

POPREACH CORPORATION

(formerly Federated Foundry Limited)

Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share
amounts – unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, continuous disclosure obligations, if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Corporation's independent auditor has not performed a review of these financial statements in accordance with standards established for a review of interim financial statements by an entity's auditor.

The accompanying unaudited condensed interim financial statements of the Corporation have been prepared by and are the responsibility of the PopReach Corporation Management team.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Condensed Interim Consolidated Statements of Financial Position
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

	Note	As at September 30, 2022	As at September 30, 2021
ASSETS			
Current assets			
Cash		\$ 8,851	\$ 2,042
Accounts receivable, net	4	15,675	7,432
Prepaid expenses and deposits	5	675	163
Other assets	6	537	—
Total current assets		25,738	9,637
Non-current assets			
Prepaid expenses and deposits	5	72	16
Right-of-use asset	7	390	260
Property and equipment	8	218	47
Other assets	6	873	—
Goodwill and intangibles	9	122,913	55,925
Deferred tax asset		93	—
Total non-current assets		124,559	56,248
Total assets		\$ 150,297	\$ 65,885
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable and accrued liabilities	10	\$ 17,215	\$ 5,483
Bank indebtedness	11	—	1,300
Current portion of lease liability	12	403	115
Current portion of convertible debenture	14	147	8,000
Deferred revenue	13	2,464	50
Contingent consideration	15	246	830
Loans	16	7,960	13,370
Derivative liability	17	36	—
Warrant put liability	18	1,000	967
Total current liabilities		29,471	30,115
Long-term liabilities			
Lease liability	12	74	167
Convertible debenture	14	6,747	—
Deferred revenue	13	117	—
Contingent consideration	15	1,329	—
Loans	16	32,320	4,273
Employee benefit obligations	19	326	—
Deferred tax liability		3,035	2,811
Total long-term liabilities		43,948	7,251
Total liabilities		73,419	37,366
Shareholders' equity			
Share capital	20	74,908	28,548
Contributed surplus	21	7,808	—
Deficit		(6,006)	(121)
Accumulated other comprehensive income		168	92
Total shareholders' equity		76,878	28,519
Total liabilities and shareholders' equity		\$ 150,297	\$ 65,885

Nature of operations (note 1)

Approved on behalf of the Board:

/s/ Ted Hastings
Ted Hastings, Director

/s/Ben Colabrese
Ben Colabrese, Director

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

POPREACH CORPORATION (formerly Federated Foundry Limited)
Condensed Interim Consolidated Statements of Loss and Comprehensive Income (Loss)
For the three and twelve months ended September 30, 2022 and 2021
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

	Note	Three months ended		Twelve months ended	From
		September 30, 2022	September 30, 2021	September 30, 2022	January 25 to September 30, 2021
Revenue	24	\$ 25,477	\$ 10,265	\$ 76,649	\$ 10,265
Cost of sales		14,188	5,625	40,501	5,625
Gross profit		11,289	4,640	36,148	4,640
Expenses					
Selling and marketing	25	3,722	1,917	12,602	1,917
General and administrative	25	3,109	1,185	9,320	1,289
Technology and development	25	2,053	210	5,173	210
Transaction costs	25	245	102	2,920	102
Depreciation and amortization	7, 8, 9	3,070	1,035	8,807	1,035
		12,199	4,449	38,822	4,553
Other income (loss)					
Finance costs	11, 12, 15, 16, 18	(688)	(506)	(2,913)	(527)
Foreign exchange gain (loss)		(39)	(108)	64	(86)
Fair value gain on financial liabilities		33	313	38	341
Fair value adjustment - contingent consideration	15	—	—	(33)	—
Gain on disposal of property and equipment		—	—	1	—
Loss on extinguishment of loan	16	—	—	(1,217)	—
Other income		—	11	378	11
Net loss before income taxes		(1,604)	(99)	(6,356)	(174)
Income tax recovery (expense)		(282)	53	471	53
Net loss after tax		(1,886)	(46)	(5,885)	(121)
Other comprehensive income		58	92	76	92
Net loss and other comprehensive income (loss)		\$ (1,828)	\$ 46	\$ (5,809)	\$ (29)
Net loss per share - basic and diluted		\$ (0.01)	\$ (0.00)	\$ (0.03)	\$ (0.00)
Weighted average number of shares outstanding - basic and diluted		219,190,029	74,075,611	182,486,476	131,828,845

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Transaction (note 27) of 0.7541 shares for every 1 share of Federated

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

POPREACH CORPORATION (formerly Federated Foundry Limited)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the twelve months ended September 30, 2022 and 2021
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

	Share Capital			Accumulated other comprehensive income	Deficit	Total
	Common shares Number	Common shares Amount	Contributed Surplus			
Balance – September 30, 2021	140,200,897	\$ 28,548	\$ —	\$ 92	\$ (121)	\$ 28,519
Issuance of common shares in connection with debenture conversion (Note 14)	11,970,194	8,000	—	—	—	8,000
Issuance of common shares in connection with debenture conversion (\$1.075M CDN) (Note 27)	1,286,794	841	—	—	—	841
Issuance of common shares in connection with debenture conversion (\$4.675M CDN) (Note 14)	5,596,063	3,669	—	—	—	3,669
Issuance of shares in connection with PopReach (Note 27)	73,466,154	22,906	964	—	—	23,870
Issuance of shares in connection with options exercised (Note 21)	1,746,726	316	(316)	—	—	—
Issuance of shares in connection with acquisition of Ubiquity (Note 27)	41,000,000	10,628	—	—	—	10,628
Issuance of convertible debt in connection with acquisition of Ubiquity (Note 27)	—	—	6,287	—	—	6,287
Contingent consideration - equity associated with acquisition of Ubiquity (Note 27)	—	—	389	—	—	389
Share-based compensation	—	—	484	—	—	484
Other comprehensive income	—	—	—	76	—	76
Net loss	—	—	—	—	(5,885)	(5,885)
Balance – September 30, 2022	275,266,828	\$ 74,908	\$ 7,808	\$ 168	\$ (6,006)	\$ 76,878

	Share Capital			Accumulated other comprehensive income	Deficit	Total
	Common shares Number	Common shares Amount	Contributed Surplus			
Balance – January 25, 2021	—	\$ —	\$ —	\$ —	\$ —	\$ —
Issuance of shares	54,189,069	6	—	—	—	6
Issuance of shares in connection with Notify	74,813,712	25,000	—	—	—	25,000
Issuance of shares in connection with financing, net of transaction costs	11,198,116	3,542	—	—	—	3,542
Other comprehensive income	—	—	—	92	—	92
Net loss	—	—	—	—	(121)	(121)
Balance – September 30, 2021	140,200,897	\$ 28,548	\$ —	\$ 92	\$ (121)	\$ 28,519

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Transaction (note 27) of 0.7541 shares for every 1 share of Federated

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POPREACH CORPORATION (formerly Federated Foundry Limited)

Condensed Interim Consolidated Statements of Cash Flows

For the twelve months ended September 30, 2022 and 2021

(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

	Note	Twelve months ended September 30, 2022	From January 25 to September 30, 2021
Cash flows from (used in) operating activities			
Net loss after tax		\$ (5,885)	\$ (121)
Changes in non-cash operating items:			
Depreciation and amortization		8,807	1,035
Share-based compensation		484	—
Fair value gain on financial liabilities		(38)	(341)
Fair value adjustment - contingent consideration		33	—
Deferred tax recovery		(1,532)	(277)
Finance costs		2,913	527
Gain on sale of equipment		(1)	—
Loss on extinguishment of loan		1,217	—
Foreign exchange		30	—
Other income		(378)	—
Changes in non-cash working capital			
Accounts receivable		(289)	(912)
Prepaid expenses and deposits		156	(48)
Other assets		181	—
Accounts payable and accrued liabilities		(1,854)	(661)
Deferred revenue		736	—
Employee benefit obligations expensed		38	—
Employee benefit obligations paid		(26)	—
Net cash provided by (used in) operating activities		4,592	(798)
Cash flows from financing activities			
Lease payments	12	(373)	(33)
Proceeds from loans	16	55,400	13,100
Repayment of loans	16	(40,302)	(10,550)
Repayment of contingent consideration	15	(910)	(219)
Proceeds from line of credit	11	2,883	—
Repayment of line of credit	11	(4,183)	—
Proceeds from financing		—	3,548
Financing fees paid on loan	16	(762)	—
Payment of interest	16	(2,958)	(44)
Net cash provided by financing activities		8,795	5,802
Cash flows used in investing activities			
Acquisition of property and equipment	8	(55)	(6)
Additions to intangible assets	9	(668)	—
Proceeds on sale of equipment	8	1	—
Proceeds from lessee	12	28	—
Acquisition of subsidiaries, net of cash acquired	27	(5,947)	(2,956)
Net cash used in investing activities		(6,641)	(2,962)
Effect of foreign currency exchange rate changes on cash		63	—
Change in cash during the period		6,809	2,042
Cash – beginning of period		2,042	—
Cash – end of period		\$ 8,851	\$ 2,042
Taxes paid		548	11

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

POPReach CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
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1. NATURE OF OPERATIONS

PopReach Corporation (the “**Company**”), was incorporated September 25, 2018 pursuant to the provisions of the Business Corporations Act (Ontario). On April 28, 2022, the Company completed a reverse takeover transaction (the “**Transaction**”) with Federated Foundry Limited (“**Federated**”, formerly 2810735 Ontario Inc.), to form a leading publicly-listed Canadian technology and media enterprise, which is described in Note 27.

