

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

# **VERTICALSCOPE HOLDINGS INC.**

Three and Nine Months Ended September 30, 2023 and 2022

# VERTICALSCOPE HOLDINGS INC.

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

	September 30, 2023	December 31, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$6,435,269	\$8,766,769
Restricted cash	87,726	116,830
Trade and other receivables (note 5)	10,660,858	15,712,508
Lease receivable (note 7)	577,777	569,278
Income taxes receivable	504,508	—
Prepaid expenses	978,288	1,127,365
	19,244,426	26,292,750
Property and equipment	812,097	1,065,888
Right-of-use asset (note 7)	2,269,036	1,745,398
Intangible assets (note 8)	56,460,733	70,579,988
Goodwill	52,635,164	52,635,164
Other assets	286,725	315,403
Deferred tax asset	23,855,058	23,991,561
Lease receivable (note 7)	492,156	929,682
<b>Total assets</b>	<b>\$156,055,395</b>	<b>\$177,555,834</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$4,677,917	\$8,334,556
Income taxes payable	434,386	549,713
Derivative instruments	10,430	—
Deferred revenue	1,295,979	889,259
Current portion of long-term debt (note 9)	3,882,641	3,209,382
Lease liability (note 7)	1,182,302	1,027,309
Contingent considerations (note 4)	—	15,000,000
	11,483,655	29,010,219
Deferred revenue	1,979	4,389
Long-term debt (note 9)	58,617,097	54,883,514
Lease liability (note 7)	2,476,591	2,518,053
Deferred tax liability	5,410,218	8,310,894
Contingent considerations (note 4)	—	1,051,222
Other long-term liabilities	185,399	281,959
<b>Total liabilities</b>	<b>78,174,939</b>	<b>96,060,250</b>
Shareholders' equity:		
Share capital (note 10)	162,062,545	160,559,106
Contributed surplus (note 11)	27,266,214	25,306,872
Accumulated other comprehensive loss	(64,590)	(86,145)
Deficit	(111,383,713)	(104,284,249)
	77,880,456	81,495,584
<b>Total liabilities and shareholders' equity</b>	<b>\$156,055,395</b>	<b>\$177,555,834</b>

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,	
	2023	2022	2023	2022
Revenue (note 6)	\$15,509,334	\$19,577,080	\$43,045,765	\$61,394,194
Operating expenses:				
Wages and consulting	6,229,028	9,192,294	21,257,863	27,421,041
Share-based compensation (note 11)	1,249,310	2,576,906	3,630,859	8,245,605
Platform and technology	1,525,203	2,333,041	5,237,261	6,701,002
General and administrative	1,039,564	1,699,883	3,077,919	5,710,412
Depreciation and amortization	4,901,141	9,812,617	16,688,368	29,629,030
Adjustment to contingent considerations (note 4)	—	149,651	(1,051,222)	9,015,734
	14,944,246	25,764,392	48,841,048	86,722,824
Operating income (loss)	565,088	(6,187,312)	(5,795,283)	(25,328,630)
Other expenses:				
Loss (gain) on sale of assets	(160,339)	(4,320)	(171,148)	2,808
Net interest expense (note 13)	1,299,049	859,287	3,879,773	2,095,989
Loss (gain) on investments	103	—	(1,792)	—
Foreign exchange loss (gain)	(6,117)	(5,097)	(30,316)	55,123
	1,132,696	849,870	3,676,517	2,153,920
Loss before income taxes	(567,608)	(7,037,182)	(9,471,800)	(27,482,550)
Income tax expense (recovery)				
Current	111,331	330,411	317,146	2,093,421
Deferred	(163,430)	(1,323,618)	(2,764,172)	(4,660,024)
	(52,099)	(993,207)	(2,447,026)	(2,566,603)
Net loss	(\$515,509)	(\$6,043,975)	(\$7,024,774)	(\$24,915,947)
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to net loss:</i>				
Foreign currency differences on translation of foreign operations	63,363	101,796	21,555	97,042
Total comprehensive loss	(\$452,146)	(\$5,942,179)	(\$7,003,219)	(\$24,818,905)
Loss per share (note 14):				
Basic	(\$0.02)	(\$0.28)	(\$0.33)	(\$1.17)
Diluted	(0.02)	(0.28)	(0.33)	(1.17)

