. INCOME TAX (continued)

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

The movement in net deferred tax liability is as follow:

	As at September 30, 2021
Balance as at January 25, 2021	\$ —
Recognized in net loss	276,993
Recognized in goodwill	(3,088,035)
Balance as at September 30, 2021	\$ (2,811,042)

Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

Unrealized foreign exchange - Canada	\$ 48,160
Share issuance costs - Canada	\$ 172,712
Capital losses carried forward - Canada	\$ 441,986
Non-capital losses carried forward - Canada	\$ 49,438

The Canadian non-capital loss carryforwards expire as noted in the table below. The Canadian net capital loss carry forward may be carried forward indefinitely but can only be used to reduce capital gains. Share issue and financing costs will be fully amortized in 2026. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilize the benefits therefrom.

The Company's Canadian non-capital losses, where the tax benefit has not been recognized, of \$441,986 expires in 2041.

17. SHARE CAPITAL

The Company has an unlimited number of common shares authorized for issuance, with no par value.

On January 25, 2021, the Company issued 169,575,398 shares at \$0.00001 per share to founders of the Company. Included in these shares issued to founders, was 99,206,349 shares issued to the vendors of Notify. As part of the valuation of total consideration paid to acquire Notify (note 21) it was determined that the fair value of these shares was \$25,000,000.

On May 26, 2021, the Company issued an additional 1,488,095 Federated Shares to the lender of the Federated \$1 Million Note as a loan bonus. The fair value of the loan bonus common shares was determined to be \$5,280 (note 14).

Between July 8, 2021, and September 23, 2021, the Company completed a seed share financing raising aggregate gross proceeds of \$3,742,000 from the issuance of 14,849,206 shares. Transaction costs totaling \$200,000 were netted off against the proceeds.

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

The fair value of the Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loans approximate their carrying values due to their short-term nature. The Company's convertible debenture, contingent consideration and warrant put liability are measured at fair value using Level 3 inputs.

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash) that are denominated in a currency other than United States dollars, which represents the reporting currency of the Company.

The table below indicates the foreign currencies to which the Company has significant exposure at September 30, 2021 in United States dollar terms:

		CAD
Cash	\$	11,352
Accounts receivable, net	\$	45,294
Accounts payable and accrued liabilities	\$	(182,736)

The table below details the effect on earnings before tax of a 10% strengthening or weakening of the USD exchange rate at the balance sheet date for balance sheet items denominated in CAD:

Currency		10% Strengthening (weakening)
CAD	\$	(12,609)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and account receivables. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies and accounts receivable are managed by management. The Company's secondary exposure to risk is on its other current assets. The carrying amount of financial assets represents the maximum credit exposure.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the Company's historical collections and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate for each aging category of trade receivables.

	As at September 30, 2021			
	Up to 30 days past due	Over 30 days past due	Over 90 days past due	Total
Trade receivables gross balance	6,792,747	718,404	348,628	7,859,779
Expected credit loss rate	2%	20%	44%	5%
Expected credit loss allowance	126,707	146,895	154,289	427,891
Trade receivables, net of expected credit loss	<u>6,666,040</u>	<u>571,509</u>	<u>194,339</u>	<u>7,431,888</u>

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

18. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from financing and third-party and related-party loans payable. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at September 30, 2021:

	As at September 30, 2021		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	5,533,040	—	—
Bank indebtedness	1,300,000	—	—
Lease liability	125,763	172,263	—
Contingent consideration	877,116	—	—
Loans payable	15,716,963	5,293,333	—
Convertible debenture	8,000,000	—	—
Warrant put liability	1,000,000	—	—
Total	\$ 32,552,882	\$ 5,465,596	\$ —

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has floating rate debt on one of its loans, and all other interest is fixed with related parties, however the Company's exposure to fluctuations in its interest rate is not material.

19. CAPITAL MANAGEMENT

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital, available line of credit, and share capital position. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2021. The Company is not subject to externally imposed capital requirements.

20. REVENUE

	From January 25 to September 30, 2021
Marketing and platform solutions	6,532,022
Push notification platform	3,733,402
Total revenue	\$ 10,265,424

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

21. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statements of income and comprehensive income. Below is a breakdown of expenses by nature:

	<u>From January 25 to September 30,</u> 2021
Employee compensation	2,730,726
Office and administrative	80,530
Technology	210,091
Legal and professional fees	181,206
Travel, meals, and entertainment	73,856
Advertising and promotion	21,915
Insurance	16,633
Bad debt expense	100,871
Transaction costs	102,037
	<u>\$ 3,517,865</u>

The above expenses are presented in the statements of loss and comprehensive loss as follows:

	<u>From January 25 to September 30,</u> 2021
Selling and marketing	1,917,146
General and administrative	1,390,628
Technology and development	210,091
	<u>\$ 3,517,865</u>

22. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in net income:

	<u>From January 25 to September 30,</u> 2021
Employee compensation	\$ 598,784
	<u>\$ 598,784</u>

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

22. RELATED PARTY TRANSACTIONS (continued)

As at September 30, 2021, included in accounts payable and accrued liabilities was \$1,432,564 of payments owed to key management personnel for accrued employee compensation and certain balances of consideration owed on the Q1Media acquisition.

Certain related parties are also significant shareholders who exude control over certain customers and vendors of the Company. These customers and vendors are therefore related to the Company.

The following table presents the related party balances as they appear on the statement of financial position:

	<u>As at September 30,</u>
	<u>2021</u>
Balances included in accounts receivable	\$ 568,177
Balances included in accounts payable and accrued liabilities	(1,403,812)
Balances included in convertible debenture	(8,000,000)
Balances included in contingent consideration	(829,805)
Balances included in loans	(17,643,007)
Total related party balances owing	<u>\$ (27,308,447)</u>

The following table presents the cumulative related party customers and vendors transactions that flowed through the various line items of the statement of loss and comprehensive loss:

	<u>From January 25 to September 30,</u>
	<u>2021</u>
Revenues from related parties	274,731
Media costs	1,875
General and administrative	963,286
Technology and development	<u>204,651</u>

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

23. BUSINESS COMBINATION

Q1Media Inc.

The acquisition of 100% of the shares of Q1Media Inc. ("Q1Media") has been accounted for as a business combination and the results of operations are included in the consolidated statement of loss and comprehensive loss from the date of acquisition, July 9, 2021.

The following table summarizes the estimated fair value of the identifiable assets and liabilities acquired at the date of acquisition:

Fair value of consideration	\$	14,146,000
Cash and cash equivalents		1,210,627
Accounts receivable		4,026,385
Prepaid expenses and deposits		59,361
Prepaid expenses and deposits non-current		34,717
Right-of-use asset		284,780
Property and equipment		45,495
Accounts payable and accrued liabilities		(2,756,609)
Current portion of lease liability		(124,971)
Deferred tax liability		(1,694,963)
Loans		(1,000,000)
Warrant put liability		(951,999)
Lease liability		(184,533)
Total acquisition date fair value of assets acquired, and liabilities assumed	\$	(1,051,710)
Customer relationships		6,200,000
Brand		1,500,000
Software		650,000
Goodwill		6,847,710
Goodwill and intangibles	\$	15,197,710
Note payable		4,887,000
Convertible debenture		8,000,000
Net working capital adjustment		1,259,000
Total consideration	\$	14,146,000

The Company completed the Q1Media Acquisition on July 9, 2021, whereby Federated acquired all of the issued and outstanding securities of Q1Media for total consideration of \$14,146,000. The consideration payable by the Company to the Q1Media Vendors in connection with the Q1Media Acquisition was comprised of \$5,000,000 vendor take back note, settled in cash on July 12, and the Q1Media Convertible Debenture, paid or issued, respectively, on the Q1Media Acquisition Date. In addition, the Company agreed to pay a net working capital adjustment of \$1,259,000. The Q1Media Convertible Debenture was converted into 15,873,016 Federated Shares on November 9, 2021, based on a conversion price per Federated Share of US\$0.504.

Q1Media is a digital media services company that focuses on the small and medium business ("SMB") category.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Notes to the consolidated Financial Statements
For the period January 25 to September 30, 2021
(expressed in United States Dollars)

23. BUSINESS COMBINATION (continued)

Q1Media's revenues are derived from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between invoicing and when payment is due is not significant and none of Q1's contracts contain a significant financing component. Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Q1 obligations remain, fees are fixed and determinable, and collection of the related receivable is probable

The Company provides custom digital advertising campaign solutions across all major advertising platforms.

If the acquisition had occurred on January 25, 2021, Q1Media would have contributed \$17,830,171 of revenues and \$1,802,281 of income to consolidated revenues and net loss, respectively. Since the date of acquisition, Q1Media has contributed \$6,532,022 of revenues and \$578,498 of income to consolidated revenues and net loss, respectively.

Goodwill arises primarily from the ability to benefit from the assembled workforce, future growth, and potential synergies in the form of cost savings.

NotifyAI, LLC.

The acquisition of 100% of the shares of NotifyAI, LLC. ("Notify") has been accounted for as a business combination and the results of operations are included in the consolidated statement of loss and comprehensive loss from the date of acquisition, August 6, 2021.

The following table summarizes the estimated fair value of the identifiable assets and liabilities acquired at the date of acquisition:

Fair value of consideration	\$ 42,758,274
Cash and cash equivalents	2,190,474
Accounts receivable	2,371,385
Prepaid expenses and deposits	37,921
Right-of-use asset	3,504
Accounts payable and accrued liabilities	(2,178,395)
Current portion of lease liability	(2,456)
Deferred tax liability	(1,393,072)
Total acquisition date fair value of assets acquired, and liabilities assumed	\$ 1,029,361
Customer relationships	9,700,000
Technology	11,300,000
Goodwill	20,728,913
Goodwill and intangibles	\$ 41,728,913
Cash consideration	5,000,000
Closing date cash net of working capital adjustment	1,321,673
Note payable	10,425,552
Contingent consideration	1,011,049
Fair value of founder shares	25,000,000
Total consideration	\$ 42,758,274

The Company completed the Notify Acquisition on August 6, 2021, whereby the Company acquired all of the membership interests of Notify from the Notify Vendors through Notify AcqCo, a wholly owned subsidiary. The consideration payable to the Notify Vendors was comprised of i) \$5,000,000 in cash, ii) the Notify VTB Note with a face value of \$10,600,000 and a discounted value of \$10,425,552 (note13), iii) closing date cash and networking capital adjustment, iv) contingent consideration (note 12), and v) fair value adjustment for Federated founder shares, for an aggregate deemed transaction value of \$42,758,274.

Notify has developed a proprietary push messaging platform ("Platform") that serves i) publishers and websites, ii) advertisers, and iii) other push notification providers.

23. BUSINESS COMBINATION (continued)

Notify generates revenue from consumer activity that occurs in response to the delivery of targeted advertisements to opted-in subscribers via Notify's proprietary Platform. Notify offers its service to advertising channel partners as well as direct advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers' websites and take some further action. Revenue from channel partners is typically based on a cost-per-click ("CPC") model while direct advertisers are typically based on either a fixed CPC, cost-per-action ("CPA") or cost-per-thousand impressions ("CPM") model that is agreed upon with the advertiser prior to the execution and delivery of the associated advertising campaign. Revenue is generated when the consumer clicks an advertisement to visit the advertiser's designated website for CPC or CPM campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser's website for CPA campaigns.

Prior to the acquisition, shareholders and management of Notify, controlling 100% of the membership interest of Notify, owned 58.5% of Federated's shares and 53.3% of Federated's shares as at September 30, 2021, making the transaction a related party transaction. The shares the Notify Vendor's received in Federated are subject to a Voting Trust Agreement ("VTA"), which serves to place all voting rights otherwise attached to the shares in the control of the CEO and sole director of Federated. As a result of the VTA, those shareholders have no power or ability to use that power to impact the amount of the returns. As a result, Federated is determined to be the acquirer and Notify, the acquiree. The transaction is not a reverse takeover of Federated by Notify and since the Notify vendors do not have control of Federated prior to or after the transaction but give up control of Notify post-transaction (to the CEO and sole director of Federated) it is also not a common control transaction.

If the acquisition had occurred on January 25, 2021, Notify would have contributed \$16,754,802 of revenues and \$2,746,156 of income to consolidated revenues and net loss, respectively. Since the date of acquisition, Notify has contributed \$3,733,402 of revenues and \$491,342 of income to consolidated revenues and net loss, respectively.

Goodwill arises primarily from the ability to benefit from the assembled workforce, future growth, and potential synergies in the form of cost savings.

24. SUBSEQUENT EVENTS

Acquisition of Crucial Interactive Holding Inc.

On October 1, 2021, the Company completed the acquisition of Crucial Interactive Holding Inc. and its subsidiaries ("CIHI" or the "CIHI Acquisition"). In conjunction with the acquisition, Federated will be undertaking a go public transaction via a reverse takeover of PopReach Corporation (the "RTO Transaction"). The consideration payable by Federated to the CIHI Shareholders (the "Vendors") in connection with the acquisition was satisfied by the issuance to the Vendors of a convertible debenture in the principal amount of \$4,675,000 (the "Federated Debenture").

The Federated Debenture converts prior to the occurrence of a going public transaction based on applicable going public transaction price, and otherwise is repayable on the maturity date if conversion does not earlier occur. The Federated Debenture is to convert i) upon the occurrence of a Going Public Transaction, immediately be automatically converted into common shares based on the conversion price or, ii) immediately prior to the occurrence of a sale transaction, be converted into common shares based on the sale transaction price.

