

# FEDERATED FOUNDRY LIMITED

(formerly 2810735 Ontario Inc.)

Condensed Interim Consolidated Financial Statements  
For the three and six months ended March 31, 2022  
(expressed in United States Dollars - unaudited)

**FEDERATED FOUNDRY LIMITED** (formerly 2810735 Ontario Inc.)  
**Condensed Interim Consolidated Statements of Financial Position**  
**(expressed in United States Dollars - unaudited)**

	Note	As at March 31, 2022	As at September 30, 2021
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		\$ 2,708,693	\$ 2,042,182
Accounts receivable, net	17	8,106,655	7,431,888
Prepaid expenses and deposits	4	154,674	162,983
Other assets	5	270,420	—
<b>Total current assets</b>		<b>11,240,442</b>	<b>9,637,053</b>
<b>Non-current assets</b>			
Prepaid expenses and deposits	4	77,377	17,358
Right-of-use asset	6	302,097	259,652
Property and equipment	7	62,681	46,776
Goodwill and intangibles	8	62,626,111	55,924,540
<b>Total non-current assets</b>		<b>63,068,266</b>	<b>56,248,326</b>
<b>Total assets</b>		<b>\$ 74,308,708</b>	<b>\$ 65,885,379</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	9	\$ 9,085,473	\$ 5,533,040
Bank indebtedness	10	—	1,300,000
Current portion of lease liability	11	168,113	115,019
Convertible debenture	12	3,741,197	8,000,000
Contingent consideration	13	2,695	829,805
Loans	14	17,978,796	13,370,257
Warrant put liability	15	998,698	967,172
<b>Total current liabilities</b>		<b>31,974,972</b>	<b>30,115,293</b>
<b>Long-term liabilities</b>			
Lease liability	11	155,808	167,118
Loans	14	4,758,902	4,272,750
Deferred tax liability		3,925,573	2,811,042
<b>Total long-term liabilities</b>		<b>8,840,283</b>	<b>7,250,910</b>
<b>Total liabilities</b>		<b>40,815,255</b>	<b>37,366,203</b>
<b>Shareholders' equity</b>			
Share capital	16	36,547,998	28,547,998
Deficit		(2,677,942)	(120,664)
Accumulated other comprehensive income		(376,603)	91,842
<b>Total shareholders' equity</b>		<b>33,493,453</b>	<b>28,519,176</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 74,308,708</b>	<b>\$ 65,885,379</b>

**Nature of operations (note 1)**

**Subsequent events (note 23)**

**Approved on behalf of the Board:**

/s/ Ted Hastings

Ted Hastings, Director

*The accompanying notes form an integral part of these condensed interim consolidated financial statements.*

**FEDERATED FOUNDRY LIMITED** (formerly 2810735 Ontario Inc.)  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the three and six months ended March 31, 2022**  
**(expressed in United States Dollars - unaudited)**

	Note	Three months ended March 31, 2022	Six months ended March 31, 2022
<b>Revenue</b>	19	\$ 14,479,603	\$ 30,484,615
Media costs		8,030,026	16,139,642
<b>Gross profit</b>		<b>6,449,577</b>	<b>14,344,973</b>
<b>Expenses</b>			
Selling and marketing	20	2,424,958	4,742,204
General and administrative	20	2,537,599	4,890,065
Technology and development	20	470,061	907,991
Transaction costs	20	518,028	2,205,587
Depreciation and amortization	6, 7, 8	1,717,664	3,340,848
		<b>7,668,310</b>	<b>16,086,695</b>
<b>Other income (loss)</b>			
Finance costs	10, 12, 13, 14	(687,596)	(1,551,895)
Foreign exchange gain (loss)		36,548	(6,769)
Fair value adjustment - contingent consideration		—	(32,674)
Gain on sale of equipment		—	831
Other income		377,759	377,759
<b>Net loss before income taxes</b>		<b>(1,492,022)</b>	<b>(2,954,470)</b>
Income tax recovery (expense)		672,399	397,192
<b>Net loss after tax</b>		<b>(819,623)</b>	<b>(2,557,278)</b>
Cumulative translation adjustment		(477,602)	(468,445)
<b>Net loss and other comprehensive loss</b>		<b>\$ (1,297,225)</b>	<b>\$ (3,025,723)</b>
<b>Net loss and comprehensive loss per share</b>		\$ (0.00)	\$ (0.01)
<b>Weighted average number of shares outstanding - basic and diluted</b>		<b>201,785,715</b>	<b>197,338,420</b>

*The accompanying notes form an integral part of these condensed interim consolidated financial statements.*

**FEDERATED FOUNDRY LIMITED** (formerly 2810735 Ontario Inc.)  
**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity**  
**For the six months ended March 31, 2022**  
**(expressed in United States Dollars - unaudited)**

	Share Capital		Accumulated other comprehensive income (loss)	Deficit	Total
	Common shares Number	Common shares Amount			
<b>Balance – January 25, 2021</b>	—	\$ —	\$ —	\$ —	\$ —
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)
<b>Balance – September 30, 2021</b>	<b>185,912,699</b>	<b>\$ 28,547,998</b>	<b>\$ 91,842</b>	<b>\$ (120,664)</b>	<b>\$ 28,519,176</b>
Issuance of common shares in connection with debenture conversion (Note 11)	15,873,016	8,000,000	—	—	8,000,000
Other comprehensive income (loss)	—	—	(468,445)	—	(468,445)
Net loss	—	—	—	(2,557,278)	(2,557,278)
<b>Balance – March 31, 2022</b>	<b>201,785,715</b>	<b>36,547,998</b>	<b>(376,603)</b>	<b>(2,677,942)</b>	<b>33,493,453</b>