The Company is a multi-platform technology company focused on acquiring, optimizing and growing companies and assets that provide services, technology or products within the digital media ecosystem. The Company's portfolio includes: PopReach Incorporated (“**PopReach**”), a free-to-play mobile game publisher with over 25 games enjoyed by millions of players; Q1Media, Inc. (“**Q1Media**”), a digital media advertising services provider; NotifyAI, LLC (“**Notify**”), a push notification subscription and monetization platform; Crucial Interactive Holdings Inc. (“**CIHI**”) (doing business as “**Contobox**”), an award-winning personalization, eCommerce and creative advertising technology platform, and Ubiquity Agency LLC (“**Ubiquity**”), a user acquisition and marketing technology business.

The Company's registered and head office is located at 1 University Avenue, Toronto, Ontario, M5J 2P1.

2. BASIS OF PREPARATION

Statement of compliance

These 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 of the annual consolidated financial statements of Federated as at and for the year ended September 30, 2021, other than changes described in note 3 due to the business combinations that occurred during the period. Accordingly, these unaudited condensed consolidated interim statements as at and for the three and twelve months ended September 30, 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.

Under IFRS 3, as Federated is deemed to be the accounting acquirer of the Company in the Transaction described above, these unaudited condensed consolidated interim financial statements are a continuation of the financial statements of Federated. Federated has elected to continue its consolidated operations using the name “PopReach Corporation” moving forward.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 28, 2022.

As a result of the Transaction of April 28, 2022, and pursuant to the Business Combination Agreement dated October 18, 2021 between PopReach and Federated, first amended on February 14, 2022 and subsequently amended immediately prior to closing of the Transaction, the last date of the fiscal year of Federated was changed from September 30 to December 31. As a result of the change, the Company will have a fifteen-month fiscal year which will be reported in the Company's annual report for the fiscal-year ending December 31, 2022.

Basis of presentation

The unaudited condensed interim consolidated financial statements are presented on a historical cost basis except for certain financial instruments that have been measured at fair value.

Functional and presentation currency

The Company's unaudited condensed interim consolidated financial statements are presented in thousands of United States Dollars (“**USD**”), except share and per share amounts.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
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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 follows:

	Functional currency
Federated Foundry Limited	USD
PopReach Corporation ("PopReach Corporation")	USD
PopReach Incorporated	USD
PopReach Technologies Private Ltd ("PR Tech")	USD
PopReach UK Limited ("PopReach UK")	USD
Q1Media Inc.	USD
Notify AcquisitionCo Inc.	USD
NotifyAI, LLC	USD
Crucial Interactive Holdings Inc.	CAD
Crucial Interactive Inc.	CAD
Okra Media Inc.	CAD
Media Xeo Inc.	CAD
Contobox U.S. Inc.	USD
Ubiquity Agency Acquisition, Inc.	USD
Ubiquity Agency LLC	USD
Sedulen LLC	USD
VeriAS LLC	USD
BW Ventures LLC	USD
Jet Marketing Agency LLC	USD
Hippo Investments LLC	USD
Mosten Media BV	EUR

On April 28, 2022, in conjunction with the Transaction, Federated Foundry changed its functional currency from CAD to USD. In conjunction with the Transaction, Federated Foundry now acts as a subsidiary of PopReach Corporation with no operating or financing activities of its own. As a result Federated Foundry changed its functional currency from CAD to 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 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 unaudited condensed interim consolidated statements of loss and comprehensive loss.

Basis of consolidation

The Company's unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries:

- i) Federated Foundry Ltd. (Ontario), who's only operations are through its wholly owned subsidiaries below:
 - a. Q1Media Inc. (Delaware),
 - b. Notify AcquisitionCo Inc. (Delaware), who's only operations are through its wholly owned subsidiary NotifyAI, LLC (Wyoming),
 - c. 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).
- ii) PopReach Incorporated (Ontario), who wholly owns the following subsidiaries below:
 - a. PopReach Technologies Private Ltd (India)
 - b. PopReach UK Limited (United Kingdom)
- iii) Ubiquity Agency Acquisition, Inc. (Delaware) ("**Ubiquity AcqCo**"), who's operations are through its wholly owned subsidiary below:

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

- a. Ubiquity Agency LLC (Delaware), who's operations are through its, direct and indirect, wholly owned subsidiaries below:
 - i. Sedulen LLC (Florida)
 - ii. Verias LLC (Delaware)
 - iii. BW Ventures LLC (Delaware)
 - iv. Jet Marketing Agency LLC (Delaware)
 - v. Hippo Investments LLC (Delaware)
 - vi. Mosten Media BV (Netherlands)

Upon consolidation, all inter-entity transactions and balances have been eliminated.

Accounting estimates and judgements

The preparation of unaudited 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, other than certain changes due to the Transaction (note 27). The changes and additions to accounting estimates and judgements are below:

Fair value of derivative financial instruments

The Company uses a Black-Scholes model in order to estimate the value of the derivative warrant liabilities. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of comparable companies), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of derivative liabilities.

Share-based payments

The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation which require the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of comparable companies), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of share-based compensation.

Deferred revenue and revenue

The Company uses judgment and estimates to determine the amount of revenue to defer for each reporting period. The Company expects that in future periods, there will be changes in estimates of the average playing period of active players who complete in-app purchases (“Payers”) and/or changes in the ability to make such estimates, based on changes to the Company’s portfolio of game franchises. In particular, if the estimated average playing period of Payers increases on average, the amount of revenue recognized in a current or future period may be reduced, perhaps materially. Conversely, if the estimated average playing period of Payers decreases on average, the amount of revenue that is recognized in a current or future period may be accelerated, perhaps materially.

Deferred cost of sales and cost of sales

The Company uses judgment and estimates to determine the amount of cost of sales to defer for each reporting period. The Company expects that in future periods, there will be changes in estimates of the average playing period of Payers and/or changes in the ability to make such estimates, based on changes to the Company’s portfolio of game franchises. In particular, if the estimated average playing period of Payers increases on average, the amount of cost of sales recognized in a current or future period may be reduced, perhaps

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

materially. Conversely, if the estimated average playing period of Payers decreases on average, the amount of cost of sales that is recognized in a current or future period may be accelerated, perhaps materially.

Employee benefit obligations

The Company is required to determine the fair value of employee benefit obligations at the end of each reporting period, which requires judgments over the inputs, including regulatory requirements, an evaluation of relevant discount rates, expected long-term returns on plan liabilities, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, and input from actuaries and other consultants. Changes in these inputs can materially impact the estimated fair value of the employee benefit obligations.

Technology and development

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are expensed as incurred. Expenditures on development activities involve a plan or design to produce new or substantially improved products and processes. Development expenditures are capitalized to intangible assets if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. There is judgment involved in determining which costs are directly attributable to the intangible asset during the development. Changes in these assumptions can materially impact the carrying value of the intangible asset during its development.

Going concern

Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its unaudited condensed interim consolidated financial statements. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease doing business or has no realistic alternative but to do so.

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

Accounting policies are consistent with the audited annual financial statements for the year ended September 30, 2021, except for the new policies identified below arising from the acquisition of Crucial Interactive Holdings Inc. and the completion of the Transaction.

Acquisition of Crucial Interactive Holdings Inc.

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 the CIHI acquisition which closed on October 1, 2021 (note 27).

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), as well as in-app purchases and advertising revenues from mobile games.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
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With the acquisition of CIHI, the Company has updated its presentation of revenues to disclose (i) managed service revenues and (ii) self service revenues, as defined outlined below.

Managed services and self-service revenue

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"). The revenues are recognized over time as progress is made toward satisfying the performance obligations of each contract.

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.

Completion of the Transaction

With the completion of the Transaction described in note 27, the Company has updated its presentation of revenues to also disclose in-app purchase and advertising revenues, as well as updated its policies on other items, as outlined below.

In-app purchases

The Company operates games as live services that allow players to play for free. However, within these games, players can purchase virtual currency to obtain virtual goods to enhance their game-playing experience. The identified performance obligation is to display the virtual items within the game over the estimated life of the paying player or until it is consumed in game play based upon the nature of the virtual item. Payment is required at time of purchase and the purchase price is a fixed amount.

The Company distributes its games on digital platforms such as Apple's App Store, the Google Play Store, the Amazon Appstore, and the Facebook App Center. Within these platforms, players can download the Company's games and can then purchase or earn virtual currency within the game. The Company sells both consumable and durable virtual goods. Consumable goods are items that can be purchased directly by the user and are consumed at a predetermined time or otherwise have limitations on repeated use, while durable goods are items that remain in the game for as long as the user continues to play. Revenue from consumable and durable virtual goods is generated through direct purchases or via the purchase of virtual currency by users. Users convert the virtual currency within the game to consumable goods or durable virtual goods to enhance their game-playing experience. Such payments are initially recorded to deferred revenue. As a result, in connection with new game launches, acquisitions of new games from third parties or during periods of increased bookings, the deferred revenue balance specific to such games will increase, sometimes significantly.

