

Condensed Consolidated Interim Financial Statements
(In U.S. dollars)
(Unaudited)

VERTICALSCOPE HOLDINGS INC.

Three and nine months ended September 30, 2022 and 2021

VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Financial Position

(In U.S. dollars)

(Unaudited)

	September 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$7,764,325	\$20,494,313
Restricted cash	167,201	179,743
Trade and other receivables (note 5)	14,571,402	15,519,944
Lease receivable (note 8)	559,194	588,101
Income taxes receivable	—	317,040
Prepaid expenses	1,466,780	1,103,283
Derivative instruments	—	18,325
	24,528,902	38,220,749
Property and equipment (note 7)	1,171,470	986,683
Right-of-use asset (note 8)	1,958,500	2,629,130
Intangible assets (note 9)	78,281,784	98,805,989
Investments (note 10)	1,000,000	1,000,000
Goodwill (note 4)	52,950,295	53,436,546
Deferred tax asset	23,551,962	20,662,839
Lease receivable (note 8)	1,060,595	1,586,014
Total assets	\$184,503,508	\$217,327,950
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$7,668,391	\$10,247,092
Income taxes payable	1,125,692	1,075,699
Derivative instruments	91,211	—
Deferred revenue	944,781	1,028,515
Current portion of long-term debt (note 11)	3,140,184	3,150,663
Lease liability (note 8)	1,124,589	1,200,836
Contingent considerations (note 4)	15,000,000	7,916,259
	29,094,848	24,619,064
Deferred revenue	5,671	13,917
Long-term debt (note 11)	55,476,649	75,972,078
Lease liability (note 8)	2,730,273	3,734,829
Deferred tax liability	9,510,880	11,281,781
Contingent considerations (note 4)	7,395,734	5,463,741
Total liabilities	104,214,055	121,085,410
Shareholders' equity:		
Share capital (note 12)	160,876,710	160,182,417
Contributed surplus (note 13)	23,740,519	15,568,994
Accumulated other comprehensive income	100,369	3,327
Deficit	(104,428,145)	(79,512,198)
	80,289,453	96,242,540
Total liabilities and shareholders' equity	\$184,503,508	\$217,327,950

See accompanying notes to condensed consolidated interim financial statements.

VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

(In U.S. dollars, except per share amounts)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue (note 6)	\$19,577,080	\$14,001,350	\$61,394,194	\$44,343,216
Operating expenses:				
Wages and consulting	9,192,294	5,515,705	27,421,041	17,228,248
Share-based compensation (note 13)	2,576,906	1,665,206	8,245,605	2,697,047
Platform and technology	2,333,041	1,680,405	6,701,002	5,052,043
General and administrative	1,699,883	1,545,209	5,710,412	6,404,544
Depreciation and amortization (notes 7, 8, and 9)	9,812,617	4,770,062	29,629,030	13,869,966
Impairment of investment (note 10)	—	250,000	—	250,000
Adjustment to contingent considerations (note 4)	149,651	—	9,015,734	—
	25,764,392	15,426,587	86,722,824	45,501,848
Operating loss	(6,187,312)	(1,425,237)	(25,328,630)	(1,158,632)
Other expenses:				
Loss (gain) on sale of assets	(4,320)	11,944	2,808	13,800
Net interest expense (note 15)	859,287	1,071,077	2,095,989	5,581,055
Loss on investments	—	402	—	402
Foreign exchange loss (gain)	(5,097)	(21,569)	55,123	91,455
	849,870	1,061,854	2,153,920	5,686,712
Loss before income taxes	(7,037,182)	(2,487,091)	(27,482,550)	(6,845,344)
Income taxes (recovery)				
Current	330,411	112,538	2,093,421	431,552
Deferred	(1,323,618)	(522,707)	(4,660,024)	(1,690,886)
	(993,207)	(410,169)	(2,566,603)	(1,259,334)
Net loss	(\$6,043,975)	(\$2,076,922)	(\$24,915,947)	(\$5,586,010)
Other comprehensive income (loss)				
<i>Items that may be reclassified to net loss:</i>				
Foreign currency differences on translation of foreign operations	101,796	(211,800)	97,042	(208,254)
Total comprehensive loss	(\$5,942,179)	(\$2,288,722)	(\$24,818,905)	(\$5,794,264)
Loss per share (note 16):				
Basic	(\$0.28)	(\$0.09)	(\$1.17)	(\$0.27)
Diluted	(0.28)	(0.09)	(1.17)	(0.27)

See accompanying notes to condensed consolidated interim financial statements.

VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Changes in Equity
(In U.S. dollars)
(Unaudited)

	Multiple Voting Shares ("MVS") *		Subordinate Voting Shares ("SVS") **		Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Number of shares	Amount	Number of shares	Amount				
Balance as at December 31, 2020	13,929,327	\$33,874,149	28,125	\$309,375	\$10,371,945	\$147,816	(\$67,247,932)	(\$22,544,647)
Net loss	—	—	—	—	—	—	(5,586,010)	(5,586,010)
Foreign currency differences on translation of foreign operations	—	—	—	—	—	(208,254)	—	(208,254)
Conversion of Class A to SVS (note 12)	(10,972,062)	(26,682,442)	10,972,062	26,682,442	—	—	—	—
Share-based compensation	—	—	—	—	2,697,047	—	—	2,697,047
Shares issued for IPO	—	—	6,612,750	112,246,667	—	—	—	112,246,667
Share options exercised	—	—	62,500	540,805	(384,555)	—	—	156,250
Balance as at September 30, 2021	2,957,265	\$7,191,707	17,675,437	\$139,779,289	\$12,684,437	(\$60,438)	(\$72,833,942)	\$86,761,053

	Multiple Voting Shares ("MVS")		Subordinate Voting Shares ("SVS")		Contributed surplus	Accumulated other comprehensive income (loss)	Accumulated deficit	Total
	Number of shares	Amount	Number of shares	Amount				
Balance as at December 31, 2021	2,957,265	\$7,191,707	18,323,878	\$152,990,710	\$15,568,994	3,327	(\$79,512,198)	\$96,242,540
Net loss	—	—	—	—	—	—	(24,915,947)	(24,915,947)
Foreign currency differences on translation of foreign operations	—	—	—	—	—	97,042	—	97,042
Share-based compensation	—	—	—	—	8,737,390	—	—	8,737,390
Repurchase of share capital for cancellation (note 12)	—	—	(9,400)	(58,049)	—	—	—	(58,049)
Share options exercised (notes 12 and 13)	—	—	12,700	285,343	(98,866)	—	—	186,477
Shares issued on exercise of vested RSUs (notes 12 and 13)	—	—	26,300	466,999	(466,999)	—	—	—
Balance as at September 30, 2022	2,957,265	\$7,191,707	18,353,478	\$153,685,003	\$23,740,519	\$100,369	(\$104,428,145)	\$80,289,453

*Prior to IPO share restructuring - Class A shares

**Prior to IPO share restructuring - Class B shares

See accompanying notes to condensed consolidated interim financial statements.

VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Cash Flows

(In U.S. dollars)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash provided by (used in):				
Operating activities:				
Net loss	(\$6,043,975)	(\$2,076,922)	(\$24,915,947)	(\$5,586,010)
Items not involving cash:				
Depreciation and amortization (notes 7, 8, and 9)	9,812,617	4,770,062	29,629,030	13,869,966
Net interest expense (note 15)	859,287	1,071,077	2,095,989	5,581,055
Loss (gain) on sale of assets	(4,320)	11,944	2,808	13,800
Unrealized loss in derivative instruments	65,490	7,895	109,536	78,571
Loan forgiveness	—	(899,289)	—	(899,289)
Impairment of Investment (note 10)	—	250,000	—	250,000
Income tax expense (recovery)	(993,207)	(410,169)	(2,566,603)	(1,259,334)
Adjustment to contingent considerations (note 4)	149,651	—	9,015,734	—
Share-based compensation (note 13)	2,576,906	1,665,206	8,245,605	2,697,047
	6,422,449	4,389,804	21,616,152	14,745,806
Change in non-cash operating assets and liabilities (note 14)	1,132,558	(1,428,448)	(1,061,270)	5,150,235
Interest received (paid)	—	50,866	(1,514,942)	(1,703,462)
Income taxes received (paid)	(1,194,983)	(22,484)	(1,726,388)	829
	6,360,024	2,989,738	17,313,552	18,193,408
Financing activities:				
Repayment of initial term loan (note 11)	(625,000)	(625,000)	(1,875,000)	(45,500,000)
Repayment of delayed draw term loan (note 11)	—	—	—	(7,714,977)
Repayment of revolving loan (note 11)	(6,500,000)	—	(19,000,000)	—
Proceeds from issuance of share capital	—	14,282,656	—	110,308,011
Proceeds from exercise of share options	—	—	186,477	156,250
Repurchase of share capital for cancellation (note 12)	(58,049)	—	(58,049)	—
Credit facility financing fees (note 11)	—	—	—	(1,274,597)
Lease payments (note 8)	(331,486)	(225,694)	(963,599)	(679,400)
Proceeds from sublease payment	155,203	—	473,549	—
	(7,359,332)	13,431,962	(21,236,622)	55,295,287
Investing activities:				
Additions to property and equipment and intangible assets (notes 7 and 9)	(1,640,283)	(2,286,916)	(8,683,507)	(8,229,084)
Proceeds from sale of assets	9,250	8,680	35,984	16,876
	(1,631,033)	(2,278,236)	(8,647,523)	(8,212,208)
Increase (decrease) in cash	(2,630,341)	14,143,464	(12,570,593)	65,276,487
Cash, beginning of the period	10,454,719	55,516,675	20,494,313	4,603,609
Change in restricted cash balances	(586)	—	12,542	—
Effect of movement of exchange rates on cash and restricted cash held	(59,467)	214,522	(171,937)	(5,435)
Cash, end of period	\$7,764,325	\$69,874,661	\$7,764,325	\$69,874,661

See accompanying notes to condensed consolidated interim financial statements.

