

Propel Holdings Inc.
Condensed Interim Consolidated Financial Statements (Unaudited)
As at September 30, 2024 and for the three and nine month period ended September 30, 2024

Propel Holdings Inc.
Condensed interim consolidated statements of financial position (unaudited)

(expressed in US dollars)

	Note	As at	
		September 30, 2024	December 31, 2023
Assets			
Cash		16,996,916	13,750,726
Restricted cash	4	33,068,052	29,290,306
Loans and advances receivable	5	332,999,422	259,313,236
Other receivables		7,308,986	6,726,093
Prepays	7	1,419,644	1,911,956
Derivative financial instruments	8	63,839	571,255
Property and equipment	9	301,434	429,955
Deferred tax assets		24,672,838	17,036,277
Right-of-use assets	11	1,348,823	1,793,921
Intangible assets	10	15,535,529	13,439,379
Total Assets		433,715,483	344,263,104
Liabilities			
Accounts payable	12	5,454,121	4,322,220
Accrued liabilities	12	29,860,857	24,108,072
Credit facilities	13	250,605,240	199,166,579
Income taxes payable		15,327,190	10,866,684
Lease liabilities	11	1,774,261	2,349,884
Deferred tax liabilities		2,588,724	1,930,480
Total Liabilities		305,610,393	242,743,919
Shareholders' Equity			
Share capital	14	79,370,280	78,964,450
Retained earnings		43,586,975	18,673,095
Accumulated other comprehensive income		8,651	218,745
Contributed surplus		5,139,184	3,662,895
Total Shareholders' Equity		128,105,090	101,519,185
Total Liabilities and Shareholders' Equity		433,715,483	344,263,104

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Approved on behalf of the Board

(signed) "Karen Martin" _____, Director

(signed) "Clive Kinross" _____, Director

Propel Holdings Inc.
Condensed interim consolidated statements of operations (unaudited)

(expressed in US dollars)

	Note	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2024	2023	2024	2023
Revenue	6	117,169,442	83,171,747	320,423,748	220,477,535
Provision for loan losses and other liabilities	5	61,283,816	43,187,285	156,913,299	110,530,501
Operating expenses					
Acquisition and data	10	13,690,825	10,638,072	38,295,919	26,921,920
Salaries, wages and benefits	15, 18	9,453,082	7,994,000	27,952,993	22,647,417
General and administrative		4,615,304	2,135,332	9,920,311	6,248,909
Processing and technology		4,081,750	3,101,982	11,706,071	7,898,598
Total operating expenses		31,840,961	23,869,386	87,875,294	63,716,844
Operating income		24,044,665	16,115,076	75,635,155	46,230,190
Other expenses (income)					
Interest and fees on credit facilities	13	8,401,947	5,943,899	23,070,762	16,010,677
Interest expense on lease liabilities	11	60,980	86,260	199,654	252,485
Amortization of internally developed software	10	1,080,039	835,343	3,039,099	2,436,003
Depreciation of property and equipment	9	45,296	50,186	146,914	145,700
Depreciation of right-of-use assets	11	182,249	191,001	561,689	515,164
Foreign exchange loss (gain)		(45,238)	274,579	182,487	285,496
Unrealized loss (gain) on derivative financial instruments	8	(112,925)	280,156	507,415	216,814
Total other expenses (income)		9,612,348	7,661,424	27,708,020	19,862,339
Income before income tax		14,432,317	8,453,652	47,927,135	26,367,851
Income tax expense (recovery)					
Current		6,391,842	4,672,134	20,149,542	10,418,885
Deferred		(2,480,782)	(2,390,443)	(6,989,096)	(3,343,271)
Net income		10,521,257	6,171,961	34,766,689	19,292,237
Weighted average number of shares outstanding:					
Basic	14	34,398,790	34,325,320	34,361,825	34,325,320
Diluted	14	37,275,049	36,835,242	37,184,709	36,739,656
Earnings per share:					
Basic	14	0.31	0.18	1.01	0.56
Diluted	14	0.28	0.17	0.93	0.53
Dividends per share:					
Total dividends		3,552,647	2,514,003	9,852,809	7,469,803
Dividends per share		0.103	0.073	0.287	0.218

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Propel Holdings Inc.
Condensed interim consolidated statements of other comprehensive income and changes in equity
(unaudited)

(expressed in US dollars)

Condensed interim consolidated statements of other comprehensive income (unaudited)

	Note	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2024	2023	2024	2023
Net income		10,521,257	6,171,961	34,766,689	19,292,237
Other comprehensive income to be subsequently reclassified to net income					
Change in foreign currency translation reserve, net of tax		128,253	-	(210,094)	-
Comprehensive income		10,649,510	6,171,961	34,556,595	19,292,237

Condensed interim consolidated statements of changes in equity (unaudited)

	Note	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance as at December 31, 2023		78,964,450	3,662,895	18,673,095	218,745	101,519,185
Comprehensive income		-	-	34,766,689	(210,094)	34,556,595
Transactions recorded directly in equity						
Dividends declared and paid		-	-	(9,852,809)	-	(9,852,809)
Stock-based compensation	15	-	1,636,999	-	-	1,636,999
Options exercised	14	405,830	(160,710)	-	-	245,120
Balance as at September 30, 2024		79,370,280	5,139,184	43,586,975	8,651	128,105,090

	Note	Share Capital	Contributed surplus	Retained earnings/ (deficit)	Accumulated other comprehensive income	Total equity
Balance as at December 31, 2022		78,952,871	1,656,827	1,030,977	-	81,640,675
Comprehensive income		-	-	19,292,237	-	19,292,237
Transactions recorded directly in equity						
Dividends declared and paid		-	-	(7,469,803)	-	(7,469,803)
Stock-based compensation	15	-	1,540,377	-	-	1,540,377
Balance as at September 30, 2023		78,952,871	3,197,204	12,853,411	-	95,003,486

The accompanying notes are an integral part of these condensed interim consolidated financial statements

Propel Holdings Inc.
Condensed interim consolidated statements of cash flows (unaudited)

(expressed in US dollars)