For revenue earned through digital platforms, the transaction price is equal to the gross amount charged to the player because the Company is the principal in the transaction. The related platform and payment processing fees are recorded as cost of sales in the period incurred.

The Company currently does not have the ability to differentiate between revenue attributable to consumable virtual items versus durable virtual items for a specific game, and therefore recognizes revenue ratably over the estimated average playing period of Payers for the applicable game.

The Company also earns subscription-based in-app purchase revenue related to certain games on the digital platforms. For subscription periods with a definite expiration, the Company recognizes revenues evenly throughout the subscription period. Lifetime subscription revenues are recognized rateably over the estimated average playing period of Payers for the applicable game.

Deferred cost of sales and cost of sales

The Company earns subscription-based in-app purchase revenue related to certain games on the digital platforms. As the related platform and payment processing fees are considered incremental costs in obtaining a contract, these fees are recognized as a contract cost on the unaudited condensed interim consolidated statements of financial position. For subscription periods with a definite expiration, the

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
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Company recognizes cost of sales evenly throughout the subscription period. Platform and processing fees related to incurring lifetime subscription revenues are recognized rateably over the estimated average playing period of payers for the applicable game. However, the Company has also chosen to elect to expense any contract costs if the amortization period is less than one year and is recognized as cost of sales on the unaudited condensed interim consolidated statements of loss and comprehensive loss.

Advertising and other

The Company has relationships with certain advertising agencies for digital advertisements within its games and revenue from these advertisers is generated when an app that has been advertised in our games has been installed and opened by the viewer of the ad, and when the ad view that was generated in our game was attributed to the user who installed the app. Revenue is recognized as advertisements are delivered on a periodic basis when transfer of control of service has occurred and when collectability has been reasonably assured.

Property and equipment and intangible assets

Management has updated the useful lives of certain property and equipment and intangible assets due to the Transaction and the acquisition of Ubiquity (note 27) as outlined below:

Property and equipment	
Furniture and fixtures	1-6 years
Equipment	3 years
Intangible assets	
Customer relationships	5 to 7 years
Software	6 years
Technology	0.5 to 5 years
Brand/License	5 to 7 years

Investment tax credits

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The Company records investment tax credits when qualifying expenditures have been made provided there is reasonable assurance that the credits will be realized. The amount of investment tax credits recorded can vary, based on estimates of future taxable income. These credits can be applied against income tax liabilities and are subject to a 20-year carry-forward period or, in some cases, are refundable. Accrued investment tax credits are accounted for as a reduction of the related expenditures for items expensed in the consolidated statement of loss and comprehensive loss or a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position as other assets.

Employee benefit obligations

The Company has defined employee benefit plans, both mandated by Indian law, covering employees of PR Tech. The plans consist of a Gratuity and a Leave Encashment plan. Under the Gratuity scheme, employees with equal to or more than 5 years of service are entitled to a lump-sum payment upon retirement or leaving service from PR Tech. The benefits are based on years of service and final average salary. The Leave Encashment plan is for accrued earned leave benefits for unused vacation time, and is paid via lump-sum payment upon retirement or leaving service.

The Company accrues its obligations under the defined employee benefit plans as the employees render the services necessary to earn the benefits. The defined benefit obligation at the end of the year is determined based on the most recent actuarial valuation report prepared for accounting purposes. The measurement date of the defined benefit obligation coincides with the Company's fiscal year-end. The date of the most recent actuarial valuation of the plans prepared for accounting purposes was September 30, 2022.

The liability recognized in the statement of financial position is the present value of the obligation of the plans at the statement of financial position date. The liability includes the present value of the obligations as determined by discounting the estimated future required payments using interest rates of high-quality long-term corporate bonds. All actuarial gains and losses that arise in calculating the present value of the obligations are recognized immediately in the consolidated statements of loss and comprehensive loss in other comprehensive income.

The cost of the plans for the year is charged to net income/loss. Past service costs arising from plan amendments are immediately charged to net income/loss at the date of the amendment. Interest costs arising from applying the discount rate to the benefit obligation is also charged to net income/loss.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

Share-based compensation and other share-based payments

The Company has a share-based compensation plan, which is described in note 21. Share-based options awarded to employees are measured and recognized based on Black-Scholes option pricing model. Restricted share units are valued using the trading price on the grant date. The compensation cost is recognized over the vesting period based on the number of awards expected to vest. Awards for past service are recognized as an expense in the period when granted.

Financial instruments

The Company has updated its classification of its financial instruments as follows:

Financial instrument	Classification/ Measurement	Fair value hierarchy
Assets		
Cash	Amortized cost	N/A
Accounts receivable	Amortized cost	N/A
Liabilities		
Accounts payable and accrued liabilities	Amortized cost	N/A
Bank indebtedness	Amortized cost	N/A
Contingent consideration	FVTPL	Level 3
Loans	Amortized cost	N/A
Convertible debenture	FVTPL	Level 3
Warrant put liability	FVTPL	Level 3
Derivative liability	FVTPL	Level 3

4. ACCOUNTS RECEIVABLE

	As at September 30, 2022			
	Current	Over 30 days past due	Over 90 days past due	Total
Trade receivables gross balance	\$ 13,903	\$ 1,383	\$ 739	\$ 16,025
Expected credit loss rate	0%	15%	11%	2%
Expected credit loss allowance	60	211	79	350
Trade receivables, net of expected credit loss	\$ 13,843	\$ 1,172	\$ 660	\$ 15,675

	As at September 30, 2021			
	Current	Over 30 days past due	Over 90 days past due	Total
Trade receivables gross balance	\$ 6,793	\$ 718	\$ 349	\$ 7,860
Expected credit loss rate	2%	20%	44%	5%
Expected credit loss allowance	127	147	154	428
Trade receivables, net of expected credit loss	\$ 6,666	\$ 571	\$ 195	\$ 7,432

Below is a continuity schedule of the expected credit loss allowance for the twelve months ended September 30, 2022:

	Total
Balance as at September 30, 2021	\$ 428
Trade receivables written off	(13)
Change in trade receivables allowed for	(65)
Balance as at September 30, 2022	\$ 350

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

5. PREPAID EXPENSES AND DEPOSITS

	As at September 30, 2022	As at September 30, 2021
Prepaid expenses	\$ 391	\$ 122
Prepaid insurance	66	33
Vendor deposits	290	24
Prepaid expenses and deposits	\$ 747	\$ 179
Current	675	163
Long-term	72	16
Total	\$ 747	\$ 179

6. OTHER ASSETS

	As at September 30, 2022	As at September 30, 2021
Investment tax credit receivable	\$ 1,200	\$ —
Investment in lease receivable	54	—
Deferred cost of sales	156	—
Other assets	\$ 1,410	\$ —
Current	537	—
Long-term	873	—
Total	\$ 1,410	\$ —

7. RIGHT-OF-USE ASSET

The Company's leases consist of five facility leases as shown below:

Commencement Date	Term (months):
February 2019	60
November 2021	36
February 2018	60
May 2021	24
October 2021	15

	Total
Balance as at September 30, 2021	\$ 260
Acquired on acquisition	421
Change in value on lease amendment	(93)
Lease additions	114
Depreciation	(312)
Balance as at September 30, 2022	\$ 390

For the period ended September 30, 2022, the India lease acquired in the Transaction had a lease reduction for the remainder of the lease period. As such, post-acquisition, the associated lease liability and right-of-use asset was reduced.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

8. PROPERTY AND EQUIPMENT

COST	Furniture, Fixtures and other	Equipment	Total
Balance as at September 30, 2021	\$ 13	\$ 39	\$ 52
Acquired on acquisition	30	171	201
Additions	—	55	55
Disposals	(1)	(5)	(6)
Balance as at September 30, 2022	\$ 43	\$ 260	\$ 303

ACCUMULATED DEPRECIATION

Balance as at September 30, 2021	\$ 2	\$ 3	\$ 5
Depreciation	8	78	86
Disposals	(1)	(5)	(6)
Balance as at September 30, 2022	\$ 9	\$ 76	\$ 85

NET BOOK VALUE

As at September 30, 2021	\$ 11	\$ 36	\$ 47
Balance as at September 30, 2022	\$ 34	\$ 184	\$ 218

The geographic location of property and equipment is broken down as follows:

	As at September 30, 2022	As at September 30, 2021
United States	\$ 40	\$ 47
Canada	106	—
India	72	—
Total	\$ 218	\$ 47

9. GOODWILL AND INTANGIBLES

COST	Customer Relationships	Software	Technology	Brand/ License	Goodwill	Intangibles in development	Total
Balance as at September 30, 2021	\$ 15,900	\$ 650	\$ 11,300	\$ 1,500	\$ 27,577	\$ —	\$ 56,927
Acquired on acquisition	16,028	—	18,509	8,834	27,532	3,826	74,729
Additions	—	—	—	—	—	668	668
Balance as at September 30, 2022	\$ 31,928	\$ 650	\$ 29,809	\$ 10,334	\$ 55,109	\$ 4,494	\$ 132,324