VERTICALSCOPE HOLDINGS INC.

Notes to Condensed Consolidated Interim Financial Statements
(In U.S. dollars, except per share amounts and as otherwise indicated)
For the three and nine months ended September 30, 2022 and 2021

1. Organization and nature of operations:

VerticalScope Holdings Inc. (and its wholly owned subsidiaries (together the "Company" or "VSHI")) was incorporated on November 19, 2012 under the Ontario Business Corporation Act. The Company is a technology company that has built and operates a cloud-based digital community platform for online enthusiast communities. The Company's headquarters and registered office is located at 111 Peter Street, Suite 600, Toronto, Ontario M5V 2H1.

In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The Company is currently unable to accurately predict the full impact that the COVID-19 pandemic will have on financial results due to uncertainties regarding the duration and rate of the ongoing spread of the pandemic, including variants of the COVID-19 virus, including any resurgences, the extent and effectiveness of containment actions and other public health measures, the distribution and public acceptance of vaccines and treatments, and the impact of these and other factors on our employees, users, advertisers, partners and vendors.

2. Basis of Presentation:

(a) Statement of compliance:

The unaudited condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They do not include all the information required for a complete set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2021. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2021.

These Interim Financial Statements were approved and authorized for issuance by the Board of Directors on November 7, 2022.

(b) Basis of consolidation:

These Interim Financial Statements include the accounts of VerticalScope Holdings Inc., and its wholly owned subsidiaries:

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	Percentage of ownership interest	Nature of subsidiary
VerticalScope Inc.	100	Cdn. Operating Company
VerticalScope USA Inc.	100	U.S. Operating Company
VerticalScope U.S. LLC	100	U.S. Holding Company
RateMDs Inc.	100	U.S. Operating Company
Second Media Corp.	100	Cdn. Operating Company
Second Media Inc.	100	U.S. Operating Company
Versatile Solutions Holdings Inc.	100	Cayman Islands Holding Company
Versatile Solutions Inc.	100	Cayman Islands Operating Company
Web Site Acquisitions Inc.	100	Cayman Islands Operating Company
Outside Hub Holdings, Inc.	100	U.S. Holding Company
Outdoor Hub, LLC	100	U.S. Operating Company
VerticalScope Estonia OÜ	100	Estonia Operating Company
FOMOPOP Inc.	100	U.S. Operating Company
Threadloom Inc.	100	U.S. Operating Company
Hometalk Inc.	100	U.S. Operating Company
Hometalk IL Development Ltd.	100	Israel Operating Company

Balances and transactions between VerticalScope Holdings Inc. and its subsidiaries, which are related parties of the Company, have been eliminated upon consolidation.

(c) Use of estimates and judgments:

The preparation of consolidated financial statements often involves management's judgment and the use of estimates and assumptions deemed to be reasonable at the time they are made. The Company reviews estimates and underlying assumptions on an ongoing basis. Revisions are recognized in the year in which the estimates are revised and may impact future years as well. Other results may be derived with different judgments or using different assumptions or estimates and events may occur that could require a material adjustment.

Areas requiring the use of management estimates and judgments include the expected credit losses on trade and other receivables, the recognition of government grants including investment tax credits and receivables, property and equipment and intangible asset impairment assessments, goodwill impairment assessments, the determination of the estimated useful lives of property and equipment and intangibles assets, inputs used in the determination of the fair value of share option grants, the determination of the incremental borrowing rate and lease term for lease contracts for right of use assets and lease contract liability, and deferred income taxes.

Areas requiring the use of significant management estimates and judgements are:

(i) *Valuation of acquired intangibles*

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In a business combination or asset acquisition, all identifiable net assets acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, management with assistance from an independent valuation expert develops the fair value using appropriate valuation techniques which are based on a forecast of the total expected future net cash flows. In determining the fair value of the intangible assets at the acquisition date, the Company's significant assumptions include the future net cash flows, royalty rates and discount rate applied. 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. However, the measurement period will not be for more than one year from the acquisition date.

In addition, the Company determines the value of contingent considerations associated with acquisitions based on an assessment of probabilities attached to the achievement of performance targets as set out in the related agreements. Changing probabilities can result in material adjustments to the fair value of contingent consideration amounts.

(ii) Internally generated intangibles

Management exercises significant judgment in determining whether an item meets the criteria in the definition of an intangible asset which, in part, requires that the software is technically 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. Judgment is required to distinguish those expenditures that develop the business as a whole, which cannot be capitalized as intangible assets and are expensed in the years incurred.

(d) Change in Classification:

Certain comparative figures have been reclassified in order to conform to the current period presentation.

3. Significant accounting policies:

The Interim Financial Statements have been prepared using the accounting policies outlined in note 3 of the audited consolidated financial statements as at and for the year ended December 31, 2021, except the following:

(a) Amendments to IAS 37, Onerous Contracts - Cost of Fulfilling a Contract:

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property and equipment in fulfilling the contract).