As part of the sale, indebtedness owed by CIHI to the shareholders of CIHI (the "Shareholder Lenders") was superseded and replaced with a promissory note (the "Amended and Restated Note") in the principal amount of \$4,325,000, bearing interest at the rate of 5% per annum. Pursuant to the terms of the Amended and Restated Note, (i) \$725,000 of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$2,525,000 of the principal amount is payable on the earlier to occur of the date that is (x) 6 months following the closing of the acquisition, and (y) the occurrence of the RTO Transaction (of which \$888,301 was repaid on December 6, 2021); and (iii) \$1,075,000 will be settled immediately prior to the occurrence of the RTO Transaction in exchange for Federated Shares on the basis of a conversion price of \$0.63 (the "CIHI Conversion Price"), being 1,706,349 Federated Shares. Federated's obligations under the Federated Debenture and CIHI's obligations pursuant to the Amended and Restated Note are secured by all of the shares and assets of CIHI and its subsidiaries which security interests are subordinate to the security interests granted to Fiera in connection with the Fiera Facility. Further, the security interest granted to the CIHI Vendors and CIHI Shareholder Lenders over the shares of CIHI ranks in priority over the security interest granted therein to Timothy Nye in connection with the Subsequent Nye Note.

The Federated Debenture and \$1,075,000 of the Amended and Restated Note, will convert into an aggregate of 9,126,978 Federated Shares immediately prior to the completion of the Transaction, based on a price per Federated Share equal to the CIHI Conversion Price.

24. SUBSEQUENT EVENTS (continued)

Prior to the acquisition, shareholders and management of CIHI, controlling 51.8% of the shares of CIHI, owned 7.2% of Federated's shares prior to and after the transaction, making the transaction a related party transaction. Given the vendors of CIHI did not have significant influence or control over Federated, and were subject to the VTA, the transaction was not considered a common control transaction.

As at the time of these audited financial statements, the Company is in the process of determining the purchase price allocation of the CIHI acquisition.

Fiera Facility

On November 19, 2021, the Company entered into a commitment letter (the "Fiera Commitment Letter") with Fiera in respect of a term loan in the principal amount of \$12,500,000, which matures on the 8-month anniversary of the Disbursement Date (as defined below) and bears interest at the prime rate of interest (as determined by the National Bank of Canada), plus 7.50% per annum (the "Fiera Facility"). A commitment fee of \$282,500 is payable by Federated under the terms of the Fiera Facility and was fully satisfied by Federated on the Disbursement Date. Federated's obligations under the Fiera Facility are secured by a first-ranking security interest over all of the assets of Federated and each of the Federated Subsidiaries. Proceeds under the Fiera Facility were disbursed on December 6, 2021 (the "Disbursement Date").

Federated \$2.5 Million Note

On December 10, Federated issued an unsecured promissory note to SMT (as defined below), Paul Mansfield and Ohad Sasson in the principal amount of \$2,500,000 with a maturity date of June 10, 2022 and bearing interest at the rate of 10.00% per annum (the "Federated \$2.5 Million Note"). A loan fee equal to 15% of the EBITDA of Notify is also payable by Federated to the lenders on a monthly basis during the term of the Federated \$2.5 Million Note (note 12 and 13).

Proposed PopReach RTO

On October 18, 2021, both Federated and PopReach Corporation ("PopReach") entered into a definitive transaction agreement (the "Transaction Agreement") settling the terms and conditions of the proposed combination of PopReach with Federated, to form a leading publicly-listed Canadian technology and media enterprise (the "Transaction").

Pursuant to the Transaction Agreement, PopReach will acquire all of the issued and outstanding shares of Federated ("Federated Shares") on a fully-diluted basis (including all common shares issued or issuable on any exercise of the outstanding options, warrants and other securities convertible, exercisable or exchangeable for Federated Shares, collectively, the "Purchased Shares") for an aggregate purchase price of up to CAD \$160 million. The Transaction is expected to be effected by way of a three-way amalgamation amongst Federated, PopReach, and a new, wholly-owned subsidiary of PopReach, with the purchase price payable by the issuance by PopReach pursuant to such amalgamation of an aggregate number of PopReach Shares based on the deemed price per PopReach Share of CAD \$0.80, representing a premium of 27% over the PopReach Share closing price, and a premium of 32.9% over the PopReach Share 20-day VWAP, as at August 16, 2021, the last trading day immediately prior to the initial announcement of the proposed Transaction.

The aggregate purchase price is subject to adjustments for assumed debt, working capital and other customary terms and conditions set out in the Transaction Agreement. The Transaction Agreement provides that, on the closing date, PopReach will issue, pursuant to the above-noted three-way amalgamation, to holders of Federated Shares that number of PopReach shares calculated based on the CAD \$160 million purchase price, less the amount of assumed debt and less the amount of net working capital less than CAD \$5 million. Upon completion of the Transaction, the current shareholders of Federated will own more than 50% of the shares of the resulting issuer (the "Resulting Issuer") on a non-diluted basis.

SCHEDULE U
FEDERATED MD&A

(see attached)

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (this "MD&A") provides a review of the results of operations, financial condition and cash flows for 2810735 Ontario Inc. (d/b/a Federated Foundry) ("Federated" or the "Company"), for the period January 25 to September 30, 2021.

This document should be read in conjunction with the information contained in the Company's consolidated financial statements and related notes for the period January 25 to September 30, 2021 (the "Q4 2021 Consolidated Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Unless otherwise indicated, all dollar ("\$\$") and "USD" amounts and references in this MD&A are in United States dollars.

Unless otherwise stated, in preparing this MD&A the Company has taken into account information available to it up to the date of this MD&A, February 14, 2022, being the date the Company's board of directors (the "Board" or "Board of Directors") approved this MD&A and the Q4 2021 Consolidated Financial Statements. All quarterly information contained herein is unaudited.

CAUTIONARY NOTE REGARDING FORWARD LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimates and intentions. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that infer actions, events or results with terminology such as "may", "could", "would", "might", "will be taken", "occur" or "be achieved".

Forward-looking information is provided for the purposes of assisting the reader in understanding the Company and its business, operations, prospects and risks at a point in time in the context of historical and possible future developments and, therefore, the reader is cautioned that such information may not be appropriate for other purposes.

Forward-looking information is based upon numerous assumptions and is subject to a number of known and unknown risks and uncertainties, many of which are beyond our control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, the risk factors that are discussed in greater detail under "Risk Factors and Uncertainties".

Although the forward-looking information contained herein is based upon what we believe are reasonable assumptions, readers are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information concerning availability of capital resources, business performance, market conditions, and customer demand. Consequently, all of the forward-looking information contained herein is qualified by the foregoing cautionary statements, and there can be no guarantee that the results or developments that we anticipate will be realized or, even if substantially realized, that they will have the expected consequences or effects on our business, financial condition or results of operation. Unless otherwise noted or the context otherwise indicates, the forward-looking information contained herein is provided as of the date hereof, and we do not undertake to update or amend such forward-looking information whether as a result of new information, future events or otherwise, except as may be required by applicable law.

OVERVIEW AND SIGNIFICANT EVENTS

Corporate Structure

Federated was incorporated under the Business Corporations Act (Ontario) on January 25, 2021, under the name "2810735 Ontario Inc." On July 28, 2021, Federated registered the business name "Federated Foundry" under the Business Names Act (Ontario). Federated's registered office is located at 50 Queen Street North, #1020, Kitchener, Ontario N2H 6M2.

General Development of the Business

Founded in January 2021, and headquartered in Waterloo, Ontario, Federated is a diversified acquirer and operator of digital technology companies. Federated identifies businesses with the potential of scale and longevity and provides them with the platform, personnel and synergistic assets to accelerate their growth.

Federated was established with the goal of bringing together the synergistic components of advertising technology, marketing technology, e-commerce and content platforms that often sub-optimally reside in siloed companies across the digital technology industry. Three companies were acquired by Federated, Q1 Media on July 9, 2021, NotifyAI on August 6, 2021, and Crucial Interactive Holding Inc. on October 1, 2021, to lay the foundation of Federated's access to tools, technology, expertise and business model scales required to further advance its business purpose. The result is a digital advertising technology company serving over 30 billion monthly ad impressions for more than 500 advertisers across more than 1,900 publisher properties and reaching over 650 million monthly unique users.

Federated has two pillars to its current business model:

- (1) Federated supplies leading advertising technology solutions and deep creative expertise for optimized campaign management across all digital media channels for advertisers and the agencies representing them; and
- (2) Federated allows for the enhancement of monetization for digital publishers through its machine learning push notification platform concurrently with the direction of the demand of sourcing advertisers, through its dedicated advertising sales team. This combination allows Federated to provide the supply side of digital publishers with exclusively sourced demand while offering tools and technology to provide the demand side of sourcing advertisers with incremental monetization avenues.

Federated's growth strategy includes both continued organic growth and growth through acquisitions based on three key objectives: diversification, sustainability and scalability.

Q1Media Acquisition

The Company completed the Q1Media Acquisition on July 9, 2021, whereby Federated acquired all of the issued and outstanding securities of Q1Media for total consideration of \$14,146,000. The consideration payable by the Company to the Q1Media Vendors in connection with the Q1Media Acquisition was comprised of \$5,000,000 vendor take back note, settled in cash on July 12, and the Q1Media Convertible Debenture, paid or issued, respectively, on the Q1Media Acquisition Date. In addition, the Company agreed to pay a net working capital adjustment of \$1,259,000. Subsequent to September 30, 2021, the terms of the Q1Media Convertible Debenture were modified to set the conversion price and provide for early conversion prior to a Going Public Transaction. As a result, on November 9, 2021, the Q1Media Convertible Debenture was converted into shares of the Company resulting in the issuance of 15,873,016 common shares of the Company at a price per share of \$0.504.

Q1Media is a digital media services company that focuses on the small and medium business ("SMB") category.

Q1Media's revenues are derived from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between invoicing and when payment is due is not significant and none of Q1's contracts contain a significant financing component. Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Q1 obligations remain, fees are fixed and determinable, and collection of the related receivable is probable

The Company provides custom digital advertising campaign solutions across all major advertising platforms.

If the acquisition had occurred on January 25, 2021, Q1Media would have contributed \$17,830,171 of revenues and \$1,802,281 of income to consolidated revenues and net loss, respectively. Since the date of acquisition, Q1Media has contributed \$6,532,022 of revenues and \$578,498 of income to consolidated revenues and net loss, respectively.

Notify Acquisition

The Company completed the Notify Acquisition on August 6, 2021, whereby the Company acquired all of the membership interests of Notify from the Notify Vendors through Notify AcqCo, a wholly owned subsidiary. The consideration payable to the Notify Vendors was comprised of i) \$5,000,000 in cash, ii) the Notify VTB Note with a face value of \$10,600,000 and a discounted value of \$10,425,552 (note 13), iii) closing date cash and networking capital adjustment, iv) contingent consideration, and v) fair value adjustment for Federated founder shares, for an aggregate deemed transaction value of \$42,758,274.

Notify has developed a proprietary push messaging platform ("Platform") that serves i) publishers and websites, ii) advertisers, and iii) other push notification providers.

Notify generates revenue from consumer activity that occurs in response to the delivery of targeted advertisements to opted-in subscribers via Notify's proprietary Platform. Notify offers its service to advertising channel partners as well as direct advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers' websites and take some further action. Revenue from channel partners is typically based on a cost-per-click ("CPC") model while direct advertisers are typically based on either a fixed CPC, cost-per-action ("CPA") or cost-per-thousand impressions ("CPM") model that is agreed upon with the advertiser prior to the execution and delivery of the associated advertising campaign. Revenue is generated when the consumer clicks an advertisement to visit the advertiser's designated website for CPC or CPM campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser's website for CPA campaigns.

Prior to the acquisition, shareholders and management of Notify, controlling 100% of the membership interest of Notify, owned 58.5% of Federated's shares and 53.3% of Federated's shares as at September 30, 2021, making the transaction a related party transaction. The shares the Notify Vendor's received in Federated are subject to a Voting Trust Agreement ("VTA"), which serves to place all voting rights otherwise attached to the shares in the control of the CEO and sole director of Federated. As a result of the VTA, those shareholders have no power or ability to use that power to impact the amount of the returns. As a result, Federated is determined to be the acquirer and Notify, the acquiree. The transaction is not a reverse takeover of Federated by Notify and since the Notify vendors do not have control of Federated prior to or after the transaction but give up control of Notify post-transaction (to the CEO and sole director of Federated) it is also not a common control transaction.

If the acquisition had occurred on January 25, 2021, Notify would have contributed \$16,754,802 of revenues and \$2,746,156 of income to consolidated revenues and net loss, respectively. Since the date of acquisition, Notify has contributed \$3,733,402 of revenues and \$491,342 of income to consolidated revenues and net loss, respectively.

Share capital

On January 25, 2021, the Company issued 169,575,398 shares at \$0.00001 per share to founders of the Company. Included in these shares issued to founders, was 99,206,349 shares issued to the vendors of Notify. As part of the valuation of total consideration paid to acquire Notify (note 21) it was determined that the fair value of these shares was \$25,000,000.

On May 26, 2021, the Company issued an additional 1,488,095 Federated Shares to the lender of the Federated \$1 Million Note as a loan bonus. The fair value of the loan bonus common shares was determined to be \$5,280.

Between July 8, 2021, and September 23, 2021, the Company completed a seed share financing raising aggregate gross proceeds of \$3,742,000 from the issuance of 14,849,206 shares. Transaction costs totaling \$200,000 were netted off against the proceeds.

Bank indebtedness

One of the Company's subsidiaries, Q1Media, entered into a loan and security agreement with a third-party lender for a revolving line of credit (the "2020 LOC") for up to \$3,000,000, for an initial term of 12 months. The 2020 LOC bears interest until maturity at a rate of prime plus 1%, where prime is determined by the Wall Street prime rate as published in the Wall Street Journal. Accrued interest is due and payable on a monthly basis during the term of the 2020 LOC agreement and at maturity. The 2020 LOC is collateralized by substantially all of the Q1Media's assets.

On acquisition, the Company acquired an outstanding loan balance of \$1,000,000. During the period ended September 30, 2021, \$4,850,000 of borrowing were made against the 2020 LOC, with a total of \$4,550,000 repayments of principal. Total interest expense for the period ended September 30, 2021, was \$11,496, and interest paid was \$11,496. Subsequent to September 30, 2021, the full balance of the line of credit was settled and closed.