ACCUMULATED AMORTIZATION

Balance as at September 30, 2021	\$ 545	\$ 27	\$ 377	\$ 53	\$ —	\$ —	\$ 1,002
Amortization	3,601	108	3,982	718	—	—	8,409
Balance as at September 30, 2022	\$ 4,146	\$ 135	\$ 4,359	\$ 771	\$ —	\$ —	\$ 9,411

NET BOOK VALUE

As at September 30, 2021	\$ 15,355	\$ 623	\$ 10,923	\$ 1,447	\$ 27,577	\$ —	\$ 55,925
As at September 30, 2022	\$ 27,782	\$ 515	\$ 25,450	\$ 9,563	\$ 55,109	\$ 4,494	\$ 122,913

The additions to goodwill and intangibles during the period ended September 30, 2022, relate to the acquisition of Crucial Interactive Holdings Inc., the completion of the Transaction, and the acquisition of Ubiquity Agency LLC (note 27). Additionally, certain salaries, benefits, and professional fees have been capitalized to the technology based intangible asset above as part of the development phase of a certain game launch, as well as development of a software platform. As these costs have met the criteria for capitalization in accordance

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

with IAS 38, amortization will commence when the intangibles are available for use, which is upon the launch of the game, and completion and commercialization of the software platform.

As at the time of these unaudited condensed 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., the completion of the Transaction, and the acquisition of Ubiquity Agency LLC (note 27). As such, the preliminary estimates for goodwill and intangibles acquired on acquisition are subject to change.

For the three and twelve months ended September 30, 2022, there were no indicators of impairment noted for goodwill and intangible assets.

The geographic location of goodwill and intangibles are broken down as follows:

	<u>As at September 30,</u> <u>2022</u>	<u>As at September 30,</u> <u>2021</u>
United States	\$ 95,030	\$ 55,925
Canada	27,883	—
Total	\$ 122,913	\$ 55,925

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<u>As at September 30,</u> <u>2022</u>	<u>As at September 30,</u> <u>2021</u>
Trade accounts payable	9,380	3,303
Accrued liabilities	7,007	1,863
Taxes payable	828	317
Accounts payable and accrued liabilities	\$ 17,215	\$ 5,483

11. BANK INDEBTEDNESS

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

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, 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 twelve months ended September 30, 2022, \$2,883 of borrowings were made against the 2020 LOC, with a total of \$4,183 repayments of principal. Total interest expense for the twelve months ended September 30, 2022, was \$4, and interest paid was \$4.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

12. LEASE LIABILITY

The Company's leases consist of five facility leases. The Company has recognized right-of-use assets in respect of these leases (note 7).

The Company has also recognized lease liabilities for these leases, which were initially measured at the present value of the future lease payments, discounted at rates between 5% and 12.95%. Interest on lease liabilities is included in interest expense in the unaudited condensed interim consolidated statements of loss and comprehensive loss. The carrying amount of the Company's lease liability is summarized in the table below.

	Total
Balance as at September 30, 2021	\$ 282
Acquired on acquisition	539
Change in value on lease amendment	(93)
Lease addition	114
Finance costs	29
Lease payments	(373)
Foreign exchange gain	(21)
Balance as at September 30, 2022	\$ 477
Current portion	403
Long-term portion	74
Total	\$ 477

The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at September 30, 2022

	Within one year	Later than one year but not later than 5 years	More than 5 years
Facility	\$ 407	\$ 86	\$ —

13. DEFERRED REVENUE AND COST OF SALES

	As at September 30, 2022	As at September 30, 2021
Deferred revenue	\$ 2,581	\$ 50
Current	2,464	50
Long-term	117	—
Total	\$ 2,581	\$ 50

Below is a continuity schedule of deferred revenues for the twelve months ended September 30, 2022:

	Total
Balance as at September 30, 2021	\$ 50
Acquired on acquisition	1,794
Net deferred revenues arising from managed services and self service	531
Net deferred revenues recognized into income from in-app purchases	206
Balance as at September 30, 2022	\$ 2,581
Current	2,464
Long-term	117
Total	\$ 2,581

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

Below is a continuity schedule of deferred cost of sales for the twelve months ended September 30, 2022:

	Total
Balance as at September 30, 2021	\$ —
Deferred cost of sales arising from in-app purchases	156
Balance as at September 30, 2022	\$ 156

14. CONVERTIBLE DEBENTURE

	Convertible debenture - debt host value	Convertible debenture - conversion value (liability)	Convertible debenture - conversion value (equity)	Total
Balance as at September 30, 2021	\$ 8,000	\$ —	\$ —	\$ 8,000
Acquired on acquisition	3,669	—	—	3,669
Conversion into common shares	(8,000)	—	—	(8,000)
Conversion into common shares on reverse takeover	(3,669)	—	—	(3,669)
Issued as consideration for business combination (note 27)	6,631	147	6,287	13,065
Accrued interest and accretion expense	116	—	—	116
Balance as at September 30, 2022	\$ 6,747	\$ 147	\$ 6,287	\$ 13,181

	Convertible debenture - debt host value	Convertible debenture - conversion value (liability)	Total
Current	—	147	147
Long term	6,747	—	6,747
Total	\$ 6,747	\$ 147	\$ 6,894

Q1Media Shareholder Debenture

In connection with the purchase consideration in accordance with the Q1Media acquisition dated July 9, 2021 (the “**Q1Media Acquisition**”), Federated 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 (as defined therein to include the 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 11,970,294 common shares of the Company at a price per share of \$0.668 (15,873,016 Federated shares 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, Federated entered into a convertible debenture with the shareholders of Crucial Interactive Holdings Inc. (the “**CIHI Debenture**”) with a fair value of \$3,669 (C\$4,675). The convertible debenture is to convert i) upon the occurrence of a going public transaction (as defined therein to include the 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 April 7, 2022, the CIHI Debenture was converted prior to the Transaction. As a result, the CIHI Debenture was converted into shares of the Company resulting in the issuance of 5,596,063 common shares of the Company at a share price of \$0.668 (7,420,631 Federated shares at a price per share of \$0.504).

On April 7, 2022, the CIHI Shareholder Note was converted prior to the Transaction. As a result, the CIHI Shareholder Note was converted into shares of the Company resulting in the issuance of 1,286,794 common shares of the Company at a share price of \$0.668 (1,706,347 Federated shares at a price per share of \$0.504).

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

Acquisition of Ubiquity

In connection with the purchase consideration in accordance with the Ubiquity acquisition dated September 8, 2022 (the “**Ubiquity Acquisition**”), the Company entered into a convertible debenture with the shareholders of Ubiquity (the “**Ubiquity Shareholder Debenture**”) of \$13,750. \$7,500 of the principal amount is non-interest bearing, with the remainder of the principal bearing interest at 4% per annum. The Ubiquity Shareholder Debenture is convertible at any time at the election of the holders into additional common shares of the Company at US\$0.78, and the Company has the option to pay accrued and unpaid interest in cash or by issuing additional shares of the Company at the greater of US\$0.78 and the then-market price of the shares. The convertible debt matures in May 2025. Post-acquisition, the Ubiquity Debenture was reduced by \$685 to account for a preliminary net working capital adjustment pursuant to the terms of the transaction agreement.

As this transaction consists of a variable number of common shares, this does not wholly meet the fixed-for-fixed criteria, and the conversion feature is allocated between a derivative liability and equity, with the equity portion consisting of the fixed-for-fixed conversion feature associated with the conversion of the principal amount of the debenture, and the liability portion consisting of the variable feature associated with the conversion of the accrued and unpaid interest.

15. CONTINGENT CONSIDERATION

	Total
Balance as at September 30, 2021	\$ 830
Acquired on acquisition	1,517
Interest and accretion expense	105
Fair value loss on financial liabilities	33
Payment of consideration	(910)
Balance as at September 30, 2022	\$ 1,575
Current	246
Long term	1,329
Total	\$ 1,575

As at September 30, 2021, the contingent consideration was 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 Notify VTB Note (defined below) is paid in full, the holders of membership interests of Notify (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 Notify VTB Note is expected to be paid in four months. The Company calculated the expected EBITDA due to the Notify Vendors to be \$1,096 for the four months through to November 30, 2021 and discounted this to \$1,011 at a discount factor of 27.3%. On December 6, 2021, the Notify VTB Note was repaid (note 16) and as a result the Notify Vendors no longer continue to accrue contingent consideration.

During the three and twelve months ended September 30, 2022, the Company paid \$nil and \$910, respectively, of the contingent consideration and recorded a fair value adjustment of \$33. Total interest accretion expense for the three and twelve months ended September 30, 2022, was \$nil and \$47, respectively.