*The accompanying notes form an integral part of these condensed interim consolidated financial statements.*

**FEDERATED FOUNDRY LIMITED** (formerly 2810735 Ontario Inc.)  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the six months ended March 31, 2022**  
**(expressed in United States Dollars - unaudited)**

	<b>Six months ended March 31, 2022</b>
<b>Cash flows from operating activities</b>	
Net loss after tax	\$ (2,557,278)
Changes in non-cash operating items:	
Depreciation and amortization	3,340,848
Fair value adjustment - contingent consideration	32,674
Deferred tax recovery	(629,798)
Finance costs	1,551,895
Gain on sale of equipment	(831)
Other income	(377,759)
Changes in non-cash working capital	
Accounts receivable	515,850
Prepaid expenses and deposits	71,278
Other assets	150,137
Accounts payable and accrued liabilities	(43,605)
Deferred tax liabilities	10,119
<b>Net cash provided by operating activities</b>	<b>2,063,530</b>
<b>Cash flows from (used) financing activities</b>	
Lease payments	(82,041)
Proceeds from loans	15,016,145
Repayment of loans	(14,502,967)
Repayment of contingent consideration	(907,095)
Proceeds from line of credit	2,883,000
Repayment of line of credit	(4,183,000)
Proceeds from financing	—
Payment of interest	(483,609)
<b>Net cash used in financing activities</b>	<b>(2,259,567)</b>
<b>Cash flows from (used) investing activities</b>	
Acquisition of property and equipment	(20,671)
Gain on sale of equipment	831
Acquisition of subsidiaries, net cash acquired	977,443
<b>Net cash provided by investing activities</b>	<b>957,603</b>
Effect of foreign currency exchange rate changes on cash and cash equivalents	(95,055)
Change in cash during the period	666,511
Cash – beginning of period	2,042,182
<b>Cash – end of period</b>	<b>\$ 2,708,693</b>

*The accompanying notes form an integral part of these condensed interim consolidated financial statements.*

**FEDERATED FOUNDRY LIMITED** (formerly 2810735 Ontario Inc.)  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended March 31, 2022**  
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**1. NATURE OF OPERATIONS**

Federated Foundry Limited (formerly 2810735 Ontario Inc.) (the “Company”), was incorporated under the Business Corporations Act (Ontario) on January 25, 2021, under the name "2810735 Ontario Inc.". On April 28, 2022, the Company’s shareholders, and board approved articles of amendment to change its name to Federated Foundry Limited. The Company is a diversified, rapidly growing acquirer and operator of digital technology companies. The Company 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.

**2. BASIS OF PREPARATION**

**Statement of compliance**

These unaudited condensed consolidated interim statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard (“IAS”) 34, Interim Financial Reporting, issued by the International Accounting Standards Board using accounting policies consistent with International Financial Reporting Standards (“IFRS”). The same accounting policies and methods of computation were followed in the preparation of these unaudited condensed consolidated interim statements as were followed in the preparation and described in note 3 of the annual consolidated financial statements as at and for the year ended September 30, 2021. Accordingly, these unaudited condensed consolidated interim statements as at and for the three and six months ended March 31, 2022, should be read together with the annual consolidated financial statements as at and for the period from the date of incorporation (January 25, 2021) to September 30, 2021.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on May 30, 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.

**Comparative figures**

The Company was incorporated on January 25, 2021. The condensed interim combined consolidated statements of loss and comprehensive loss for the three and six months ended March 31, 2022, contain no comparative figures for the three and six month period ended March 31, 2021, as the Company had yet to commence operations and as a result the Company had no financial transactions for the periods.

**Functional and presentation currency**

The Company’s condensed interim 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:

	<b>Functional currency</b>
Federated Foundry ("Federated")	CAD
Q1Media Inc. ("Q1 Media")	USD
Notify AcquisitionCo Inc. ("Notify")	USD
NotifyAI, LLC ("Notify")	USD
Crucial Interactive Holdings Inc. ("CIHI")	CAD
Crucial Interactive Inc.	CAD
Okra Media Inc.	CAD
Media Xeo Inc.	CAD
Contobox U.S. Inc.	USD

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

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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 condensed interim consolidated financial statements include the accounts of the Company and its three wholly owned subsidiaries, i) Q1Media Inc. (Delaware), ii) Notify AcquisitionCo Inc. (Delaware) who's only operations are through its wholly owned subsidiary NotifyAI, LLC (Wyoming) , and iii) Crucial Interactive Holdings Inc. (Ontario) whose operations are through its wholly owned subsidiary Crucial Interactive Inc. (Ontario), Okra Media Inc. (Quebec), Media Xeo Inc. (Quebec), Contobox US Inc. (Delaware). Upon consolidation, all inter-entity transactions and balances have been eliminated.

**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 IN Note 22. 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, refer to the Company's audited annual financial statements for the period from the date of incorporation (January 25, 2021) to September 30, 2021.