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The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after January 1, 2022, with early application permitted. The adoption of the amendments to this standard did not have a material impact on the interim financial statements in the current period.

(b) Reference to the Conceptual Framework - Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21, Levies, if incurred separately. At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The adoption of the amendments to this standard did not have a material impact on the interim financial statements in the current period.

(c) Annual improvements to IFRS Standards 2018-2020 cycle:

In May 2020, the IASB issued minor amendments to certain standards including IFRS 1, IFRS 9, Financial Instruments and IFRS 16, Leases ("IFRS 16"). The annual improvements process is used to make necessary but non-urgent changes to IFRS that are not included in other projects. The amendments issued are effective for annual periods beginning on or after January 1, 2022. The adoption of the amendments to this standard did not have a material impact on the interim financial statements in the current period.

(d) Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure Initiative – Accounting Policies

The amendments are to help companies provide useful accounting policy disclosures. The key amendments include:

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- requirements for companies to disclose their material accounting policies rather than their significant accounting policies;
- clarification that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarification that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments are applied for annual periods beginning on or after January 1, 2023

The Company is currently evaluating the impact of these amendments and do not expect the amendments to have a material impact on the interim financial statements.

(e) Amendments to IAS 8 - Definition of Accounting Estimates

The amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

The amendments are applied for annual periods beginning on or after January 1, 2023.

The Company is currently evaluating the impact of these amendments and do not expect the amendments to have a material impact on the interim financial statements.

4. Business combinations:

On November 14, 2021, VerticalScope USA Inc., a wholly owned subsidiary of VerticalScope Holdings Inc. acquired Hometalk, Inc. and its subsidiary Hometalk IL Development Ltd for cash consideration of \$43,340,087. Hometalk, Inc. was determined to be a business under IFRS 3 and the Company applied the acquisition method of accounting. Hometalk Inc. owns and operates the Hometalk, Foodtalk and Upstyle online DIY communities, providing content on trending and seasonally relevant home and garden, food and fashion projects and tips.

During the nine-month period ended September 30, 2022, the Company revised its provisional estimate of the Hometalk Inc. purchase price allocation to acquired net tangible assets. The revision was related to acquired accrued liabilities which were determined not to be liabilities as of the date of the acquisition. The revision reduced acquired accounts payable and accrued liabilities and acquired goodwill in the amount of \$486,251.

Contingent consideration:

As a part of the acquisition of FOMOPOP, Inc. in 2021, contingent consideration of up to \$30,000,000 in cash may become payable if certain financial performance requirements are met. The contingent consideration relates to payments on the first anniversary of the acquisition of

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between \$8,100,000 and \$15,000,000 based on specific financial performance requirements in year one and payments on the second anniversary of the acquisition of between \$8,100,000 and \$15,000,000 based on specific financial performance requirements during year two. A balance of \$22,395,734 was accrued related to the fair value at September 30, 2022.

Balance, December 31, 2021	\$13,380,000
Adjustments	9,015,734
Balance, September 30, 2022	\$22,395,734
Comprised of:	
Current	\$15,000,000
Non-current	7,395,734

5. Trade and other receivables:

	September 30, 2022	December 31, 2021
Trade accounts receivable	\$14,229,714	\$15,034,419
Investment tax credits recoverable	74,776	74,776
Sundry receivables	266,912	410,749
	\$14,571,402	\$15,519,944

6. Revenue from contracts with customers:

Disaggregation of revenue:

The main sources of the Company's revenue are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Digital advertising	\$13,357,543	\$10,074,791	\$40,847,118	\$28,913,625
E-commerce	6,219,537	3,926,559	20,547,076	15,429,591
Revenue	\$19,577,080	\$14,001,350	\$61,394,194	\$44,343,216

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7. Property and equipment:

	Office furniture & equipment	Computer equipment	Leasehold improvements	Total
Cost				
Balance, December 31, 2021	\$830,390	\$1,519,997	\$275,289	\$2,625,676
Reclassifications	(475,659)	179,767	353,097	57,205
Additions	16,502	202,442	350,196	569,140
Disposals	(39,024)	(71,729)	(2,898)	(113,651)
Balance, September 30, 2022	\$332,209	\$1,830,477	\$975,684	\$3,138,370
Accumulated depreciation				
Balance, December 31, 2021	\$406,082	\$1,058,471	\$174,440	\$1,638,993
Reclassifications	(255,402)	166,750	145,857	57,205
Depreciation	43,967	247,314	52,800	344,081
Disposals	(33,430)	(37,051)	(2,898)	(73,379)
Balance, September 30, 2022	\$161,217	\$1,435,484	\$370,199	\$1,966,900
Carrying amounts				
December 31, 2021	\$424,308	\$461,526	\$100,849	\$986,683
September 30, 2022	170,992	394,993	605,485	1,171,470

8. Right-of-use assets and lease liability:

The following reconciles the right-of-use asset as at September 30, 2022:

Right-of-use asset	
Balance, December 31, 2021	\$2,629,130
Modifications to lease contracts	(24,253)
Depreciation	(646,377)
Balance, September 30, 2022	\$1,958,500