The contingent consideration acquired for the twelve months ended September 30, 2022 is part of the purchase consideration in connection with the Transaction in note 27. Total interest and accretion expense for the three and twelve months ended September 30, 2022 was \$11 and \$58.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

16. LOANS

	Total
Balance as at September 30, 2021	\$ 17,643
Proceeds	55,400
Debt issuance costs	(762)
Acquired due to the Transaction (note 27)	4,414
Acquired on acquisition of Ubiquity (note 27)	617
Acquired as consideration - <i>CIHI Shareholder Note</i>	3,282
Interest expense	2,603
Interest payment	(2,958)
Repayments of principal	(40,302)
Conversion into common shares on reverse takeover (note 27)	(841)
Foreign exchange gain	(33)
Loss on extinguishment of loan	1,217
Balance as at September 30, 2022	\$ 40,280
Current	7,960
Long term	32,320
Total	\$ 40,280

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, Federated issued an unsecured promissory note to a third-party lender in the principal amount of \$1,500 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 using a discount rate of 15%. The fair value adjustment of \$28 was recorded as fair value adjustment on the consolidated statement of loss and comprehensive loss. On December 15, 2021, the Initial Nye Note was repaid in full in the amount of \$1,574 which includes \$74 of interest. During the twelve months ended September 30, 2022, interest expense of \$42 was recorded.

Subsequent Nye Note

On August 4, 2021, Federated issued an additional promissory note to a third-party lender in the principal amount of \$5,000 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 was also payable by Federated to the third-party lender under the terms of the Subsequent Nye Note on the maturity thereof. Federated's obligations under the Subsequent Nye Note were 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 \$4,687 using an effective interest rate of 19.3%. The fair value adjustment of \$313 was recorded as fair value adjustment on the consolidated statement of loss and comprehensive loss. On May 12, 2022, the outstanding principal, loan fee and accrued interest was paid in full using proceeds of the BMO Term Loan. During the twelve months ended September 30, 2022, the Company made principal repayments of \$400 and recorded interest expense of \$584.

Wiemann Note

On September 1, 2021, Federated issued an unsecured promissory note to a third-party lender, a senior officer of a subsidiary of Federated, in the principal amount of \$750 with a maturity date of January 3, 2022 (the "**Wiemann Note**"). A loan fee of \$75 was also payable by Federated to the third-party lender under the terms of the Wiemann Note on the maturity thereof. On December 15, 2021, the Wiemann Note was repaid in full in the amount of \$825, which included the \$75 loan fee. For the twelve months ended September 30, 2022, the Company incurred \$58 of interest expense related to the accretion of the loan fee payable.

Notify VTB Note

On August 6, 2021, Federated issued a vendor take back note to the vendors of Notify, in connection with the Notify acquisition, in the principal amount of \$10,600 (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). Federated's obligations under the Notify VTB Note were 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 \$10,426 using a discount rate of 5.09% over a management estimated period of 5 months. On December 6, 2021, the Notify VTB Note was repaid in full. For the twelve months ended September 30, 2022, the Company recorded \$96 of interest accretion.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

CIHI Shareholder Note

In connection with the CIHI Acquisition, CIHI issued the CIHI Shareholder Note to the Shareholder Lenders. The CIHI Shareholder Note was originally recorded at a fair value of \$3,282 (C\$4,182) using a discount rate of 11.95%. CIHI's obligations under the CIHI Shareholder Note were secured by security interests granted to the Shareholder Lenders 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.

On May 12, 2022, \$840 (C\$1,075) was in exchange for Federated Shares and the outstanding principal and accrued interest was paid in full using proceeds from the BMO Term Loan. During the twelve months ended September 30, 2022, interest expense of \$97 was recorded.

Fiera Facility

On November 19, 2021, Federated entered into a commitment letter with Fiera in respect of a Canadian dollar term loan. On December 6, 2021, Federated received the principal amount of \$12,500 (C\$16,010), 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**"). Federated incurred debt issuance costs of \$384, which included a commitment fee of \$250, payable by Federated 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**").

On May 12, 2022, the outstanding principal and accrued interest was paid in full using proceeds from the BMO Term Loan. During the twelve months ended September 30, 2022, interest expense of \$843 was recorded.

Federated \$2.5 Million Note

On December 10, 2021, Federated issued an unsecured promissory note to a group of third party lenders, including an entity controlled by senior officers of a subsidiary of Federated, in the principal amount of \$2,500 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**"). On May 12, 2022, the outstanding principal and accrued interest was paid in full using proceeds from the BMO Term Loan. During the twelve months ended September 30, 2022, interest expense of \$101 was recorded.

Hastings Note

On January 18, 2022, Federated issued an unsecured promissory note to a senior officer and director of Federated, at the time of issuance being a related party, in the principal amount of \$400 (C\$500) with a maturity date of January 18, 2025 (the "**Federated Hastings Note**") and bearing interest at the rate of 8.00% per annum. On May 12, 2022, the outstanding principal and accrued interest was paid in full using proceeds from the BMO Term Loan. Total interest expense for the twelve months ended September 30, 2022, was \$11.

Scotia Facility

On April 28, 2022, PopReach's credit facility with the Bank of Nova Scotia (the "**Scotia Facility**") was acquired in connection with the Transaction in note 27. The facilities consists of a non-revolving term facility of \$6,500 and a \$1,000 operating line of credit. The interest charged on the non-revolving term facility is equal to the US Base Lending Rate plus 3.50% per annum, and the interest rate charged on the operating line of credit is equal to the US Base Lending Rate plus 2.00% per annum. The facility matures in September 2023. On the acquisition date, the remaining undiscounted amount owing on the term loan was \$4,679, and \$nil was drawn on the operating line of credit. Total interest expense in the period April 28, 2022 through September 30, 2022 was \$16. On May 12, 2022, the outstanding principal and accrued interest was paid in full using proceeds from the BMO Term Loan and cash on hand.

BMO Facility

On April 18, 2022, the Company entered into a credit agreement for \$33,000 in senior secured credit facilities (the "**BMO Facilities**") with the Bank of Montreal ("**BMO**" or the "**Lender**"), which was subsequently closed by the Company on May 12, 2022. The BMO Facilities consisted of an \$8,000 revolving facility ("**Revolver**"), a \$25,000 non-revolving term facility ("**BMO Term Loan**"), and an "accordion" option for up to an additional \$15,000 acquisition facility subject to Lender and other typical approvals ("**Acquisition Line**") to support the Company's mergers and acquisitions growth strategy. The full \$25,000 available on the BMO Term Loan was drawn on May 12, 2022 on completion of the Transaction (the "**Initial BMO Draw**").

On September 8, 2022, the Company amended the BMO Facilities, to increase the BMO Term Loan by \$15,000 through the "accordion" option, with the additional \$15,000 drawn in full in order to fund the acquisition of Ubiquity discussed in note 27 (the "**Additional**

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

BMO Draw"). After the amendment, the BMO Facilities are comprised of a \$40,000 BMO Term Loan and an unamended \$8,000 Revolver. All other material terms of the BMO Facilities remain unchanged.

The BMO Facilities bear interest at a rate of Lender's U.S. Base Lending Rate, currently 7.50%, plus an applicable margin. The Initial BMO Draw amortizes monthly beginning the first full quarter post-closing, with repayments of 55% of the amount drawn over a three year period. The Additional BMO Draw amortizes monthly beginning the first full month post-closing, with equal repayments over a five year term. Interest on the BMO Facilities is payable monthly in arrears. Total interest expense in the period April 18, 2022 through September 30, 2022 was \$704.

Prepayments of the Revolver are permitted without penalty at any time, in whole or in part; prepayments of the BMO Term Loan, in whole or in part, are permitted without penalty 24 months following close. If the BMO Term Loan is repaid prior to 24 months post-closing, such repayment is subject to a prepayment penalty. The BMO Facilities are guaranteed by the material subsidiaries of the Company and are secured by a first ranking security interest in favour of the Lender over all of the assets and properties of the Company and the guarantors, subject to customary permitted liens approved by the Lender.

As at September 30, 2022, the Company is compliant with all covenants.

17. DERIVATIVE LIABILITY AND WARRANTS

The September 30, 2022 derivative liability balances are related to the warrants acquired from the Transaction (note 27) which do not meet the fixed-for-fixed condition, and therefore are classified as a current liability on the unaudited condensed interim consolidated statement of financial position until the exercise or expiration of the warrants. As at September 30, 2022, there are 7,699,705 warrants outstanding which are classified as a current liability.

Inputs for measurement of revaluation date fair values:

Revaluation dates - for the twelve months ended September 30, 2022

Expected volatility	79.16%
Expected life	0.25 years
Risk-free interest rate	3.49%
Dividend yield	0%
Exercise price	C\$0.49 - C\$0.86
Share price	C\$0.32

	Number of warrants	Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)	Amount
Balance as at September 30, 2021	—	—	—	\$ —
Acquired on acquisition	7,699,705	0.71	0.17	74
Change in fair value of derivative liability	—	—	—	(38)
Expired during the year	—	—	—	—
Balance as at September 30, 2022	7,699,705	\$ 0.71	0.25	\$ 36

In June 2022, the warrant liabilities were extended six months to have an expiry date of December 30, 2022.

Below is a summary of the outstanding warrants classified as equity instruments. As at September 30, 2022, all of the equity warrants have expired.

