

POPREACH™

POPREACH CORPORATION (dba “Ionik”)

Condensed Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2023 and 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 (dba "Ionik", 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, 2023	As at December 31, 2022
ASSETS			
Current assets			
Cash		\$ 8,933	\$ 7,795
Accounts receivable, net	5	21,378	15,423
Prepaid expenses and deposits	6	1,207	736
Other assets	7	1,209	356
Total current assets		32,727	24,310
Non-current assets			
Prepaid expenses and deposits	6	20	20
Right-of-use assets	8	1,372	472
Property and equipment	9	720	230
Other assets	7	1,065	1,095
Goodwill and intangibles	10	110,314	96,830
Deferred tax asset		1,534	1,534
Total non-current assets		115,025	100,181
Total assets		\$ 147,752	\$ 124,491
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable, accrued liabilities and other	11	\$ 29,361	\$ 17,044
Taxes payable		1,888	1,699
Current portion of lease liabilities	13	634	389
Deferred revenue	14	2,989	2,058
Contingent consideration	16	923	68
Loans	17	8,248	7,852
Total current liabilities		44,043	29,110
Long-term liabilities			
Lease liabilities	13	817	148
Convertible debenture	15	8,027	10,370
Deferred revenue	14	169	164
Contingent consideration	16	566	837
Loans	17	46,595	29,189
Employee benefit obligations	18	388	327
Deferred tax liability		1,008	2,442
Total long-term liabilities		57,570	43,477
Total liabilities		101,613	72,587
Shareholders' equity			
Share capital	19	78,252	73,715
Contributed surplus		3,524	2,122
Deficit		(35,609)	(23,980)
Accumulated other comprehensive income		(28)	47
Total shareholders' equity		46,139	51,904
Total liabilities and shareholders' equity		\$ 147,752	\$ 124,491
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 (dba "Ionik", formerly Federated Foundry Limited)
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the three and nine months ended September 30, 2023 and 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

	Note	For the Three months ended September 30,		For the Nine months ended September 30,	
		2023	2022	2023	2022
Revenue	23	\$ 37,614	\$ 25,477	\$ 113,229	\$ 60,645
Cost of sales		22,544	14,188	68,048	32,392
Gross profit		15,070	11,289	45,181	28,253
Expenses					
Selling and marketing	24	4,904	3,722	14,449	9,931
General and administrative	24	4,327	3,109	13,772	7,689
Technology and development	24	2,170	2,053	7,353	4,371
Depreciation and amortization	8, 9, 10	3,713	3,070	10,419	7,184
		15,114	11,954	45,993	29,175
Other income (loss)					
	12, 13, 15, 16,				
Finance costs	17	(2,053)	(688)	(6,681)	(2,049)
Transaction costs	24	(158)	(245)	(545)	(1,232)
Foreign exchange gain (loss)		(86)	(39)	(404)	108
Fair value loss on financial liabilities	15	—	33	(1,782)	38
Gain on disposal of assets		8	—	8	—
Loss on modification/extinguishment of loan	17	—	—	(1,129)	(1,216)
Other income		—	—	—	378
Net loss before income taxes		(2,333)	(1,604)	(11,345)	(4,895)
Income tax recovery (expense)		(113)	(282)	(284)	746
Net loss after tax		(2,446)	(1,886)	(11,629)	(4,149)
Other comprehensive loss		(37)	58	(75)	68
Comprehensive loss		\$ (2,483)	\$ (1,828)	\$ (11,704)	\$ (4,081)
Net loss per share - basic and diluted		\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.02)
Weighted average number of shares outstanding - basic and diluted		282,124,828	242,324,450	279,210,806	201,623,973

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Transaction 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 (dba "Ionik", formerly Federated Foundry Limited)
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the nine months ended September 30, 2023 and 2022
(expressed in thousands of United States Dollars, except share and per share amounts - unaudited)

	Share Capital			Contributed Surplus	Accumulated other comprehensive income	Deficit	Total
	Common shares Number	SCS Exchangeable shares (Note 26)	Amount				
Balance – December 31, 2022	275,266,828	—	\$ 73,715	\$ 2,122	\$ 47	\$ (23,980)	\$ 51,904
Share-based compensation (Note 20)	—	—	—	938	—	—	938
Issued as consideration for Schiefer Media Inc (Note 26)	—	4,400	3,365	188	—	—	3,553
Issued as consideration for OpenMoves LLC (Note 26)	6,858,000	—	1,172	276	—	—	1,448
Other comprehensive loss	—	—	—	—	(75)	—	(75)
Net loss	—	—	—	—	—	(11,629)	(11,629)
Balance – September 30, 2023	282,124,828	4,400	\$ 78,252	\$ 3,524	\$ (28)	\$ (35,609)	\$ 46,139
	Common shares Number	SCS Exchangeable shares (Note 26)	Amount	Contributed Surplus	Accumulated other comprehensive income	Deficit	Total
Balance – December 31, 2021	152,171,091	—	\$ 36,548	\$ —	\$ 100	\$ (1,857)	\$ 34,791
Issuance of common shares in connection with debenture conversion (\$1.075M CAD)	1,286,794	—	841	—	—	—	841
Issuance of common shares in connection with debenture conversion (\$4.675M CAD)	5,596,063	—	3,669	—	—	—	3,669
Issuance of shares in connection with PopReach	73,466,154	—	22,906	964	—	—	23,870
Issuance of shares in connection with options exercised	1,746,726	—	316	(316)	—	—	—
Issuance of shares in connection with acquisition of Ubiquity (Note 26)	41,000,000	—	9,593	—	—	—	9,593
Issuance of convertible debenture in connection with acquisition of Ubiquity (Note 26)	—	—	—	822	—	—	822
Share-based compensation	—	—	—	484	—	—	484
Other comprehensive loss	—	—	—	—	68	—	68
Net loss	—	—	—	—	—	(4,149)	(4,149)
Balance – September 30, 2022	275,266,828	—	\$ 73,873	\$ 1,954	\$ 168	\$ (6,006)	\$ 69,989

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

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POPREACH CORPORATION (dba "Ionik", formerly Federated Foundry Limited)

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2023 and 2022

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

	Note	For the Nine months ended September 30,	
		2023	2022
Cash flows from operating activities			
Net loss after tax		\$ (11,629)	\$ (4,149)
Changes in non-cash operating items:			
Depreciation and amortization	8, 9, 10	10,419	7,184
Share-based compensation	20	938	484
Fair value loss on financial liabilities	15	1,782	(38)
Deferred tax recovery		(1,434)	(1,532)
	12, 13, 15,		
Finance costs	16, 17	6,681	2,049
Gain on sale of equipment		(8)	—
Loss on modification/extinguishment of loan	17	1,129	1,216
Unrealized foreign exchange		(1)	(14)
Other income		—	(378)
Changes in non-cash working capital			
Accounts receivable		2,608	188
Prepaid expenses and deposits		264	87
Other assets		(813)	147
Deferred tax asset		—	—
Accounts payable, accrued liabilities and other		(3,171)	(3,258)
Taxes payable		189	511
Deferred revenue		182	736
Employee benefit obligations expensed	18	54	38
Employee benefit obligations paid	18	5	(26)
Net cash provided by operating activities		7,195	3,245
Cash flows used in financing activities			
Lease payments	13	(625)	(332)
Proceeds from loans	17	62,500	40,784
Repayment of loans	17	(49,453)	(26,164)
Repayment of contingent consideration	16	—	(333)
Repayment of convertible debenture	15	(7,500)	—
Proceeds from bank indebtedness	12	7,500	—
Repayment of bank indebtedness	12	(7,500)	—
Financing fees paid on loans	17	(592)	(762)
Payment of interest	12, 17	(4,939)	(2,805)
Net cash used in financing activities		(609)	10,388
Cash flows used in investing activities			
Additions to property and equipment	9	(122)	(49)
Additions to intangible assets	10	(1,282)	(668)
Proceeds from lessee		42	28
Acquisition of subsidiaries, net cash acquired		(3,886)	(6,924)
Net cash used in investing activities		(5,248)	(7,613)
Effect of foreign currency exchange rate changes on cash		(200)	69
Change in cash during the period		1,138	6,089
Cash – beginning of period		7,795	2,762
Cash – end of period		\$ 8,933	\$ 8,851
Taxes paid		1,428	510

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

POPREACH CORPORATION (dba "Ionik", formerly Federated Foundry Limited)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

1. NATURE OF OPERATIONS

PopReach Corporation (doing business as "Ionik" or the "Company"), was incorporated September 25, 2018 pursuant to the provisions of the Business Corporations Act (Ontario). On April 28, 2022, the Company and Federated Foundry Limited ("Federated", formerly 2810735 Ontario Inc.) entered into a merger agreement (the "Transaction") which constituted a reverse takeover transaction of the Company by Federated with Federated deemed to be the accounting acquirer and having obtained control of the Company.