	Note	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
		2024	2023	2024	2023
Cash flows from (used in) operating activities					
Net income		10,521,257	6,171,961	34,766,689	19,292,237
Items not affecting cash:					
Provision for loan losses	5	59,120,539	42,496,205	149,908,640	106,874,298
Unrealized loss (gain) on derivative financial instruments	8	(112,925)	280,156	507,415	216,814
Deferred income tax recovery		(2,502,094)	(2,381,381)	(6,978,317)	(3,340,041)
Amortization of acquisition transaction costs and customer acquisition data	5, 10	2,856,724	2,521,030	9,393,883	6,955,157
Amortization of transaction costs on credit facilities		(313,420)	169,502	17,933	408,337
Depreciation of property and equipment	9	45,296	50,186	146,914	145,700
Amortization of internally developed software	10	1,080,039	835,343	3,039,099	2,436,003
Depreciation of right-of-use assets	11	182,249	191,001	561,689	515,164
Change in foreign currency translation reserve		128,253	-	(210,094)	-
Stock-based compensation	15	611,033	523,146	1,636,999	1,540,377
		71,616,951	50,857,149	192,790,850	135,044,046
Changes in:					
Restricted cash	4	5,708,237	(1,038,434)	(3,777,746)	(3,813,033)
Prepays	7	372,272	408,865	492,312	663,072
Acquisition transaction costs and customer acquisition data	5, 10	(6,026,376)	(3,791,685)	(16,791,158)	(8,959,311)
Other receivables		1,801,340	(1,337,102)	(582,893)	(5,717)
Income taxes payable		5,932,163	2,856,105	4,460,506	5,012,764
Accounts payable and accrued liabilities	12	3,945,285	3,803,666	7,033,283	8,366,494
Net additions of loans and advances receivable	5	(90,369,526)	(65,640,243)	(234,955,067)	(158,653,968)
Principal loans and advances receivable recoveries	5	6,167,864	4,046,495	18,205,493	13,300,687
Net cash used in operating activities		(851,790)	(9,835,184)	(33,124,420)	(9,044,966)
Cash flows from (used in) financing activities					
Advances from credit facilities	13	12,545,718	16,000,000	53,420,728	28,150,000
Payments on credit facilities	13	-	-	(2,000,000)	(3,500,000)
Transaction costs paid on credit facilities		-	-	-	(2,009,879)
Payments on lease liabilities	11	(269,996)	(291,890)	(840,812)	(802,024)
Dividends paid		(3,552,647)	(2,514,003)	(9,852,809)	(7,469,803)
Proceeds from options exercised	14	12,188	-	245,120	-
Net cash from financing activities		8,735,263	13,194,107	40,972,227	14,368,294
Cash flows from (used in) investing activities					
Purchases of property and equipment	9	-	(53,292)	(18,393)	(76,161)
Cost of internally developed software	10	(1,683,689)	(1,329,230)	(4,583,224)	(3,841,221)
Net cash used in investing activities		(1,683,689)	(1,382,522)	(4,601,617)	(3,917,382)
Net change in cash		6,199,784	1,976,401	3,246,190	1,405,946
Cash, beginning of period		10,797,132	7,088,382	13,750,726	7,658,837
Cash, end of period		16,996,916	9,064,783	16,996,916	9,064,783
Supplemental cash flow information					
Interest received		6,359,562	3,982,724	16,173,648	10,363,747
Interest paid		7,950,703	5,550,471	21,893,359	15,026,962
Income taxes paid		-	1,862,881	15,478,249	5,478,761

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

1. Incorporation and operations

Propel Holdings Inc. was incorporated under the Business Corporations Act (Ontario) on June 16, 2011 and its head office is located in 69 Yonge Street, Toronto, Ontario, Canada. The Company issued shares publicly traded on the Toronto Stock Exchange ("TSX") under the symbol "PRL" on October 20, 2021.

Propel Holdings Inc. and all of the companies that it controls (collectively referred to as the "Company") is a leading financial technology company, committed to credit inclusion and helping underserved consumers by providing fair, fast, and transparent access to credit with exceptional service. The Company operates through its three brands: *MoneyKey*, *CreditFresh*, and *Fora Credit*.

The Company, through its MoneyKey brand, is a state-licensed direct lender and currently offers either installment loans or lines of credit to new customers in several United States ("US") states. The type of product offered in each state is dependent on the specific regulatory requirements within each state. As of September 30, 2024, the Company, through its MoneyKey brand, offered products as a state-licensed direct lender in 9 states across the US.

The Company, through its MoneyKey brand, is also a state-licensed Credit Access Business ("CAB") and Credit Services Organization ("CSO") in the state of Texas. Through its CSO programs, the Company provides services related to unaffiliated third-party lenders' consumer loan products in accordance with applicable state laws. These services include arranging loans, assisting in the preparation of loan applications and documents, and providing guarantees of consumer loan payment obligations to the unaffiliated third-party lender in the event that the customer defaults on their loan payments ("CSO Guarantee Liabilities").

The Company, through its MoneyKey brand, also operates as a bank servicer which provides marketing, analytics, and loan servicing services to an unaffiliated non-bank financial institution ("NBFI"). The NBFI has a program agreement with a Federal Deposit Insurance Corporation ("FDIC") insured Utah state-chartered bank ("NBFI Bank Partner" and together with NBFI, "Bank Service Partners") to whom it provides certain services, some of which have been outsourced by the NBFI to the Company. The NBFI Bank Partner offers unsecured open-ended lines of credit ("the "Bank Service Program"). The Company provides, among other things, technology and underwriting services required for the Bank Service Program. The NBFI Bank Partner approves all key decisions regarding the marketing, underwriting, product features and pricing of the Bank Service Program. Under the program, the Company also entered an agreement to purchase loans originated through the Bank Service Program should the loans default or become non-performing ("Bank Service Program Liability"). As of September 30, 2024, the Bank Service Program was offered in 14 states across the US and is regulated by the FDIC and other bank regulators.

The Company, through its CreditFresh brand, operates as a bank servicer which provides marketing, technology, and loan servicing services to unaffiliated, FDIC insured, state-chartered banks in the US ("Bank Program"). As of December 31, 2023, the Company maintained two Bank Programs with a Kansas state-chartered, FDIC insured, bank and a Utah state-chartered, FDIC insured, bank ("Bank Partner(s)"). Through the Bank Program, the Bank Partner offers unsecured open-ended lines of credit and is the sole originator of such lines of credit. The Bank Partner licenses technology, proprietary credit decisioning and underwriting capabilities from the Company and approves all key decisions regarding the marketing, underwriting, product features and pricing of the lines of credit offered through the Bank Program. The Delaware Statutory Trusts (the "DST I" and "DST II", collectively the "DSTs") have the obligation to purchase an economic interest in the principal balances of the lines of credit originated by the Bank Partner (such purchased economic interest referred to as "Bank Program Advances") once offered by such Bank Partner. The Company, through its wholly owned subsidiaries, has the sole beneficial interest in the DSTs. As of September 30, 2024, the CreditFresh Bank Program was offered in 22 states across the US and is regulated by the FDIC and other bank regulators.

Pursuant to the Bank Program agreements, the Bank Partners earn all program fees during the mutually agreed upon period of time prior to any offer being made to the Company. Following the purchase by the DSTs of the loan and advance receivable, the Bank Partners continue to hold legal title to the loan and advance receivable and maintain the relationship with the customer, which includes the funding of any future advances under the line of credit. The DSTs acquire an economic interest in the line of credit advances and the Company records the same as a loan and advance receivable on its balance sheet. Additionally, the Bank Partners continue to earn a trailing fee calculated based on the amounts collected by the DSTs.

Propel Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

1. Incorporation and operations (continued)

The Company, through its Fora Credit brand, launched a line of credit product to new customers in Canada. The type of product offered in each province is dependent on the specific regulatory requirements within each province. As of September 30, 2024, the Company, through its Fora Credit brand, offered products as a provincial-licensed direct lender in 6 provinces across Canada. The functional currency of this entity is the Canadian dollar ("CAD").