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The following reconciles the lease liability as at September 30, 2022:

Lease liability	
Balance, December 31, 2021	\$4,935,665
Modifications to lease contracts	(25,730)
Interest expense	171,714
Foreign exchange	(263,188)
Lease payments	(963,599)
Balance, September 30, 2022	\$3,854,862
Current	\$1,124,589
Non-current	2,730,273
	<u>\$3,854,862</u>

On July 29, 2021, the Company entered into an agreement to sublet a portion of its Toronto office space to a subtenant from November 1, 2021 to July 30, 2025. The sublease resulted in the derecognition of the right-of-use assets associated with the Toronto office space and short-term and long-term receivables set up for the sublease receipts. The discounted short-term and long-term lease receivables at September 30, 2022 were \$559,194 and \$1,060,595, respectively.

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9. Acquired and other intangible assets:

	Websites / Trade Names	Acquired content	Customer relationships	Software	Total
Cost					
Balance, December 31, 2021	\$153,877,618	\$91,636,694	\$40,924,430	\$51,996,225	\$338,434,967
Additions acquired separately	2,762,639	1,487,859	—	719	4,251,217
Additions arising from internal development	—	—	—	3,863,150	3,863,150
Balance, September 30, 2022	\$156,640,257	\$93,124,553	\$40,924,430	\$55,860,094	\$346,549,334
Accumulated amortization					
Balance, December 31, 2021	\$127,857,374	\$84,126,259	\$18,293,304	\$9,352,041	\$239,628,978
Amortization	8,311,547	6,582,156	5,573,669	8,171,200	28,638,572
Balance, September 30, 2022	\$136,168,921	\$90,708,415	\$23,866,973	\$17,523,241	\$268,267,550
Carrying amounts					
December 31, 2021	\$26,020,244	\$7,510,435	\$22,631,126	\$42,644,184	\$98,805,989
September 30, 2022	20,471,336	2,416,138	17,057,457	38,336,853	78,281,784

The Company capitalized third party costs of \$150,744 and \$447,955 for the three and nine months ended September 30, 2022, respectively (\$178,639 and \$523,470 for the three and nine months ended September 30, 2021, respectively) and internal costs of \$993,927 and \$3,415,195 for the three and nine months ended September 30, 2022, respectively (\$1,052,842 and \$2,928,058 for the three and nine months ended September 30, 2021, respectively) in relation to a community platform for the Company's forum sites. These costs were capitalized to software.

During the nine months ended September 30, 2022, the Company acquired the assets of thirteen community sites for a total value of \$4,250,498.

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10. Investments:

At September 30, 2022, VerticalScope Inc. holds a 4.12% diluted interest in Tapatalk, Inc. The Company designated this investment at FVTPL.

On April 30, 2018, the Company entered into an agreement to purchase 557,491 Series A preferred shares in Threadloom, Inc. ("Threadloom") at a price of \$2.1525 per share for total consideration of \$1,199,999. On November 23, 2021, the Company purchased the remaining equity of Threadloom and accounted for the transaction as a business combination. As a result, the preferred shares in Threadloom were included as a part of the transaction and the balance in the investment account was reduced to nil at December 31, 2021.

During the three months ended September 30, 2021 a review of the investment in Cakes Inc. was performed and it was determined that the investment was impaired. Consequently, an impairment charge of \$250,000 was recorded during the quarter, reducing the carrying value of the Cakes Inc. investment to nil at September 30, 2021.

11. Long-term debt:

	Term loan	Revolving Loan	Total
Balance, December 31, 2021	\$49,032,795	\$30,089,946	\$79,122,741
Payments	(2,865,717)	(19,524,225)	(22,389,942)
Interest and accretion	1,235,694	648,340	1,884,034
Balance, September 30, 2022	47,402,772	11,214,061	58,616,833
Current portion of long-term debt	2,529,011	611,173	3,140,184
Long-term debt	\$44,873,761	\$10,602,888	\$55,476,649

On October 5, 2017, the Company entered into a credit agreement (the "2017 Credit Facility") with Capital One, National Association, as successor from Antares Capital LP. The 2017 Credit Facility consists of a revolving credit facility (the "Revolving Loan") in the amount of \$20,000,000, a term loan in the amount of \$110,000,000 and a delayed draw term loan in the amount of \$70,000,000, which each bear interest at a floating interest rate of LIBOR plus a margin determined by the Company's net leverage ratio. The 2017 Credit Facility had an expiry date of October 4, 2022.

On December 20, 2019, the Company entered into the first amendment to the 2017 Credit Facility (the "Amendment" or "Credit Facility"). The Amendment increased the amortization to 7.5% per annum (from 5.50%), Maximum Total Net Leverage to 4.50x (from 3.50x) and decreased the Minimum Fixed Charge Coverage Ratio to 1.05x (from 1.25x).