	Number of warrants	Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)	Amount
Balance as at September 30, 2021	—	—	—	\$ —
Acquired on acquisition	63,130	0.56	0.17	0
Expired during the year	(63,130)	—	—	—
Balance as at September 30, 2022	—	—	—	\$ 0

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

18. 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 for each of the February 2014 and April 2015 warrants, totaling an undiscounted liability of \$1,000. As of the date of these unaudited condensed interim consolidated financial statements, no cash amount has been settled for this warrant put liability.

The Company has recognized a warrant put liability, which was initially measured at the present value of the future expected payments, discounted at a rate of 14% over the seven-year life of the liability. Interest accretion on the warrant put liability is included in interest expense in the statements of loss and comprehensive loss. The carrying amount of the Company's warrant put liability is summarized in the table below:

	Amount
Balance as at September 30, 2021	\$ 967
Interest accretion	33
Balance as at September 30, 2022	\$ 1,000

During the three and twelve months ended September 30, 2022, interest accretion of \$nil and \$33 was recorded.

19. EMPLOYEE BENEFIT OBLIGATIONS

The Company has a statutory defined benefit obligation related to payment of gratuity and leave encashment pursuant to regulations in India, which was acquired in connection with the Transaction (note 27). This obligation covers only the employees based in India. The liability recognized in the unaudited condensed interim consolidated statements of financial position in respect of the defined benefit gratuity plan and the leave encashment plan is the present value of defined benefit obligations at the end of the reporting period. The defined benefit obligation is calculated through an actuarial valuation using the projected unit credit method. The benefits are based on years of service and last drawn salary.

The most recent actuarial valuation of the benefit plans for accounting purposes was as of September 30, 2022.

Below is a summary of the change in employee benefit obligations for the twelve months ended September 30, 2022:

	Amount
Balance as at September 30, 2021	\$ —
Acquired on acquisition	338
Service cost	30
Interest cost	12
Actuarial gains to profit and loss	—
Actuarial losses to other comprehensive income	(4)
Benefits paid	(29)
Foreign currency translation adjustments	(21)
Balance as at September 30, 2022	\$ 326

The actuarial losses to other comprehensive income during the three and twelve months ended September 30, 2022 were shown on the unaudited condensed interim consolidated statement of loss and comprehensive loss net of income taxes of \$1.

The key assumptions for the gratuity and leave encashment plans at September 30, 2022 are as follows:

Discount rate:	7.28%
Salary escalation:	10%
Attrition rate:	2% - 16%
Indian Assured Lives mortality rate (ages 20-60):	0.0698% - 2.4058%

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

20. 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 14) were modified to set the conversion price and provide for early conversion prior to a going public transaction (as defined therein to include the Transaction). As a result, the convertible debenture was converted into shares of the Company resulting in the issuance of 11,970,294 common shares of the Company at a price per share of \$0.668 (15,873,016 Federated shares at a price per share of \$0.504).

On April 7, 2022, the CIHI Debenture (note 14) was converted prior to the going public transaction (as defined therein to include the Transaction). As a result, the CIHI Debenture was converted into shares of the Company resulting in the issuance of 5,596,063 common shares of the Company at a share price of \$0.668 (7,420,631 Federated shares at a price per share of \$0.504).

On April 7, 2022, the CIHI Shareholder Note (note 27) was converted prior to the going public transaction (as defined therein to include the Transaction). As a result, the CIHI Shareholder Note of \$840 (C\$1,075) was converted into shares of the Company resulting in the issuance of 1,286,794 common shares of the Company at a share price of \$0.653 (1,706,347 Federated shares at a price per share of \$0.492).

On April 28, 2022, the Transaction was completed, and the outstanding Federated shares were exchanged into common shares, and subsequently 159,053,948 Common Shares were issued. Following completion of the Transaction, the Company has 232,520,102 Common Shares.

On September 8, 2022, 41,000,000 Common Shares were issued in connection with the acquisition of Ubiquity discussed in note 27.

On September 30, 2022, 3,027,014 share options were exercised through a cashless exercise, resulting in 1,746,726 Common Shares issued for nil proceeds.

Below is a continuity of share capital, including the the reconciliation of the common shares of Federated immediately before the completion of the Transaction, converted to the common shares of PopReach:

	Federated shares	Common shares (restated - Note 27)
Balance – January 25, 2021	—	—
Issuance of shares (Note 20)	71,857,144	54,189,069
Issuance of shares in connection with Notify (Note 20)	99,206,349	74,813,712
Issuance of shares in connection with financing, net of transaction costs (Note 20)	14,849,206	11,198,116
Balance – September 30, 2021	185,912,699	140,200,897
Issuance of common shares in connection with debenture conversion (Note 14)	15,873,016	11,970,194
Issuance of common shares in connection with debenture conversion (\$1.075M CDN) (Note 27)	1,706,347	1,286,794
Issuance of common shares in connection with debenture conversion (\$4.675M CDN) (Note 14)	7,420,631	5,596,063
Balance immediately before the Transaction	210,912,693	159,053,948
Issuance of shares in connection with PopReach (Note 27)	97,954,872	73,466,154
Balance immediately after the transaction	308,867,565	232,520,102
Issuance of shares in connection with options exercised (Note 21)		1,746,726
Issuance of shares in connection with Ubiquity (Note 27)		41,000,000
Balance – September 30, 2022		275,266,828

The loss per share of the Company from January 25 to September 30, 2021 would not have changed due to the effects of the restatement of shares above.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

21. SHARE-BASED COMPENSATION

Description of the share-based payment arrangements with employees and directors

The Company has a share option plan with the objective of attracting, retaining, and motivating key employees, officers and directors in long-term success of the Company. In accordance with this plan, options are exercisable at the exercise price of each option, as determined on the grant date. Each share option expires on the date that is the earlier of 5 years from the date of grant or such earlier date as may be set out in the participant's award agreement.

The following is a summary of the share options for the twelve months ended September 30, 2022.

	Twelve months ended September 30, 2022	
	Average exercise price per share option	Number of options
As at September 30, 2021	—	—
Acquired on acquisition	C\$0.51	7,402,514
Granted during the period	C\$0.80	4,995,000
Exercised during the period	C\$0.16	(3,027,014)
Expired during the period	C\$0.80 - C\$1.00	(730,000)
Forfeited during the period	C\$0.80	(20,000)
As at September 30, 2022	C\$0.60	8,620,500
Vested and exercisable at September 30, 2022	C\$0.72	2,524,250

Grant Date	Expiry Date	Exercise price	Share options September 30, 2022
Oct 2017	Oct 2022	C\$0.16	—
Jan 2018	Jan 2023	C\$0.31	190,500
Jan 2019 - Oct 2019	Jan 2024 - Oct 2024	C\$0.31	1,447,800
Jul 2020 - Aug 2020	Jul 2025 - Aug 2025	C\$0.85 - C\$1.00	205,000
Nov 2020	Nov 2022 - Nov 2025	C\$1.25 - C\$1.40	908,000
Apr 2021	Apr 2026	C\$0.85	45,000
Sep 2021 - Dec 2021	Apr 2023 - Dec 2026	C\$0.80	849,200
May 2022	May 2027	C\$0.80	3,475,000
Aug 2022	Aug 2027	C\$0.80	1,500,000
Total			8,620,500
Weighted average remaining contractual life of options outstanding at end of period (in years)			3.44

Inputs for measurement of grant date fair values

The grant date fair value of share options was estimated using the Black-Scholes option pricing model and the assumptions at grant dates.

The Company observed similar public companies in order to estimate volatility over the estimated life of the option. Changes in these variables can materially impact the estimated fair value of share-based compensation and consequently, the related amount recognized to general and administrative and technology and development expenses in the unaudited condensed interim consolidated statements of loss and comprehensive loss.

Grant dates - for the twelve months ended September 30, 2022

Expected volatility	75.00% - 80.26%
Expected life	5 years
Risk-free interest rate	2.61% - 3.20%
Dividend yield	0%
Exercise price	C\$0.80
Share price	C\$0.31 - C\$0.33

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

Description of the restricted share unit arrangements with employees and directors

The Company has a restricted share unit plan with the objective of attracting, retaining and motivating key employees, officers and directors in long-term success of the Company. In accordance with this plan, shares are awarded at the grant date of each option, and vest over 4 years, or such earlier date as may be set out in the participant's award agreement.

The following is a summary of the restricted share units for the twelve months ended September 30, 2022.

	Twelve months ended September 30, 2022	
	Share price on grant date	Number of units
As at September 30, 2021	—	—
Granted during May 2022	C\$0.30	6,854,000
As at September 30, 2022	C\$0.30	6,854,000
Vested and exercisable at September 30, 2022	C\$0.30	—

The fair value of the restricted share units equals the value of the shares on the grant date. The total share-based compensation expense for the three and twelve months ended September 30, 2022 is \$353 and \$484.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company has updated its classification of financial instruments below:

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, amounts receivable, accounts payable and accrued liabilities, and warrant put liability approximate their carrying values due to their short-term nature.