The Company also provides a Lending-as-a-Service ("LaaS") technology solution which uses the Company's proprietary fintech platform to provide white labelled technology and service solutions for partner consumer lending capabilities.

2. Basis of presentation

Statement of compliance

These unaudited condensed interim consolidated financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using the same accounting policies as disclosed in our most recent annual consolidated financial statements. These Interim Financial Statements do not include all of the disclosures included in the Company's audited annual consolidated financial statements. Accordingly, these unaudited Interim Financial Statements should be read together with the most recent audited annual consolidated financial statements.

These Interim Financial Statements were authorized for issue by the Company's Board of Directors on November 6, 2024.

Functional and presentation currency

The functional currency is the currency of the primary economic environment in which a reporting entity operates and is normally the currency in which the entity generates and expends cash. Each subsidiary of the Company determines its own functional currency and items included in the consolidated financial statements of each subsidiary are measured using that functional currency. The Company's Interim Financial Statements are presented in US dollar, which is the Company's functional currency.

Basis of consolidation

The condensed interim consolidated financial statements include accounts of the Company and all the entities it controls. Control is achieved over an entity when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intra-group balances and transactions, and any unrealized income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated.

Material Accounting Judgements, Estimates and Assumptions

The preparation of these Interim Financial Statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Estimates are based on management's best knowledge of current events and actions the Company may undertake in the future. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates, judgments and assumptions used in the most recent audited annual consolidated financial statements do not differ materially from those used for these Interim Financial Statements.

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

3. Future changes in accounting policies

Except for Amendments to IAS 1, adopted as of January 1, 2024 as described below, the Interim Financial Statements are based on accounting policies consistent with those described in the most recent audited annual consolidated financial statements.

New standards, interpretations and amendments adopted by the Company

In January 2020, the IASB issued Classification of liabilities as current or non-current (Amendments to IAS 1) to clarify how to classify debt and other liabilities as current or non-current. The amendments are effective for reporting periods beginning on or after January 1, 2024. This standard, which we adopted as of January 1, 2024, did not have a material impact on the Interim Financial Statements.

Standards issued but not yet effective

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard applies to annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively, with early adoption permitted. The Company has not yet adopted the new standard and is currently assessing the impact on the Interim Financial Statements.

4. Restricted cash

Restricted cash is comprised of (a) reserves held as a form of collateral by unaffiliated third-party lenders (for CSO programs), Bank Partners, Bank Service Partners, banks, trustees, and payment processors for processing payments, and (b) funds held in restricted accounts for the benefit of credit facility lenders. Such restricted cash is redeemable when the stipulations for release within the related agreements have been met. As of September 30, 2024, the restricted cash balance was \$33,068,052 (December 31, 2023 - \$29,290,306).

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

5. Loans and advances receivable

Loans and advances receivable are comprised of gross consumer loans receivable (including installment loans, line of credit ("LOC") advances, Bank Program Advances, and non-performing loans originated through the Bank Service Program), fees and interest receivable on such loans and advances, allowance for credit losses, and acquisition transaction costs. Allowance for credit losses consists of the expected credit losses ("ECLs") of the associated loans and advances receivable based on their portfolio and stages. The term of the loans and advances receivable varies based on compliance with individual state regulations applicable to each type of product. Acquisition transaction costs consist of costs that are directly attributable and incremental to originated loans and advances receivable and are deferred and expensed over the estimated lifetime of the loans and advances receivable.

Amortization of acquisition transaction costs was \$1,562,412 for the three-month period ended September 30, 2024 (September 30, 2023 - 1,264,436) and \$5,782,958 for the nine month period ended September 30, 2024 (September 30, 2023 - \$3,274,346) and is included in acquisition and data expense on the condensed interim consolidated statement of operations.

A breakdown of the Company's loans and advances receivable balance is as follows:

	As at	
	September 30, 2024	December 31, 2023
Gross loans and advances receivable	375,954,977	296,766,862
Fees receivable	48,458,933	35,730,617
Interest receivable	766,621	333,282
Allowance for credit losses	(104,602,128)	(79,093,294)
Acquisition transaction costs	12,421,019	5,575,769
	332,999,422	259,313,236

The allocation of the Company's gross loans and advances receivable by product type is as follows:

	As at	
	September 30, 2024	December 31, 2023
Bank Program Advances (CreditFresh)	328,768,926	267,290,892
Installment loans and LOC advances (MoneyKey)	17,682,784	13,278,081
LOC advances (Fora Credit)	25,370,927	11,028,596
Bank Service Program advances (MoneyKey)	4,132,340	5,169,293
	375,954,977	296,766,862

Bank Program Advances, LOC advances and Bank Service Program advances all consist of open-ended lines of credit with no specific maturity date. MoneyKey LOC advances of \$6,241,833 (December 31, 2023 - \$5,440,069) are also open-ended lines of credit with no specific maturity date. Management expects to realize materially all of these assets within a 12-month period from the reporting date. MoneyKey installment loans of \$11,440,951 (December 31, 2023 - \$7,838,012) will mature within a 12-month period.

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

5. Loans and advances receivable (continued)

Classification of the gross loans and advances receivable by ECL stage is as follows:

	As at September 30, 2024			Total
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	
Bank Program Advances (CreditFresh)	258,808,445	55,652,405	14,308,076	328,768,926
Installment loans and LOC advances (MoneyKey)	8,624,102	7,542,699	1,515,983	17,682,784
LOC advances (Fora Credit)	21,607,734	3,212,939	550,254	25,370,927
Bank Service Program advances (MoneyKey)	-	1,001,764	3,130,576	4,132,340
	289,040,281	67,409,807	19,504,889	375,954,977

	As at December 31, 2023			Total
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	
Bank Program Advances (CreditFresh)	212,221,597	44,573,897	10,495,398	267,290,892
Installment loans and LOC advances (MoneyKey)	7,385,666	4,673,962	1,218,453	13,278,081
LOC advances (Fora Credit)	9,640,446	1,204,836	183,314	11,028,596
Bank Service Program advances (MoneyKey)	-	2,860,304	2,308,989	5,169,293
	229,247,709	53,312,999	14,206,154	296,766,862

Aging of Stage 2 and Stage 3 gross loans and advances receivable from date of delinquency:

	As at September 30, 2024		Total
	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	
0-30	25,349,936	-	25,349,936
31-60	23,633,807	-	23,633,807
61-90	17,884,990	-	17,884,990
91-120	370,828	19,194,281	19,565,109
120+	170,246	310,608	480,854
	67,409,807	19,504,889	86,914,696

	As at December 31, 2023		Total
	Stage 2 (Under-Performing)	Stage 3 (Non-Performing)	
0-30	22,346,370	13,904	22,360,274
31-60	14,789,208	8,018	14,797,226
61-90	15,243,152	13,422	15,256,574
91-120	437,398	13,909,011	14,346,409
120+	496,871	261,799	758,670
	53,312,999	14,206,154	67,519,153

Aging of Stage 2 (Under-Performing) commences from first missed payment of a given delinquency cycle. As such, some collections will have been received after initial delinquency start, supporting no further deterioration of the loan, but will not restart the delinquency aging until Propel collects all past due balances.