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On June 24, 2021, the Company entered into an amended and restated credit agreement (the "A&R Credit Agreement"), amending and restating the Amendment. As of the effective date of the A&R Credit Agreement, the term loan and the delayed draw term loan were restated to be a single term loan of \$50,000,000 (the "Term Loan"), repayable in quarterly installments at an annual amortization rate of 5%, and the revolving loan was restated to \$75,000,000, with each maturing five years after the effective date. Under the A&R Credit Agreement, there would no longer be any delayed draw term loans. The maximum total net leverage ratio (as calculated in accordance with the Credit Agreement) is 4.00x (from 4.50x), with such ratio reducing by 0.25 percentage points each fiscal year beginning with fiscal year ended December 31, 2022, to 3.0x for the fiscal year ended December 31, 2025 and the minimum fixed charge coverage ratio (as calculated in accordance with the Credit Agreement) is 1.25x (from 1.05x) upon close and thereafter. All outstanding loans bear a floating interest of U.S. dollar LIBOR plus a margin, which is determined by the total net leverage ratio, with a maximum margin of 3.25% (from 3.50%) and a minimum margin of 2.25% (from 2.50%). The Company incurred transaction costs of \$1,274,501, directly attributable to this amendment, which were expensed during the nine months ended September 30, 2021. Additionally, unamortized transaction costs of \$1,052,844 were expensed due to the extinguishment of the former Credit Facility during the same period.

The Company made repayments of \$7,125,000 during the three months ended September 30, 2022 (during the three months ended September 30, 2021 - \$574,134) against the long-term debt. The Company made repayments of \$22,389,942 during the nine months ended September 30, 2022 (during the nine months ended September 30, 2021 - \$54,918,439) against the long-term debt.

The Company is required to pay a quarterly commitment fee for the total undrawn amount of the revolving loan. As at September 30, 2022, the fee was 0.25% per annum. For periods after June 24, 2021, the fee is dependent on the Company's total net leverage ratio as set forth in the credit agreement. During the three and nine months ended September 30, 2022, the total interest and expenses incurred on long-term debt was \$758,572 and \$1,884,034, respectively (three and nine months ended September 30, 2021 - \$866,431 and \$2,965,505, respectively).

As at September 30, 2022, the Company had principal outstanding of \$57,875,000 under its A&R Credit Agreement with \$64,000,000 available to borrow from its revolving credit facility. The Company also had accrued interest of \$775,865 at September 30, 2022 (September 30, 2021 - \$398,021).

Principal repayments required on Credit Facility are due as follows:

	2022	2023	2024	2025	2026
Term loan	\$625,000	\$2,500,000	\$2,500,000	\$2,500,000	\$38,750,000
Revolving loan	—	—	—	—	11,000,000

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12. Share capital:

	Common Shares			
	MVS*	Amount	SVS**	Amount
Balance as at December 31, 2020	13,929,327	\$33,874,149	28,125	\$309,375
Conversion of Class A to SVS	(10,972,062)	(26,682,442)	10,972,062	26,682,442
Shares issued for IPO	—	—	6,612,750	112,246,667
Shares issued on exercise of options	—	—	62,500	540,805
Balance as at September 30, 2021	2,957,265	\$7,191,707	17,675,437	\$139,779,289

*Prior to IPO share restructuring - Class A shares

**Prior to IPO share restructuring - Class B shares

	Common Shares			
	MVS	Amount	SVS	Amount
Balance as at December 31, 2021	2,957,265	\$7,191,707	18,323,878	\$152,990,710
Repurchase of share capital for cancellation	—	—	(9,400)	(58,049)
Shares issued on exercise of options	—	—	12,700	285,343
Shares issued on exercise of vested RSUs	—	—	26,300	466,999
Balance as at September 30, 2022	2,957,265	\$7,191,707	18,353,478	\$153,685,003

2021:

Prior to the initial public offering (IPO) of the Company completed on June 21, 2021, the existing share capital was modified as follows:

- 2,957,265 Class A shares at a value of \$7,191,707 were exchanged for 2,957,265 multiple voting shares ("MVS") shares at a value of \$7,191,707.
- 10,972,062 Class A shares at a value of \$26,682,442 were exchanged for 10,972,062 subordinate voting shares ("SVS") shares at a value of \$26,682,442.
- 28,125 Class B shares at a value of \$309,375 were exchanged for 28,125 SVS shares at a value of \$309,375.

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The SVS will have one vote per share and the MVS will have 10 votes per share.

The authorized share capital of VSHI consists of an unlimited number of MVS, an unlimited number of SVS and an unlimited number of preferred shares.

An additional 852,750 SVS were issued on July 6, 2021 as a result of the full exercise of the underwriters' over-allotment option for an additional \$14,282,656 in net proceeds.

An additional 648,441 SVS, worth \$13,211,421 were issued on November 23, 2021. This share issuance was included as consideration given in the acquisition of Threadloom Inc. during fiscal 2021.

During the year ended December 31, 2021 the Company expensed \$3,261,272 of fees associated with the initial public offering. In addition, \$7,233,935 of fees were netted against gross proceeds from the initial public offering in share capital.

2022:

On January 1, 2022, 26,300 SVS, worth \$466,999 were issued for the settlement of vested restricted share units.