**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.

**3. SIGNIFICANT ACCOUNTING POLICIES**

Subsequent to the Company's audited annual financial statements for the year ended September 30, 2021, the Company updated its Revenue Recognition policy disclosures to incorporate the revenues from Crucial Interactive Holdings Inc. ("CIHI") acquisition which closed on October 1, 2021 (note 22). Furthermore, the Company did not modify, add or adopt any other significant accounting policies during the period. For additional information the Company's significant accounting policies, refer to the Company's audited annual financial statements for the period from the date of incorporation (January 25, 2021) to September 30, 2021.

**Revenue recognition**

The Company derives revenue from the sale of advertising and marketing solutions (online banner advertising, video advertising, performance advertising) and technology solutions (dynamic creative yield optimization technology, personalization technology, data reporting and analysis tools).

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With the acquisition of Crucial Interactive Holdings Inc. (“CIHI”), the Company has updated its presentation of revenues to disclose (i) managed service revenues and (ii) self service revenues, as defined outlined below.

The Company also offers fully managed service to agencies and 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 contract or a fully executed insertion order (“IO”) and the pricing models are commonly referred as a cost per impression (“CPM”), cost per engagement (“CPE”), cost per click (“CPC”) or cost per action (“CPA”).

Self-service revenues are recognized on the Company’s offerings where the client accesses the Company’s technology and pays the Company a subscription fee for access to the technology or negotiates license fee (a ‘technology fee’ or ‘tech fee’) for a certain number of impressions or defined period. For self-service campaigns, the Customer is responsible for procuring the media for the campaigns.

The Company previously presented disaggregation of revenues into marketing and platform solutions and push notification platform revenues, respectively; however, during the current period these revenues are presented as managed service revenues. Management has made this change to align with industry presentation and with how management analyzes their revenues. The change in presentation does not change the way that management views their existing cash-generating units, based on the lowest level of independent cash flows associated with the respective assets. Further, there has been no change in the determination that there is one operating segment, which was based on the information used by the Chief Operating Decision Maker in assessing performance and allocating resources. The Company has made this change as it better reflects the nature of the related revenues.

**4. PREPAID EXPENSES AND DEPOSITS**

	As at March 31, 2022	As at September 30, 2021
Prepaid expenses	\$ 128,262	\$ 121,611
Prepaid insurance	16,090	33,374
Vendor deposits	87,699	25,356
<b>Prepaid expenses and deposits</b>	<b>\$ 232,051</b>	<b>\$ 180,341</b>
Current	154,674	162,983
Long-term	77,377	17,358

**5. OTHER ASSETS**

	As at March 31, 2022
Investment tax credit receivable	\$ 270,420
<b>Other assets</b>	<b>\$ 270,420</b>

**6. RIGHT-OF-USE ASSET**

The Company’s leases consist of two facility leases. The first lease commenced in February of 2019 and has a term of 60 months. The second lease commenced in November 2021 and has a term of 36 months.

	Total
<b>Balance as at September 30, 2021</b>	<b>\$ 259,652</b>
Acquired on acquisition	2,644
Lease additions	113,568
Depreciation	(73,767)
<b>Balance as at March 31, 2022</b>	<b>\$ 302,097</b>

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**7. PROPERTY AND EQUIPMENT**

COST	Furniture and Fixtures		Equipment		Total
Balance as at September 30, 2021	\$	12,706	\$	38,794	\$ 51,500
Acquired on acquisition		—		17,244	17,244
Additions		—		20,671	20,671
Balance as at March 31, 2022	\$	12,706	\$	76,709	\$ 89,415
<b>ACCUMULATED DEPRECIATION</b>					
Balance as at September 30, 2021	\$	2,121	\$	2,603	\$ 4,724
Depreciation		4,477		17,533	22,010
Balance as at March 31, 2022	\$	6,598	\$	20,136	\$ 26,734
<b>NET BOOK VALUE</b>					
As at September 30, 2021	\$	10,585	\$	36,191	\$ 46,776
Balance as at March 31, 2022	\$	6,108	\$	56,573	\$ 62,681

**8. GOODWILL AND INTANGIBLES**

COST	Customer	Software	Technology	Brand	Goodwill	Total
	Relationships					
Balance as at September 30, 2021	\$ 15,900,000	\$ 650,000	\$ 11,300,000	\$ 1,500,000	\$ 27,576,623	\$ 56,926,623
Acquired on acquisition	2,794,129	—	3,272,899	494,467	3,385,148	9,946,643
Balance as at March 31, 2022	\$ 18,694,129	\$ 650,000	\$ 14,572,899	\$ 1,994,467	\$ 30,961,771	\$ 66,873,266
<b>ACCUMULATED AMORTIZATION</b>						
Balance as at September 30, 2021	\$ 544,762	\$ 27,083	\$ 376,667	\$ 53,571	\$ —	\$ 1,002,083
Amortization	1,645,702	54,167	1,402,742	142,462	—	3,245,072
Balance as at March 31, 2022	\$ 2,190,464	\$ 81,250	\$ 1,779,409	\$ 196,033	\$ —	\$ 4,247,155
<b>NET BOOK VALUE</b>						
As at September 30, 2021	\$ 15,355,238	\$ 622,917	\$ 10,923,333	\$ 1,446,429	\$ 27,576,623	\$ 55,924,540
As at March 31, 2022	\$ 16,503,665	\$ 568,750	\$ 12,793,490	\$ 1,798,434	\$ 30,961,771	\$ 62,626,111

The additions to goodwill and intangibles during the period ended March 31, 2022, relate to the acquisition of Crucial Interactive Holdings Inc. (note 22).