Propel Holdings Inc.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

5. Loans and advances receivable (continued)

An analysis of the changes in the classification of gross loans and advances receivable is as follows:

	For the nine month period ended September 30, 2024			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
Balance as at December 31, 2023	229,247,709	53,312,999	14,206,154	296,766,862
Additions to gross loans and advances receivable	329,807,452	31,137,472	-	360,944,924
Principal payments and other adjustments	(127,577,886)	(9,711,883)	(1,861,741)	(139,151,510)
Transfers to (from)				
Stage 1 (Performing)	42,586,800	(42,586,800)	-	-
Stage 2 (Under-Performing)	(185,023,794)	185,023,794	-	-
Stage 3 (Non-Performing)	-	(149,765,775)	149,765,775	-
Gross charge-offs	-	-	(142,605,299)	(142,605,299)
Balance as at September 30, 2024	289,040,281	67,409,807	19,504,889	375,954,977
	For the nine month period ended September 30, 2023			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
Balance as at December 31, 2022	174,573,446	23,115,392	25,722,348	223,411,186
Additions to gross loans and advances receivable	235,353,626	5,655,367	17,866,339	258,875,332
Principal payments and other adjustments	(97,441,794)	(5,500,725)	(3,183,251)	(106,125,770)
Transfers to (from)				
Stage 1 (Performing)	33,192,000	(33,192,000)	-	-
Stage 2 (Under-Performing)	(138,440,651)	138,440,651	-	-
Stage 3 (Non-Performing)	-	(96,716,175)	96,716,175	-
Gross charge-offs	-	-	(111,206,601)	(111,206,601)
Balance as at September 30, 2023	207,236,627	31,802,510	25,915,010	264,954,147

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

5. Loans and advances receivable (continued)

An analysis of the changes in the classification of the allowance for credit losses is as follows:

	For the nine month period ended September 30, 2024			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
Balance as at December 31, 2023	27,363,803	39,278,025	12,451,466	79,093,294
Additions to gross loans and advances receivable	31,131,646	20,503,413	-	51,635,059
Principal payments and other adjustments, including remeasurement	(6,388,788)	20,234,360	(1,414,248)	12,431,324
Transfers to (from)				
Stage 1 (Performing)	6,578,040	(21,500,605)	-	(14,922,565)
Stage 2 (Under-Performing)	(23,808,328)	73,733,224	-	49,924,896
Stage 3 (Non-Performing)	-	(79,480,894)	131,207,743	51,726,849
Net amounts written off against allowance	-	-	(125,286,729)	(125,286,729)
Balance as at September 30, 2024	34,876,373	52,767,523	16,958,232	104,602,128
	For the nine month period ended September 30, 2023			
	Stage 1 (Performing)	Stage 2 (Under- Performing)	Stage 3 (Non- Performing)	Total
Balance as at December 31, 2022	17,506,732	11,980,089	20,357,549	49,844,370
Additions to gross loans and advances receivable	24,537,501	2,597,463	14,467,446	41,602,410
Principal payments and other adjustments, including remeasurement	(7,859,892)	(2,121,399)	(2,032,637)	(12,013,928)
Transfers to (from) including remeasurement				
Stage 1 (Performing)	4,181,944	(13,570,763)	-	(9,388,819)
Stage 2 (Under-Performing)	(15,561,442)	61,344,294	-	45,782,852
Stage 3 (Non-Performing)	-	(44,490,366)	75,104,784	30,614,418
Net amounts written off against allowance	-	-	(87,628,549)	(87,628,549)
Balance as at September 30, 2023	22,804,843	15,739,318	20,268,593	58,812,754

Changes in allowance for credit losses were as follows:

	For the nine month period ended	
	September 30, 2024	September 30, 2023
Balance at beginning of period	79,093,294	49,844,370
Charge-offs	(142,605,299)	(111,206,601)
Recoveries	18,205,493	13,300,687
Provision for loan losses	149,908,640	106,874,298
Balance at end of period	104,602,128	58,812,754

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

5. Loans and advances receivable (continued)

Provisions for loan losses and other liabilities is as follows:

	For the nine month period ended	
	September 30, 2024	September 30, 2023
Provision for loan losses	149,908,640	106,874,298
Other lending program costs	3,072,864	936,606
Provision for CSO Guarantee Liabilities (MoneyKey)	45,594	41,620
Provision for Bank Service Program liabilities (MoneyKey)	3,886,201	2,677,977
Total Provision for loan losses and other liabilities	156,913,299	110,530,501

Breakdown of provision for loan losses:

	For the nine month period ended	
	September 30, 2024	September 30, 2023
Provision for loan losses on Bank Program Advances (CreditFresh)	108,785,431	81,947,335
Provision for loan losses on installment loans and LOC advances and Bank Service Program advances (MoneyKey)	34,473,521	23,137,053
Provision for loan losses on LOC advances (Fora Credit)	6,649,688	1,789,910
Total Provision for loan losses	149,908,640	106,874,298

As of September 30, 2024, the outstanding amount of active installment loans originated by an unaffiliated third party lender under the CSO programs was \$4,645,331 (December 31, 2023 - \$3,779,004), for which the risk of customer default is guaranteed by the Company. As of September 30, 2024, the outstanding amount of active LOC advances originated by NBF Bank Partner under the Bank Service Program ("Bank Service Program advances") was \$51,673,179 (December 31, 2023 - \$36,736,938). These CSO loans and Bank Service Program advances are not included in the tables above and are not included on the Company's condensed interim consolidated statement of financial position.

A breakdown of the Company's gross loans and advances receivables and off-balance sheet arrangements is as follows:

	For the nine months ended	
	September 30, 2024	September 30, 2023
<u>CSO program products (MoneyKey)</u>		
Fees from CSO program and other revenue (Note 6)	9,731,177	6,810,028
Loans and advances receivables	4,339,394	2,020,603
CSO Guarantee Liabilities (Note 12)	352,712	488,581
CSO obligation (Note 12)	2,527,737	1,811,858
Installment loan borrower balances (off-balance sheet)	4,645,331	3,288,230
Reserve balances (reflected in Company's Restricted cash)	2,741,529	1,962,496
<u>Bank Service Program advances (MoneyKey)</u>		
Fees from Bank Service Program and other revenue (Note 6)	48,520,384	29,901,810
Loans and advances receivables	4,132,340	5,492,506
Bank Service Program guarantee liability (Note 12)	10,241,771	7,463,695
Bank Service Program obligation (Note 12)	337,904	282,629
Line of credit borrower balances (off-balance sheet)	51,673,179	31,132,413
Reserve balances (reflected in Company's Restricted cash)	14,646,147	6,234,596

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

5. Loans and advances receivable (continued)

As part of calculating the allowance for credit losses, the Company utilizes internally developed credit risk models considering the probability of default, loss given default, and exposure at default based on historical performance, as well as quantitative and qualitative adjustments for other relevant risk factors. The Company's measurement of ECLs is influenced by forward looking indicators ("FLIs") which include the impact of macroeconomic forces on the Company's business. With respect to macroeconomic forces, consideration is given to variables such as unemployment rate, inflation rate, and wage growth that have an influence on the business and its customer segment. As part of the process, 3 forward looking scenarios are developed 1) Optimistic; 2) Neutral; and 3) Pessimistic. The table below shows the impact of the FLIs under each scenario which is developed using internally developed models in consideration of each macroeconomic factor. Management judgement is then applied to determine probability weightings to each of these scenarios to determine a probability weighted allowance for credit losses as of the reporting date.