The Company's contingent consideration and derivative liability are measured at fair value using Level 3 inputs. The sensitivity of these instruments to the Level 3 inputs noted are as follows:

- Contingent consideration – the contingent consideration recorded as a liability is related to consideration payable with regards to certain game acquisitions, and is based on a discount rate of 9%. An increase/decrease of 5% of the discount rate will increase/decrease the balance by \$30.
- Derivative liability – the derivative liability is related to warrants that do not meet the fixed-for-fixed condition, and are revalued using the Black-Scholes model.
- Convertible debenture – the outstanding convertible debenture is related to the acquisition of Ubiquity, and is based on a discount rate of 24.90%. An increase/decrease of 5% of the discount rate will increase/decrease the balance by \$1,008.

There was no movement between Level 2 and Level 3 during the periods ended September 30, 2022, and September 30, 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:

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

Currency risk arises from financial instruments (including cash) that are denominated in a currency other than United States dollars, which represents the reporting currency of the Company.

The table below indicates the foreign currencies to which the Company has significant exposure at September 30, 2022, in United States dollar terms:

	CAD	GBP	EUR
Cash	\$ 830	\$ 279	\$ 798
Accounts receivable, net	1,469	12	151
Accounts payable and accrued liabilities	(744)	6	(91)

The table below details the effect on earnings before tax of a 10% strengthening or weakening of the USD exchange rate at the statement of financial position date, for the items denominated in the currencies listed above:

Currency	10% Strengthening/ weakening
CAD	\$ 155
GBP	30
EUR	86

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been from financing and third-party and related-party loans payable. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant debt or equity funding.

The following is an analysis of the contractual maturities of the Company's financial liabilities as at September 30, 2022:

	As at September 30, 2022		
	Within one year	Between one and five years	More than five years
Accounts payable and accrued liabilities	\$ 17,215	\$ —	\$ —
Lease liability	409	129	—
Contingent consideration	384	1,521	—
Convertible debenture ¹	—	14,419	—
Loans payable ¹	11,014	35,109	—
Warrant put liability	1,000	—	—
Total	\$ 30,022	\$ 51,178	\$ —

⁽¹⁾ Includes principal and interest

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's BMO Facilities have a floating interest rate based on the U.S. Base Rate, defined as the higher of i) the variable annual rate of interest established by the Bank of Montreal from time to time as its reference rate then in effect for determining rates of interest on U.S. dollar commercial loans to its customers in Canada and designated as its U.S. Base Rate, and ii) the Federal Funds Overnight Rate plus 1.00%. As a result, the Company is exposed to interest rate risk due to fluctuations in the U.S. Interest expense has been recorded in the statement of loss and comprehensive loss. A change of 1.00% in the U.S. Base Rate would increase/decrease the interest expense by \$400 on an annual basis.

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 carrying amount of financial assets represents the maximum credit exposure.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

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 in note 4 shows the expected credit loss rate for each aging category of trade receivables.

23. 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 twelve months ended September 30, 2022. The Company is not subject to externally imposed capital requirements.

24. REVENUE

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

	Three months ended		Twelve months ended	From
	September 30, 2022	September 30, 2021	September 30, 2022	January 25 to September 30, 2021
United States	\$ 21,177	\$ 10,265	\$ 62,213	\$ 10,265
Other	4,300	—	14,436	—
Total revenue	\$ 25,477	\$ 10,265	\$ 76,649	\$ 10,265

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

	Three months ended		Twelve months ended	From
	September 30, 2022	September 30, 2021	September 30, 2022	January 25 to September 30, 2021
Managed services	\$ 20,485	\$ 6,532	\$ 64,446	\$ 6,532
Self service	972	3,733	5,149	3,733
In-App Purchases and Advertising	4,020	—	7,054	—
Total revenue	\$ 25,477	\$ 10,265	\$ 76,649	\$ 10,265

The Company has reclassified revenues previously presented as revenues from (a) marketing and platform solutions and (b) push notification platform to managed service revenues. In connection with the Transaction, the Company has also presented additional in-app purchases and advertising revenues arising from the Transaction.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

25. EXPENSES CLASSIFIED BY NATURE

Expenses are classified by function on the statements of loss and comprehensive loss. Below is a breakdown of expenses by nature:

	Three months ended		Twelve months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	From January 25 to September 30, 2021
Employee compensation	\$ 6,739	\$ 2,652	\$ 21,173	\$ 2,731
Office and administrative	428	80	1,141	80
Technology	501	210	1,914	210
Legal and professional fees	155	156	371	181
Travel, meals, and entertainment	176	74	605	74
Advertising and promotion	517	22	1,175	22
Consulting fees	100	—	151	—
Insurance	63	17	147	17
Bad debt expense (recovery)	(148)	101	(66)	101
Stock-based compensation	353	—	484	—
Transaction costs	245	102	2,920	102
Total	\$ 9,129	\$ 3,414	\$ 30,015	\$ 3,518

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

	Three months ended		Twelve months ended	
	September 30, 2022	September 30, 2021	September 30, 2022	From January 25 to September 30, 2021
Selling and marketing	\$ 3,722	\$ 1,917	\$ 12,602	\$ 1,917
General and administrative	3,109	1,185	9,320	1,289
Transaction costs	245	102	2,920	102
Technology and development	2,053	210	5,173	210
Total	\$ 9,129	\$ 3,414	\$ 30,015	\$ 3,518

Certain salaries and benefits in the condensed interim consolidated statements of loss and comprehensive loss have been reclassified general and administrative costs. Below is the summary of the reclassification during the prior reporting periods:

For the nine months ended June 30, 2022	As previously reported	Reclassification	As adjusted
Selling and marketing	\$ 7,813	\$ 1,067	\$ 8,880
General and administrative	8,378	(2,167)	6,211
Transaction costs	2,675	—	2,675
Technology and development	2,020	1,100	3,120
Total	\$ 20,886	\$ —	\$ 20,886

For the three months ended June 30, 2022	As previously reported	Reclassification	As adjusted
Selling and marketing	\$ 3,071	\$ 346	\$ 3,417
General and administrative	3,490	(735)	2,755
Transaction costs	469	—	469
Technology and development	1,112	389	1,501
Total	\$ 8,142	\$ —	\$ 8,142

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

Certain costs related to prior period acquisitions have been reclassified from general and administrative costs. Below is the summary of the reclassification during the prior reporting periods:

From January 25 to September 30, 2021	As previously reported	Reclassification	As adjusted
Selling and marketing	\$ 1,917	\$ —	\$ 1,917
General and administrative	1,391	(102)	1,289
Transaction costs	—	102	102
Technology and development	210	—	210
Total	\$ 3,518	\$ —	\$ 3,518

The reclassification changes had no impact to the condensed interim consolidated statements of financial position, net loss and comprehensive loss, loss per share, and the condensed interim consolidated statements of cash flows.

26. 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, and private companies controlled by the Company's Officers and Board of Directors.

The following table presents the compensation of the key management personnel recognized in net loss and comprehensive loss:

	Three months ended		Twelve months ended		From
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021	January 25 to September 30, 2021
Management salaries, bonuses and other benefits - prior to Transaction	\$ 526	\$ 503	\$ 2,557	\$ 599	
Management salaries, bonuses and other benefits - post Transaction	476	—	792	—	
Director fees	80	—	88	—	
Share-based payment - management	222	—	296	—	
Share-based payment - directors	22	—	31	—	
Total	\$ 1,326	\$ 503	\$ 3,764	\$ 599	

As at September 30, 2022, included in accounts payable and accrued liabilities was \$362 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:

	As at September 30, 2022	As at September 30, 2021
Balances included in accounts receivable	\$ 12	\$ 568
Balances included in accounts payable and accrued liabilities	(362)	(1,404)
Balances included in convertible debenture	—	(8,000)
Balances included in contingent consideration	—	(830)
Balances included in loans	—	(17,643)
Net related party balances owing	\$ (350)	\$ (27,309)

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

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		Twelve months ended	From
	September 30, 2022	September 30, 2021	September 30, 2022	January 25 to September 30, 2021
Revenues from related parties	\$ 18	\$ 275	\$ 1,013	\$ 275
Cost of sales	89	2	316	2
General and administrative	2,118	867	6,613	963
Technology and development	380	205	1,427	205
Finance costs	—	—	1,831	—

27. BUSINESS COMBINATIONS

Crucial Interactive Holdings Inc.

The acquisition of 100% of the shares of CIHI and its subsidiaries (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. CIHI was acquired in part of the Company’s growth strategy.

Federated completed the acquisition of CIHI on October 1, 2021 (the “**CIHI Acquisition**”), whereby Federated acquired all of the issued and outstanding securities of CIHI from the holders thereof (the “**CIHI Vendors**”) for total consideration of \$7,418.

The consideration for the acquisition consisted of the issuance of a convertible debenture with a fair value of \$3,669 (C\$4,675) (the “**CIHI Debenture**”) to the CIHI Vendors and the assumption of certain indebtedness (the “**CIHI Shareholder Debt**”) owed by CIHI to certain of its shareholders (the “**Shareholder Lenders**”) as evidenced by a promissory note issued by CIHI to the Shareholder Lenders on closing of the CIHI Acquisition in the principal amount of \$3,150 (C\$4,325) (note 15), bearing interest at the rate of 5% per annum (the “**CIHI Shareholder Note**”). The CIHI Shareholder Note was originally recorded at a fair value of \$3,282 (C\$4,182) using a discount rate of 11.95%. On April 7, 2022, the CIHI Debenture was fully satisfied by way of conversion into 7,420,631 Federated Shares based on a conversion price per Federated Share of US\$0.504.