Loans

Third-party note 1

On May 26, 2021, the Company issued an unsecured promissory note to a third-party lender in the principal amount of \$1,000,000, bearing interest at 12.00% per annum and with a maturity date of September 1, 2021 (the "Federated \$1 Million Note"). In connection with the issuance of the Federated \$1 Million Note, the Company issued 1,488,095 Federated Shares to the lender as a loan bonus. The Federated \$1 Million Note was originally recorded at its fair value of \$994,720 using a discount rate of 15% with \$5,280 being allocated to the fair value of the loan bonus common shares. On September 1, 2021, the Federated \$1 Million Note was repaid in full and the Company incurred \$37,641 of interest expense.

Initial Nye Note

On June 17, 2021, the Company issued a promissory note to Timothy Nye in the principal amount of \$1,500,000 with a maturity date of December 1, 2021, and bearing interest at the rate of 10.00% per annum (the "Initial Nye Note"). The Initial Nye Note was originally recorded at its fair value of \$1,472,026 using a discount rate of 15%. The fair value adjustment of \$27,974 was recorded as fair value adjustment on the consolidated statement of loss and comprehensive loss. As at September 30, 2021, the Company had incurred \$60,497 of interest expense. Subsequent to September 30, 2021, the Initial Nye Note was repaid in full.

Subsequent Nye Note

On August 4, 2021, the Company issued an additional promissory note to Mr. Nye in the principal amount of \$5,000,000 with a maturity date of August 4, 2024, and bearing interest at the rate of 8.00% per annum (the "Subsequent Nye Note"). A loan fee of \$1,000,000 is also payable by the Company to Mr. Nye under the terms of the Subsequent Nye Note on the maturity thereof. The Company's obligations under the Subsequent Nye Note are secured by a security interest over all of the assets of the Company. The Subsequent Nye Note was originally recorded at its fair value of \$4,686,790 using a discount rate of 19.3%. The fair value adjustment of \$313,210 was recorded as fair value adjustment on the consolidated statement of loss and comprehensive loss. As at September 30, 2021, the Company had incurred \$151,979 of interest expense.

Wiemann Note

On September 1, 2021, the Company issued an unsecured promissory note to William Wiemann in the principal amount of \$750,000 with a maturity date of January 3, 2022 (the "Wiemann Note"). A loan fee of \$75,000 is also payable by the Company to Mr. Wiemann under the terms of the Wiemann Note on the maturity thereof. As at September 30, 2021, the Company had incurred \$17,495 of interest expense related to the accretion of the loan fee payable. Subsequent to September 30, 2021, the Wiemann Note was repaid in full.

Q1Media VTB Note

On July 9, 2021, the Company issued a vendor take back note to the vendors of Q1Media, in connection with the Q1Media acquisition (note 24), in the principal amount of \$5,000,000 (the "Q1Media VTB Note"). The Q1Media VTB Note matures on the earlier of (i) January 9, 2022 and (ii) a going public transaction (as defined therein to include the Transaction). The Company's obligations under the Q1Media VTB Note are secured by a security interest granted to the Q1Media Vendors over the membership interests and the assets of Q1Media. The Q1Media VTB Note was originally recorded at its fair value of \$4,887,000 using a discount rate of 4.66% over a management estimated period of 6 months. On July 12, 2022, the full amount of the Q1Media VTB Note was repaid and the Company recorded interest accretion of \$113,000.

Notify VTB Note

On August 6, 2021, the Company issued a vendor take back note to the vendors of Notify, in connection with the Notify acquisition (note 21), in the principal amount of \$10,600,000 (the "Notify VTB Note"). The Notify VTB Note matures on the earlier of (i) February 6, 2022, and (ii) a going public transaction (as defined therein to include the Transaction). The Company's obligations under the Notify VTB Note are secured by a security interest granted to the Notify Vendors over the membership interests and the assets of Notify. The Notify VTB Note was originally recorded at its fair value of \$10,425,552 using a discount rate of 5.09% over a management estimated period of 5 months. As at September 30, 2021, the Company had incurred \$78,668 of interest expense. Subsequent to September 30, 2021, the Notify VTB Note was repaid in full using the proceeds from the Fiera Facility (note 22).

COVID-19

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the United States and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company's operations. The COVID-19 pandemic has impacted and could further impact the Company's operations and the operations of the Company's customers, suppliers, and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company's business, results of operations

and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company's customers, suppliers, and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on its business, liquidity, capital resources and financial results.

SUBSEQUENT EVENTS

Acquisition of Crucial Interactive Holding Inc.

On October 1, 2021, the Company completed the acquisition of Crucial Interactive Holding Inc. and its subsidiaries ("CIHI" or the "CIHI Acquisition"). In conjunction with the acquisition, Federated will be undertaking a go public transaction via a reverse takeover of PopReach Corporation (the "RTO Transaction"). The consideration payable by Federated to the CIHI Shareholders (the "Vendors") in connection with the acquisition was satisfied by the issuance to the Vendors of a convertible debenture in the principal amount of \$4,675,000 (the "Federated Debenture").

The Federated Debenture converts prior to the occurrence of a going public transaction based on applicable going public transaction price, and otherwise is repayable on the maturity date if conversion does not earlier occur. The Federated Debenture is to convert i) upon the occurrence of a Going Public Transaction, immediately be automatically converted into common shares based on the conversion price or, ii) immediately prior to the occurrence of a sale transaction, be converted into common shares based on the sale transaction price.

As part of the sale, indebtedness owed by CIHI to the shareholders of CIHI (the "Shareholder Lenders") was superseded and replaced with a promissory note (the "Amended and Restated Note") in the principal amount of \$4,325,000, bearing interest at the rate of 5% per annum. Pursuant to the terms of the Amended and Restated Note, (i) \$725,000 of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$2,525,000 of the principal amount is payable on the earlier to occur of the date that is (x) 6 months following the closing of the acquisition, and (y) the occurrence of the RTO Transaction (of which \$888,301 was repaid on December 6, 2021); and (iii) \$1,075,000 will be settled immediately prior to the occurrence of the RTO Transaction in exchange for Federated Shares on the basis of a conversion price of \$0.63 (the "CIHI Conversion Price"), being 1,706,349 Federated Shares. Federated's obligations under the Federated Debenture and CIHI's obligations pursuant to the Amended and Restated Note are secured by all of the shares and assets of CIHI and its subsidiaries which security interests are subordinate to the security interests granted to Fiera in connection with the Fiera Facility. Further, the security interest granted to the CIHI Vendors and CIHI Shareholder Lenders over the shares of CIHI ranks in priority over the security interest granted therein to Timothy Nye in connection with the Subsequent Nye Note.

The Federated Debenture and \$1,075,000 of the Amended and Restated Note, will convert into an aggregate of 9,126,978 Federated Shares immediately prior to the completion of the Transaction, based on a price per Federated Share equal to the CIHI Conversion Price.

Prior to the acquisition, shareholders and management of CIHI, controlling 51.8% of the shares of CIHI, owned 7.2% of Federated's shares prior to and after the transaction, making the transaction a related party transaction. Given the vendors of CIHI did not have significant influence or control over Federated, and were subject to the VTA, the transaction was not considered a common control transaction.

As at the time of this MD&A, the Company is in the process of determining the purchase price allocation of the CIHI acquisition.

Fiera Facility

On November 19, 2021, the Company entered into a commitment letter (the "Fiera Commitment Letter") with Fiera in respect of a term loan in the principal amount of \$12,500,000, which matures on the 8-month anniversary of the Disbursement Date (as defined below) and bears interest at the prime rate of interest (as determined by the National Bank of Canada), plus 7.50% per annum (the "Fiera Facility"). A commitment fee of \$282,500 is payable by Federated under the terms of the Fiera Facility and was fully satisfied by Federated on the Disbursement Date. Federated's obligations under the Fiera Facility are secured by a first-ranking security interest over all of the assets of Federated and each of the Federated Subsidiaries. Proceeds under the Fiera Facility were disbursed on December 6, 2021 (the "Disbursement Date").

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Management's Discussion and Analysis
For the period January 25 to September 30, 2021

Federated \$2.5 Million Note

On December 10, Federated issued an unsecured promissory note to SMT (as defined below), Paul Mansfield and Ohad Sasson in the principal amount of \$2,500,000 with a maturity date of June 10, 2022 and bearing interest at the rate of 10.00% per annum (the "Federated \$2.5 Million Note"). A loan fee equal to 15% of the EBITDA of Notify is also payable by Federated to the lenders on a monthly basis during the term of the Federated \$2.5 Million Note.

Proposed PopReach RTO

On October 18, 2021, both Federated and PopReach Corporation ("PopReach") entered into a definitive transaction agreement (the "Transaction Agreement") settling the terms and conditions of the proposed combination of PopReach with Federated, to form a leading publicly-listed Canadian technology and media enterprise (the "Transaction").

Pursuant to the Transaction Agreement, PopReach will acquire all of the issued and outstanding shares of Federated ("Federated Shares") on a fully-diluted basis (including all common shares issued or issuable on any exercise of the outstanding options, warrants and other securities convertible, exercisable or exchangeable for Federated Shares, collectively, the "Purchased Shares") for an aggregate purchase price of up to CAD \$160 million. The Transaction is expected to be effected by way of a three-way amalgamation amongst Federated, PopReach, and a new, wholly-owned subsidiary of PopReach, with the purchase price payable by the issuance by PopReach pursuant to such amalgamation of an aggregate number of PopReach Shares based on the deemed price per PopReach Share of CAD \$0.80, representing a premium of 27% over the PopReach Share closing price, and a premium of 32.9% over the PopReach Share 20-day VWAP, as at August 16, 2021, the last trading day immediately prior to the initial announcement of the proposed Transaction.

The aggregate purchase price is subject to adjustments for assumed debt, working capital and other customary terms and conditions set out in the Transaction Agreement. The Transaction Agreement provides that, on the closing date, PopReach will issue, pursuant to the above-noted three-way amalgamation, to holders of Federated Shares that number of PopReach shares calculated based on the CAD \$160 million purchase price, less the amount of assumed debt and less the amount of net working capital less than CAD \$5 million. Upon completion of the Transaction, the current shareholders of Federated will own more than 50% of the shares of the resulting issuer (the "Resulting Issuer") on a non-diluted basis.

SELECTED FINANCIAL INFORMATION

Selected financial information of the Company for the three months ended September 30, 2021, and for the period January 25 to September 30, 2021, is set forth below.

	Three Months Ended September 30, 2021	From January 25 to September 30, 2021
Revenue	\$ 10,265,424	\$ 10,265,424
Net loss and other comprehensive loss	\$ 5,624,907	\$ (28,822)
Total assets	\$ 65,885,379	\$ 65,885,379
Total liabilities	\$ 37,366,203	\$ 37,366,203
Basic and diluted net loss and comprehensive loss per common share	\$ (0.00)	\$ (0.00)

DISCUSSION OF OPERATIONS

	Three Months Ended September 30, 2021	From January 25 to September 30, 2021
Revenue	10,265,424	10,265,424
Media costs	5,624,907	5,624,907
Selling and marketing	1,917,146	1,917,146
General and administrative	1,286,819	1,390,628
Technology and development	210,091	210,091
Depreciation	1,035,440	1,035,440
Interest expense	506,077	527,136
Fair value adjustment	313,209	341,184

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Management's Discussion and Analysis
For the period January 25 to September 30, 2021

Revenue

	Three months ended September 30, 2021	From January 25 to September 30, 2021
Marketing and platform solutions	6,532,022	6,532,022
Push notification platform	3,733,402	3,733,402
Total revenue	\$ 10,265,424	\$ 10,265,424

Revenue is derived from 1) the Company's marketing and platform solutions and, 2) the Company's push notification platform.

During the three months ended September 30, 2021, and the period from January 25 to September 30, 2021, the Company acquired Q1Media and Notify. All of the revenue is earned by the Company are derived from these two acquisitions.

Media costs

Media costs are comprised of platform fee for the partner the Company is using for a given campaign, data targeting costs related to the campaign, media costs for the actual placements of the advertisements themselves, and amounts paid to publishers to secure rights to send push notification advertisements to the publisher's subscriber database.

During the three months ended September 30, 2021, and the period from January 25 to September 30, 2021, the Company acquired Q1Media and Notify. All of the media costs incurred by the Company are derived from these two acquisitions.

Selling and marketing

Sales and marketing expenses consist of all costs associated with selling and marketing the Company's services. The costs include all salary and benefit costs, personnel costs, commissions and variable compensation, travel, marketing, payroll taxes and employee health and related benefit expenses, for the sales, marketing, and account management teams.

During the three months ended September 30, 2021, and the period from January 25 to September 30, 2021, the Company acquired Q1Media and Notify. All of the selling and marketing costs incurred by the Company are derived from these two acquisitions.

General and administrative

General and administrative expenses include salaries and benefits of the administrative staff, occupancy costs, legal and professional fees, insurance, technology costs, bad debt expense, and supplies.

During the three months ended September 30, 2021, and the period from January 25 to September 30, 2021, the Company acquired Q1Media and Notify. Substantially all of the general and administrative costs incurred by the Company are derived from these two acquisitions.

Technology and development

Technology and development expenses includes web hosting and various hardware and software costs incurred by the Company.

During the three months ended September 30, 2021, and the period from January 25 to September 30, 2021, the Company acquired Q1Media and Notify. Substantially all of the technology and development costs incurred by the Company are derived from these two acquisitions.

Depreciation

The Company's depreciation expense consists of deprecation from property and equipment and acquired intangibles. During the three months ended September 30, 2021, the Company acquired Q1Media and Notify.

The Company's depreciation expense for three months ended September 30, 2021, and the period from January 25 to September 30, 2021, was \$1,035,440 and is primarily comprised of depreciation from the acquired customer relationships, software, technology, and brand.