On August 12, 2022, the Company announced a normal course issuer bid ("NCIB"), commencing on August 16, 2022, to purchase up to 918,143 of its SVS in the open market for cancellation. Under the NCIB, the Company may acquire up to 1,418 shares per day, subject to certain exceptions, including block purchase exceptions. All shares purchased by the Company under the NCIB will be cancelled. Purchases will conclude on the earlier of the date on which the Company has purchased the maximum number of shares under the NCIB and August 15, 2023. Pursuant to the terms of the Company's A&R Credit Agreement, the Company may expend no more than 6% of the net cash proceeds from public equity offerings, including its initial public offering, to acquire shares under the NCIB. Any purchases under the NCIB will be subject to the terms and limitations applicable to such NCIB, and will be made through the facilities of the TSX, other designated exchanges and/or alternative Canadian trading systems, or such other means as may be permitted by the Ontario Securities Commission or Canadian Securities Administrators.

In connection with the NCIB program, the Company has entered into an automatic repurchase plan with its designated broker to allow for purchases of its shares during certain predetermined black-out periods, subject to certain parameters to be determined as to price and number of shares.

During the three months ended September 30, 2022, the Company repurchased and cancelled 9,400 of its SVS for an aggregate purchase price of \$58,049, which was recorded as a reduction of share capital.

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13. Share-based compensation:

Omnibus incentive plan:

On June 14, 2021, the Company established an Omnibus Incentive Plan (the "Plan") for certain qualified directors, executive officers, employees, and consultants of the Company or any of its subsidiaries. The maximum number of SVS available for issuance, in the aggregate, under this Plan and the Legacy Option Plan (the executive stock option plan that was in place prior to the Initial Public Offering) shall not exceed twelve percent (12%) of the aggregate number of SVS and MVS issued and outstanding from time to time (calculated on a non-diluted basis); of which not more than 2,557,289 shares may be issued pursuant to the exercise of stock options granted under the Plan. Any shares subject to an award which has been exercised or settled in shares will again be available for issuance under the Plan. The number of shares available for issuance under the Plan will increase as the number of issued and outstanding SVS shares increases from time to time. Under the Plan the SVS may be issued as share options, Performance Share Units, Restricted Share Units or Deferred Share Units.

The following table summarizes share based compensation balances in contributed surplus as at September 30, 2022:

	Share Options	Deferred share units	Restricted share units	Market performance based share units	Total
Contributed surplus, December 31, 2021	\$11,632,223	\$105,556	\$860,174	\$2,971,041	\$15,568,994
Share based compensation expense	1,251,314	150,000	3,607,158	3,728,918	8,737,390
Exercise of share options	(98,866)	—	—	—	(98,866)
Exercise of vested RSUs	—	—	(466,999)	—	(466,999)
Contributed surplus, September 30, 2022	\$12,784,671	\$255,556	\$4,000,333	\$6,699,959	\$23,740,519

As at September 30, 2022, \$59,002 (December 31, 2021 - \$550,787) is included in accounts payable for market performance based share units.

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Share Options:

The following table summarizes share options that are outstanding as at September 30, 2022.

	2022	
	Number of options	Weighted average exercise price per share
Outstanding share options, beginning of year	900,000	\$21.35
Granted share options	490,854	14.60
Exercised share options	(12,700)	15.17
Forfeited share options	(81,886)	14.75
Outstanding share options, ending balance	1,296,268	19.27

On April 8, 2022, 356,256 share options were granted at a value of \$2,307,863. The shares will vest over a period of 4 years and \$579,944 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2022. The share options were valued at the date of grant using the Black-Scholes option pricing model with the assumptions of a risk free interest rate of 2.72%; expected volatility of 43.57% and an expected time until exercise of 5.5 to 7 years.

On May 13, 2022, 61,177 share options were granted at a value of \$407,559. The shares will vest over a period of 4 years and \$89,575 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2022. The share options were valued at the date of grant using the Black-Scholes option pricing model with the assumptions of a risk free interest rate of 2.93%; expected volatility of 43.68% and an expected time until exercise of 5.5 to 7 years.

On May 13, 2022, 40,000 share options were granted at a value of \$294,736. The shares will vest on December 31, 2022 based on specific performance criteria for the twelve months ended December 31, 2022. \$178,893 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2022. The share options were valued at the date of grant using the Black-Scholes option pricing model with the assumptions of a risk free interest rate of 2.93%; expected volatility of 43.68% and an expected time until exercise of 5.32 years.

On August 12, 2022, 33,421 share options were granted at a value of \$144,148. The shares will vest over a period of 4 years and \$13,610 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2022. The share options were valued at the date of grant using the Black-Scholes option pricing model with the assumptions of a risk free interest rate of 2.84%; expected volatility of 44.00% and an expected time until exercise of 5.5 to 7 years.