Ionik is a multi-platform technology company focused on assembling the most effective and complete suite of advertising, marketing and monetization solutions for brands, advertisers and publishers by acquiring, optimizing and scaling market-leading digital technology businesses providing cross-platform, performance-driven advertising and data solutions to attract, engage and monetize high-value consumers. The Company's portfolio includes: PopReach Incorporated ("PopReach"), a free-to-play mobile game publisher; Q1Media, Inc. ("Q1Media"), an industry-leading advertising and media service provider; NotifyAI, LLC ("Notify"), a push notification advertising platform; Crucial Interactive Holdings Inc. ("CIHI") (doing business as "Contobox"), a leading edge customer engagement platform, Ubiquity Agency LLC ("Ubiquity"), a data-driven user acquisition and marketing technology platform, Schiefer Media Inc. ("SCS"), an integrated agency powering brand performance with data and creativity, and OpenMoves LLC ("OpenMoves"), a performance advertising and search engine optimization company.

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 interim consolidated financial statements are unaudited and have been prepared on a condensed basis in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as were followed in the preparation of the annual consolidated financial statements as at and for the fifteen months ended December 31, 2022. Accordingly, these unaudited condensed consolidated interim statements as at September 30, 2023 and for the three and nine months ended September 30, 2023 and 2022, should be read together with the annual consolidated financial statements as at and for the fifteen months ended December 31, 2022.

As a result of the Transaction on 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 had a fifteen month year for the fiscal year ending December 31, 2022. As such, these condensed consolidated interim statements as at and for the three and nine months ended September 30, 2023 is compared with the comparable period as at and for the three and nine months ended September 30, 2022.

These unaudited condensed interim consolidated financial statements were approved and authorized for issuance by the Board of Directors on November 27, 2023.

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 (dba "Ionik", formerly Federated Foundry Limited)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

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
Adwora, LLC	USD
Crucial Interactive Holdings Inc.	CAD
Crucial Interactive Inc.	CAD
Okra Media Inc.	CAD
Media Xeo Inc.	CAD
Contobox US 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
SCS Acquisition Inc.	USD
Schiefer Media Inc.	USD
Schiefer ChopShop Canada, Inc.	USD
Schiefer Chopshop Inc.	USD
OpenMoves Acquisition Inc.	USD
OpenMoves LLC	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. With respect to entities having a functional currency of USD, 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), whose only operations are through its wholly owned subsidiaries below:
 - a. Q1Media Inc. (Delaware),
 - b. Notify AcquisitionCo Inc. (Delaware), whose only operations are through its wholly owned subsidiaries NotifyAI, LLC (Wyoming) and Adwora, LLC (Delaware)
 - c. Crucial Interactive Holdings Inc. (Ontario) whose operations are through its wholly owned subsidiaries 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:
 - a. PR Tech (India)
 - b. PopReach UK (United Kingdom)

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- iii) Ubiquity Agency Acquisition, Inc. (Delaware) ("**Ubiquity AcqCo**"), whose operations are through its wholly owned subsidiary below:
 - 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)
- iv) SCS Acquisition Inc. (Delaware) ("**SCS AcqCo**"), whose operations are through its wholly owned subsidiaries Schiefer Media Inc., (California), Schiefer ChopShop Canada, Inc. (Ontario), and Schiefer Chopshop Inc. (Ontario)
- v) OpenMoves Acquisition Inc. (Delaware) ("**OpenMoves AcqCo**"), whose operations are through its wholly owned subsidiary OpenMoves LLC (New York)

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

3. SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to the significant accounting policies since the annual audited financial statements for the fifteen months ended December 31, 2022, and the period from the date of incorporation (January 25, 2021) to September 30, 2021, other than the new policies identified below arising from the acquisition of SCS and OpenMoves.

Acquisition of SCS

Subsequent to the Company's audited annual financial statements for the fifteen months ended December 31, 2022, the Company has updated its Revenue Recognition policy disclosures to incorporate the revenues from the SCS acquisition which closed on April 18, 2023 (note 26).

SCS provides creative services and brand strategy solutions to agencies and advertisers, where arrangements are generally evidenced by a fixed-price statement of work. Revenues are recognized over time based on the performance obligations completed in the contract, which could include the completion of monthly management of customer initiatives, display advertisements, or other copy. Under these services, the Company acts as a principal because (i) the Company controls the advertising inventory before it is transferred to customers, (ii) the Company bears sole responsibility in fulfillment of the advertising promise and bear inventory risks and (iii) the Company has full discretion in establishing prices. Therefore, based on these and other factors, the Company acts as the principal for these services and accordingly reports the revenue earned and related costs incurred on a gross basis.

SCS also offers media planning and buying services to agencies and advertisers. Arrangements are generally evidenced by a contract, and in these contracts, revenue is generally derived as a percentage of media spend. Revenues are recognized in the periods in which either the advertisement or sponsorship placement is displayed, provided no significant obligations remain, fees are fixed and determinable, and collection of the related receivable is probable. Under these managed services, the Company acts as an agent because (i) the Company does not control the advertising inventory before it is transferred to customers, (ii) the Company does not bear inventory risks and (iii) the Company has limited discretion in establishing prices. Accordingly, the Company acts as the agent and reports the revenue earned on a net basis and no other costs associated.

Acquisition of OpenMoves

Subsequent to the Company's audited annual financial statements for the fifteen months ended December 31, 2022, the Company updated its Revenue Recognition policy disclosures to incorporate the revenues from the OpenMoves acquisition which closed on April 26, 2023 (note 26).

OpenMoves offers creative search engine marketing (SEM) and search engine optimization (SEO) services to agencies and advertisers, where arrangements are generally evidenced by a monthly retainer. Revenues are recognized over time based on the performance obligations completed in the contract, which could include the monthly management of email marketing, search engine optimization, or other customer media initiatives. Under these managed services, the Company acts as a principal because (i) the Company controls the advertising inventory before it is transferred to customers, (ii) the Company bears sole responsibility in fulfillment of the advertising promise and bear inventory risks and (iii) the Company has full discretion in establishing prices. Therefore, based on these and other factors, the Company acts as the principal for these services and accordingly reports the revenue earned and related costs incurred on a gross basis.

4. SIGNIFICANT JUDGMENTS AND ESTIMATES

The preparation of the Company's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are described below. The Company based its assumptions and estimates on parameters available when the condensed interim consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

The following are the estimates and assumptions that have been made in applying the Company's accounting policies that have the most significant effect on the amounts in the condensed interim consolidated financial statements.

Goodwill impairment testing and recoverability of long-lived assets

Goodwill is reviewed annually for impairment, or more frequently when there are indicators that impairment may have occurred. Long-lived assets are reviewed when there are indicators that impairment may have occurred. If there is an indication that an asset may be impaired, the recoverable amount is estimated for the individual asset, or if not possible, for the cash-generating unit to which the asset belongs. Impairment tests are performed by comparing the carrying value to its recoverable amount. The determination of a cash generating unit ("CGU") is based on management's judgment and is an assessment of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The recoverable amounts of the cash-generating units were estimated based on an assessment of the higher of value-in-use using a discounted cash flow approach and fair value less costs of disposal. The approach uses cash flow projections based upon a financial forecast approved by management, covering a four to five-year period. Cash flows projections until the end of an asset or CGU's useful life are extrapolated using the estimated terminal growth rate for the value-in-use impairment analysis. The risk premiums expected by market participants related to uncertainties about the industry and assumptions relating to future cash flows may differ or change quickly, depending on economic conditions and other events.

Business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of these assets and liabilities. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, an independent valuation expert or management may develop the fair value, using appropriate valuation techniques, which are generally based on a forecast of the total expected future net cash flows. The evaluations are linked closely to the assumptions made by management regarding the future performance of the assets concerned and any changes in the discount rate applied. All acquisitions have been accounted for using the acquisition method.