As at the time of these interim financial statements, the Company is in the process of determining the intangibles and goodwill valuation as part of the acquisition of Crucial Interactive Holdings Inc. (note 22). As such, the preliminary estimates for goodwill and intangibles acquired on acquisition are subject to change.

For the three and six month periods ending March 31, 2022, there were no indicators of impairment noted for goodwill and intangible assets.

**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	As at March 31, 2022	As at September 30, 2021
Trade accounts payable	3,524,297	3,303,147
Accrued liabilities	3,887,726	1,863,225
Deferred revenue	917,924	50,041
Taxes payable	755,526	316,627
<b>Accounts payable and accrued liabilities</b>	<b>\$ 9,085,473</b>	<b>\$ 5,533,040</b>

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**10. BANK INDEBTEDNESS**

	<u>As at March 31,</u> <u>2022</u>
<b>Balance as at September 30, 2021</b>	<b>\$ 1,300,000</b>
Proceeds	2,883,000
Interest expense	3,700
Interest payments	(3,700)
Repayments of principal and interest	(4,183,000)
<b>Balance as at March 31, 2022</b>	<b>\$ —</b>

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 December 6, 2021, the full balance of the line of credit was settled and closed. During the six month period ended March 31, 2022, \$2,883,000 of borrowings were made against the 2020 LOC, with a total of \$4,183,000 repayments of principal. Total interest expense for the six month period ended March 31, 2022, was \$3,700, and interest paid was \$3,700.

**11. LEASE LIABILITY**

The Company's leases consist of two facility leases. 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% and 5.95%. 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.

	<u>Total</u>
<b>Balance as at September 30, 2021</b>	<b>\$ 282,137</b>
Acquired on acquisition	2,860
Lease additions	113,568
Finance costs	8,536
Lease payments	(82,041)
Foreign exchange gain	(1,139)
<b>Balance as at March 31, 2022</b>	<b>\$ 323,921</b>
Current portion	168,113
Long-term portion	155,808

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at March 31, 2022:

	<u>Within one</u> <u>year</u>	<u>Later than one year</u> <u>but not later than</u> <u>5 years</u>	<u>More than</u> <u>5 years</u>
Facility	\$ 167,592	\$ 172,044	\$ —

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**12. CONVERTIBLE DEBENTURE**

	<u>As at March 31,</u> <u>2022</u>
<b>Balance as at September 30, 2021</b>	<b>\$ 8,000,000</b>
Acquired on acquisition	3,669,257
Conversion into common shares	(8,000,000)
Foreign exchange loss	71,940
<b>Balance as at March 31, 2022</b>	<b>\$ 3,741,197</b>

***Q1Media Shareholder Debenture***

In connection with the purchase consideration in accordance with the Q1Media acquisition dated July 9, 2021, the Company entered into a convertible debenture with the shareholders of Q1Media Inc. (the “Q1Media Shareholder Debenture”) 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.

On November 9, 2021, the terms of the Q1Media Shareholder 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.

***CIHI Debenture***

In connection with the purchase consideration in accordance with the Crucial Interactive Holdings Inc. acquisition dated October 1, 2021, the Company entered into a convertible debenture with the shareholders of Crucial Interactive Holdings Inc. (the “CIHI Debenture”) with a fair value of \$3,669,275 (CAD \$4,675,000). 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.

Subsequent to period end, on April 7, 2022, the CIHI Debenture was converted prior to the Going Public Transaction. As a result, the CIHI Debenture was converted into shares of the Company resulting in the issuance of 7,420,631 common shares of the Company at a price per share of \$0.504.

**13. CONTINGENT CONSIDERATION**

	<u>As at March 31,</u> <u>2022</u>
<b>Balance as at September 30, 2021</b>	<b>\$ 829,805</b>
Interest expense	47,311
Fair value adjustment	32,674
Payment of consideration	(907,095)
<b>Balance as at March 31, 2022</b>	<b>\$ 2,695</b>

The contingent consideration is part of the purchase consideration in connection with the Notify acquisition. For the period commencing on August 6, 2021 and continuing until the shorter period of (i) 12 months from the acquisition 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%. On December 6, 2021, the Notify VTB Note was repaid (note 14) and as a result the Notify vendors no longer continue to accrue contingent consideration.

During the three and six month period ending March 31, 2022, the Company paid \$330,275 and \$907,095, respectively, of the contingent consideration and recorded a fair value adjustment of \$32,674. Total interest accretion expense for the three and six months ended March 31, 2022, was \$nil and \$47,311, respectively.

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**14. LOANS**

	<u>As at March 31,</u> <u>2022</u>
<b>Balance as at September 30, 2021</b>	<b>\$ 17,643,007</b>
Proceeds	15,400,000
Debt issuance costs	(383,855)
Acquired on acquisition	3,282,317
Interest expense	1,433,549
Interest payment	(479,909)
Repayments of principal	(14,502,967)
Foreign exchange loss	345,555
<b>Balance as at March 31, 2022</b>	<b>\$ 22,737,698</b>
Current	17,978,796
Long term	4,758,902

The Company's loan balance is comprised of both related and third party notes payable, and are described as follows:

***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%. On December 15, 2021, the Initial Nye Note was repaid in full in the amount of \$1,574,384, which includes \$74,384 of interest. During the six months ended March 31, 2022, interest expense of \$41,861 was recorded.