	Optimistic	Neutral	Pessimistic
Impact of macroeconomic factors	-3.5%	-0.5%	+10.0%

This assignment of probability weighting for the multiple scenarios using these FLIs involves, in addition to judgement, a robust internal modelling process, review and analysis to arrive at a collective view on the likelihood of each scenario. If management were to assign a 100% probability to the Pessimistic scenario, the increase in the allowance for credit losses would be approximately \$10,073,300. Conversely, if 100% probability were to be assigned to the Optimistic scenario, the decrease in the allowance would be approximately \$3,525,655. Note, such sensitivity does not consider the proactive and reactive steps management would take to alter exposure and/or modify credit risk to mitigate any potential impact to credit losses.

6. Revenue

Disaggregation of revenue:

	For the three-month period ended September 30,		For the nine-month period ended September 30,	
	2024	2023	2024	2023
Interest and fees from borrowers on purchased receivables (CreditFresh)	85,044,516	62,866,301	235,478,753	167,522,842
Interest from borrowers in direct lending (MoneyKey)	3,973,082	3,252,134	10,421,194	9,110,591
Fees from borrowers in direct lending (MoneyKey)	2,036,772	1,779,957	5,615,690	5,246,734
Fees from CSO program (MoneyKey)	3,887,143	2,543,431	9,731,177	6,810,028
Fees from Bank Service Program (MoneyKey)	17,932,280	11,698,745	48,520,384	29,840,914
Interest from borrowers in direct lending (Fora Credit)	2,386,480	686,771	5,752,454	1,172,311
Other revenue	1,909,169	344,408	4,904,096	774,115
Total revenue	117,169,442	83,171,747	320,423,748	220,477,535

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

7. Prepaids

Prepaid expenses consist of operating costs that are expensed over the periods they benefit. Prepaid costs are as follows:

	As at	
	September 30, 2024	December 31, 2023
Prepaids	1,419,644	1,911,956

8. Derivative financial instruments

The nature of the Company's business activities expose it to foreign currency risk. The Company has forward contracts available to reduce its exposure to foreign exchange rate fluctuations. As at September 30, 2024, the Company had open forward exchange contracts with a financial institution that matures between October 31, 2024 and June 30, 2025 and obligates the Company to sell US\$16,000,000 at prevailing forward market exchange rates. The contracts were entered into by the Company for the purpose of managing its foreign exchange exposure on Canadian expenditures.

As at September 30, 2024, the Company has open foreign exchange forward contracts with a fair market value of \$63,839 (December 31, 2023 – \$571,255). For the three-month period ended September 30, 2024, the Company recorded an unrealized gain on derivative financial instruments of \$112,925 (September 30, 2023 – unrealized loss of \$280,156). For the nine months ended September 30, 2024, the Company recorded an unrealized loss on derivative financial instruments of \$507,415 (September 30, 2023 – unrealized loss of \$216,814).

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

9. Property and equipment

	Furniture and fixtures	Computer equipment*	Leasehold improvements	Total
Cost				
Balance as at December 31, 2023	691,399	265,771	403,070	1,360,240
Additions	-	18,393	-	18,393
Disposals	-	(46,687)	-	(46,687)
Balance as at September 30, 2024	691,399	237,477	403,070	1,331,946
Accumulated depreciation				
Balance as at December 31, 2023	526,324	141,484	262,477	930,285
Depreciation	38,996	66,470	41,448	146,914
Eliminated on disposals	-	(46,687)	-	(46,687)
Balance as at September 30, 2024	565,320	161,267	303,925	1,030,512
Net Book Value				
Balance as at December 31, 2023	165,075	124,287	140,593	429,955
Balance as at September 30, 2024	126,079	76,210	99,145	301,434
Cost				
Balance as at December 31, 2022	631,488	241,561	403,070	1,276,119
Additions	53,283	22,878	-	76,161
Disposals	-	(7,253)	-	(7,253)
Balance as at September 30, 2023	684,771	257,186	403,070	1,345,027
Accumulated depreciation				
Balance as at December 31, 2022	468,011	76,260	207,215	751,486
Depreciation	42,123	62,210	41,367	145,700
Eliminated on disposals	-	(7,253)	-	(7,253)
Balance as at September 30, 2023	510,134	131,217	248,582	889,933
Net Book Value				
Balance as at December 31, 2022	163,477	165,301	195,855	524,633
Balance as at September 30, 2023	174,637	125,969	154,488	455,094

* Certain comparative amounts have been restated to account for the removal of fully amortized costs

As of September 30, 2024, property and equipment with a cost of \$nil (December 31, 2023 - \$1,570) was not amortized as it is work-in-progress.

Propel Holdings Inc.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

10. Intangible assets

	Customer acquisition data	Internally developed software	Total
Cost			
Balance as at December 31, 2023	6,980,879	21,397,551	28,378,430
Additions	4,162,950	4,583,224	8,746,174
Removal of fully amortised costs*	(3,045,105)	-	(3,045,105)
Balance as at September 30, 2024	8,098,724	25,980,775	34,079,499
Accumulated amortization			
Balance as at December 31, 2023	3,632,076	11,306,975	14,939,051
Amortization	3,610,925	3,039,099	6,650,024
Removal of fully amortised costs*	(3,045,105)	-	(3,045,105)
Balance as at September 30, 2024	4,197,896	14,346,074	18,543,970
Net Book Value			
Balance as at December 31, 2023	3,348,803	10,090,576	13,439,379
Balance as at September 30, 2024	3,900,828	11,634,701	15,535,529
Cost			
Balance as at December 31, 2022	6,895,781	16,065,323	22,961,104
Additions	3,785,479	3,841,221	7,626,700
Removal of fully amortised costs*	(3,138,005)	-	(3,138,005)
Balance as at September 30, 2023	7,543,255	19,906,544	27,449,799
Accumulated amortization			
Balance as at December 31, 2022	3,511,615	7,976,513	11,488,128
Amortization	3,680,810	2,436,003	6,116,813
Removal of fully amortised costs*	(3,138,005)	-	(3,138,005)
Balance as at September 30, 2023	4,054,420	10,412,516	14,466,936
Net Book Value			
Balance as at December 31, 2022	3,384,166	8,088,810	11,472,976
Balance as at September 30, 2023	3,488,835	9,494,028	12,982,863

* There are no gains or losses on derecognition

Amortization of customer acquisition data is recorded in the acquisition and data line on the condensed interim consolidated statement of operations. When the future economic benefits of the customer acquisition data costs have been fully realized the costs are recorded into the removal of fully amortized costs line in the table above.