Further, significant judgments are necessary in assessing the taxable status of the business combinations, which has a direct correlation to the recognition of a deferred tax liability, for any difference in basis between tax and accounting, and corresponding amount in goodwill. An assessment by a tax authority that concluded differently could materially change the deferred tax amounts. The Company bases their judgments on their assessment of the facts of the underlying contractual agreements.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. The measurement period ends as soon as the Company receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

Revenues and deferred revenues

The Company is required to make estimates that affect the amount of revenue from contracts with customers under IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). The Company uses judgment to determine 1) whether it is the principal or the agent and 2) the timing of the transfer of control, at a point in time or over time.

Deferred revenue arises primarily from the PopReach Games business. 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

Deferred cost of sales arises primarily from the PopReach Games business. The Company uses judgment and estimates to determine the amount of cost of sales to defer for each reporting period. The Company expects that in future periods, there will be changes in estimates of the average playing period of Payers and/or changes in the ability to make such estimates, based on changes to the Company's portfolio of game franchises. In particular, if the estimated average playing period of Payers increases on average, the amount of cost of sales recognized in a current or future period may be reduced, perhaps materially. Conversely, if the estimated average playing period of Payers decreases on average, the amount of cost of sales that is recognized in a current or future period may be accelerated.

Provision and contingencies

The amount recognized as a provision, including legal, contractual, and other exposures, obligations or contingent consideration are the best estimate of the consideration required to settle the related liability, including any related interest charges, considering the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

Expected credit losses

The Company monitors the financial stability of its customers and the environment in which they operate to make estimates regarding the likelihood that the individual trade receivable balances will be paid. The Company reviews the components of these accounts on a regular basis to evaluate and monitor this risk. The Company also reviews current economic conditions from time to time and assesses whether there would be any impact on the expected credit losses.

Estimated useful lives of long-lived assets

Management reviews useful lives of depreciable assets at each reporting date. Management assesses that the useful lives represent the expected utilization in terms of duration of the assets to the Company. Actual utilization, however, may vary due to technical obsolescence, particularly relating to acquired technology.

Determination of discount and incremental borrowing rate of convertible debentures, contingent consideration, and loans

Convertible debentures, contingent consideration, and loans represent liabilities of the Company for which the amount or timing is uncertain. These debt obligations are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Where material, these obligations are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the debt due to passage of time is recognized as finance costs. The Company estimates the discount and incremental borrowing rates based on a rate that a similar organization would have to pay to borrow over a similar term, and with similar security, in a similar economic environment.

Leases

When the Company enters into leases as a lessee, it determines the lease term as the non-cancellable period of the lease together with periods covered by an option to extend the lease if it reasonably expects to exercise such option. In assessing whether it is reasonably certain to exercise an option to extend a lease, the Company considers: the contractual terms and conditions for the optional periods compared with market rates; whether any significant leasehold improvements have been undertaken; the costs of terminating the lease; the importance of the underlying asset to the Company's operations; and any conditionality associated with exercising the option.

In addition, the Company determines its incremental borrowing rate in order to measure its lease liabilities. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. In estimating its incremental borrowing rate, the Company considers the term of the lease, the nature of the leased asset, and its level of indebtedness with reference to market risk-free interest rates.

Income taxes

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Fair value of derivative financial instruments

The Company uses a Black-Scholes model in order to estimate the value of the conversion option of the convertible debenture recorded as equity. 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 instruments. The determination of fair value of the liability portion of the convertible debenture is discussed above in "Determination of discount and incremental borrowing rate".

Share-based compensation and 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 estimates and changes in these inputs can materially impact the estimated fair value of share-based compensation.

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 condensed interim consolidated financial statements. Management prepares the condensed interim 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.

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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.

5. ACCOUNTS RECEIVABLE

	As at September 30, 2023			
	Current	Over 30 days past due	Over 90 days past due	Total
Trade receivables gross balance	\$ 16,802	\$ 3,274	\$ 1,434	\$ 21,510
Expected credit loss rate	0.3%	1.3%	3.1%	0.6%
Expected credit loss allowance	46	41	45	132
Trade receivables, net of expected credit loss	\$ 16,756	\$ 3,233	\$ 1,389	\$ 21,378

	As at December 31, 2022			
	Current	Over 30 days past due	Over 90 days past due	Total
Trade receivables gross balance	\$ 11,340	\$ 3,231	\$ 1,115	\$ 15,686
Expected credit loss rate	0.3%	3.5%	10.6%	1.7%
Expected credit loss allowance	31	114	118	263
Trade receivables, net of expected credit loss	\$ 11,309	\$ 3,117	\$ 997	\$ 15,423

Below is a continuity schedule of the expected credit loss allowance for the nine months ended September 30, 2023:

Balance as at December 31, 2022	\$ 263
Change in trade receivables allowed for	(55)
Amounts written off	(76)
Balance as at September 30, 2023	\$ 132

6. PREPAID EXPENSES AND DEPOSITS

	As at September 30,	As at December 31,
	2023	2022
Prepaid expenses	\$ 1,004	\$ 410
Prepaid insurance	172	112
Vendor deposits	302	234
Prepaid expenses and deposits	\$ 1,478	\$ 756
Current	1,458	736
Long-term	20	20
Total	\$ 1,478	\$ 756

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7. OTHER ASSETS

	As at September 30, 2023	As at December 31, 2022
Investment tax credit receivable	\$ 1,192	\$ 1,145
Deferred cost of sales (note 14)	294	266
Other	788	40
Other assets	\$ 2,274	\$ 1,451
Current	1,209	356
Long-term	1,065	1,095
Total	\$ 2,274	\$ 1,451

8. RIGHT-OF-USE ASSETS

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

Original Commencement Date	Term (months):
February 2019	60
May 2019	84
May 2021	24
November 2021	36
January 2022	67
September 2022	21
November 2022	24
February 2023	12

	Total
Balance as at December 31, 2022	\$ 472
Lease additions	147
Disposition of right-of-use asset	(48)
Acquired in business combination (Note 26)	1,351
Depreciation	(550)
Balance as at September 30, 2023	\$ 1,372

9. PROPERTY AND EQUIPMENT

COST	Furniture, Fixtures and other	Equipment	Total
As at December 31, 2022	\$ 42	\$ 297	\$ 339
Acquired on acquisition	309	255	564
Additions	19	103	122
As at September 30, 2023	\$ 370	\$ 655	\$ 1,025
ACCUMULATED DEPRECIATION			
As at December 31, 2022	\$ 10	\$ 99	\$ 109
Depreciation	45	151	196
As at September 30, 2023	\$ 55	\$ 250	\$ 305
NET BOOK VALUE			
As at December 31, 2022	\$ 32	\$ 198	\$ 230
As at September 30, 2023	\$ 315	\$ 405	\$ 720

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

	<u>As at September 30,</u> <u>2023</u>	<u>As at December 31,</u> <u>2022</u>
United States	\$ 548	\$ 56
Canada	88	102
India	84	72
Total	\$ 720	\$ 230

10. GOODWILL AND INTANGIBLES

COST	Customer Relationships	Software	Technology	Brand/ License	Goodwill	Intangibles in development	Total
As at December 31, 2022	\$ 31,267	\$ 650	\$ 27,584	\$ 5,372	\$ 58,898	\$ 3,538	\$ 127,309
Additions	—	—	—	—	—	1,282	1,282
Acquired on acquisition	9,470	—	—	1,990	10,415	—	21,875
Transferred to Technology	—	—	3,789	—	—	(3,789)	—
As at September 30, 2023	\$ 40,737	\$ 650	\$ 31,373	\$ 7,362	\$ 69,313	\$ 1,031	\$ 150,466

ACCUMULATED AMORTIZATION

As at December 31, 2022	\$ 5,386	\$ 162	\$ 7,060	\$ 1,131	\$ 14,345	\$ 2,395	\$ 30,479
Amortization	5,098	82	3,768	725	—	—	9,673
Transferred to Technology	—	—	2,395	—	—	(2,395)	—
As at September 30, 2023	\$ 10,484	\$ 244	\$ 13,223	\$ 1,856	\$ 14,345	\$ —	\$ 40,152

NET BOOK VALUE

As at December 31, 2022	\$ 25,881	\$ 488	\$ 20,524	\$ 4,241	\$ 44,553	\$ 1,143	\$ 96,830
As at September 30, 2023	\$ 30,253	\$ 406	\$ 18,150	\$ 5,506	\$ 54,968	\$ 1,031	\$ 110,314

The additions to goodwill and intangibles during the nine months ended September 30, 2023 relate to certain salaries, benefits, and professional fees being capitalized 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 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.