***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 an effective interest rate of 19.3%. During the three and six months ended March 31, 2022, the Company made principal repayments of \$400,000 and recorded interest expense of \$248,992 and \$486,151, respectively, of which \$nil was paid. After period end, the outstanding principal, loan fee and accrued interest was paid in full (note 23).

***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. For the six month period ending March 31, 2022, the Company incurred \$57,505 of interest expense related to the accretion of the loan fee payable. On December 15, 2021, the Wiemann Note was repaid in full in the amount of \$825,000, which included the \$75,000 loan fee

***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, 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, or (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 fair value of \$10,425,552 using a discount rate of 5.09% over a management estimated period of 5 months. For the six months ending March 31, 2022, the Company recorded \$95,781 of interest accretion. On December 6, 2021, the Notify VTB Note was repaid in full.

***CIHI Shareholder Note***

In connection with the Crucial Interactive Holdings Inc. acquisition dated October 1, 2021, certain indebtedness owed to the CIHI Shareholder Lenders under the CIHI Prior Debentures were superseded and replaced by the CIHI Amended and Restated Loan ("CIHI Shareholder Note") issued by CIHI to the CIHI Shareholder Lenders on October 1, 2021. The principal amount of the CIHI Shareholder Note is \$3,395,553 (CAD \$4,325,000) with a maturity date of October 1, 2023 and bearing an interest of 5% per annum. Pursuant to the terms of the CIHI Shareholder Note, (i) \$569,029 (CAD \$725,000) of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$1,981,791 (CAD \$2,525,000) of the principal amount is payable on the earlier to occur of the

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**14. LOANS (continued)**

date that is (x) 6 months following the closing of the acquisition, and (y) the occurrence of the RTO Transaction; and (iii) \$843,733 (CAD \$1,075,000) will be settled on the maturity date. The CIHI Shareholder Note was originally recorded at a fair value of \$3,282,317 (CAD \$4,182,000) using a discount rate of 11.95%. The Company's obligations under the CIHI Shareholder Note are secured by security interests granted to CIHI Shareholder Lenders, as the case may be, in the shares and assets of CIHI and the assets of CIHI's subsidiaries, being Crucial Interactive Inc., Media Xeo Inc., Contobox U.S. Inc., and Okra Media Inc., 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 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.

During the three and six month period ending March 31, 2022, the Company made principal payments of \$nil, and \$1,252,697 (CAD \$1,593,302), respectively. During the three and six months ended March 31, 2022, interest expense of \$38,873 and \$84,502 respectively was recorded and \$nil was paid. After period end, the outstanding principal and accrued interest was paid in full (note 23).

***Fiera Facility***

On November 19, 2021, the Company entered into a commitment letter (the "Fiera Commitment Letter") with Fiera in respect of a Canadian dollar term loan. On December 6, 2021, the Company received the principal amount of \$12,500,000 (CAD \$16,010,000), 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"). The Company incurred debt issuance costs of \$383,855, which included a commitment fee of \$250,000, payable by the Company under the terms of the Fiera Facility. The debt issuance costs were deducted from the Fiera Facility proceeds and will accrete over the 8-month term of the Fiera Facility. The Company's obligations under the Fiera Facility are secured by a first-ranking security interest over all of the assets of the Company and each of the Company Subsidiaries. Proceeds under the Fiera Facility were disbursed on December 6, 2021 (the "Disbursement Date"). During the three and six months ended March 31, 2022, interest expense of \$458,509 and \$587,692 was recorded. During the same three and six month periods \$314,950 and \$330,525, respectively was paid. After period end, the outstanding principal and accrued interest was paid in full (note 23).

***Federated \$2.5 Million Note***

On December 10, 2021, the Company issued an unsecured promissory note to SMT, 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"). During the three and six months ended March 31, 2022, interest expense of \$61,644 and \$72,260 was recorded. During the same three and six month periods \$nil and \$nil respectively was paid. After period end, the outstanding principal and accrued interest was paid in full (note 23).

***Hastings Note***

On January 18, 2022, the Company issued an unsecured promissory note to Ted Hastings in the principal amount of \$400,000 (CAD \$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 Company's obligations under the Hastings Note are secured by a security interest over all of the assets of the Company. Total interest expense for the three month period ended March 31, 2022, was \$7,789, of which \$nil was paid. After period end, the outstanding principal and accrued interest was paid in full (note 23).

**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.

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**15. WARRANT PUT LIABILITY (continued)**

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:

	<b>Amount</b>
<b>Balance as at September 30, 2021</b>	<b>\$ 967,172</b>
Interest accretion	31,526
<b>Balance as at March 31, 2022</b>	<b><u>\$ 998,698</u></b>

During the three and six months ended March 31, 2022, interest accretion of \$15,684 and \$31,526 was recorded.

**16. SHARE CAPITAL**

The Company has an unlimited number of common shares authorized for issuance, with no par value.