Interest expense

Interest expense relates to i) interest expense and interest accretion on the Company's loans, and ii) interest accretion on the contingent consideration.

During the three months ended September 30, 2021, the Company incurred interest expenses of \$506,077. During the period January 25 to September 30, 2021, the Company incurred interest expenses of \$527,136.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Management's Discussion and Analysis
For the period January 25 to September 30, 2021

Fair value adjustment

Fair value adjustment relates to the discounting of the Subsequent Nye Note and the contingent consideration to its fair value. The difference between face value and fair value flows through the statement of loss and comprehensive loss. During the three months ended September 30, 2021, the Company incurred total fair value adjustment of \$313,209. During the period January 25 to September 30, 2021, the Company incurred total fair value adjustment of \$341,184.

LIQUIDITY AND CAPITAL RESOURCES

The Company is reliant on external financing to take advantage of growth opportunities and its ability to continue as a going concern is dependent upon the Company's ability to profitably manage its marketing service and push-notification platform contracts. As at September 30, 2021, the Company had negative working capital of \$20,478,240 and has an accumulated deficit of \$120,664 since its inception. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing in the future and to repay its liabilities arising from normal business operations as they become due. While the Company has been successful in securing financings in the past, there is no assurance that it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Contractual obligations

The following is a summary of the Company's contractual obligations at September 30, 2021:

	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Lease obligations ¹	298,026	125,763	172,263	—	—
Bank indebtedness	1,300,000	1,300,000	—	—	—
Contingent consideration	877,116	877,116	—	—	—
Loans ¹	21,010,296	15,716,963	5,293,333	—	—
Convertible debenture	8,000,000	8,000,000	—	—	—
Warrant put liability	1,000,000	1,000,000	—	—	—
Total	\$ 32,485,438	\$ 27,019,842	\$ 5,465,596	\$ —	\$ —

¹Includes principal and interest.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of the Company's cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and loans approximate their carrying values due to their short-term nature. The Company's convertible debenture, contingent consideration and warrant put liability are measured at fair value using Level 3 inputs.

Risk factors

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash) that are denominated in a currency other than United States dollars, which represents the reporting currency of the Company.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Management's Discussion and Analysis
For the period January 25 to September 30, 2021

The table below indicates the foreign currencies to which the Company has significant exposure at September 30, 2021 in United States dollar terms:

		CAD
Cash	\$	11,352
Accounts receivable, net	\$	45,294
Accounts payable and accrued liabilities	\$	(182,736)

The table below details the effect on earnings before tax of a 10% strengthening or weakening of the USD exchange rate at the balance sheet date for balance sheet items denominated in CAD:

Currency		10% Strengthening (weakening)
CAD	\$	(12,609)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is in its cash and account receivables. Cash is managed through the use of a major bank which is a high credit quality financial institution as determined by rating agencies and accounts receivable are managed by management. The Company's secondary exposure to risk is on its other current assets. The carrying amount of financial assets represents the maximum credit exposure.

The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk related to the customers. In addition, credit reviews, where necessary, consider the counterparty's financial, past experience and other factors.

The Company applies the simplified approach to provide for expected credit losses as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. The expected credit loss provision is based on the Company's historical collections and loss experience and incorporates forward-looking factors, where appropriate. The provision matrix below shows the expected credit loss rate for each aging category of trade receivables.

	As at September 30, 2021			
	Up to 30 days past due	Over 30 days past due	Over 90 days past due	Total
Trade receivables gross balance	6,792,747	718,404	348,628	7,859,779
Expected credit loss rate	2%	20%	44%	5%
Expected credit loss allowance	126,707	146,895	154,289	427,891
Trade receivables, net of expected credit loss	<u>6,666,040</u>	<u>571,509</u>	<u>194,339</u>	<u>7,431,888</u>

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from financing and third-party and related-party loans payable. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Management's Discussion and Analysis
For the period January 25 to September 30, 2021

The following is an analysis of the contractual maturities of the Company's financial liabilities as at September 30, 2021:

	As at September 30, 2021		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	5,533,040	—	—
Bank indebtedness	1,300,000	—	—
Lease liability	125,763	172,263	—
Contingent consideration	877,116	—	—
Loans payable	15,716,963	5,293,333	—
Convertible debenture	8,000,000	—	—
Warrant put liability	1,000,000	—	—
Total	\$ 32,552,882	\$ 5,465,596	\$ —

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has floating rate debt on one of its loans, and all other interest is fixed with related parties, however the Company's exposure to fluctuations in its interest rate is not material.

Capital management

The Company manages its capital structure and adjusts it based on the funds available to the Company, in order to support the general operations of the Company and facilitate its liquidity needs. The Company's policy is to maintain a strong capital base so as to maintain investor and creditor confidence, safeguard the Company's ability to support the expansion of sales and production of product and the development of new production sustain future development of the business. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital, available line of credit, and share capital position. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the period ended September 30, 2021. The Company is not subject to externally imposed capital requirements.

CASH FLOWS BY ACTIVITY

The table below outlines a summary of cash inflows and outflows by activity for the three months ended September 30, 2021, and for the period January 25 to September 30, 2021.

	Three Months Ended September 30, 2021	From January 25 to September 30, 2021
Net cash used in operating activities	\$ (791,562)	\$ (797,691)
Net cash provided by financing activities	\$ 303,889	\$ 5,801,888
Net cash used in investing activities	\$ (2,962,015)	\$ (2,962,015)

Cash used in Operating Activities

The Company's net cash used in operating activities for the three months ended September 30, 2021, was \$791,562 as compared to \$797,691 for the period January 25 to September 30, 2021. During the three months ended September 30, 2021, and the period from January 25 to September 30, 2021, the Company acquired Q1Media and Notify. These entities generated operating income which was offset by increase in uncollected accounts receivable related to revenue generated and the settlement of acquired accounts payable during the periods.

Cash provided by Financing Activities

During the three months ended September 30, 2021, the Company's cash inflows from financing activities relate to (i) proceeds from financings, and (ii) net proceeds from loans. These inflows were partially offset by (i) repayment of contingent consideration, (ii) payment of interest on loans, and (iii) lease repayments.

During the period January 25 to September 30, 2021, the Company's cash inflows from financing activities relate to (i) proceeds from financings, and (ii) net proceeds from loans. These inflows were partially offset by (i) repayment of contingent consideration, (ii) payment of interest on loans, and (iii) lease repayments.

Cash used in Investing Activities

During the three months ended September 30, 2021, and for the period January 25 to September 30, 2021, the Company acquired Q1Media and Notify. The net acquisitions of these entities saw the utilization of cash for these acquisitions.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the consolidated financial statements.

Goodwill impairment testing and recoverability of long-lived assets

Goodwill and long-lived assets are reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred, by comparing the carrying value to its recoverable amount. The recoverable amounts of the cash-generating units were estimated based on an assessment of value in use using a discounted cash flow approach and fair value less costs to sell. The approach uses cash flow projections based upon a financial forecast approved by management, covering a four to five-year period. Cash flows for the years thereafter are extrapolated using the estimated terminal growth rate for value in use impairment analysis. Cash flows for the terminal period for fair value less costs to sell impairment analysis is determined using an exist multiple. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events.

The determination of a cash generating unit ("CGU") is based on management's judgment and is an assessment of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method.

Further, significant judgments are necessary in assessing the taxable status of the business combinations, which has a direct correlation to the recognition of a deferred tax liability, for any difference in basis between tax and accounting, and corresponding amount in goodwill. An assessment by a tax authority that concluded differently could materially change the deferred tax amounts. The Company bases their judgments on their assessment of the facts of the underlying contractual agreements.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Revenue

The Company is required to make estimates that affect the amount of revenue from contracts with customers under IFRS15, Revenue from Contracts with Customers ("IFRS 15"). The Company uses judgment to determine 1) whether it is the principal or the agent and 2) the timing of the transfer of control, at a point in time or over time.

Revenue is recognized and recorded on a gross basis as the Company has control and is responsible for fulfilling the advertisement delivery and performing all billing and collection activities.

Provision and contingencies

The amount recognized as a provision, including legal, contractual, constructive and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Expected credit losses

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company's customers are generally financially established organizations, which limits the credit risk relating to the customers. In addition, credit reviews by the Company consider the counterparty's financial position, past experience and other factors.

Estimated useful lives of long-lived assets

Management reviews useful lives of depreciable assets at each reporting date. Management assesses that the useful lives represent the expected utilization in terms of duration of the assets to the Company. Actual utilization, however, may vary due to technical obsolescence, particularly relating to software and information technology equipment.

Determination of discount and incremental borrowing rate

When the Company enters into leases as a lessee and where the interest rate implicit in a lease cannot be readily determined, the Company determines its incremental borrowing rate in order to measure its lease liability. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Convertible debt, contingent consideration, vendor take back notes, and promissory notes represent liabilities of the Company for which the amount or timing is uncertain. These debt obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. These debt obligations are not recognized for future operating losses. Where material, these obligations are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the debt due to passage of time is recognized as interest expense.

Determination of the lease term

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Warrant put liability

Warrant puts were issued in conjunction with stock purchase warrants and pursuant to the issuance of third-party debt. Warrant puts establish minimum compensation, in the form of cash, for the stock purchase warrants issued. The warrant puts are considered a warrant put liability and measured at fair value on a recurring basis.

SIGNIFICANT ACCOUNTING POLICIES

Cash

Cash in the statements of financial position comprise cash at banks and cash on hand.

Technology and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed as incurred. Expenditures on development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditures are capitalized to intangible assets if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset.

Property and equipment

Furniture and fixtures and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the equipment and any expenditure required to make the equipment ready for use. Repairs and maintenance expenses are charged against income as incurred. Expenditures that extend the estimated life of an asset are capitalized.

Management is depreciating the furniture and fixtures and equipment on a straight-line basis, with the following useful lives:

Furniture and fixtures	7 years
Equipment	3 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Depreciation is provided annually on furniture and fixtures and equipment at rates designed to charge the cost of the assets over their estimated useful lives, using the straight-line method.

The asset's residual values, useful lives and methods of depreciation are reviewed at each fiscal year end and adjusted prospectively, if appropriate. Depreciation is recognized in the statements of income and comprehensive income.

Intangibles

The useful life of an intangible asset is either finite or indefinite. Intangible assets are initially measured at fair value. Following the initial recognition, intangible assets are carried at the initial fair value less accumulated amortization and impairment losses, if any. Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Management is depreciating the acquired customer relationships, developed software, technology, and brand on a straight-line basis, with the following useful lives:

Customer relationships	5 to 7 years
Software	6 years
Technology	5 years
Brand	7 years

Useful lives over which intangible assets are amortized are based on management's estimate of future use and performance. Expected useful lives are reviewed annually for any change to estimates and assumptions

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, at the date of the business acquisition, to the Company's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized and is tested annually for impairment, or more frequently if there are changes in circumstances that indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The company has determined it has two separate CGU's, Notify and Q1Media. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment of non-financial assets

The carrying value of property and equipment and intangibles are reviewed at each reporting period to determine if indicators of impairment are present. If any such indicator exists, the asset's recoverable amount is estimated. For the purpose of impairment testing, the recoverable amount is determined for an individual asset or are grouped together into a CGU, which represents the smallest group of assets that generates independent cash inflows. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognized in the consolidated statements of loss and comprehensive loss as a reduction in the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Impairments of non-financial assets recognized in a prior period are re-assessed at the end of each reporting period to determine if indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the asset or CGU's carrying amount. The reversal of an impairment loss may not exceed the carrying amount, net of amortization, of the asset or CGU had no impairment loss been recognized.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- The contract involves the use of an identified asset;
- The Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The Company has the right to direct the use of the asset.

Right-of-use asset

The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term using the straight-line method. The lease term includes consideration of an option to renew or to terminate if the Company is reasonably certain to exercise that option. Lease terms, including options to renew for which the Company

is reasonably certain to exercise, range from 1 to 10 years for facilities, equipment and vehicles. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from external financing sources and makes certain adjustments to reflect the terms of the lease and the type of the asset leased. Lease payments included in the measurement of lease liabilities comprise fixed payments (including in-substance fixed payments), the exercise price under a purchase option that the Company is reasonably certain to exercise, and lease payments in an optional renewal period if the Company is reasonably certain to exercise a renewal option.

Lease liabilities are measured at amortized cost using the effective interest method. They are remeasured when there is a change in future lease payments arising mainly if the Company changes its assessment of whether it will exercise a purchase, renewal or termination option, or if there is a revised in-substance fixed lease payment.

When lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statements of income and comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Financial instruments

Financial instruments are accounted for in accordance with IFRS 9, "Financial Instruments: Classification and Measurement". A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income ("FVOCI"); or (iii) fair value through profit or loss ("FVTPL"). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed.

All financial assets not classified and measured at amortized cost or FVOCI are measured at FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income.

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded.

Financial liabilities

Financial liabilities are designated as either: (i) fair value through profit or loss; or (ii) other financial liabilities. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Financial liabilities measured at amortized cost are initially recognized at fair value net of any directly attributable transaction costs; subsequently, they are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are recognized in the statements of income and comprehensive income.

2810735 ONTARIO INC. (d/b/a Federated Foundry)
Management's Discussion and Analysis
For the period January 25 to September 30, 2021

The Company has classified its financial instruments as follows:

Financial instrument	Classification/ Measurement	Fair value hierarchy
Assets		
Cash and cash equivalents	Amortized cost	N/A
Accounts receivable	Amortized cost	N/A
Liabilities		
Accounts payable and accrued liabilities	Amortized cost	N/A
Bank indebtedness	Amortized cost	N/A
Leases	Amortized cost	N/A
Contingent consideration	FVTPL	Level 3
Loans	Amortized cost	N/A
Convertible debenture	FVTPL	Level 3
Warrant put liability	FVTPL	Level 3

Impairment

The impairment of financial assets under IFRS 9 is based on an expected credit loss ("ECL") model. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial Instrument

The Company elected to measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs applied at each reporting date. The Company adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experience to estimate lifetime ECL adjusted for estimated changes to credit risks and forecasts of future economic conditions and the results are discussed in Note 17. Impairment losses are recorded in the consolidated statements of loss and comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. When an impairment loss has decreased in a subsequent period, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed immediately in the consolidated statements of loss and comprehensive loss. The reversal of an impairment loss may not exceed the amortized cost had no impairment loss been recognized.