In June 2023, the game was launched, and therefore the related intangible asset was transferred from intangibles in development to technology and amortized accordingly over the estimated life of the intangible asset.

As at the time of these condensed interim consolidated financial statements, the Company is in the process of determining the intangibles and goodwill valuation as part of the acquisition of SCS and OpenMoves (note 26). The purchase price is not final as the Company is continuing to obtain and verify information required to determine the fair value of the goodwill and intangibles. As such, the preliminary estimates for goodwill and intangibles acquired on acquisition is based on management's best estimate and are subject to change; however, there have been no measurement period adjustments to date.

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

	<u>As at September 30,</u> <u>2023</u>	<u>As At December 31,</u> <u>2022</u>
United States	\$ 89,461	\$ 74,815
Canada	20,853	22,015
Total	\$ 110,314	\$ 96,830

There were no indicators of impairment for goodwill and intangible assets for the for the three and nine months ended September 30, 2023 and 2022.

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11. ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND OTHER

	<u>As at September 30,</u>	<u>As at December 31,</u>
	<u>2023</u>	<u>2022</u>
Trade accounts payable	16,013	7,606
Accrued liabilities and other	12,392	8,438
Warrant put liability	1,000	1,000
Accounts payable, accrued liabilities and other	<u>\$ 29,405</u>	<u>\$ 17,044</u>

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 condensed interim consolidated financial statements, no cash amount has been settled for this warrant put liability. This was initially measured at the present value of future expected payments upon acquisition, and is now recorded at amortized cost.

12. BANK INDEBTEDNESS

	<u>Total</u>
Balance as at December 31, 2022	<u>\$ —</u>
Proceeds	7,500
Finance costs	200
Repayments of principal and interest	(7,700)
Balance as at September 30, 2023	<u>\$ —</u>

During the nine months ended September 30, 2023, the Company borrowed \$7,500 of the \$8,000 revolver facility discussed in Note 17 in order to fund the partial repayment of a convertible debenture discussed in Note 15. Total finance costs for the three and nine months ended September 30, 2023 were \$nil and \$200 (three and nine months ended September 30, 2022 - \$nil). Total repayments of interest for the three and nine months ended September 30, 2023 were \$nil and \$200 (three and nine months ended September 30, 2022 - \$nil).

13. LEASE LIABILITIES

The Company's leases consist of eight facility leases. The Company has recognized right-of-use assets in respect of these leases (note 8).

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 finance costs in the condensed interim consolidated statements of loss and comprehensive loss. The carrying amount of the Company's lease liabilities are summarized in the table below.

	<u>Total</u>
Balance as at December 31, 2022	<u>\$ 537</u>
Lease additions	147
Acquired in business combination (Note 26)	1,351
Finance costs	69
Lease payments	(625)
Foreign exchange gain	(28)
Balance as at September 30, 2023	<u>\$ 1,451</u>
Current portion	634
Long-term portion	817
Total	<u>\$ 1,451</u>

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The following table details the undiscounted cash flows and contractual maturities of the Company's lease obligations, as at September 30, 2023:

	Within one year	Later than one year but not later than 5 years	More than 5 years
Lease liabilities	\$ 745	\$ 919	\$ —

14. DEFERRED REVENUE AND COST OF SALES

	As at September 30, 2023	As at December 31, 2022
Deferred revenue	\$ 3,158	\$ 2,222
Current	2,989	2,058
Long-term	169	164
Total	\$ 3,158	\$ 2,222

Below is a continuity schedule of deferred revenues for the nine months ended September 30, 2023:

	Total
Balance as at December 31, 2022	\$ 2,222
Net change in deferred revenues from managed services and self service	1,146
Net change in deferred revenues from in-app purchases	(210)
Balance as at September 30, 2023	\$ 3,158
Current	2,989
Long-term	169
Total	\$ 3,158

Below is a continuity schedule of deferred cost of sales for the nine months ended September 30, 2023:

	Total
Balance as at December 31, 2022	\$ 266
Net change in deferred cost of sales from in-app purchases	28
Balance as at September 30, 2023	\$ 294

Deferred cost of sales is included in other assets on the condensed interim consolidated statement of financial position.

15. CONVERTIBLE DEBENTURES

	Convertible debenture - debt host value	Convertible debenture - conversion value (equity)	Total
Balance as at December 31, 2022	\$ 10,370	\$ 822	\$ 11,192
Issued as consideration for business combinations (Note 26)	2,286	464	2,750
Accrued finance costs	925	—	925
Early prepayment of convertible debenture	(7,500)	—	(7,500)
Fair value loss on early prepayment	1,782	—	1,782
Gain/loss on modification/extinguishment	164	—	164
Balance as at September 30, 2023	\$ 8,027	\$ 1,286	\$ 9,313

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 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 debenture matures on May 13, 2025. Post-acquisition, the Ubiquity Debenture was reduced by \$399 to account for a preliminary net working capital adjustment pursuant to the terms of the transaction agreement. The Company also has the option to prepay the non-interest bearing amount of \$7,500 within 120 days following the acquisition date. Waivers were signed subsequently in January 2023 to extend the timeline for the prepayment from January 6, 2023 to January 10, 2023. On January 9, 2023, \$7,500 of the debenture was repaid to the former members, and no Common Shares were issued. This resulted in a fair value loss of \$1,782, which is recorded on the consolidated statements of loss and comprehensive loss. Further disclosure regarding the consideration issued is provided in Note 26.

With regards to the conversion feature, the principal amount meets the fixed-for-fixed criteria, and therefore is recorded as equity. With regards to the accrued interest, the conversion is at the greater of US\$0.78 and the then-market price of the shares, and therefore does not meet the fixed-for-fixed criteria, and hence recorded as a liability. However, the holder would not convert if the market price is lower than US\$0.78, and would convert at market if the price is greater than US\$0.78. Accordingly, the value of the interest conversion feature is deemed to be \$nil.

On May 24, 2023, in conjunction with the closing of the new credit facility described in Note 17, an amendment was made to the SCS Debenture. (the "**Ubiquity Debenture Amendment**"), which is further described in Note 17. As the modified cash flows of the debenture are not considered substantial, this created a loss on modification of \$258 under IFRS 9.

Total finance costs for the three and nine months ended September 30, 2023 were \$170 and \$814 (three and nine months ended September 30, 2022 - \$nil).

Acquisition of SCS

In connection with the purchase consideration in accordance with the SCS acquisition dated April 18, 2023 (the "**SCS Acquisition**"), the Company entered into a convertible debenture in the principal amount of \$750 (the "**SCS Debenture**"), as described in Note 26. The SCS Debenture is non-interest bearing, repayable on the SCS Subsequent Maturity Date (described in Note 17) and convertible into common shares of the Company at the option of the holders exercisable at any time prior to the SCS Subsequent Maturity Date (described in Note 17) at US\$0.78 per share. The SCS Debenture is secured by a security interest granted to the holders over the assets of SCS, which security interest ranks subordinate to the Company's senior lender.

With regards to the conversion feature, the principal meets the fixed-for-fixed criteria, and therefore is recorded as equity.

On May 24, 2023, in conjunction with the closing of the new credit facility described in Note 17, an amendment was made to the SCS Debenture (the "**SCS Debenture Amendment**"), which is further described in Note 17. As the modified cash flows of the debenture are considered substantial, the existing debenture was derecognized and the modified debenture was recognized at fair value under IFRS 9. This resulted in a gain on extinguishment of \$107.

Total finance costs for the three and nine months ended September 30, 2023 were \$16 and \$23 (three and nine months ended September 30, 2022 - \$nil).

Acquisition of OpenMoves

In connection with the purchase consideration in accordance with the OpenMoves acquisition dated April 26, 2023 (the "**OpenMoves Acquisition**"), the Company entered into a convertible debenture in the principal amount of \$2,000 (the "**OpenMoves Debenture**"), as described in Note 26.

In addition, in the event that the Company does not elect, in the Company's own discretion, to prepay the OpenMoves Debenture within six months following closing, the principal amount of the OpenMoves Debenture will be increased by \$500 and an additional 1 million common shares of the Company will be issued.