On November 9, 2021, the terms of the Q1Media Shareholder Debenture (note 12) 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.

On April 7, 2022, the CIHI Debenture (note 12) was converted prior to the Going Public Transaction. As a result, the CIHI Debenture was converted into shares of the Company resulting in the issuance of 7,420,631 common shares of the Company at a price per share of \$0.504.

**17. 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 convertible debentures, contingent consideration and warrant put liability are measured at fair value using Level 3 inputs. The sensitivity of these instruments to the Level 3 inputs noted are as follows:

- Convertible debentures – are convertible into common shares at a conversion price estimated to be based on market. A change in the value of the underlying shares by 10% would result in a gain or loss of \$36,693 (\$46,750 CAD).
- Contingent consideration – was previously based on 15% of an estimate of profitability of the underlying entity; however, the instrument has been settled during the period for cash.
- Warrant put liability - is based on the underlying discount rate of 14%. The Company expects to settle the warrant put liability in a future period for cash. As the liability is near the end of its expected life, a change in the underlying discount rate does not have a material sensitivity.

There was no movement between any Level during the periods ended March 31, 2022, and 2021 and no changes in fair value models used.

**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:

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**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

*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 March 31, 2022, in United States dollar terms:

	<b>CAD</b>
Cash	\$ 64,988
Accounts receivable, net	1,632,182
Accounts payable and accrued liabilities	(5,895,340)
Convertible debenture	(4,694,447)
Loans	(18,978,187)

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:

<b>Currency</b>	<b>10% Strengthening (weakening)</b>
CAD	\$ (2,787,080)

*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. The provision matrix below shows the expected credit loss rate for each aging category of trade receivables.

	<b>As at March 31, 2022</b>			<b>Total</b>
	<b>Up to 30 days past due</b>	<b>Over 30 days past due</b>	<b>Over 90 days past due</b>	
Trade receivables gross balance	\$ 7,558,039	\$ 834,338	\$ 106,037	\$ 8,498,414
Expected credit loss rate	4%	14%	4%	5%
Expected credit loss allowance	270,917	116,176	4,665	391,759
<b>Trade receivables, net of expected credit loss</b>	<b>\$ 7,287,122</b>	<b>\$ 718,162</b>	<b>\$ 101,372</b>	<b>\$ 8,106,655</b>

*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.

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**17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

The following is an analysis of the contractual maturities of the Company's financial liabilities as at March 31, 2022:

	<b>As at March 31, 2022</b>		
	<b>Within one year</b>	<b>Between one and five years</b>	<b>More than five years</b>
Accounts payable and accrued liabilities	\$ 9,085,473	\$ —	\$ —
Lease liability	168,113	155,808	—
Contingent consideration	2,695	—	—
Loans payable	17,978,796	4,758,902	—
Convertible debenture	3,741,197	—	—
Warrant put liability	998,698	—	—
<b>Total</b>	<b>\$ 31,974,972</b>	<b>\$ 4,914,710</b>	<b>\$ —</b>

**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.

The Company's Fiera Facility has a floating interest rate based on National Bank of Canada Prime Rate plus 7.50%, and as a result, the Company is exposed to interest rate risk due to fluctuations in the Canada Prime Rate. Interest expense has been recorded in the statement of income (loss) and comprehensive income (loss). A change of 1.00% in the Canada Prime Rate would increase/decrease the interest expense by \$128,125 on an annual basis.

**18. 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 three and six month period ended March 31, 2022. The Company is not subject to externally imposed capital requirements.

**19. REVENUE**

The following table presents revenue disaggregated based on the geographic location of our customers:

	<b>Three months ended March 31, 2022</b>	<b>Six months ended March 31, 2022</b>
United States	11,618,147	24,002,956
Canada	757,813	1,905,696
Other	2,103,642	4,575,963
<b>Total revenue</b>	<b>\$ 14,479,603</b>	<b>\$ 30,484,615</b>

The following table presents revenue disaggregated based on nature of revenue:

	<b>Three months ended March 31, 2022</b>	<b>Six months ended March 31, 2022</b>
Managed services	13,031,643	27,436,154
Self service	1,447,959	3,048,461
<b>Total revenue</b>	<b>\$ 14,479,603</b>	<b>\$ 30,484,615</b>

The Company has reclassified revenues previously presented as revenues from (a) marketing and platform solutions and (b) push notification platform to managed service revenues.

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**20. 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:

	<b>Three months ended March 31, 2022</b>	<b>Six months ended March 31, 2022</b>
Employee compensation	\$ 4,600,677	\$ 8,806,874
Office and administrative	185,635	410,068
Technology	470,061	907,991
Legal and professional fees	7,861	55,334
Travel, meals, and entertainment	147,537	270,108
Advertising and promotion	37,280	80,976
Insurance	20,962	39,641
Bad debt expense	(37,395)	(30,732)
Transaction costs	518,028	2,205,587
	<b>\$ 5,950,646</b>	<b>\$ 12,745,847</b>

The above expenses are presented in the statements of loss and comprehensive loss as follows:

	<b>Three months ended March 31, 2022</b>	<b>Six months ended March 31, 2022</b>
Selling and marketing	\$ 2,424,958	\$ 4,742,204
General and administrative	2,537,599	4,890,065
Transaction costs	518,028	2,205,587
Technology and development	470,061	907,991
	<b>\$ 5,950,646</b>	<b>\$ 12,745,847</b>