Earnings per share

The calculation of earnings per common share is based on the reported net income divided by the weighted average number of shares outstanding during the period. Diluted income per share is calculated using the treasury stock method. The only dilutive instrument the Company has is the convertible debenture. Where potentially dilutive equity instruments are anti-dilutive, basic and diluted earnings per share are the same.

Revenue recognition

The Company's revenues are derived from i) the sale of marketing and platform solutions, and ii) from consumer activity that occurs in response to the delivery of targeted advertisements to opt-in subscribers via the Company's proprietary push notification platform.

The Company follows IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), to recognize its revenue. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, the Company's accounting policy for revenue recognition is as follows: i) identify the contract with the customer; ii) identify the performance obligation(s) in the contract; iii) determine the transaction price; iv) allocate the transaction price to the performance obligation(s); and (v) recognize revenue when (or as) performance obligation(s) are satisfied.

Marketing and platform solutions

The Company derives revenue from the sale of marketing solutions (online banner advertising and video advertising) and platform solutions (application plug-ins, yield optimization technology and services, and data reporting and analysis tools). The time between invoicing and when payment is due is not significant and none of the Company's contracts contain a significant financing component. Customary terms require payment within 30 days.

Revenues are recognized in the periods in which the advertisement or sponsorship placement is displayed, provided no significant Company obligations remain, fees are fixed and determinable, and collection of the related receivable is probable. Because all of its performance obligations relate to contracts with a duration of less than one year, the Company has elected to apply the optional exemption provided in IFRS 15 and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are related to the provision of marketing solutions and platform solutions.

The marketing solutions and platform solutions are recognized over time as progress is made toward satisfying the performance obligations of each contract. The Company measures a contract's progress on the basis of the ratio of contracted views, clicks, or time elapsed as compared to the related contracted measure, because, in the Company's view, such method best depicts the progress toward completion. For contracts involving multiple performance obligations, the transaction, i.e., selling, price is allocated based on relative standalone selling prices of the goods or services. The Company determines the total transaction price, including an estimate of any variable consideration, at contract inception and reassesses this estimate each reporting period. By the nature of its contracted revenue, the Company is not exposed to any refunds or chargebacks.

For incremental costs of obtaining a contract, the Company elected a practical expedient, which permits an entity to recognize incremental costs to obtain a contract as an expense when incurred if the amortization period is less than one year. In obtaining these contracts, the Company incurs a number of incremental costs, such as commissions paid to sales staff. As the amortization period of these costs, if capitalized, would be less than one year, the Company makes use of the practical expedient in IFRS 15.94 and expenses them as they are incurred.

For significant financing components, the Company elected a practical expedient, which allows an entity to recognize the promised amount of consideration without adjusting for the time value of money if the contract has a duration of one year or less, or if the reason the contract extended beyond one year is because the timing of delivery of the product is at the customer's discretion. As the Company's contracts are typically less than one year in length and do not have significant financing components, the Company does not present revenue on a present value basis.

Push notification platform

The Company offers its fully managed service to advertisers seeking to display their advertisements to relevant audiences in a way that causes consumers to visit the advertisers' websites and take some further action. These arrangements are evidenced by a fully executed insertion order ("IO").

The Company agrees upon pricing for each advertisement prior to the execution and delivery of the associated advertising campaign. The pricing models are commonly referred to as cost per click ("CPC") or cost per action ("CPA"). Revenue is generated when the consumer visits the advertiser's designated website for CPC campaigns or when the user takes some action (which may include a lead, registration, purchase, download or inquiry) on the advertiser's website for CPA campaigns.

Media Costs

Media costs are considered the Company's cost of goods sold. The costs include the third-party media costs, and third-party real-time bidding costs to secure advertising space.

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current income tax

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

The Company is treated as a United States corporation for United States federal income tax purposes under section 7874 of the U.S. Tax Code and is expected to be subject to United States federal income tax on its worldwide income. However, for Canadian tax purposes, the Company is expected, regardless of any application of section 7874 of the U.S. Tax Code, to be treated as a Canadian resident company (as defined in the Income Tax Act (Canada) (the "ITA") for Canadian income tax purposes. As a result, the Company will be subject to taxation both in Canada and the United States.

Deferred income tax

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

Business Combination

Business combinations are accounted for using the acquisition method. Under this method, the identifiable assets acquired and liabilities assumed, including contingent liabilities, are recognized, regardless of whether they have been previously recognized in the acquiree's financial statements prior to the acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated statements of financial position at their respective fair values. Goodwill is recorded based on the excess of the fair value of the consideration transferred over the fair value of the Company's interest in the acquiree's net identifiable assets on the date of the acquisition. Any excess of the identifiable net assets over the consideration transferred is immediately recognized in the consolidated statements of loss.

The consideration transferred by the Company to acquire control of an entity is calculated as the sum of the acquisition-date fair values of the assets transferred, liabilities incurred and equity interests issued by the Company, including the fair value of all the assets and liabilities resulting from a deferred payment arrangement. Acquisition-related costs are expensed as incurred. Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's weighted average cost of capital, calculated by estimating a specific company risk premium over the risk-free rate. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

Compound financial instruments

Compound financial instruments issued by the Company comprise of warrants and the convertible debenture.. The liability component of compound financial instruments is initially recognized at a fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized using the residual value method, at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component and is included within equity. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized. The conversion feature of the convertible debenture is variable; accordingly, the Company has elected to measure the entire instrument at fair value through profit and loss. The Company has assessed the equity value of the warrants to be nominal and the liability for the related warrant put liability has been recognized initially at fair value and will be thereafter measured at amortized cost.

Segment reporting

The Company currently operates in a single operating segment. The Company has identified its operating segment based on the financial information that is reviewed and used by executive management (collectively, the Chief Operating Decision Maker, or "CODM") in assessing performance and in determining the allocation of the resources. The CODM considers the business from a single operating segment perspective and assesses the performance of the segment based on measures of profit and loss as well as assets and liabilities.

As the operations comprise a single segment, amounts disclosed in the consolidated financial statements also represent segment amounts.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are certain members of the Company's executive management team and the Board of Directors.

The following table presents the compensation of the key management personnel recognized in net income:

	From January 25 to September 30, 2021	
Employee compensation	\$	598,784
	\$	598,784

As at September 30, 2021, included in accounts payable and accrued liabilities was \$1,432,564 of payments owed to key management personnel for accrued employee compensation and certain balances of consideration owed on the Q1Media acquisition.

Certain related parties are also significant shareholders who exude control over certain customers and vendors of the Company. These customers and vendors are therefore related to the Company.

The following table presents the related party balances as they appear on the statement of financial position:

	As at September 30, 2021	
Balances included in accounts receivable	\$	568,177
Balances included in accounts payable and accrued liabilities		(1,403,812)
Balances included in convertible debenture		(8,000,000)
Balances included in contingent consideration		(829,805)
Balances included in loans		(17,643,007)
Total related party balances owing	\$	(27,308,447)

The following table presents the cumulative related party customers and vendors transactions that flowed through the various line items of the statement of loss and comprehensive loss:

	From January 25 to September 30, 2021	
Revenues from related parties		274,731
Media costs		1,875
General and administrative		963,286
Technology and development		204,651

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 2021, the Company had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of special shares without nominal or par value and an unlimited number of common shares. The table below lists the securities outstanding:

	As at February 14, 2022	
Common shares		201,785,715
Total Common Shares on a fully-diluted basis		201,785,715

RISK FACTORS AND UNCERTAINTIES

The Company is exposed to a variety of business risks, financial and accounting risks 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 Management Information Circular of PopReach Corporation dated February 14, 2022.

SCHEDULE V
RESULTING ISSUER PRO FORMA FINANCIAL STATEMENTS

(see attached)



Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive Income (Loss) of Resulting Issuer

**POPREACH CORPORATION
(Unaudited)**

**For the year ended December 31, 2020, and as at and for the nine months ended
September 30, 2021**

POPREACH CORPORATION

Pro-Forma Consolidated Statement of Financial Position of Resulting Issuer

As at September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

	PopReach	Federated	Contobox (Note P)	Consolidated	Pro Forma adjustments	Note	Pro Forma
Assets							
Current Assets:							
Cash and cash equivalents	\$ 11,582,698	\$ 2,042,182	\$ 977,443	\$ 14,602,323	\$ 12,500,000	A	\$ 12,386,286
Restricted cash	-	-	98,108	98,108	-	B	-
Trade and other receivables	1,797,190	7,431,888	1,190,605	10,419,683	2,500,000	C	10,419,683
Investment tax credits receivable	351,694	-	283,223	634,917	(1,300,000)	D	634,917
Investment in lease receivable	55,640	-	-	55,640	(10,600,000)	E	-
Prepaid assets	343,248	162,983	24,880	531,111	(2,641,037)	G	55,640
Other	-	-	137,334	137,334	(1,250,000)	U	531,111
					(300,000)	A	137,334
	14,130,470	9,637,053	2,711,593	26,479,116	(2,216,037)		24,263,079
Prepaid assets	-	17,358	-	17,358	-		17,358
Property and equipment	203,920	46,776	17,242	267,938	-		267,938
Intangible assets	9,635,887	28,347,917	55,862	38,039,666	(9,635,887)	H	25,293,750
					(55,862)	H	-
Goodwill	2,605,933	27,576,623	-	30,182,556	(3,054,167)	O	27,576,623
Unallocated intangible assets and goodwill	-	-	-	-	(2,605,933)	H	52,694,419
Investment tax credits receivable	503,739	-	-	503,739	44,210,170	H	-
Right-of-use asset	326,013	259,652	2,647	588,312	8,484,249	H	503,739
Deferred cost of sales	256,608	-	-	256,608	-		588,312
Investment in lease receivable	57,699	-	-	57,699	-		256,608
Deferred tax asset	68,006	-	-	68,006	-		57,699
					-		68,006
	27,788,275	65,885,379	2,787,344	96,460,998	35,126,533		131,587,531

POPREACH CORPORATION

Pro-Forma Consolidated Statement of Financial Position of Resulting Issuer

As at September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

	PopReach	Federated	Contobox (Note P)	Consolidated	Pro Forma adjustments	Note	Pro Forma
Liabilities							
Current Liabilities:							
Trade and other payables	\$ 1,214,557	\$ 5,533,040	\$ 3,336,869	\$ 10,084,466	\$ 415,431	H	\$ 10,499,897
Taxes payable	75,432	-	65,715	141,147	-		141,147
Deferred revenue	2,491,754	-	210,966	2,702,720	-		2,702,720
Lease liabilities	261,104	115,019	2,860	378,983	-		378,983
Borrowings	1,213,931	22,670,257	452,731	24,336,919	12,500,000	A	17,559,188
					(10,600,000)	D	
					(1,300,000)	C	
					2,500,000	B	
					(452,731)	E	
					(8,000,000)	K	
					(1,125,000)	R	
					(300,000)	A	
Provisions	-	829,805	-	829,805	-		829,805
Derivative financial instruments	1,214,518	-	-	1,214,518	(1,214,518)	I	1,227,871
Warrant put liability	-	967,172	-	967,172	1,227,871	I	967,172
					-		
Non-current liabilities:							
Deferred revenue	6,471,296	30,115,293	4,069,141	40,655,730	(6,348,947)		34,306,783
Lease liabilities	116,189	-	-	116,189	-		116,189
Borrowings	199,958	167,118	-	367,076	-		367,076
	4,141,008	4,272,750	2,188,306	10,602,064	-		8,413,758
					(2,188,306)	E	
					329,700	F	
					(329,700)	F	
					(1,449,000)	L	
Provisions	1,449,000	-	-	1,449,000	-		-
Employee benefit obligations	408,510	-	-	408,510	-		408,510
Deferred tax liabilities	-	2,811,042	55,459	2,866,501	-		2,866,501
					-		
	12,785,961	37,366,203	6,312,906	56,465,070	(9,986,253)		46,478,817

POPREACH CORPORATION
Pro-Forma Consolidated Statement of Financial Position of Resulting Issuer
As at September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

	PopReach	Federated	Contobox (Note P)	Consolidated	Pro Forma adjustments	Note	Pro Forma
Shareholders' equity (deficit):							
Share capital	\$ 24,644,738	\$ 28,547,998	\$ 2,226,365	\$ 55,419,101	\$ (24,644,738)	Q	\$ 87,164,364
					(2,226,365)	Q	
					46,128,972	I	
					8,000,000	K	
					4,487,394	I	
Warrant Reserve	47,585	-	-	47,585	(47,585)	Q	20,417
					23,953	I	
					(3,536)	I	
Share-based payment reserve	1,378,051	-	448,693	1,826,744	(1,378,051)	Q	2,256,922
					(448,693)	Q	
					2,468,643	I	
					(211,721)	I	
Accumulated other comprehensive income (loss)	(17,122)	91,842	16,698	91,418	17,122	Q	91,842
Deficit	(11,050,938)	(120,664)	(6,217,318)	(17,388,920)	(16,698)	Q	
					11,050,938	Q	(4,424,831)
					6,217,318	Q	
					(1,250,000)	G	
					(3,054,167)	O	
	15,002,314	28,519,176	(3,525,562)	39,995,928	45,112,786		85,108,714
	27,788,275	65,885,379	2,787,344	96,460,998	35,126,533		131,587,531