The OpenMoves Debenture bears interest at a rate of 7% per annum, is repayable on May 31, 2025 (the "**OpenMoves Maturity Date**") and convertible into common shares of the Company at the option of the holders exercisable at any time prior to the OpenMoves Maturity Date at US\$0.78 per share. The OpenMoves Debenture is secured by a security interest granted to the holders over the assets of OpenMoves, which security interest ranks subordinate to the Company's senior lender.

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With regards to the conversion feature, the principal and accrued interest meets the fixed-for-fixed criteria, and therefore is recorded as equity.

On May 24, 2023, in conjunction with the closing of the new credit facility described in Note 17, an amendment was made to the OpenMoves Debenture (the "**OpenMoves Debenture Amendment**"), which is further described in Note 17. As the modified cash flows of the debenture are not considered substantial, this created a loss on modification of \$13 under IFRS 9.

Total finance costs for the three and nine months ended September 30, 2023 were \$50 and \$88 (three and nine months ended September 30, 2022 - \$nil).

16. CONTINGENT CONSIDERATION

Balance as at December 31, 2022	\$ 905
Finance costs	79
Issued as consideration for business combinations (Note 26)	505
Balance as at September 30, 2023	\$ 1,489
Current	923
Long term	566
Total	\$ 1,489

The contingent consideration as at September 30, 2023 is part of the purchase consideration in connection with the Transaction, as well as contingent consideration associated with the acquisition of SCS described in Note 26. The total amount included in finance costs for the three and nine months ended September 30, 2023 was \$27 and \$79 (three and nine months ended September 30, 2022 - \$11 and \$58).

17. LOANS

	Total
Balance as at December 31, 2022	\$ 37,041
Proceeds	62,500
Debt issuance costs	(592)
Issued as consideration for business combinations (Note 26)	4,117
Finance costs	5,293
Repayments of principal	(49,451)
Paid and accrued interest	(5,030)
Gain/loss on modification/extinguishment	965
Balance as at September 30, 2023	\$ 54,843
Current	8,248
Long term	46,595
Total	\$ 54,843

The Company's loan balance is comprised of multiple loans, described as follows:

Acquisition of SCS

In connection with the purchase consideration in accordance with the SCS Acquisition, the Company entered into a vendor take-back note in the principal amount of \$5,500 (the "**SCS VTB Note**").

The SCS VTB Note is non-interest bearing and is repayable as follows: (i) \$4,000 on the earlier to occur of any future increase to, or refinancing of, the Company's senior debt facility and May 31, 2025 (the "**SCS Initial Maturity Date**"); and (ii) \$1,500 on May 31, 2025 (the "**SCS Subsequent Maturity Date**").

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Additionally, the Company sourced bridge financing (the "**SCS Bridge Financing**") in the principal amount of \$2,000 from a third-party lender (the "**SCS Bridge Lender**") in order to complete the SCS acquisition described in Note 26. The SCS Bridge Financing, together with a loan fee in the amount of \$500, is repayable on the SCS Initial Maturity Date pursuant to the terms of an unsecured promissory note issued by SCS to the SCS Bridge Lender on April 18, 2023. The principal amount under the SCS Bridge Financing does not bear interest unless repayment is not made within six months following the completion of the acquisition (the "**SCS Early Repayment Term**"). If repayment is not made within the SCS Early Repayment Term, the principal amount outstanding will bear interest at the rate of 10% per annum until full and final repayment is made and the Company will be required, subject to approval of the TSX Venture Exchange, to grant a security interest over its assets to the SCS Bridge Lender, which security interest will rank subordinate to the Company's senior lender. The SCS Bridge Lender is arm's length to the Company and is also arm's length to SCS and its shareholders.

On May 24, 2023, in conjunction with the closing of the new credit facility described below, an amendment was made to the OpenMoves Debenture (the "**SCS VTB Amendment**"), which is further described below. As the modified cash flows of the loan are considered substantial, the existing debenture was derecognized and the modified loan was recognized at fair value under IFRS 9. This resulted in a loss on extinguishment of \$739.

Total finance costs for the three and nine month periods ended September 30, 2023 were \$33 and \$111 (three and nine months ended September 30, 2022 - \$nil).

The funds from the new credit facility was also used to repay the SCS Bridge Financing and associated loan fee of \$1,000 in full, which was recorded as finance costs in the consolidated statements of profit and loss.

Acquisition of OpenMoves

In connection with the purchase consideration in accordance with the OpenMoves Acquisition, the Company sourced bridge financing (the "**OpenMoves Bridge Financing**") in the principal amount of \$4,000 from a third-party lender (the "**OpenMoves Bridge Lender**") in order to complete the OpenMoves acquisition described in Note 26. The OpenMoves Bridge Financing, together with a loan fee in the amount of \$1,000, is repayable on the earlier to occur of any future increase to, or refinancing of, the Company's senior debt facility and the OpenMoves Maturity Date, pursuant to the terms of an unsecured promissory note issued by the Company to the OpenMoves Bridge Lender on April 25, 2023. The principal amount under the OpenMoves Bridge Financing does not bear interest unless repayment is not made within six months following the completion of the acquisition ("**OpenMoves Early Repayment Term**"). If repayment is not made within the OpenMoves Early Repayment Term, the principal amount outstanding will bear interest at the rate of 10% per annum until full and final repayment is made and the Company will be required, subject to approval of the TSX Venture Exchange, to grant a security interest over its assets to the OpenMoves Bridge Lender, which security interest will rank subordinate to the Company's senior lender. The OpenMoves Bridge Lender is arm's length to the Company and is also arm's length to OpenMoves and its shareholders.

On May 24, 2023, in conjunction with the closing of the new credit facility described below, the funds from the new credit facility was also used to repay the OpenMoves Bridge Financing and associated loan fee of \$500 in full, which was recorded as finance costs in the consolidated statements of profit and loss.

BMO Facilities

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**" or the "Agent"), 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 Company agreed to secure all of the Company's obligations under the BMO Facilities by granting the lender a first ranking security interest on all of its respective assets. 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 26 (the "**Additional BMO Draw**"). After the amendment, the BMO Facilities were comprised of a \$40,000 BMO Term Loan and an unamended \$8,000 Revolver. All other material terms of the BMO Facilities remained unchanged.

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The BMO Facilities bore interest at a rate of Lender's US Base Lending Rate, currently 9.000%, plus an applicable margin. The Initial BMO Draw was amortized 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 was amortized monthly beginning the first full month post-closing, with equal repayments over a five year term. Interest on the BMO Facilities was payable monthly in arrears.

Prepayments of the Revolver were permitted without penalty at any time, in whole or in part; prepayments of the BMO Term Loan, in whole or in part, were permitted without penalty 24 months following close. If the BMO Term Loan was repaid prior to 24 months post-closing, such repayment was subject to a prepayment penalty. The BMO Facilities were guaranteed by the material subsidiaries of the Company and were 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.

On May 25, 2023, the Company closed a new \$115,000 syndicated credit facility (the "**Syndicate Facility**") with BMO as the administrative agent, including the National Bank of Canada, Export Development Canada and Toronto Dominion Bank as syndicate lenders (collectively the "**Syndicate**"). The Credit Facility replaces and represents an increase from the Company's previous senior secured credit facility described above. As the modified cash flows of the loan are considered substantial, the existing debenture was derecognized and the modified loan was recognized at fair value under IFRS 9. This resulted in a loss on extinguishment of \$226.

The Credit Facility consists of a \$10,000 revolving facility ("**Syndicate Revolver**"), a \$45,000 non-revolving term facility ("**Syndicate Term Loan**"), and \$60,000 in delayed draw term loans ("**DDTL**"). The Syndicate Revolver will be used for general working capital and general corporate requirements, the Syndicate Term Loan is being used to replace the BMO Facilities and to refinance other existing indebtedness of the Company, and the DDTL will be used to finance previous and future acquisitions. On closing of the Syndicate Facility ("**Closing**"), \$2,500 of the DDTL was used to repay the SCS Bridge Financing, \$4,000 was used to repay a portion of the SCS VTB Note, and \$5,000 was used to repay the OpenMoves Bridge Financing.

The Syndicate Facility carries a term of 3 years and bears interest at a rate, as determined at the Company's option, of either the **Agent's** US Base Lending Rate plus an applicable margin, or at a rate based on the Agent's US Secured Overnight Financing Rate plus an applicable margin. The Syndicate Revolver is repayable in full at maturity and the Syndicate Term Loan and DDTL will amortize monthly beginning the first full quarter after the closing of the facility, with principal amortization of 50% over the 3-year term ending May 25, 2026 with the remaining balance due at maturity.