**21. 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:

	<b>Three months ended March 31, 2022</b>	<b>Six months ended March 31, 2022</b>
Employee compensation	\$ 942,143	\$ 1,627,320
	<b>\$ 942,143</b>	<b>\$ 1,627,320</b>

As at March 31, 2022, included in accounts payable and accrued liabilities was \$1,100,011 of payments owed to key management personnel for accrued employee compensation and certain balances of consideration owed on the CIHI 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:

	<b>As at March 31, 2022</b>	<b>As at September 30, 2021</b>
Balances included in accounts receivable	\$ 165,301	\$ 568,177
Balances included in accounts payable and accrued liabilities	(1,100,011)	(1,403,812)
Balances included in convertible debenture	(2,324,653)	(8,000,000)
Balances included in contingent consideration	(2,695)	(829,805)
Balances included in loans	(9,643,389)	(17,643,007)
<b>Total related party balances owing</b>	<b>\$ (12,905,447)</b>	<b>\$ (27,308,447)</b>

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**21. RELATED PARTY TRANSACTIONS (continued)**

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:

	Three months ended	Six months ended
	March 31, 2022	March 31, 2022
Revenues from related parties	420,348	973,269
Media costs	61,385	166,748
General and administrative	1,301,175	2,782,931
Technology and development	359,701	677,097

**22. BUSINESS COMBINATION**

**Crucial Interactive Holdings Inc.**

The acquisition of 100% of the shares of Crucial Interactive Holding Inc. and its subsidiaries (“CIHI” or the “CIHI Acquisition”) 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, October 1, 2021.

CIHI enables 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 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 following table summarizes the estimated fair value of the identifiable assets and liabilities acquired at the date of acquisition:

<b>Fair value of consideration</b>	<b>\$ 7,417,785</b>
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 assets	137,334
Property and equipment	17,243
Right-of-use asset	2,644
Trade and other payables	(3,352,070)
Taxes payable	(65,715)
Deferred revenue	(105,483)
Lease liabilities	(2,860)
Deferred tax liabilities	(1,734,210)
<b>Total acquisition date fair value of assets acquired, and liabilities assumed</b>	<b>\$ (2,528,857)</b>
Customer relationships	2,794,129
Technology	3,272,899
Brand	494,467
Goodwill	3,385,148
<b>Goodwill and intangibles</b>	<b>\$ 9,946,643</b>
Convertible debenture (Note 12)	3,669,257
Promissory note (Note 14)	3,282,317
Accrued liability	466,211
<b>Total consideration</b>	<b>\$ 7,417,785</b>

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**22. BUSINESS COMBINATION (continued)**

The Company completed the CIHI Acquisition on October 1, 2021, whereby the Company acquired all of the issued and outstanding securities of CIHI for total consideration of \$7,417,785.

The consideration for the acquisition consisted of the issuance of a convertible debenture (the “CIHI Debenture”) to the CIHI Shareholders (the “Vendors”), a promissory note (the “CIHI Shareholder Note”) to the Shareholder Lenders, and the assumption of an accrued liability obligation.

The consideration payable by the Company to the Vendors in connection with the acquisition was satisfied by the issuance to the Vendors of the CIHI Debenture with a fair value of \$3,669,257 (CAD \$4,675,000). The CIHI 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 CIHI 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.

Certain indebtedness owed by CIHI to the shareholders of CIHI (the “Shareholder Lenders”) was superseded and replaced with the CIHI Shareholder Note in the principal amount of \$3,150,005 (CAD \$4,325,000) (note 14), bearing interest at the rate of 5% per annum. The CIHI Shareholder Note was originally recorded at a fair value of \$3,282,317 (CAD \$4,182,000) using a discount rate of 11.95%. Pursuant to the terms of the CIHI Shareholder Note, (i) \$569,029 (CAD \$725,000) of the principal amount was repaid to the Shareholder Lenders in cash on closing of the acquisition; (ii) \$1,981,791 (CAD \$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 \$700,664 (CAD \$833,301) was repaid on December 6, 2021); and (iii) \$843,733 (CAD \$1,075,000) will be settled immediately prior to the occurrence of the RTO Transaction in exchange for Federated Shares.

The Company’s obligations under the CIHI Debenture and CIHI’s obligations pursuant to the CIHI Shareholder 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.

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.

On April 1, 2022, the outstanding balance of \$1,281,127 that was payable 6 months following the closing of the acquisition, was amended to extend the repayment date until July 1, 2022, and subsequently, the outstanding principal and accrued interest was paid in full (note 23).

On April 7, 2022, the CIHI Debenture was converted into 7,420,631 Federated Shares, and \$833,733 (CDN \$1,075,000) of the CIHI Shareholder Note was converted into 1,706,347 Federated Shares, based on a conversion price per Federated Share of US\$0.504.

**Preliminary Purchase Price Allocations for Business Combinations**

The consideration has been allocated to the estimated fair values of the assets acquired and liabilities assumed at the dates of the acquisitions and remain preliminary as of March 31, 2022. These estimated fair values involve significant judgement and estimates. The primary areas of judgement involved are the valuation of the intangible assets acquired, which requires management to estimate value based on future cash flows from these assets. The primary areas of the preliminary purchase price allocations that are not yet finalized relate to: intangible assets acquired, deferred tax liabilities, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired as of the respective acquisition dates during the measurement period.