POPREACH CORPORATION

Pro-Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) of Resulting Issuer

For the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

	PopReach	Federated	Contobox (Note P)	Consolidated	Q1Media + Notify adjustments (Note N)	Pro Forma adjustments	Note	Pro Forma
Revenues	\$ 12,739,880	\$ 10,265,424	\$ 3,219,870	\$ 26,225,174	\$ 23,655,598	\$ -	-	49,880,772
Cost of sales	4,585,489	5,624,907	156,775	10,367,171	13,790,957	-	-	24,158,128
Gross profit	8,154,391	4,640,517	3,063,095	15,858,003	9,864,641	-	-	25,722,644
Operating expenses:								
Research and development	2,709,703	210,091	1,255,625	4,175,419	433,985	-	-	4,609,404
General and administrative	2,868,015	1,390,628	601,152	4,859,795	2,634,380	-	-	7,494,175
Marketing	1,791,833	1,917,146	667,765	4,376,744	3,721,184	-	-	8,097,928
Interest and accretion expenses	497,623	527,136	455,643	1,480,402	85,753	(781,424)	M	2,287,161
						1,125,000	R	
						377,430	H	
Amortization	1,366,459	1,035,440	78,681	2,480,580	76,305	(76,305)	O	5,534,747
						3,054,167	O	
Stock-based compensation expense	-	-	-	-	3,306,455	-	-	3,306,455
Non-operating income (expenses):	9,233,633	5,080,441	3,058,866	17,372,940	10,258,062	3,698,868	-	31,329,870
Fair value gain on financial liabilities	3,314,998	341,184	-	3,656,182	-	-	-	3,656,182
Transaction costs	-	-	(288,279)	(288,279)	-	-	-	(288,279)
Loan forgiveness	-	-	(471,409)	(471,409)	-	-	-	(471,409)
Foreign exchange loss	-	(85,966)	(11,437)	(97,403)	-	-	-	(97,403)
Gain (loss) on disposal of equipment	-	-	42,143	42,143	(1,413)	-	-	40,730
Other non-operating income	-	10,646	-	10,646	28,390	-	-	39,036
	3,314,998	265,864	(728,982)	2,851,880	26,977	-	-	2,878,857
Income (loss) before income taxes	2,235,756	(174,060)	(724,753)	1,336,943	(366,444)	(3,698,868)	-	(2,728,369)
Current taxes (recovery)	77,329	(53,396)	-	23,933	235,254	-	-	259,187
Deferred tax recovery	(13,380)	-	-	(13,380)	-	-	-	(13,380)
Net income (loss)	2,171,807	(120,664)	(724,753)	1,326,390	(601,698)	(3,698,868)	-	(2,974,176)
Other comprehensive income	36,637	91,842	-	128,479	-	-	-	128,479
Comprehensive income (loss)	2,208,444	(28,822)	(724,753)	1,454,869	(601,698)	(3,698,868)	-	(2,845,697)
Basic earnings (loss) per share	0.03	0.00	0.00					(0.01)
Diluted earnings (loss) per share	0.03	0.00	0.00					(0.01)
Basic weighted average number of shares (Note T)	73,120,947	174,810,981	89,277,178					234,521,279
Diluted weighted average number of shares (Note T)	77,152,413	174,810,981	89,277,178					234,521,279

POPREACH CORPORATION

Pro-Forma Consolidated Statement of Income (Loss) and Comprehensive Income (Loss) of Resulting Issuer

For the year ended December 31, 2020 (unaudited - in US dollars, unless otherwise stated)

	PopReach	Q1Media	Notify	Contobox (Note P)	Consolidated	Pro Forma adjustments	Note	Pro Forma
Revenues	18,010,285	\$	20,963,933	\$	14,038,384	\$	-	56,553,622
Cost of sales	7,648,089		11,488,390		9,043,342		-	28,533,720
Gross profit	10,362,196		9,475,543		4,995,042		-	28,019,902
Operating expenses:								
Research and development	2,813,146		-		555,237		-	4,814,321
General and administrative	2,874,601		1,708,823		2,172,210		-	7,393,741
Marketing	609,573		6,539,702		120,232		-	8,047,945
Interest and accretion expenses	1,417,024		224,372		2,953		(540,242)	3,771,547
							1,500,000	
							300,000	
							512,900	
							(186,392)	
							5,408,333	
Amortization	2,894,788		172,375		14,017		-	8,548,429
Stock-based compensation expense	-		490		-		490	490
Non-operating income (expenses):	10,609,132		8,645,762		2,864,649		3,462,331	25,581,874
Fair value gain (loss) on financial liabilities	(4,977,862)		-		-		505,705	(4,472,157)
Transaction costs	(1,008,834)		-		-		(474,309)	(1,483,143)
Loan forgiveness	-		773,400		-		-	773,400
Foreign exchange loss	-		-		-		(33,600)	(33,600)
Gain (loss) on disposal of equipment	-		(6,953)		-		-	(6,953)
Other non-operating income	-		126,751		-		-	126,751
	(5,986,696)		893,198		(2,204)		(1,990,705)	(7,086,407)
Income (loss) before income taxes	(6,233,632)		1,722,979		2,130,393		(8,985,304)	(11,642,978)
Current taxes (recovery)	127,076		(145,902)		(20,196)		-	(39,022)
Deferred tax recovery	(59,484)		-		-		-	(59,484)
Net income (loss)	(6,301,224)		1,868,881		2,130,393		(8,985,304)	(11,544,472)
Other comprehensive loss	(23,355)		-		-		(23,355)	(23,355)
Comprehensive income (loss)	(6,324,579)		1,868,881		2,130,393		(8,985,304)	(11,567,827)
Basic and diluted earnings (loss) per share	(0.13)		0.14		0.14		(0.02)	(0.05)
Basic and diluted weighted average number of shares (Note T)	47,824,804		13,799,757		15,000,000		12,421,592	234,521,279

POPREACH CORPORATION

Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

Basis of Presentation

PopReach Corporation ("**PopReach**") is a company incorporated under the Business Corporations Act (Ontario) ("**OBCA**") and is a free-to-play ("**FTP**") game publisher focused on acquiring and optimizing proven franchises. PopReach has to date acquired successful game franchises enjoyed by millions of players, including Smurfs' Village (IP under license), PAYDAY Crime War (IP under license), Peak – Brain Training, Kitchen Scramble, Gardens of Time, City Girl Life, War of Nations and Kingdoms of Camelot. PopReach, headquartered in Toronto, employs a team of over 130 experts in Toronto, Vancouver, London, UK, and Bangalore, India. PopReach is listed on the TSX Venture Exchange under the symbol "POPR", and also trades on the OTCQX under the symbol "POPRF".

2810735 Ontario Inc. (d/b/a Federated Foundry) ("**Federated**"), was incorporated under the OBCA on January 25, 2021, under the name "2810735 Ontario Inc." On July 28, 2021, Federated registered the business name "Federated Foundry" under the Business Names Act (Ontario). Federated is a diversified acquirer and operator of digital technology companies. Federated identifies businesses with the potential of scale and longevity and provides them with the platform, personnel and synergistic assets to accelerate their growth.

On July 9, 2021, Q1Media Inc. ("**Q1Media**") was acquired by Federated, whereby Federated acquired all of the issued and outstanding securities of Q1Media. The consideration payable by Federated to the stockholders of Q1Media in connection with the acquisition was comprised of US\$5,000,000 in cash and a convertible debenture in the principal amount of US\$8,000,000 (the "**Q1Media Debenture**"), paid or issued, respectively, on the acquisition date, for an aggregate deemed transaction value of US\$13,000,000. Federated paid the cash consideration on closing of the acquisition using a combination of the proceeds from a seed share financing and a certain note payable. The Q1Media Debenture was converted into 15,873,016 Federated Shares on November 9, 2021, based on a conversion price per Federated Share of US\$0.504. Q1Media entered into a loan and security agreement with a third-party lender for a revolving line of credit ("**Q1Media 2020 LOC**") for up to \$3,000,000, for an initial term of 12 months. The 2020 LOC bears interest until maturity at a rate of prime plus 1%, where prime is determined by the Wall Street prime rate as published in the Wall Street Journal. As of September 30, 2021, the balance on the line of credit was \$1,300,000, which subsequently increased to \$1,500,000, before being paid off in full in December 2021.

On August 6, 2021, Notify AI, LLC ("**Notify**") was acquired by Federated, whereby Federated acquired all of the membership interests of Notify from the stockholders of Notify through Notify AcqCo, a wholly owned subsidiary of Federated. The consideration payable by Federated to the stockholders of Notify in connection with the acquisition was comprised of US\$5,000,000 in cash and a vendor takeback note ("**Notify VTB Note**"), paid or issued, respectively, on August 6, 2021, for an aggregate deemed transaction value of US\$15,600,000.

Crucial Interactive Holdings Inc. (doing business as "Contobox") ("**Contobox**") is a corporation incorporated on September 4, 2014, in the province of Ontario, Canada. Contobox enables businesses to personalize their messaging across video, mobile, social, and display advertising campaigns. Contobox's proprietary technology scores interest in products based on shopper engagements and purchase trends; uses predictive intelligence to recommend products to new and existing shoppers; and enhances experiences across multiple channels throughout the customer journey, providing marketers with deeper, more accurate insights, full transparency into performance and machine learning solutions. Contobox's registered and records office are located at 21 Camden Street, 5th Floor, Toronto, ON, M5V 1V2, Canada.

POPREACH CORPORATION

Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

On August 17, 2021, PopReach entered into a letter of intent with Federated with respect to the combination of PopReach and Federated resulting in a reverse takeover of PopReach by Federated (the **"Transaction"**). On October 18, 2021, PopReach and Federated entered into the Definitive Agreement, which supersedes the prior binding letter of intent, pursuant to which the parties have agreed to complete the Transaction on the terms set out therein. The Transaction is subject to a number of conditions precedent, including receipt of all regular approvals with respect to the Transaction and the listing of the resulting issuer's common shares on the Exchange.

On October 1, 2021, Contobox was acquired by Federated. The consideration payable by Federated was satisfied by the issuance of a vendor take back loan in the amount of \$4,675,000 Canadian dollars. As part of the sale, the indebtedness owed by Contobox was superseded and replaced with a promissory note (**"CIHI Amended and Restated Loan"**). Pursuant to the terms of the loan, (i) \$725,000 Canadian dollars of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$2,525,000 Canadian dollars of the principal amount is payable on the earlier to occur of the date that is (x) 6 months following the closing of the acquisition, and (y) the occurrence of the Transaction (of which \$888,301 Canadian dollars was repaid on December 6, 2021); and (iii) \$1,075,000 Canadian dollars will be satisfied through an exchange for Federated Shares on the basis of a conversion price of \$0.63, being 1,706,349 Federated Shares. The total amount of the CIHI Amended and Restated Loan in US Dollars was \$2,641,037, and the total amount of the vendor take back loan in US Dollars was \$3,669,257. An additional \$700,000 Canadian dollars in consideration was included in the purchase consideration of Contobox, which is payable over 2 years. The present value of the consideration in US Dollars is calculated to be \$415,431 using the September 30 rate of 1.2741 at a discount rate of 15%.

Pursuant to the terms of the Definitive Agreement, PopReach will acquire 100% of Federated pursuant to a "three-cornered amalgamation" among PopReach, Federated and a newly-incorporated wholly-owned subsidiary of Federated (**"Subco"**).

Pursuant to the Transaction:

- holders of issued and outstanding shares of Federated will receive 0.7636 PopReach shares for each Federated share (the **"Exchange Ratio"**) held;
- immediately prior to the Transaction and assuming a February 28, 2022 Transaction date, certain unsecured convertible debentures of Federated (including accrued and unpaid interest thereon) will be converted, in accordance with their respective terms, into an additional 19,090,259 PopReach shares;

It is currently expected that, upon the completion of the Transaction, PopReach will issue 161,055,125 shares to Federated shareholders (including the Federated shares issuable upon the conversion of Federated's unsecured convertible debentures). As a result, immediately upon the completion of the Transaction, it is expected that PopReach's issued and outstanding capital will consist of 234,521,279 shares, 7,630,214 options, and 7,799,289 warrants.

The accompanying unaudited pro forma consolidated statement of financial position of PopReach has been prepared by management to reflect the "three cornered amalgamation" discussed above, including the pro forma results of Contobox, Q1Media and Notify.

The issuer existing following completion of the Transaction (the **"Resulting Issuer"**) will remain named PopReach Corporation. The Resulting Issuer will continue to be a corporation governed by the provisions of the OBCA. It is expected that the head and registered office of the Resulting Issuer will be located at 1 University Avenue, 3rd Floor, Toronto, Ontario M5J 3P1.

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

As part of the Transaction, Subco will amalgamate with Federated pursuant to the provisions of the OBCA and the amalgamated entity will become a wholly-owned subsidiary of the Resulting Issuer.

The pro forma consolidated statement of financial position and related disclosures gives effect to the proposed transactions described above as if they occurred on September 30, 2021. The pro forma statement of income (loss) and comprehensive income (loss) and related disclosures gives effect to the proposed transactions described above as if they occurred on January 1, 2020.

Upon completion of the Transaction, the former shareholders of Federated are expected to become the controlling shareholders of the Resulting Issuer. This type of share exchange, referred to as a reverse takeover ("**RTO**"), deems Federated to be the acquirer for accounting purposes. Accordingly, Federated's balances are accounted for at cost, and PopReach and Contobox's balances are accounted for at fair value on the RTO date.