There have been no indicators of impairment identified during the three-month period ended September 30, 2024. As a result, there were no impairment charges of intangible assets recorded in the three-month period ended September 30, 2024 (\$nil - 2023).

Propel Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

11. Right-of-use assets and lease liabilities

Right-of-use asset

The Company's incremental borrowing rate was determined to be 13% and was used as the discount rate for measuring the lease liabilities. The carrying amount of the ROU asset is listed below:

	For the nine-month period ended	
	September 30, 2024	September 30, 2023
Cost		
Balance as at December 31	4,817,846	4,484,249
Additions	116,591	314,104
Disposals	(462,711)	-
Balance as at September 30	4,471,726	4,798,353
Accumulated depreciation		
Balance as at December 31	3,023,925	2,367,700
Charge for the period	561,689	515,164
Disposals	(462,711)	-
Balance as at September 30	3,122,903	2,882,864
Net Book Value		
Balance as at December 31	1,793,921	2,116,549
Balance as at September 30	1,348,823	1,915,489

The Company's ROU assets include office spaces and office equipment, with the majority made up of office space.

Propel Holdings Inc.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

11. Right-of-use assets and lease liabilities (continued)**Lease liabilities**

Carrying amount of lease liabilities are as follows:

	For the nine-month period ended	
	September 30, 2024	September 30, 2023
Cost		
Balance as at December 31	2,349,884	2,672,030
Additions	116,591	314,104
Interest	199,654	252,485
Payments	(840,812)	(802,024)
Foreign currency translation	(51,057)	1,978
Balance as at September 30	1,774,260	2,438,573
Reported as:		
Current:		
Balance as at December 31	851,064	700,138
Balance as at September 30	844,727	824,552
Non-current:		
Balance as at December 31	1,498,820	1,971,892
Balance as at September 30	929,534	1,614,021
Carrying amount:		
Balance as at December 31	2,349,884	2,672,030
Balance as at September 30	1,774,261	2,438,573

The maturity analysis of lease liabilities is presented below:

	As at	
	September 30, 2024	December 31, 2023
Year 1	844,727	851,064
Year 2	834,588	835,232
Year 3	94,946	663,588
Total	1,774,261	2,349,884

Propel Holdings Inc.**Notes to Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

12. Accounts payable and accrued liabilities

	As at	
	September 30, 2024	December 31, 2023
Accounts Payable	5,454,121	4,322,220
Accrued Liabilities		
Accrued liabilities	6,637,292	5,364,402
Bank Service Program liabilities	10,241,771	6,355,570
Bank Service Program obligation	337,904	288,168
Accrued salaries and bonuses	4,589,277	5,178,757
Accrued Bank Partner fees and interest	5,174,164	4,513,133
CSO obligations	2,527,737	2,100,924
CSO Guarantee Liabilities	352,712	307,118
Total Accrued Liabilities	29,860,857	24,108,072

Bank Service Program liabilities are comprised of expected net losses on all outstanding Bank Service Program advances which the Company shall purchase upon default (non-performing), which represents the estimated fair value of the liabilities at that date. The fair value of the Bank Service Program liabilities are classified as Level 3 under IFRS 7. The expected net losses is included in accrued liabilities as the Company does not take title to the Bank Service Program advances and they are not included in the condensed interim consolidated statement of financial position.

CSO obligations are comprised of: a) principal and interest to which unaffiliated third-party lenders are entitled but which was collected by the Company on such third-party lender's behalf, b) unearned CSO fees advanced to the Company by unaffiliated third-party lenders on the consumer's behalf.

CSO Guarantee Liabilities are expected net losses on all originated CSO loans on which the Company is obligated to guarantee principal and interest (net of expected collections and recoveries on guaranteed loans transferred to the Company), which represents the estimated fair value of the guarantees at that date. The fair value of the CSO Guarantee Liabilities are classified as Level 3 under IFRS 7. The expected net losses are included in accrued liabilities as the Company does not take title to the CSO loans and they are not included in the condensed interim consolidated statement of financial position.

Propel Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

13. Credit facilities

	As at	
	September 30, 2024	December 31, 2023
Fora Credit Facility		
Opening Balance	752,444	-
Advances from credit facility	10,720,728	752,444
Ending Facility Balance	11,473,172	752,444
MoneyKey Facility		
Opening Balance	4,650,000	4,650,000
Advances from credit facility	2,500,000	-
Ending Facility Balance	7,150,000	4,650,000
CreditFresh Facility		
Opening Balance	195,200,000	144,250,000
Advances from credit facility	40,200,000	54,450,000
Payments on credit facility	(2,000,000)	(3,500,000)
Ending Facility Balance	233,400,000	195,200,000
Facility transaction costs	(1,417,932)	(1,435,865)
Total Ending Credit Facilities	250,605,240	199,166,579

Fora Credit Facility

On November 11, 2022, the Company entered into a revolving credit facility with US and Canadian based lenders for the Company's Fora Credit line of business. The Fora Credit facility bears interest at 10.75% plus the three-month term SOFR for USD drawdowns and bears interest of 2.75% plus the Prime rate for CAD drawdowns. The amount drawn on the Fora Credit facility as of September 30, 2024 was \$11,473,172 (December 31, 2023 - \$752,444). The Fora Credit facility has a maturity date of May 31, 2026 and the entire balance drawn on the facility is classified as non-current. The Fora Credit facility is secured by a general security agreement over all of the assets of the Company.

As at September 30, 2024, the maximum borrowing base under the Fora Credit facility was approximately \$16,973,408 (December 31, 2023 - \$7,729,330).

Under the terms of the credit facility agreement, the Company is subject to certain financial and non-financial covenants. As of September 30, 2024, the Company was in compliance with these covenants.

MoneyKey Facility

The MoneyKey facility bears interest at 10.2% plus the three-month term SOFR. The amount drawn on the MoneyKey facility as of September 30, 2024 was \$7,150,000 (December 31, 2023 - 4,650,000). The MoneyKey facility is secured by a general security agreement over all of the assets of the Company, and has a requirement for the Company to maintain an errors and omissions insurance policy of \$2,000,000 (December 31, 2023 - 2,000,000). On May 12, 2022, the MoneyKey facility was amended to extend the maturity date from May 15, 2022 to May 12, 2025. The entire balance drawn on the facility is classified as current.

As at September 30, 2024, the maximum borrowing base under the MoneyKey facility was approximately \$9,254,337 (December 31, 2023 - 6,581,839).

Under the terms of the credit facility agreement, the Company is subject to certain financial and non-financial covenants. As of September 30, 2024, the Company was in compliance with these covenants.

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

13. Credit facilities (continued)

CreditFresh Facility

On July 25, 2024, the Company announced an upsize to its existing syndicated credit facility for its CreditFresh line of business adding new bank partners to the lending syndicate. The upsize represents an increased capacity of \$80 million, for a total aggregate capacity of \$330 million and matures on February 24, 2026. As of September 30, 2024, the total drawn amount on this credit facility was \$233,400,000 (December 31, 2023 - \$195,200,000). The CreditFresh facility is secured by a pledge of the beneficial interest certificate in the DSTs to the agent for the unaffiliated third-party lenders. The entire balance drawn on the facility is classified as non-current.