During the three months ended March 31, 2022, the Company updated the purchase price allocations for CIHI and adjusted for the following measurement period adjustments as a result of additional information obtained about facts and circumstances that existed as of the acquisition date:

**FEDERATED FOUNDRY LIMITED** (formerly 2810735 Ontario Inc.)  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**For the three and six months ended March 31, 2022**  
**(expressed in United States Dollars - unaudited)**

**22. BUSINESS COMBINATION (continued)**

	As Previously Reported	Adjustments	As Currently Reported
<b>Fair value of consideration</b>	<b>\$ 7,147,182</b>	<b>\$ 270,604</b>	<b>\$ 7,417,785</b>
Cash and cash equivalents	977,443	—	977,443
Restricted cash	98,108	—	98,108
Trade and other receivables	1,190,605	—	1,190,605
Investment tax credits receivable	283,223	—	283,223
Prepaid assets	24,880	—	24,880
Other assets	137,334	—	137,334
Property and equipment	17,243	—	17,243
Intangible assets (computer software)	55,862	(55,862)	—
Right-of-use asset	2,644	—	2,644
Trade and other payables	(3,336,866)	(15,203)	(3,352,069)
Taxes payable	(65,715)	—	(65,715)
Deferred revenue	(210,966)	105,483	(105,483)
Lease liabilities	(2,860)	—	(2,860)
Deferred tax liabilities	(55,459)	(1,678,751)	(1,734,210)
<b>Total acquisition date fair value of assets acquired, and liabilities assumed</b>	<b>\$ (884,524)</b>	<b>\$ (1,644,333)</b>	<b>\$ (2,528,857)</b>
Customer relationships	3,139,471	(345,342)	2,794,129
Software	2,354,603	(2,354,603)	—
Technology	—	3,272,899	3,272,899
Brand	—	494,467	494,467
Goodwill	2,537,632	847,516	3,385,148
<b>Goodwill and intangibles</b>	<b>\$ 8,031,706</b>	<b>\$ 1,914,937</b>	<b>\$ 9,946,643</b>
Convertible debenture	3,548,363	120,894	3,669,257
Promissory note	3,150,005	132,312	3,282,317
Accrued liability	448,814	17,397	466,211
<b>Total consideration</b>	<b>\$ 7,147,182</b>	<b>\$ 270,603</b>	<b>\$ 7,417,785</b>

**23. SUBSEQUENT EVENTS**

**CIHI Convertible Debenture**

Subsequent to period end, on April 7, 2022, the CIHI Debenture was converted prior to the Going Public Transaction. As a result, the CIHI Debenture was converted into shares of the Company resulting in the issuance of 7,420,631 common shares of the Company at a price per share of \$0.504.

**PopReach RTO**

On April 28, 2022, the Company completed its previously announced business combination (the "Transaction") with PopReach Corporation ("PopReach"), to form a leading publicly-listed Canadian technology and media enterprise.

Pursuant to the Transaction, PopReach acquired the Company for an indicative aggregate purchase price of C\$160 million, subject to adjustments for assumed debt, working capital and other customary terms and conditions set out in the definitive transaction agreement entered into by the parties for the Transaction. The net purchase price at closing for the Transaction was C\$127.24 million, inclusive of the assumption by PopReach of an aggregate US\$22.963 million of debt. As a result, shareholders of the Company received approximately 0.7541 common shares in the capital of PopReach (the "Common Shares") for each common share in the Company (the "Federated Shares") held by them, for a total issuance from treasury by PopReach of 159,053,948 Common Shares (the "Consideration Shares"). Following completion of the Transaction, PopReach has 232,520,102 Common Shares issued and outstanding, with the Consideration Shares issued to the Company's shareholders comprising of approximately 68.40% of the issued capital (basic).

**23. SUBSEQUENT EVENTS (continued)**

Prior to the closing of the Transaction, PopReach and Federated entered into a second amending agreement to the definitive transaction agreement originally entered into on October 18, 2021 and first amended on February 14, 2022, pursuant to which, in lieu of a triangular amalgamation among Federated and a newly-incorporated subsidiary of PopReach to facilitate the issuance of the Consideration Shares, the parties agreed to a direct share exchange between PopReach and the former Federated shareholders whereby PopReach issued the Consideration Shares to the former Federated shareholders in exchange for the Federated Shares held by each such Federated shareholder.

**Repayment of loans**

On April 18, 2022, PopReach entered into a credit agreement for \$33.0 million in senior secured credit facilities (the “BMO Facilities”) with the Bank of Montreal (“BMO” or the “Lender”), which was subsequently closed on May 12, 2022. The BMO Facilities consist of an \$8 million revolving facility (“Revolver”), a \$25 million non-revolving term facility (“Term Loan”), and an “accordion” option for up to an additional \$15 million acquisition facility subject to Lender and other typical approvals (“Acquisition Line”) to support the Company’s mergers and acquisitions growth strategy.

On May 12, 2022, PopReach used the Term Loan facility, along with cash on hand to repay the outstanding principal and interest outstanding under the Subsequent Nye Note, the CIHI Shareholder Note, the Fiera Facility, the Federated \$2.5M Note and the Hastings Note.