The CIHI Shareholder Note, including outstanding principal and accrued interest, has been fully satisfied as follows: (i) \$569 (C\$725) was repaid in cash on closing of the CIHI Acquisition; (ii) \$701 (C\$833) was repaid in cash on December 6, 2021; (iii) \$1,322 (C\$1,692) was repaid in cash on May 12, 2022; and (iv) \$844 (C\$1,075) was fully satisfied by way of conversion into 1,706,347 Federated Shares based on a conversion price per Federated Share of US\$0.504.

Prior to the CIHI 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 CIHI Acquisition, making the transaction a related party transaction. Given such shareholders and management of CIHI did not have significant influence or voting control over Federated, the CIHI Acquisition was not considered a common control transaction.

On April 1, 2022, the outstanding balance of \$1,281 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.

On April 7, 2022, the CIHI Debenture was converted into 7,420,631 Federated Shares, and \$834 (CDN \$1,075) 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.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

During the period ended September 30, 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:

	As Initially Reported	Adjustments	As Currently Reported
Fair value of consideration	\$ 7,147	\$ 271	\$ 7,418
Cash	977	—	977
Trade and other receivables	1,191	—	1,191
Investment tax credits receivable	283	—	283
Prepaid assets	123	—	123
Other assets	137	—	137
Property and equipment	17	—	17
Intangible assets (computer software)	56	(56)	—
Right-of-use asset	3	—	3
Trade and other payables	(3,337)	(15)	(3,352)
Taxes payable	(66)	—	(66)
Deferred revenue	(211)	106	(105)
Lease liabilities	(3)	—	(3)
Deferred tax liabilities	(55)	(1,557)	(1,612)
Total acquisition date fair value of assets acquired, and liabilities assumed	\$ (885)	\$ (1,522)	\$ (2,407)
Customer relationships	3,139	(345)	2,794
Software	2,355	(2,355)	—
Technology	—	3,273	3,273
Brand	—	494	494
Goodwill	2,538	726	3,264
Goodwill and intangibles	\$ 8,032	\$ 1,793	\$ 9,825
Convertible debenture (note 14)	3,548	121	3,669
Promissory note (note 16)	3,150	132	3,282
Accrued liability	449	18	467
Total consideration	\$ 7,147	\$ 271	\$ 7,418

Goodwill includes costs to acquire certain technology and represents acquired workforce and other synergies, and is expected to be deductible for tax purposes.

Since the date of acquisition, CIHI has contributed \$4,539 of revenues and \$801 of loss before income taxes to consolidated revenues and net loss, respectively.

PopReach Reverse Takeover Transaction

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

Pursuant to the Transaction, the Company acquired Federated for an indicative aggregate purchase price of C\$160,000, 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\$127,240, inclusive of the assumption by the Company of an aggregate US\$22,963 of debt. As a result, shareholders of Federated received approximately 0.7541 common shares in the capital of the Company (the "**Common Shares**") for each common share Federated (the "**Federated Shares**") held by them, for a total issuance from treasury the Company of 159,053,948 Common Shares (the "**Consideration Shares**"). Following completion of the Transaction, the Company has 232,520,102 Common Shares issued and outstanding, with the Consideration Shares issued to the Federated's shareholders comprising of approximately 68.40% of the issued capital (basic and excluding dilutive securities).

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

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

Fair value of consideration	\$ 23,870
Cash	10,111
Trade and other receivables	1,427
Investment tax credits receivable	1,110
Prepaid assets	419
Other assets	84
Property and equipment	169
Right-of-use asset	419
Deferred tax asset	71
Trade and other payables	(1,522)
Taxes payable	(52)
Deferred revenue	(1,689)
Contingent consideration	(1,517)
Lease liabilities	(536)
Derivative liability	(74)
Term Debt	(4,414)
Employee benefit obligations	(338)
Total acquisition date fair value of assets acquired, and liabilities assumed	\$ 3,668
Customer relationships	1,134
Technology	5,996
Brand/License	4,200
Intangibles in development	3,826
Goodwill	5,046
Goodwill and intangibles	\$ 20,202
Common shares	22,906
Warrants	0
Contributed surplus	964
Total consideration	\$ 23,870

Goodwill includes costs to acquire certain portfolios of games and represents acquired workforce and other synergies, and is expected to be deductible for tax purposes.

The fair value of the warrants and contributed surplus were calculated using the Black-Scholes option pricing model and the assumptions at grant dates as follows:

Grant date - April 28, 2022

Expected volatility	75.00% - 85.00%
Expected life	0.17 years - 4.6 years
Risk-free interest rate	1.40% - 2.63%
Dividend yield	0%
Exercise price	C\$0.16 - C\$1.40
Share price	C\$0.40

If the acquisition had occurred on October 1, 2021, PopReach would have contributed an additional \$10,316 of revenues and \$602 of loss to consolidated revenues and net loss, respectively. Since the date of acquisition, PopReach has contributed \$7,054 of revenues and \$4,198 of loss to consolidated revenues and net loss, respectively.

The value of the common shares was calculated using a \$0.40 share price, estimated by using a discounted cash flow model, using a discount factor of 24.9%, a tax rate of 26.5%, and a terminal growth rate of 2.0%.

Acquisition of Ubiquity

The Company's acquisition of 100% of the membership interests of Ubiquity (the "**Ubiquity 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 the Ubiquity Acquisition, being September 8, 2022.

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

Ubiquity is a digital media consortium that operates multiple businesses, including:

- A digital agency and performance marketing network that develops performance driven campaigns, working with thousands of publishers worldwide as well as through Ubiquity's internal distribution network
- A direct to consumer omnichannel marketing company
- A full stack development and SaaS platform to support delivery, online engagement and analytics for SMS and email campaigns
- A data driven performance marketing company focused on user acquisition for membership sites

On September 8, 2022, the Company indirectly acquired 100% of the membership interests of Ubiquity through Ubiquity AcqCo, a Delaware corporation wholly owned by the Company and incorporated on August 12, 2022. On closing of the Ubiquity Acquisition, the consideration paid to the former Ubiquity members consisted of: (i) a convertible debenture with a fair value of \$13,750 (see note 14) (the “**Ubiquity Debenture**”), (ii) 41,000,000 Common Shares issued at the market price on the date immediately preceding closing of the Ubiquity Acquisition, being C\$0.34, and (iii) \$15,450 in cash. An additional cash payment of \$250 has been recorded as a holdback and is payable on September 8, 2023, subject to deduction in respect of indemnification claims, if any, pursuant to the terms of the transaction agreement. In addition, the Company assumed existing liabilities of Ubiquity in the aggregate amount of \$4,250. Post-acquisition, the Ubiquity Debenture was reduced by \$685 to account for a preliminary net working capital adjustment pursuant to the terms of the transaction agreement. The purchase price allocation is subject to change pending finalization of the net working capital.

Further to the above, in the event that the Company does not elect, in the Company's own discretion, to prepay at least \$7,500 in principal of the Ubiquity Debenture on or before the date that is 120 days following completion of the Ubiquity Acquisition, an additional 3,000,000 Common Shares (the “**Contingent Shares**”) will be issued to the former members of Ubiquity. The contingent consideration is currently estimated based on a 50% probability of occurrence, and is subject to change based on the discussion below.

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

Fair value of consideration	\$ 39,782
Cash	1,421
Trade and other receivables	5,336
Prepaid assets	182
Property and equipment	15
Trade and other payables	(8,252)
Loans	(617)
Bank indebtedness	(3,005)
Total acquisition date fair value of assets acquired, and liabilities assumed	\$ (4,920)
Customer relationships	12,100
Technology	9,240
Brand	4,140
Goodwill	19,222
Goodwill and intangibles	\$ 44,702
Cash	15,450
Common shares	10,628
Convertible debenture - debt host value	6,631
Convertible debenture - conversion value (liability)	147
Convertible debenture - conversion value (equity)	6,287
Contingent consideration (equity)	389
Trade and other payables	250
Total consideration	\$ 39,782

POPREACH CORPORATION (formerly Federated Foundry Limited)
Notes to the Condensed Interim Consolidated Financial Statements
For the three and twelve months ended September 30, 2022
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Goodwill includes costs to acquire certain technology and represents acquired workforce and other synergies, and is expected to be deductible for tax purposes.

Since the date of acquisition, Ubiquity has contributed \$5,589 of revenues and \$353 of income before income taxes to consolidated revenues and net loss, respectively. If the acquisition had occurred on October 1, 2021, Ubiquity would have contributed an additional \$49,200 of revenues and \$1,638 of income to consolidated revenues and net loss, respectively.

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 September 30, 2022 for the acquisition of CIHI, the Transaction and the acquisition of Ubiquity. 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, residual goodwill, and consideration. 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. Any such changes to the fair value of the consideration and net assets acquired will be within one year of the acquisition.