As of September 30, 2024, the maximum borrowing base under the CreditFresh facility was approximately \$262,944,810 (December 31, 2023 - \$219,855,184).

The CreditFresh facility has an annualized blended effective interest rate (including other facility related fees) of 13.3% (based on the three-month SOFR rate; and excluding other lenders fees). Under the terms of the CreditFresh facility, the DSTs are subject to certain financial and non-financial covenants. As of September 30, 2024, the DST's were in compliance with these covenants.

Under these credit facilities, for the three months ended September 30, 2024 the Company incurred interest of \$7,950,703 (September 30, 2023 - \$5,550,471) and other fees related to the credit facilities of \$451,244 (September 30, 2023 - \$393,428) and for the nine months ended September 30, 2024 the Company incurred interest of \$21,893,359 (September 30, 2023 - \$15,029,466) and other fees related to the credit facilities of \$1,177,403 (September 30, 2023 - \$981,211). These amounts are recorded as "interest and fees on credit facilities" on the condensed interim consolidated statement of operations.

14. Share capital

Ordinary shares authorized

Unlimited number of common shares as at September 30, 2024.

Unlimited blank cheque preferred shares as at September 30, 2024.

Issued

As at September 30, 2024, the Company had 34,400,061 common shares issued and outstanding (December 31, 2023 – 34,326,732).

	As at			
	September 30, 2024		December 31, 2023	
	# of shares	\$	# of shares	\$
Common shares				
Balance, opening	34,326,732	78,964,450	34,325,320	78,952,871
Share options exercised	73,329	405,830	1,412	11,579
Balance, closing	34,400,061	79,370,280	34,326,732	78,964,450

Propel Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

14. Share capital (continued)

Earnings per share

In accordance with IAS 33 – Earnings per share, basic and diluted earnings per share amounts are calculated by dividing the net income attributable to common shareholders of the Company by the weighted average number of shares issued during the period.

	For the three-month periods ended September 30,		For the nine-month periods ended September 30,	
	2024	2023	2024	2023
Net income for the period	10,521,257	6,171,961	34,766,689	19,292,237
Weighted average number of shares outstanding	34,398,790	34,325,320	34,361,825	34,325,320
Basic earnings per common share	0.31	0.18	1.01	0.56
Dilutive effect of stock-based compensation	2,876,259	2,509,922	2,822,884	2,414,336
Dilutive weighted average number of share outstanding	37,275,049	36,835,242	37,184,709	36,739,656
Diluted earnings per share	0.28	0.17	0.93	0.53

15. Stock-based compensation

The Company has an employee stock option plan. The purpose of the plan is to advance the interests of the Company by encouraging key employees to acquire shares in the Company and thereby remain associated with, and seek to maximize the value of, the Company. The general terms of award under the plan provide that options in the common shares of the Company are granted to employees, officers, directors and consultants for their services. Options are generally granted at exercise prices equal to the fair market value of common shares at the grant date, vest over a 4-year period and expire after a maximum of 10 years. Under the terms of the stock option plan, the number of shares reserved for issuance pursuant to the exercise of all options may not exceed 10% of the issued and outstanding common shares on a diluted basis at any time.

Options issued and outstanding are as follows:

	For the three-month periods ended			
	September 30, 2024		September 30, 2023	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of period	2,912,317	6.87	2,508,308	6.05
Granted during the period	-	-	7,397	6.52
Surrendered during the period	(10,268)	5.35	(2,555)	4.94
Exercised during the period	(27,173)	5.41	-	-
Outstanding at the end of the period	2,874,876	6.89	2,513,150	6.05

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

15. Stock-based compensation (continued)

	For the nine-month periods ended			
	September 30, 2024		September 30, 2023	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of period	2,521,738	6.06	2,081,550	6.32
Granted during the period	439,000	11.52	477,497	4.98
Surrendered during the period	(12,533)	5.47	(45,897)	7.07
Exercised during the period	(73,329)	6.17	-	-
Outstanding at the end of the period	2,874,876	6.89	2,513,150	6.05

For the three and nine months ending September 30, 2024, the Company recorded stock-based compensation expense of \$611,033 and \$1,636,999, respectively (three and nine months ending September 30, 2023 - \$523,146 and \$1,540,377, respectively) in salaries, wages and benefits, with a corresponding adjustment to contributed surplus.

During the nine-month period ended September 30, 2024, the fair value of options granted were determined using the Black Scholes option pricing model with the following assumptions:

	For the nine-month period ended September 30, 2024
Weighted average share price	11.52
Weighted average exercise price	11.52
Expected volatility	68.23%
Expected life (years)	7
Risk-free rate	3.51%
Expected dividend yields	2.5%

Expected volatility was determined by calculating the historical volatility of comparable companies' share price over the previous years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

16. Segment information

The Company operates and manages its business in one industry segment – providing lending related services to borrowers, banks, and other institutions in the US and Canada. The Company does not present segmented information as it has determined that its operations fall under this one segment and operates primarily in one geographic region. The chief operating decision maker ("CODM") is the Chief Executive Officer and Chief Financial Officer. The CODM makes decisions and assesses performance of the Company at the consolidated level.

Materially all revenue for the year ended September 30, 2024 was earned fully in the US. All property and equipment, and leased assets are domiciled in Canada.

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

17. Financial instruments and risk management

As part of normal operations, the Company is exposed to a variety of financial risks: credit risk, interest rate risk, liquidity risk, foreign currency risk and industry risk. The Company manages these through an integrated risk management framework, including ongoing identification, measurement and monitoring of risks potentially arising in financial and economic markets.

Credit risk and concentration of 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 principally from the Company's cash, restricted cash, loans and advances receivable, other receivables and CSO and Bank Service Program liabilities. The maximum amount of credit risk exposure is limited to the carrying amounts of these balances. Cash is maintained with Canadian and US financial institutions. Deposits held with banks may exceed the amount of federal insurance provided on such deposits. Unless otherwise disclosed, these deposits may be redeemed upon demand and are maintained with financial institutions of reputable credit and therefore bear minimal credit risk.

In relation to loans and advances receivable and CSO and Bank Service Program liabilities, the Company closely monitors default rates and overall recovery per dollar funded for all credit products originated through the Company's proprietary technology platform. The Company, its non-bank, and/or Bank Partners adjust lending terms and policies as deemed necessary. The Company establishes an allowance for credit losses on all loans or advances originated through its proprietary technology platform in accordance with IFRS 9. The gross exposure to the Company for CSO and Bank Service Program liabilities are disclosed in Note 5 above. Under the CSO programs, as at September 30, 2024 the amount was \$4,645,331 (December 31, 2023 - \$3,779,004) and under the Bank Service Program the amount was \$51,673,179 (December 31, 2023 - \$36,736,938). The associated maximum amount of credit risk exposure on such amounts are reflected in the CSO and Bank Service Program liabilities as outlined above.