The Transaction has been accounted for in the unaudited pro forma consolidated statement of financial position as a continuation of the financial statements of Federated (inclusive of Contobox, Q1Media, and Notify), together with the acquisition of PopReach. The unaudited pro forma statement of financial position has been prepared from information derived from and should be read in conjunction with the following (including the notes thereto):

- Unaudited interim condensed consolidated financial statements of PopReach for the three and nine months ended September 30, 2021 and 2020
- Audited consolidated financial statements of PopReach for the years ended December 31, 2020 and 2019
- Audited financial statements of Federated Foundry for the period ended September 30, 2021
- Unaudited interim condensed financial statements of Q1 Media Inc., a wholly-owned subsidiary of Federated, for the three and six month periods ended June 30, 2021 and 2020
- Audited consolidated financial statements of Q1 Media Inc. for the years ended December 31, 2020 and 2019
- Unaudited interim condensed financial statements of NotifyAI, LLC., a wholly-owned subsidiary of Federated, for the three and six month periods ended June 30, 2021 and 2020
- Audited consolidated financial statements of NotifyAI, LLC. for the years ended December 31, 2020 and 2019
- Unaudited interim condensed consolidated financial statements of Contobox for the three and nine months ended September 30, 2021 and 2020
- Audited consolidated financial statements of Contobox for the years ended December 31, 2020 and 2019

The unaudited pro forma consolidated statement of financial position and statement of income (loss) and comprehensive income (loss), in the opinion of management, includes all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of PopReach and Federated. Further, the purchase price allocation for the Contobox and PopReach business acquisitions is not complete and the full amount has been denoted as unallocated intangible assets and goodwill. Upon completion of the purchase price allocation, amounts will be allocated to intangibles subject to amortization. The amounts allocated to identifiable intangible assets and any related amortization and deferred tax liabilities will be material. The fair value of deferred revenues could also be subject to material change upon finalizing the purchase price allocation. The unaudited pro forma consolidated statement of financial position and statement of income (loss) and comprehensive income (loss) has been prepared for illustration purposes only and may not be indicative of the financial position had the Transaction

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

been in effect at the date indicated. The pro forma consolidated statement of financial position has been prepared for inclusion in the management information circular of PopReach dated **February xx, 2022**.

Pro Forma Assumptions and Adjustments

The unaudited pro forma consolidated financial statements gives effect to the following assumptions and adjustments:

- A) Represents funds received in respect of a term loan in the principal amount of \$12,500,000 on November 19, 2021 which matures on the 8-month anniversary of the Disbursement Date (defined below) and bears interest at the prime rate of interest (as determined by the National Bank of Canada), plus 7.50% per annum (the **"Fiera Facility"**). Federated's obligations under the Fiera Facility are secured by a first-ranking security interest over all of the assets of Federated and each of the Federated Subsidiaries. The purpose of the Fiera Facility is to repay the Q1Media 2020 LOC, the Notify VTB Note, and the CIHI Amended and Restated Loan. Proceeds under the Fiera Facility were disbursed on December 6, 2021 (the **"Disbursement Date"**). Among other terms, conditions and covenants customarily for a credit facility of this kind, Fiera's prior consent is required for Federated to consummate the Transaction. Transaction costs associated with the facility were estimated to be \$300,000, and are net against the debt, with accretion expenses being recorded in the pro forma statement of income (loss) and comprehensive income (loss) during the year ended December 31, 2020.
- B) Represents funds received subsequent to September 30, 2021 in respect of an issuance of an unsecured promissory note in the principal amount of \$2,500,000 with a maturity date of June 10, 2022 and bearing interest at the rate of 10.00% per annum (the **"Federated \$2.5 Million Note"**). The purpose of the Federated \$2.5 Million Note is to repay the certain notes owing, and the balance remaining thereunder, to fund the working capital requirements of Federated.
- C) Represents a repayment of the Q1Media 2020 LOC of \$1,300,000 as discussed above.
- D) Represents a repayment of the Notify VTB Note of \$10,600,000 as discussed above.
- E) Represents a repayment of the CIHI Amended and Restated Loan of \$2,641,037 as discussed above, of which \$452,731 is in current liabilities and \$2,188,306 is in non-current liabilities. The repayment was made in two tranches, with \$725,000 Canadian dollars repaid on closing of the acquisition of Contobox by Federated, and the remaining \$2,525,000 Canadian dollars payable on the earlier of 6 months following the closing of the acquisition or the occurrence of the Transaction. The remaining \$1,075,000 Canadian dollars (US Dollars of \$818,137) owing was settled through share issuance described in H).
- F) On January 18, 2022, Federated issued an unsecured promissory note to Ted Hastings in the principal amount of C\$500,000 with a maturity date of January 18, 2025 (the **"Federated Hastings Note"**) and bearing interest at the rate of 8.00% per annum. The proceeds from the Federated Hastings Note were used by Federated to repay a portion of Federated's borrowings which had a maturity date of August 2024 and bearing interest at the rate of 8.00% per annum. As the terms of the two notes are similar, management estimates that the present value of the Federated Hastings Note and the present value of the borrowings to be repaid are equal. The total present value of the promissory note

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

is calculated to be \$420,100 Canadian dollars using a 15% discount rate, and the value in US Dollars is calculated to be \$329,700 using a September 30, 2021 rate of 1.2741.

- G) Estimated professional fees of the Transaction are \$1,485,000 for the year ended December 31, 2020.
- H) The pro forma reflects the business combinations for the proposed acquisition of PopReach and the acquisition of Contobox completed on October 1, 2021, with the fair value of unallocated intangible assets and goodwill calculated below:

PopReach:		
Purchase Consideration		
Shares	\$	46,128,972
Options		2,256,922
Warrants – liability		1,227,871
Warrants – equity		20,417
Total Purchase Consideration		49,634,182
Identifiable assets acquired		
Cash and cash equivalents		11,582,698
Trade and other receivables		1,797,190
Investment tax credits receivable		855,433
Investment in lease receivable		113,339
Prepaid assets		343,248
Property and equipment		203,920
Right-of-use asset		326,013
Deferred cost of sales		256,608
Deferred tax asset		68,006
Trade and other payables		(1,214,557)
Taxes payable		(75,432)
Deferred revenue		(2,607,943)
Lease liabilities		(461,062)
Borrowings		(5,354,939)
Employee benefit obligations		(408,510)
Net Assets acquired		5,424,012
Unallocated intangible assets and goodwill	\$	44,210,170

POPREACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

Contobox:

Purchase Consideration

VTB Note (\$4.675 million Canadian dollars) – debt portion	\$	3,190,658
VTB Note (\$4.675 million Canadian dollars) – equity portion		478,599
Assumed remaining debt (\$4.325 million Canadian dollars) – \$1.075 million Canadian dollars settled through share issuance		818,137

Total Purchase Consideration - Shares		4,487,394
Assumed remaining debt (\$4.325 million Canadian dollars) – \$3.250 million Canadian dollars settled through CIHI Amended and Restated Loan		2,641,037
Additional consideration payable		415,431

Total Purchase Consideration		7,543,862

Identifiable assets acquired		
Cash and cash equivalents		977,443
Restricted cash		98,108
Trade and other receivables		1,190,605
Investment tax credits receivable		283,223
Prepaid assets		24,880
Other		137,334
Property and equipment		17,242
Right-of-use asset		2,647
Trade and other payables		(3,336,869)
Taxes payable		(65,715)
Deferred revenue		(210,966)
Lease liabilities		(2,860)
Deferred tax liabilities		(55,459)
Net Assets acquired		(940,387)
Unallocated intangible assets and goodwill	\$	8,484,249

The allocation between the debt and equity portions of the vendor takeback note was calculated based on a 15% discount rate, with the debt portion totalling \$3,190,658 and the equity portion totalling \$478,599. The associated accretion interest recorded in the pro-forma consolidated statement of income (loss) and comprehensive income (loss) for the period from January 1, 2021 to September 30, 2021 is \$377,430, and the accretion interest recorded in the pro-forma consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2020 is \$512,900.

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

An additional \$700,000 Canadian dollars in additional consideration was included in the purchase consideration of Contobox, which is payable over 2 years. The present value of the consideration in US Dollars is calculated to be \$415,431 using the September 30 rate of 1.2741 at a discount rate of 15%, and is included as an adjustment to trade and other payables in the pro forma consolidated statement of financial position. Below is a reconciliation of the total consideration being allocated to the different line items in the pro forma consolidated statement of financial position:

Allocated to share capital	4,487,394
Allocated to borrowings	2,641,037
Allocated to trade and other payables	415,431
Total Purchase Consideration	\$ 7,543,862

There are multiple reasons for the Transaction, including but not limited to the following:

- a. Combined Synergistic Platform & Increased Scale: the Resulting Issuer will be a multi-platform digital media company with meaningful size and scale, with strategic alignment to acquire, optimize and scale digital technology assets. Synergies are expected from the combination of PopReach's portfolio of gaming assets with over 1.9 million monthly active users and Federated's portfolio of companies that deliver 30 billion monthly advertising impressions to 650 million unique users.
- b. Large Growth Trends: the Resulting Issuer will operate in a large and rapidly expanding market of over \$500 billion, comprised of a \$455 billion digital advertising market and a \$91 billion mobile gaming market. The Resulting Issuer will have access to a deep pool of high-quality acquisition targets across the digital media, gaming and AdTech landscape, which will maximize return on invested capital.
- c. Capital Markets Profile: the Resulting Issuer will have an improved capital markets profile with improved financial strength, and increased access to capital to facilitate and accelerate growth.
- d. Management: the combined management team will bring complementary strengths and deep experience in M&A, digital media and advertising, mobile user acquisition, and digital content monetization.

The purchase price allocation for the Contobox and PopReach business acquisitions is not complete and the full amount has been denoted as unallocated intangible assets and goodwill. Upon completion of the purchase price allocation, amounts will be allocated to intangibles subject to amortization. The amounts allocated to identifiable intangible assets and any related amortization, and deferred tax liabilities will be material. The fair value of deferred revenues could also be subject to material change upon finalizing the purchase price allocation.

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive Income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

- I) Represents adjustments to record the reverse takeover of PopReach by Federated as described above:
- a. The fair value of the 73,123,254 PopReach shares were valued at \$45,913,667 representing the value of PopReach shares of \$0.80 Canadian dollars per share translated into US Dollars at the September 30 rate of 1.2741. Including the subsequent adjustments during Q4 2021, the total number of pro-forma PopReach shares are 73,466,154. The fair value associated with these shares, using \$0.80 Canadian dollars per share translated into US Dollars at the September 30 rate of 1.2741, is \$46,128,972.
 - b. The fair value of the options were valued at \$2,468,643 using the Black-Scholes model and the following assumptions (in Canadian dollars): share price of \$0.80, expected life of 0.5 – 4.92 years, \$nil dividends, 47.75% volatility, exercise price of \$0.16 - \$0.85, and a risk-free interest rate of 1.55%. Including the subsequent adjustments during Q4 2021 of (\$211,721), the total value of PopReach options was \$2,256,922. The consideration for options represents the vested amount of options in accordance with IFRS 3 and the calculations were performed based on an acquisition date of February 28, 2022.
 - c. The fair value of the warrants classified as current liabilities were valued at \$1,227,871 using the Black-Scholes model and the following assumptions (in Canadian dollars): share price of \$0.80, expected life of 0.41 – 0.75 years, \$nil dividends, 47.75% volatility, exercise price of \$0.49 - \$0.86, and a risk-free interest rate of 1.55%.
 - d. The fair value of the warrants classified as equity were valued at \$23,953 using the Black-Scholes model and the following assumptions (in Canadian dollars): share price of \$0.80, expected life of 0.41 – 0.75 years, \$nil dividends, 47.75% volatility, exercise price of \$0.54 - \$0.58, and a risk-free interest rate of 1.55%. Including the subsequent adjustments during Q4 2021 of (\$3,536), the total value of the PopReach warrants classified as equity was \$20,417.
- J) Represents adjustments to record the acquisition of Contobox by Federated as described above:
- a. The fair value of the Contobox shares, consolidated into number of PopReach shares of 1,302,986, were valued at \$818,137 representing the value of PopReach shares of \$0.80 Canadian dollars per share translated into US Dollars at the September 30 rate of 1.2741. As this was paid to satisfy the debt that was assumed by Federated from Contobox, this value is reclassified from borrowings to share capital.
 - b. The fair value of the Contobox vendor take back loan, consolidated into number of PopReach shares of 5,666,473 upon conversion, were valued at \$3,669,257 representing the \$4,675,000 Canadian dollars translated at a September 30 rate of 1.2741. As per H) discussed above, the note was split into the debt portion totalling \$3,190,658 and the equity portion totalling \$478,599.
- K) Represents adjustments to record the conversion of the \$8,000,000 convertible debentures of Q1Media, consolidated into 12,120,800 PopReach shares.
- L) Represents the elimination of provisions associated with the PAYDAY acquisition for PopReach, as such amounts were previously recorded as contingent consideration. For the acquisition of PopReach by Federated, as such

POPREACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

amounts related to royalty payments to the past owners of PAYDAY, the amounts do not represent contingent consideration. Royalty payments will be expensed as the related sales occur.