As a condition precedent to Closing, the Company entered into the following amendments, each dated May 24, 2023: i) the Ubiquity Debenture Amendment; the SCS Debenture Amendment; iii) the SCS VTB Amendment; and iv) the OpenMoves Debenture Amendment.

The Ubiquity Debenture Amendment extends the maturity date of the Ubiquity Debenture to November 30, 2026 (the "**New Maturity Date**"), and increases the interest rate to 7.5% per annum, calculated from the original issuance date of the Ubiquity Debenture, being September 8, 2022, until full repayment is made. The Ubiquity Debenture Amendment further provides that if the Company does not voluntarily opt to prepay the Ubiquity Debenture in full prior to the previous maturity date of May 13, 2025 ("**Original Ubiquity Maturity Date**"), the principal amount of the Ubiquity Debenture will increase by \$750 and the interest rate will be further increased to 15% per annum, calculated from the Original Ubiquity Maturity Date until full repayment is made.

The SCS Debenture Amendment and the SCS VTB Amendment each extend the respective maturity dates of the SCS Debenture and the SCS VTB Note to the New Maturity Date and further provide that if the Company does not voluntarily opt to i) prepay the SCS Debenture in full prior to the SCS Subsequent Maturity Date, the principal amount will increase by \$75; and ii) prepay the SCS VTB Note in full prior to the SCS Subsequent Maturity Date, the principal amount will increase by \$150, and in the case of i) and ii), interest will accrue and be calculated on the outstanding principal amount at the rate of 11% per annum commencing on the SCS Subsequent Maturity Date until full repayment is made.

The OpenMoves Debenture Amendment extends the maturity date of the OpenMoves Debenture to the New Maturity Date, and further provides that if the Company does not voluntarily opt to prepay the OpenMoves Debenture in full i) prior to October 23, 2023, the principal amount will increase by \$250; and ii) prior to the OpenMoves Maturity Date, the principal amount will increase by an additional \$500, and the interest rate will increase to 11% per annum, calculated from the OpenMoves Maturity Date until full repayment is made. These amounts are in addition to the potential increase of \$500 to the principal amount discussed in the initial acquisition of OpenMoves discussed in note 15.

As the modified cash flows of the loan are considered substantial, the existing debenture was derecognized and the modified loan was recognized at fair value under IFRS 9. This resulted in a loss on extinguishment of \$226.

Total finance costs for the three and nine months ended September 30, 2023 were \$1,626 and \$3,682 (three and nine months ended September 30, 2022 - \$506 and \$704).

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As at September 30, 2023, the Company is compliant with all covenants.

Below is a summary of the balances of the outstanding loans at September 30, 2023:

	Total
Syndicate Facility	53,877
SCS VTB Note	966
Balance as at September 30, 2023	\$ 54,843

18. 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. This obligation covers only the employees based in India. The liability recognized in the condensed interim consolidated statements of financial position in respect of the defined benefit gratuity plan and the leave encashment plan is the present value of defined benefit obligations at the end of the reporting period. The defined benefit obligation is calculated through an actuarial valuation using the projected unit credit method. The benefits are based on years of service and last drawn salary.

The most recent actuarial valuation of the benefit plans for accounting purposes was as of September 30, 2023.

Below is a summary of the change in employee benefit obligations for the nine months ended September 30, 2023:

	Amount
Balance as at December 31, 2022	\$ 327
Service cost	46
Interest cost	17
Actuarial losses to profit and loss	(0)
Actuarial gains to other comprehensive income	5
Benefits paid	(5)
Foreign currency translation adjustments	(2)
Balance as at September 30, 2023	\$ 388

The actuarial losses to other comprehensive income during the three and nine months ended September 30, 2023 were shown on the condensed interim consolidated statements of loss and comprehensive loss net of income taxes of \$0 (nine months ended September 30, 2022 - \$1).

The key assumptions for the gratuity and leave encashment plans at September 30, 2023 are as follows:

Discount rate:	7.14%
Salary escalation:	10%
Attrition rate:	2% - 16%
Indian Assured Lives mortality rate (ages 20-60):	0.0698% - 2.4058%

19. SHARE CAPITAL

The Company has an unlimited number of common shares authorized for issuance, with no par value. The Company has authorized 4,400 Class B non-voting shares in SCS Acquisition Inc., which are exchangeable for common shares of the Company as described in Note 26.

On April 18, 2023, 4,400 SCS Exchangeable Shares were issued in connection with the acquisition of SCS discussed in Note 26.

On April 26, 2023, 6,858,000 Common Shares were issued in connection with the acquisition of OpenMoves discussed in Note 26.

Below is a continuity of share capital during the nine months ended September 30, 2023:

	Number of Common Shares	Number of SCS Exchangeable Shares (Note 26)
Balance – December 31, 2022	275,266,828	—
Issued as consideration for business combination for SCS (Note 26)	—	4,400
Issued as consideration for business combination for OpenMoves (Note 26)	6,858,000	—
Balance - September 30, 2023	282,124,828	4,400

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For the three and nine months ended September 30, 2023, and 2022, the Company is in a net loss position. As a result, the Company's convertible debentures (Note 15), share options and restricted share units (Note 20), and SCS Exchangeable shares (Note 26) would be anti-dilutive.

20. 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 the 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, and vest over 4 years, or such earlier date as may be set out in the participant's award agreement. 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 nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,			
	2023		2022	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Balance, beginning of the year	C\$0.71	7,424,500	—	—
Acquired on acquisition	—	—	C\$0.51	7,402,514
Granted during the period	—	—	C\$0.80	4,995,000
Forfeited during the period	C\$0.80	(488,350)	C\$0.80	(20,000)
Exercised during the period	—	—	C\$0.16	(3,027,014)
Expired during the period	C\$0.80	(130,000)	C\$0.80	(730,000)
Balance as at September 30	C\$0.70	6,806,150	C\$0.70	8,620,500
Vested and exercisable at September 30	C\$0.61	3,415,525	C\$0.72	2,524,250

Grant Date	Expiry Date	Exercise price	Share options September 30, 2023	Share options September 30, 2022
Jan 2018	Jan 2023	C\$0.31	—	190,500
Jan 2019 - Oct 2019	Jan 2024 - Oct 2024	C\$0.31	1,404,937	1,447,800
From Qualifying Transaction	Aug 2022	C\$0.80	—	205,000
Jul 2020 - Aug 2020	Jul 2025 - Aug 2025	C\$0.85 - C\$1.00	50,000	—
Nov 2020	Nov 2022 - Nov 2025	C\$1.25 - C\$1.40	50,000	908,000
Apr 2021	Apr 2026	C\$0.85	45,000	45,000
Sep 2021 - Dec 2021	Apr 2023 - Dec 2026	C\$0.80	473,713	849,200
May 2022	May 2027	C\$0.80	3,417,500	3,475,000
Aug 2022	Aug 2027	C\$0.80	1,365,000	1,500,000
Total			6,806,150	8,620,500
Weighted average remaining contractual life of options outstanding at end of period (in years)			2.76	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 condensed interim consolidated statements of loss and comprehensive loss. There were no share options granted during the nine months ended September 30, 2023. Below is the summary of the assumptions used to calculate the fair value of share-based compensation for the nine months ended September 30, 2022.

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Grant date - for the nine months ended September 30, 2022

Expected volatility	75.00% - 85.00%
Expected life	0.17 years - 5 years
Risk-free interest rate	1.40% - 2.63%
Dividend yield	0%
Exercise price	C\$0.16 - C\$1.40
Share price	C\$0.31 - C\$0.40
Weighted average fair value of each option granted	USD\$0.13

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 the long-term success of the Company. In accordance with this plan, shares are awarded at the grant date of each unit, 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 nine months ended September 30, 2023 and 2022:

	Nine Months Ended September 30,			
	2023		2022	
	Share price on grant date	Number of units	Share price on grant date	Number of units
Balance, beginning of the year	C\$0.30	7,854,000	—	—
Granted during the period	C\$0.23 - C\$0.24	6,250,000	C\$0.30	6,854,000
Forfeited during the period	C\$0.30	(750,000)	—	—
Balance as at September 30	C\$0.27	13,354,000	C\$0.30	6,854,000
Vested and exercisable at September 30	C\$0.30	3,776,250	C\$0.30	—

Grant Date	Share price	Restricted share units September 30, 2023	Restricted share units September 30, 2022
May 2022 - Dec 2022	C\$0.30	7,104,000	6,854,000
May 2023	C\$0.23-C\$0.24	6,250,000	—
Total		13,354,000	6,854,000

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 nine months ended September 30, 2023 is \$242 and \$938 (three and nine months ended September 30, 2022 - \$353 and \$484).