The Company has a concentration of credit risk because substantially all of its loans and advances receivable balance is comprised of unsecured small dollar, high interest/financing fee advances and loans to US customers with similar credit characteristics.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets or liabilities, known as price risk.

The Company is exposed to interest rate cash flow risk on its credit facilities. On the CreditFresh facility, it bears interest at a rate plus a base rate of three-month term SOFR (with a floor of 1.75%). On the MoneyKey facility, it bears interest at a rate plus a base rate of three-month term SOFR. On the Fora Credit facility, it bears interest at a rate plus the three-month term SOFR for USD drawdowns and bears interest at a rate plus the Prime rate for CAD drawdowns. If interest rates had been 50 basis points higher and all other variables were held constant, the Company's interest expense for the period ended September 30, 2024 would increase by approximately \$312,548 (December 31, 2023 - \$235,153). If interest rates had been 50 basis points lower and all other variables were held constant, the Company's interest expense for the period ended September 30, 2024 would decrease by approximately \$312,548 (December 31, 2023 - \$235,153). The Company will not always incur the full impact of an interest rate increase or decrease due to the floor in the three-month term SOFR base rate.

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

17. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities or will not have sufficient funds to issue loans and/or advances to its customers. The Company is exposed to liquidity risk depending on the timing of customer payments, customer default rates and the availability of third-party financing. The Company manages its liquidity risk by closely monitoring its available cash on hand, available financing and expected collection rates and timing to ensure it has sufficient cash to meet its financial obligations as they come due and provide loans and advances to customers when requested.

The Company is obligated to the following contractual maturities of undiscounted cash flows:

As at September 30, 2024	Carrying amount	Year 1	Year 2	Year 3	Onwards
Accounts Payable	5,454,121	5,454,121	-	-	-
Accrued Liabilities	29,860,857	29,860,857	-	-	-
Income taxes payable	15,327,190	15,327,190	-	-	-
Amount drawn on Credit facilities	252,023,172	7,150,000	244,873,172	-	-
Total	302,665,340	57,792,168	244,873,172	-	-

As at December 31, 2023	Carrying amount	Year 1	Year 2	Year 3	Onwards
Accounts Payable	4,322,220	4,322,220	-	-	-
Accrued Liabilities	24,108,072	24,108,072	-	-	-
Income Taxes Payable	10,866,684	10,866,684	-	-	-
Credit facilities	200,602,444	-	5,402,444	195,200,000	-
Total	239,899,420	39,296,976	5,402,444	195,200,000	-

The Company is obligated to purchase Bank Program Advances that are offered for sale to the Company by both Bank Partners. The amount of Bank Program Advances that were funded by the Bank Partners but not yet offered for sale to the Company as of September 30, 2024 was \$4,387,616 (December 31, 2023 - \$3,590,419). Management has determined no provisions are required on these amounts as of the statement of financial position date, but regularly assesses these amounts and considers whether provisions may be required in advance of an offer to sell.

The Company is obligated to guarantee the principal and interest (net of expected collections and recoveries) of CSO programs in the event that the customer defaults on their loan payments. Management has provided for the guarantee and is included in accrued liabilities as the Company. Refer to Note 12 for further details.

Propel Holdings Inc.

Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

17. Financial instruments and risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company enters into transactions denominated in CAD for which the related expenses, accounts payable, accrued liabilities and lease liabilities are subject to exchange rate fluctuations. As at September 30, 2024, management had entered into foreign currency forward contracts with a notional value of \$16,000,000 to manage the risk from fluctuations in foreign currency risk over time (December 31, 2023 - \$27,000,000). As at September 30, 2024 and December 31, 2023 the following items are denominated in CAD:

	As at	
	September 30, 2024	December 31, 2023
Cash	2,017,971	784,109
Restricted Cash	549,264	419,971
Loans and Advances Receivable	20,432,061	9,096,554
Accounts Payable	1,639,025	1,732,966
Accrued Liabilities	3,164,980	2,929,348
Lease Liabilities	1,774,260	2,349,884

As at September 30, 2024, if a shift in foreign currency exchange rates of 10% were to occur, the foreign exchange gain or loss on the Company's net monetary assets could change by approximately \$2,688,869 (December 31, 2023 - \$1,573,894) due to the fluctuation, and this would be recorded in the condensed interim consolidated statement of operations.

Fair value measurement

All assets and liabilities for which fair value was measured or disclosed in the Interim Financial Statements were categorized within the fair value hierarchy, described as follows, based on the lowest level input that was significant to the fair value measurement as a whole:

- Level 1 - valuation based on unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

Level 1	Level 2	Level 3
Cash	Derivative financial instruments	Loans and advances receivables
Restricted cash		Other receivables
		Accounts payable
		Accrued liabilities
		Credit facilities

The fair value of financial instruments classified at amortized cost approximates their fair values due to the short term to maturity or due to them bearing market interest rates. The fair value of derivative financial instruments is determined using level 2 inputs and is carried at fair value. The fair value of the CSO Guarantee Liabilities and Bank Service Program liabilities are determined using level 3 inputs. There were no transfers between fair value hierarchies in 2024.

Propel Holdings Inc.
Notes to Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2024 and 2023 (expressed in US dollars)

17. Financial instruments and risk management (continued)

Financial instruments measured at fair value using level 3 inputs:

	Valuation technique	Significant unobservable inputs	Inter-relationships between significant unobservable inputs and FV
CSO Guarantee Liabilities	Allowance for losses on the guarantee of managed receivables.	- Borrower default rates	- Increases can increase the expected credit loss estimates and these liabilities
Bank Service Program Liabilities	Allowance for losses on the obligation of managed receivables.	- Recovery rates - Macroeconomic variables - Operational factors	- Decreases can increase expected credit loss estimates and these liabilities - See Note 12 above

18. Related party transactions

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling activities of the entity, directly or indirectly which includes all directors of the board and corporate officers.

Compensation expense for the Company's key management personnel is as follows:

	For the nine month period ended	
	September 30, 2024	September 30, 2023
Salaries	4,882,268	3,820,784
Stock-based compensation	1,124,769	1,033,220
	6,007,037	4,854,004

19. Business combinations

Pending acquisition

On September 26, 2024, the Company announced its agreement to acquire all the shares of Stagemount Limited (dba QuidMarket). This acquisition is aligned to Propels growth strategy, will expand the Company's geographical footprint into the United Kingdom and provide credit solutions to more customers globally. The purchase price consisted of cash consideration of USD \$71,000,000 which was funded through the issuance of 4,186,000 subscription receipts (including 546,000 subscription receipts issued pursuant to the exercise in full by the underwriters of the over-allotment option). Each subscription receipt is quoted in Canadian dollars and is redeemable on a one-to-one basis for a common share of Propel on closing of the transaction. The transaction is expected to close late in the fourth quarter of 2024 or early in the first quarter of 2025, subject to satisfaction of customary closing conditions and receipt of all necessary regulatory approvals.

As part of this acquisition, the Company incurred transaction costs of \$2,519,841 included in operating expenses for the three and nine-month periods ended September 30, 2024.