- M) Represents interest and accretion expenses that would have been eliminated had the acquisition occurred at the beginning of the period, as such amounts have been settled through the Fiera Facility as described above. The breakdown for both the period from January 1, 2021 to September 30, 2021, and for the year ended December 31, 2020 are as follows:

For the period from January 1, 2021 to September 30, 2021	
Federated:	
Q1Media VTB Note interest and accretion	\$ 113,000
Q1Media 2020 LOC interest	11,496
Notify VTB Note interest and accretion	78,668
Warrant put liability interest and accretion	15,173
Q1Media:	
Warrant put liability interest and accretion for the six months ended June 30, 2021	36,065
Contobox:	
Convertible debt interest and accretion	527,022
	\$ 781,424
For the year ended December 31, 2020	
Q1Media:	
Warrant put liability interest and accretion	\$ 105,007
Q1Media 2020 LOC interest	80,659
Contobox:	
Debt interest and accretion	354,576
	\$ 540,242

- N) Represents revenues, cost of sales, operating expenses, net income, and other comprehensive income generated by Q1Media and Notify for the period from January 1, 2021 to June 30, 2021. Below is the reconciliation of the statements of income (loss) and comprehensive (loss) of Notify and Q1Media to the pro forma consolidated statement of income (loss) and comprehensive income (loss):

POPREACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

Below is the statement of income and comprehensive income for Notify for the six months ended June 30, 2021, along with line items re-mapped to reconcile to the pro-forma adjustments in the pro-forma consolidated statement of income (loss) and comprehensive income (loss):

Original line items:	Re-mapped line items:	
Revenue	Revenues	\$ 11,931,274
Media costs	Cost of sales	7,573,091
Gross profit	Gross profit	4,358,183
Operating expenses:	Operating expenses:	
Technology and development	Research and development	433,985
General and administrative	General and administrative	1,760,662
Sales and Marketing	Marketing	66,583
Depreciation	Amortization	7,009
		2,268,239
Income before income taxes	Income before income taxes	2,089,944
Net income and comprehensive income	Net income and comprehensive income	2,089,944

POPREACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

Below is the statement of loss and comprehensive loss for Q1Media for the six months ended June 30, 2021, along with line items re-mapped to reconcile to the pro-forma adjustments in the pro-forma consolidated statement of income (loss) and comprehensive income (loss):

Original line items:	Re-mapped line items:	
Revenue	Revenues	\$ 11,724,324
Media costs	Cost of sales	6,217,866
Gross profit	Gross profit	5,506,458
Operating expenses:	Operating expenses:	
General and administrative	General and administrative	873,718
Selling and Marketing	Marketing	3,654,601
Interest expense	Interest and accretion expenses	85,753
Depreciation	Amortization	69,296
Stock-based compensation	Stock-based compensation	3,306,455
		7,989,823
Non-operating income (expenses):	Non-operating income (expenses):	
Loss on disposal of equipment	Loss on disposal of equipment	(1,413)
Other income	Other non-operating income	28,390
		26,977
Loss before income taxes	Loss before income taxes	(2,456,388)
Income tax expense	Current tax expense	235,254
Net loss and comprehensive loss	Net loss and comprehensive loss	(2,691,642)

POPREACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

Below is the reconciliation of the statements of income (loss) and comprehensive income (loss) for Q1Media and Notify for the six months ended June 30, 2021 to the pro-forma consolidated statement of income (loss) and comprehensive income (loss):

Re-mapped line items:	Notify		Q1Media		Total
Revenues	\$	11,931,274	\$	11,724,324	\$ 23,655,598
Cost of sales		7,573,091		6,217,866	13,790,957
Gross profit		4,358,183		5,506,458	9,864,641
Operating expenses:					
Research and development		433,985		-	433,985
General and administrative		1,760,662		873,718	2,634,380
Marketing		66,583		3,654,601	3,721,184
Interest and accretion expenses		-		85,753	85,753
Amortization		7,009		69,296	76,305
Stock-based compensation				3,306,455	3,306,455
		2,268,239		7,989,823	10,258,062
Loss on disposal of equipment		-		(1,413)	(1,413)
Other non-operating income		-		28,390	28,390
		-		26,977	26,977
Income (loss) before income taxes		2,089,944		(2,456,388)	(366,444)
Current tax expense		-		235,254	235,254
Net income (loss) and comprehensive income (loss)		2,089,944		(2,691,642)	(601,698)

- O) Represents amortization recorded for intangible assets of \$3,054,167 for Q1Media and Notify for the period from January 1, 2021 to June 30, 2021, and \$5,408,333 for the year ended December 31, 2020.

POPREACH CORPORATION
Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

- P) The financial statements of Contobox were translated into US Dollars, with the statement of financial position being translated at the September 30, 2021 spot rate of 1.2741, and the statement of loss and comprehensive loss translated at an average rate of 1.2516.

Below is the reconciliation of the statement of financial position of Contobox to the pro-forma consolidated statement of financial position as at September 30, 2021:

Original line items:	Re-mapped line items:	In Canadian dollars	In US Dollars
Assets	Assets		
Current Assets:	Current Assets:		
Cash and cash equivalents	Cash and cash equivalents	\$ 1,245,360	\$ 977,443
Restricted cash	Restricted cash	125,000	98,108
Accounts receivable	Trade and other receivables	1,516,950	1,190,605
Investment tax credits receivable	Investment tax credits receivable	360,854	283,223
Prepaid expenses and deposits	Prepaid assets	31,700	24,880
Other assets	Other	174,977	137,334
		3,454,841	2,711,593
Property and equipment	Property and equipment	21,968	17,242
Intangible assets	Intangible assets	71,174	55,862
Right-of-use assets	Right-of-use asset	3,373	2,647
		3,551,356	2,787,344
Liabilities	Liabilities		
Current liabilities:	Current liabilities:		
Accounts payable and accrued liabilities	Trade and other payables	3,232,554	2,537,127
Income taxes payable	Taxes payable	83,727	65,715
Unearned revenue	Deferred revenue	268,792	210,966
Current portion of lease liability	Lease liabilities	3,644	2,860
Current portion of loans	Borrowings	576,824	452,731
Due to related parties	Due to related parties	1,018,951	799,742
		5,184,492	4,069,141
Loans	Borrowings	2,788,121	2,188,306
Deferred tax liabilities	Deferred tax liabilities	70,660	55,459
		8,043,273	6,312,906
Shareholders' equity (deficit)	Shareholders' equity (deficit)		
Share capital	Share capital	2,836,612	2,226,365
Warrants	Warrant reserve	-	-
Contributed surplus	Share-based payment reserve	571,680	448,693
Accumulated other comprehensive income	Accumulated other comprehensive income	-	16,698
Deficit	Deficit	(7,900,209)	(6,217,318)
		(4,491,917)	(3,525,562)
		3,551,356	2,787,344

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

Below is the reconciliation of the statement of loss and comprehensive loss of Contobox to the pro-forma consolidated statement of income (loss) and comprehensive income (loss) for the nine months ended September 30, 2021:

Original line items:	Re-mapped line items:	In Canadian dollars		In US Dollars	
Revenues	Revenues	\$	4,029,882	\$	3,219,870
Media costs	Cost of sales		196,214		156,775
Gross profit	Gross profit		3,833,668		3,063,095
Operating expenses:	Operating expenses:				
Technology and development	Research and development		1,571,499		1,255,625
General and administrative	General and administrative		752,382		601,152
Sales and marketing	Marketing		835,752		667,765
Finance costs	Interest and accretion expenses		570,268		455,643
Depreciation and amortization	Amortization		98,475		78,681
			3,828,376		3,058,866
Non-operating income (expenses):	Non-operating income (expenses):				
Transaction and restructuring costs	Transaction costs		(360,800)		(288,279)
Loan forgiveness	Loan forgiveness		(590,000)		(471,409)
Foreign exchange loss	Foreign exchange loss		(14,314)		(11,437)
Gain on disposal of equipment	Gain on disposal of equipment		52,745		42,143
			(912,369)		(728,982)
Loss before income taxes	Loss before income taxes		(907,077)		(724,753)
Net loss and comprehensive loss	Net loss and comprehensive loss		(907,077)		(724,753)

An adjustment of \$16,698 was recorded to accumulated other comprehensive income which represents the difference in foreign exchange rates between the spot rate of 1.2741 as at September 30, 2021 used for the statement of financial position and the average rate of 1.2516 for the nine months ended September 30, 2021 used for the statement of net loss and comprehensive loss.

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

Below is the reconciliation of the statement of loss and comprehensive loss of Contobox to the pro-forma consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2020, translated at the average rate of 1.3415:

Original line items:	Re-mapped line items:	In Canadian dollars	In US Dollars
Revenues	Revenues	\$ 4,750,278	\$ 3,541,020
Media costs	Cost of sales	474,756	353,899
Gross profit	Gross profit	4,275,522	3,187,121
Operating expenses:	Operating expenses:		
Technology and development	Research and development	1,939,726	1,445,938
General and administrative	General and administrative	856,020	638,107
Sales and marketing	Marketing	1,044,274	778,438
Finance costs	Interest and accretion expenses	475,615	354,540
Depreciation and amortization	Amortization	329,081	245,308
		4,644,716	3,462,331
Non-operating income (expenses):	Non-operating income (expenses):		
Fair value gain on financial liabilities	Fair value gain on financial liabilities	678,403	505,705
Transaction and restructuring costs	Transaction costs	(636,286)	(474,309)
Foreign exchange loss	Foreign exchange loss	(45,074)	(33,600)
Gain on disposal of equipment	Gain on disposal of equipment		
		(2,957)	(2,204)
Loss before income taxes	Loss before income taxes	(372,151)	(277,414)
Income taxes	Current tax recovery	(27,093)	(20,196)
Net loss and comprehensive loss	Net loss and comprehensive loss	(345,058)	(257,218)

- Q) Represents the elimination of share capital, warrant reserve, share-based payment reserve, accumulated other comprehensive income (loss), and deficit of PopReach and Contobox.
- R) Represents interest expenses on the Fiera Facility and the Federated \$2.5 Million Note. The interest calculated on the Fiera Facility, at 10% per annum, is \$937,500 for the period from January 1, 2021 to September 30, 2021, and \$1,250,000 for the year ended December 31, 2020. The interest calculated on the Federated \$2.5 Million Note, at 10% per annum, is \$187,500 for the period from January 1, 2021 to September 30, 2021, and \$250,000 for the year ended December 31, 2020. In total, \$1,125,000 of interest expenses are recorded as a pro-forma adjustment for the period from January 1, 2021 to September 30, 2021, and \$1,500,000 of interest expenses are recorded as a pro-forma adjustment for the year ended December 31, 2020. The interest expenses would be net against the debt on the pro-forma consolidated statement of financial position, and the associated accretion expense of the same amount would be recorded in the pro-forma consolidated statement of income (loss) and comprehensive income (loss).
- S) Represents the elimination of fair value gain on financial liabilities of Contobox, which is related to the change in fair value of the convertible debt for the year ended December 31, 2020.

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

T) Giving the effect to the above, the summary below describes the pro forma capitalization of the Resulting Issuer:

	Note	Number	Value
Common shares			
PopReach shares issued and outstanding at September 30, 2021	I	73,123,254	\$
Conversion of PopReach options into common shares on exercise during Q4 2021	I	342,900	
		<u>73,466,154</u>	<u>46,128,972</u>
Federated shares issued to shareholders of Federated at September 30, 2021		185,912,699	
Conversion of Federated shares into PopReach shares based on Exchange Ratio		(43,947,833)	
Total Federated shares		<u>141,964,866</u>	<u>28,547,998</u>
Federated shares issued to shareholders of Contobox at September 30, 2021		1,706,349	
Exchange of Federated shares for PopReach shares based on Exchange Ratio		(403,363)	
Total Contobox shares	J	<u>1,302,986</u>	<u>818,137</u>
Conversion of convertible debentures of Contobox, consolidated into # of PopReach shares	J	5,666,473	3,669,257
Conversion of convertible debentures of Q1Media, consolidated into # of PopReach shares	K	12,120,800	8,000,000
Pro Forma shares as at February 28, 2022		<u>234,521,279</u>	<u>87,164,364</u>

POP REACH CORPORATION**Pro-Forma Consolidated Statements of Financial Position and Income (Loss) and Comprehensive income of Resulting Issuer**

For the year ended December 31, 2020, and as at and for the nine months ended September 30, 2021 (unaudited - in US dollars, unless otherwise stated)

	Note	Number	Value
Shares reserved for issuance as at September 30, 2021			
Options			
PopReach compensation options as at September 30, 2021		828,000	28,897
PopReach employee and other options as at September 30, 2021		7,274,614	2,439,746
PopReach options issued during Q4 2021	I	225,000	3,755
Conversion of options into common shares on exercise during Q4 2021	I	(342,900)	(215,476)
Forfeiture of PopReach options for departures of employees of PopReach		(354,500)	-
Total PopReach Options - net	I	7,630,214	\$ 2,256,922
Warrants			
PopReach warrants classified as equity as at September 30, 2021		277,084	\$ 23,953
PopReach warrants classified as current liability as at September 30, 2021		7,699,705	1,227,871
Expiration of warrants classified as equity during Q4 2021	I	(177,500)	(3,536)
Total Warrants	I	7,799,289	1,248,288
Pro-forma shares reserved shares for issuance as at February 28, 2022		15,429,503	3,505,210
Pro-forma fully diluted shares as at September 30, 2021		249,950,782	90,669,574

The following table outlines in aggregate the number of securities of each of PopReach, Federated, and Contobox, and in total in number and recorded value post-RTO:

	PopReach	Federated	Contobox	Total	Value
Common shares	73,466,154	154,085,665	6,969,460	234,521,279	\$ 87,164,364
Options	7,630,214	-	-	7,630,214	2,256,922
Warrants	7,799,289	-	-	7,799,289	1,248,288
	88,895,657	154,085,665	6,969,460	249,950,782	\$ 90,669,574

CERTIFICATE OF THE ISSUER

Dated: February 14, 2022

The foregoing document constitutes full, true and plain disclosure of all material facts relating to the securities of PopReach assuming completion of the Transaction.

POPREACH CORPORATION

(signed) "Jon Walsh"
Jon Walsh
Chief Executive Officer

(signed) "Greg Donaldson"
Greg Donaldson
Chief Financial Officer

On behalf of the board of directors

(signed) "Christopher Locke"
Christopher Locke
Director

(signed) "Mike Vorhaus"
Mike Vorhaus
Director

CERTIFICATE OF FEDERATED

Dated: February 14, 2022

The foregoing document as it relates to Federated constitutes full, true and plain disclosure of all material facts relating to the securities of Federated.

2810735 ONTARIO INC. D/B/A FEDERATED FOUNDRY

(signed) "Ted Hastings"
Ted Hastings
Chief Executive Officer

(signed) "Jeff Collins"
Jeff Collins
Chief Financial Officer

On behalf of the board of directors

(signed) "Ted Hastings"
Ted Hastings
Director

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