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

The Company has disclosed 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.

As described in Note 2, the Company's cash, accounts receivable, accounts payable, accrued liabilities and other, bank indebtedness, convertible debenture, and loans are recorded at amortized cost.

The Company's contingent consideration is 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 and assumed as part of the Transaction is related to consideration payable with regards to certain game acquisitions, and is based on a discount rate of 11%. An increase/decrease of 5% of the discount rate will increase/decrease the balance by \$45.

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- Contingent consideration – The contingent consideration issued as consideration for the acquisition of SCS is based off of a Black-Scholes model, and the measurement inputs are discussed in Note 26. An increase/decrease of 5% in the volatility would decrease/increase the balance by \$50.

There was no movement between Level 2 and Level 3 during the three months ended March 31, 2023, 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.

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, 2023, in United States dollar terms:

	CAD	GBP	EUR
Cash	\$ 130	\$ 200	\$ 48
Accounts receivable, net	835	—	316
Accounts payable, accrued liabilities and other	571	—	183

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

Currency	10% Strengthening/ weakening
CAD	\$ 39
GBP	20
EUR	18

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 undiscounted financial liabilities and leases as at September 30, 2023:

	As at September 30, 2023		
	Within one year	Between one and five years	More than five years
Accounts payable, accrued liabilities and other	\$ 29,361	\$ —	\$ —
Contingent consideration	1,100	803	—
Convertible debenture ¹	—	9,157	—
Lease liabilities ¹	745	919	—
Loans payable ¹	13,827	52,518	—
Total	\$ 45,033	\$ 63,396	\$ —

⁽¹⁾ Includes principal and interest

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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 US Base Lending 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 US dollar commercial loans to its customers in Canada and designated as its US Base Lending 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 US Finance costs have been recorded in the condensed interim consolidated statements of loss and comprehensive loss. A change of 1.00% in the US Base Lending Rate would increase/decrease the finance costs by \$544 on an annual basis based on the amount currently drawn.

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.

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 5 shows the expected credit loss rate for each aging category of trade receivables.

22. 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 capital structure management practices are focused on ensuring investor and creditor confidence, and safeguarding the Company's ability to support market expansion. 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, bank financing facility 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 nine months ended September 30, 2023. The Company is not subject to externally imposed capital requirements.

23. REVENUE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
United States	\$ 30,119	\$ 21,177	\$ 92,730	\$ 50,693
Other	7,495	4,300	20,499	9,952
Total revenue	\$ 37,614	\$ 25,477	\$ 113,229	\$ 60,645

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Managed services, self service, and other	\$ 34,182	\$ 21,457	\$ 102,112	\$ 53,591
In-App Purchases and Advertising	3,432	4,020	11,117	7,054
Total revenue	\$ 37,614	\$ 25,477	\$ 113,229	\$ 60,645

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24. EXPENSES CLASSIFIED BY NATURE

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

Note	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Employee compensation	\$ 8,424	\$ 6,739	\$ 25,681	\$ 16,967
Office and administrative	536	428	2,134	917
Technology	557	501	1,779	1,476
Legal and professional fees	436	155	1,241	323
Travel, meals, and entertainment	291	176	751	483
Advertising and promotion	235	517	1,132	1,131
Consulting fees	631	100	1,776	151
Insurance	52	63	193	128
Bad debt expense (recovery)	(2)	(148)	(50)	(69)
Share-based compensation	20 241	353	937	484
Transaction costs	158	245	545	1,232
Total	\$ 11,559	\$ 9,129	\$ 36,119	\$ 23,223

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Selling and marketing	\$ 4,904	\$ 3,722	\$ 14,449	\$ 9,931
General and administrative	4,327	3,109	13,772	7,689
Technology and development	2,170	2,053	7,353	4,371
Transaction costs	158	245	545	1,232
Total	\$ 11,559	\$ 9,129	\$ 36,119	\$ 23,223

25. 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, as well as certain key management personnel of the Company's subsidiaries.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Management salaries, bonuses and other benefits	\$ 395	\$ 476	\$ 1,180	\$ 792
Director fees	54	80	245	88
Share-based payment - management	71	222	466	297
Share-based payment - directors	—	22	39	31
Total	\$ 520	\$ 800	\$ 1,930	\$ 1,208

Certain related parties are also significant shareholders who control certain companies who are also 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 condensed interim consolidated statement of financial position

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	<u>As at September 30,</u> <u>2023</u>	<u>As at December 31,</u> <u>2022</u>
Balances included in accounts receivable	\$ —	\$ 11
Balances included in right-of-use asset	128	216
Balances included in accounts payable, accrued liabilities and other	(58)	(194)
Balances included in lease liabilities	(131)	(217)
Balances included in convertible debentures ¹	(4,834)	(10,634)
Net related party balances owing	\$ (4,895)	\$ (10,818)

⁽¹⁾ Includes undiscounted principal balance

The following table presents the cumulative related party customers and vendors transactions that flowed through the various line items of the condensed interim consolidated statements of loss and comprehensive loss:

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues from related parties	\$ —	\$ 18	\$ 7	\$ 460
Cost of sales	—	89	25	210
General and administrative	557	2,118	1,653	5,190
Technology and development	39	380	973	1,111
Finance costs	—	—	—	1,020

As at September 30, 2023, the convertible debenture balance is related to amounts issued in connection to the Ubiquity acquisition. As at September 30, 2023, the right-of-use asset and associated lease liability is related to a lease entered into between Ubiquity and a company of which one of Ubiquity's key management members is also a shareholder. During the three and nine months September 30, 2023 and 2022, revenue, cost of sales, general and administrative, and technology and development costs are from regular business activities between Notify and a company of which one of Notify's key management members is also a shareholder. This related party company primarily provides development services to Notify and is based in Israel and Dubai, and during the nine months ended September 30, 2023, has begun to minimize revenue and cost of sales activities with Notify. For the nine months ended September 30, 2022, finance costs were related to interest expense on loans issued to shareholders that no longer meet the definition of a related party, subsequent to the Transaction on April 28, 2022.

26. BUSINESS COMBINATIONS

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 condensed interim consolidated statements of loss and comprehensive loss from the date of the Ubiquity Acquisition, being September 8, 2022. Ubiquity was acquired as part of the Company's growth strategy.

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

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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) the Ubiquity Debenture as discussed in note 15, (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) \$18,455 in cash. An additional cash payment of \$250 has been recorded as a holdback and is payable, subject to deduction in respect of indemnification claims, if any, pursuant to the terms of the transaction agreement. Post-acquisition, the Ubiquity Debenture was reduced by \$399 to account for a preliminary net working capital adjustment pursuant to the terms of the transaction agreement.

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 estimated based on a 0% probability of occurrence. Waivers were signed subsequently in January 2023 to extend the timeline for the prepayment from January 6, 2023 to January 10, 2023. On January 9, 2023, \$7,500 of principal was prepaid to the former members, and no Common Shares were issued.

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

Fair value of consideration	\$ 39,042
Cash	1,421
Accounts receivable	5,198
Prepaid assets	182
Property and equipment	15
Accounts payable, accrued liabilities and other	(8,445)
Loans	(617)
Deferred tax asset	1,382
Total acquisition date fair value of assets acquired, and liabilities assumed	\$ (864)
Customer relationships	12,560
Technology	7,620
Brand	1,170
Goodwill	18,556
Goodwill and intangibles	\$ 39,906
Cash	18,455
Common shares	9,593
Convertible debenture - debt host value	9,922
Convertible debenture - conversion value (equity)	822
Accounts payable and accrued liabilities	250
Total consideration	\$ 39,042

Goodwill represents acquired workforce and other synergies, and is expected to be deductible for tax purposes.