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Deferred Share Units:

During the three and nine months ended September 30, 2022, 6,954 and 15,118 deferred share units were granted at values of \$50,000 and \$150,000, respectively (three and nine months ended September 30, 2021 - 1,964 and 2,262 deferred share units were granted at values of \$50,000 and \$55,556, respectively). The grant value was recorded as share-based compensation expense for the three and nine months ended September 30, 2022. The DSUs were valued using the five day volume-weighted average market price at quarter-end.

Restricted Share Units:

On January 1, 2022, 26,300 equity settled restricted share units were granted at a value of \$634,996. The shares will vest on December 31, 2022 and \$476,248 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2022. The RSU's were valued at the market price on the grant date of January 1, 2022.

On January 1, 2022, 51,750 equity settled restricted share units were granted at a value of \$1,249,472. The shares will vest on January 1, 2025. \$312,363 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2022. The RSU's were valued at the market price on the grant date of January 1, 2022.

On March 31, 2022, 15,200 equity settled restricted share units were granted at a value of \$240,000. The shares will vest as follows: 5,067 shares on March 31, 2023, 5,067 shares on March 31, 2024 and 5,066 shares on March 31, 2025. \$73,338 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2022. The RSU's were valued at the market price on the grant date of March 31, 2022.

On August 12, 2022, 10,466 equity settled restricted share units were granted at a value of \$100,278. The shares will vest as follows: 2,617 shares on August 12, 2023, 2,617 shares on August 12, 2024, 2,616 shares on August 12, 2025, 2,616 shares on August 12, 2026. \$7,020 was recorded as share-based compensations expense for the nine months ended September 30, 2022. The RSU's were valued at the market price on the grant date of August 12, 2022.

Market performance based share units:

On May 13, 2022, 159,915 cash settled market performance based share units were granted at a value of \$972,195. The grant value was adjusted to a fair market value of \$75,653 at September 30, 2022. The decrease in fair value of \$896,542 was the result of a decrease in the share price of the Company from May 13, 2022 to September 30, 2022. The shares will expire on December 20, 2024 and will vest when specific market performance criteria are met. \$13,665 was recorded as share-based compensation expense and accounts payable for the nine months ended September 30, 2022. The market performance based share units were valued using a Monte Carlo simulation with the assumptions of a risk free rate of 3.7%, expected volatility of 55.0%, a random variable of nil, a dividend yield of 0.0% and a term of 2.23 years.

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14. Change in non-cash operating assets and liabilities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Trade and other receivables	\$834,241	\$650,631	\$926,688	\$7,050,338
Prepaid expenses	433,948	472,924	(363,497)	(963,193)
Accounts payable and other liabilities	(87,538)	(2,452,642)	(1,532,481)	(932,610)
Deferred revenue	(48,093)	(99,361)	(91,980)	(4,300)
	1,132,558	(1,428,448)	(1,061,270)	5,150,235

15. Interest expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income	\$ (5,060)	\$ (68)	\$ (63,572)	\$ (34,656)
Interest accretion expense - leases	43,892	55,232	137,140	173,120
Interest on long term debt	758,572	917,626	1,884,034	2,965,505
Credit facility financing fees	—	—	—	1,274,501
Adjustment for extinguishment of long term debt	—	—	—	1,052,844
Interest expense - other	61,883	98,287	138,387	149,741
Interest expense	864,347	1,071,145	2,159,561	5,615,711
Net interest expense	859,287	1,071,077	2,095,989	5,581,055

16. Loss per share:

The following table summarizes the calculation of the weighted average number of basic and diluted common shares for the three and nine months ended September 30, 2022:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Issued subordinate and multiple voting shares	21,310,743	20,632,702	21,310,743	20,632,702
Weighted average shares outstanding basic	21,319,467	20,577,088	21,312,938	20,577,088
Weighted average shares outstanding diluted	21,319,467	20,577,088	21,312,938	20,577,088
Loss per share basic	(\$0.28)	(\$0.09)	(\$1.17)	(\$0.27)
Loss per share diluted	(0.28)	(0.09)	(1.17)	(0.27)

During three and nine months ended September 30, 2022, there were nil weighted average outstanding share options excluded from the computation of diluted loss per share as they were anti-dilutive (three and nine months ended September 30, 2021, - 880,000 and 790,000, respectively).

17. Financial instruments:

The fair values of cash, trade and other receivables, and accounts payable and other liabilities are assumed to approximate their carrying amounts because of their short term to maturity. The carrying value of the Company's term loan and revolving loan approximate fair value due to the variable interest rate in the Credit Facility.

In addition, for financial reporting purposes, fair value measurement is categorized into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 - this level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.
- Level 2 - this level includes valuations determined using directly (i.e., as prices) or indirectly (i.e., derived from prices) observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.
- Level 3 - this level includes valuations based on inputs, which are less observable, unavailable or when the observable data does not support a significant portion of the instruments fair value.

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Level 3 instruments include the investment in Tapatalk, Inc. and the contingent consideration associated with the acquisition of FOMOPop, Inc. Estimates of the fair value of investments and contingent consideration are assessed on a quarterly basis. There were no transfers of fair value measurement between Levels 1, 2, and 3 of the fair value hierarchy during the nine months ended September 30, 2022.