The value of the common shares was calculated using a 9.6% discount rate for lack of marketability, as the shares have certain trading restrictions. The value of the debt host portion of the convertible debenture was calculated using at 12% discount rate. The conversion value of the convertible debenture was calculated using a Black-Scholes model, with the following inputs:

Expected volatility	70.00%
Expected life	2.7 years
Risk-free interest rate	3.56%
Dividend yield	0%
Exercise price	\$0.78
Share price	\$0.30
Weighted average fair value of each option granted	\$0.06

POPREACH CORPORATION (dba "Ionik", formerly Federated Foundry Limited)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

Acquisition of SCS

On April 18, 2023, the Company completed the acquisition of SCS, a brand transformation company headquartered in California. A new wholly owned subsidiary of the Company, SCS Acquisition Inc., was formed, where SCS Acquisition Inc. acquired all of the issued and outstanding shares of SCS. The total consideration paid consisted of \$2,000 in cash ("**SCS Cash Consideration**"), the issuance of 4,400 Class B non-voting shares of SCS Acquisition Inc. (the "**SCS Exchangeable Shares**"), the issuance of a vendor take-back note in the principal amount of \$5,500 (the "**SCS VTB Note**") as described in Note 17, the issuance of a convertible debenture in the principal amount of \$750 (the "**SCS Debenture**") as described in Note 15, and earn-out payments of up to \$1,500, as described in Note 16, which are payable in each of the first two years following the closing of the acquisition. SCS was acquired as part of the Company's growth strategy.

The SCS Exchangeable Shares are exchangeable at the option of the holders into common shares of the Company at any time following the closing of the acquisition on the basis of 5,000 common shares of the Company for every 1 SCS Exchangeable Share, entitling the holders to an aggregate of 22,000,000 common shares of the Company.

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

Fair value of consideration	\$ 10,737
Cash	2,278
Accounts receivable	7,895
Prepaid assets	686
Property and equipment	564
Right-of-use asset	1,351
Accounts payable, accrued liabilities and other	(14,335)
Deferred revenue	(754)
Lease liabilities	(1,351)
Total acquisition date fair value of assets acquired, and liabilities assumed	\$ (3,666)
Customer relationships	7,220
Brand/License	1,310
Goodwill	5,873
Goodwill and intangibles	\$ 14,403
Cash	2,000
SCS Exchangeable shares	3,365
Loans	4,117
Convertible debenture - debt host value	562
Convertible debenture - conversion value (equity)	188
Contingent consideration	505
Total consideration	\$ 10,737

Goodwill represents acquired workforce and other synergies, and is expected to be deductible for tax purposes.

If the acquisition had occurred on January 1, 2023, SCS would have contributed an additional \$4,592 of revenues and \$308 of loss to consolidated revenues and net loss, respectively. Since the date of acquisition, SCS has contributed \$6,685 of revenues and \$216 of income before income taxes to consolidated revenues and net loss, respectively.

The value of the common shares was calculated using a 6.9% discount rate for lack of marketability, as the shares have certain trading restrictions. The value of the SCS VTB Note was calculated using a 15% discount rate. The value of the debt host portion of the convertible debenture was calculated using a 15% discount rate. The conversion value of the convertible debenture was calculated using the residual method of the difference of the value of the principal of the convertible debenture less the value of the debt host portion.

The value of the contingent consideration was calculated based on a Black-Scholes model, with the following inputs:

Expected volatility	50.00%
Expected life	0.5 - 1.5 years
Risk-free interest rate	4.19 - 4.57%
Dividend yield	0%
Strike price (EBITDA threshold)	\$2,500,000 - \$4,000,000
Expected present value of EBITDA	\$2,762,276

POPREACH CORPORATION (dba "Ionik", formerly Federated Foundry Limited)

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2023 and 2022

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

Acquisition of OpenMoves

On April 26, 2023, the Company completed the acquisition of OpenMoves, a business-to-business (“B2B”) and business-to-consumer (“B2C”) performance and growth marketing company headquartered in New York. A new wholly owned subsidiary of the Company, OpenMoves Acquisition, Inc. was formed, where OpenMoves Acquisition, Inc. acquired all of the issued and outstanding membership interests of OpenMoves. The total consideration paid consisted of \$4,000 in cash (the “OpenMoves Cash Consideration”), the issuance of 9 million common shares of the Company (“OpenMoves Consideration Shares”), and the issuance of a convertible debenture in the principal amount of \$2,000 (the "OpenMoves Debenture") as described in Note 15. OpenMoves was acquired as part of the Company’s growth strategy.

The Company held back \$158 of the OpenMoves Cash Consideration and 2,142,000 of the OpenMoves Consideration Shares, which will be paid and issued one year after the completion of the acquisition, subject to reductions, if any, in connection with any net working capital adjustments or the satisfaction of any indemnity obligations. As such, 6,858,000 OpenMoves Consideration Shares were issued at the time of the acquisition, and during the nine months ended September 30, 2023, an additional \$556 in cash was paid due to the finalization of net working capital adjustments.

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

	As Initially Reported	Adjustments	As Currently Reported
Fair value of consideration	\$ 7,489	\$ 537	\$ 8,026
Cash	234	—	234
Accounts receivable	668	—	668
Prepaid assets	49	—	49
Accounts payable, accrued liabilities and other	(395)	—	(395)
Taxes payable	(2)	—	(2)
Total acquisition date fair value of assets acquired, and liabilities assumed	\$ 554	\$ —	\$ 554
Customer relationships	2,250	—	2,250
Brand/License	680	—	680
Goodwill	4,005	537	4,542
Goodwill and intangibles	\$ 6,935	\$ 537	\$ 7,472
Cash	3,842	556	4,398
Accounts payable, accrued liabilities and other	475	(19)	456
Common shares	1,172	—	1,172
Convertible debenture - debt host value	1,724	—	1,724
Convertible debenture - conversion value (equity)	276	—	276
Total consideration	\$ 7,489	\$ 537	\$ 8,026

Goodwill represents acquired workforce and other synergies, and is expected to be deductible for tax purposes.

If the acquisition had occurred on January 1, 2023, OpenMoves would have contributed an additional \$1,652 of revenues and \$354 of income to consolidated revenues and net loss, respectively. Since the date of acquisition, OpenMoves has contributed \$1,630 of revenues and \$77 of loss before taxes to consolidated revenues and net loss, respectively.

The value of the common shares was calculated using a 6.9% discount rate for lack of marketability, as the shares have certain trading restrictions. The value of the debt host portion of the convertible debenture was calculated using a 15% discount rate. The conversion value of the convertible debenture was calculated using the residual method of the difference of the value of the principal of the convertible debenture less the value of the debt host portion.

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, 2023 for the acquisition of SCS and OpenMoves. These estimated fair values involve significant judgment and estimates. The primary areas of judgment 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: purchase consideration, intangible assets acquired, deferred tax liabilities, and residual goodwill. The Company expects to continue to obtain information to assist in determining the fair value of the net assets acquired as of the respective acquisition dates during the measurement period. Any such changes to the fair value of the consideration and net assets acquired will be within one year of the acquisition.

27. SUBSEQUENT EVENTS

Acquisition of S44 LLC

On November 20, 2023, the Company completed the acquisition of S44 LLC ("Shift44"), a first part data acquisition, lead generation and performance marketing platform headquartered in New York. A new wholly owned subsidiary of the Company, Shift44, Inc ("**Acquisition Subsidiary**"), was formed, where Acquisition Subsidiary acquired substantially all of the assets of Shift44. The total consideration paid consisted of \$17,750 in cash ("**Shift44 Cash Consideration**"), the issuance of 4,790 Class B non-voting shares of Acquisition Subsidiary (the "**Shift44 Exchangeable Shares**"), and the issuance of a convertible debenture in the principal amount of \$16,750 (the "**Shift44 Debenture**"), excluding any working capital adjustments. \$250 of the Shift44 Cash Consideration will be held back and released on the one year anniversary of the completion of the acquisition, subject to any net working capital adjustments.

The Shift44 Debenture is non-interest bearing, repayable on November 30, 2026 and convertible into shares of the Company at the option of the holder at any time prior to November 30, 2026 at US\$0.78 per share.

The Shift44 Exchangeable Shares are exchangeable at the option of the holders into common shares of the Company ("**Ionik Shares**") at any time following the closing of the acquisition on the basis of 9,238 Ionik Shares for every 1 Shift44 Exchangeable Share, entitling the holders to an aggregate of 44,250,020 Ionik Shares.

Management is in the process of identifying the acquired assets and liabilities assumed, but does not yet have enough information to determine the initial accounting for the business combination as of the date of authorization of these consolidated interim condensed financial statements.