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 loss	Accumulated deficit	Total
	Number of shares	Amount	Number of shares	Amount				
<b>Balance as at December 31, 2021</b>	<b>2,957,565</b>	<b>\$7,191,707</b>	<b>18,323,878</b>	<b>\$152,990,710</b>	<b>\$15,568,994</b>	<b>\$3,327</b>	<b>(\$79,512,198)</b>	<b>\$96,242,540</b>
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	—	—	(9,400)	(58,049)	—	—	—	(58,049)
Share options exercised	—	—	12,700	285,343	(98,866)	—	—	186,477
Shares issued on exercise of vested RSUs	—	—	26,300	466,999	(466,999)	—	—	—
<b>Balance as at September 30, 2022</b>	<b>2,957,565</b>	<b>\$7,191,707</b>	<b>18,353,478</b>	<b>\$153,685,003</b>	<b>\$23,740,519</b>	<b>\$100,369</b>	<b>(\$104,428,145)</b>	<b>\$80,289,453</b>

	Multiple Voting Shares ("MVS")		Subordinate Voting Shares ("SVS")		Contributed surplus	Accumulated other comprehensive loss	Accumulated deficit	Total
	Number of shares	Amount	Number of shares	Amount				
<b>Balance as at December 31, 2022</b>	<b>2,957,265</b>	<b>\$7,191,707</b>	<b>18,268,004</b>	<b>\$153,367,399</b>	<b>\$25,306,872</b>	<b>(86,145)</b>	<b>(\$104,284,249)</b>	<b>\$81,495,584</b>
Net loss	—	—	—	—	—	—	(7,024,774)	(7,024,774)
Foreign currency differences on translation of foreign operations	—	—	—	—	—	21,555	—	21,555
Other adjustments	—	—	—	—	—	—	(74,690)	(74,690)
Share-based compensation (note 11)	—	—	—	—	3,630,603	—	—	3,630,603
Repurchase of share capital for cancellation (note 10)	—	—	(17,200)	(73,673)	—	—	—	(73,673)
Shares issued on exercise of vested RSUs and DSUs (notes 10 and 11)	—	—	140,503	1,577,112	(1,577,112)	—	—	—
Net settlement of tax liabilities on RSUs and DSUs (note 11)	—	—	—	—	(94,149)	—	—	(94,149)
<b>Balance as at September 30, 2023</b>	<b>2,957,265</b>	<b>\$7,191,707</b>	<b>18,391,307</b>	<b>\$154,870,838</b>	<b>\$27,266,214</b>	<b>(\$64,590)</b>	<b>(\$111,383,713)</b>	<b>\$77,880,456</b>

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,	
	2023	2022	2023	2022
Cash provided by (used in):				
Operating activities:				
Net loss	(\$515,509)	(\$6,043,975)	(\$7,024,774)	(\$24,915,947)
Items not involving cash:				
Depreciation and amortization	4,901,141	9,812,617	16,688,368	29,629,030
Net interest expense (note 13)	1,299,049	859,287	3,879,773	2,095,989
Loss (gain) on sale of assets	(160,339)	(4,320)	(171,148)	2,808
Unrealized loss in derivative instruments	2,163	65,490	10,430	109,536
Income tax recovery	(52,099)	(993,207)	(2,447,026)	(2,566,603)
Adjustment to contingent considerations (note 4)	—	149,651	(1,051,222)	9,015,734
Share-based compensation (note 11)	1,249,566	2,576,906	3,630,859	8,245,605
	6,723,972	6,422,449	13,515,260	21,616,152
Change in non-cash operating assets and liabilities (note 12)	(1,851,469)	1,132,558	1,695,925	(1,061,270)
Interest paid	(1,215,173)	—	(3,307,424)	(1,514,942)
Income taxes paid	(130,602)	(1,194,983)	(936,981)	(1,726,388)
	3,526,728	6,360,024	10,966,780	17,313,552
Financing activities:				
Repayment of term loan (note 9)	(625,000)	(625,000)	(1,875,000)	(1,875,000)
Proceeds from issuance of revolving loan (note 9)	—	—	15,000,000	—
Repayment of revolving loan (note 9)	(1,750,000)	(6,500,000)	(9,000,000)	(19,000,000)
Proceeds from exercise of share options	—	—	—	186,477
Repurchase of share capital for cancellation (note 10)	(73,673)	(58,049)	(73,673)	(58,049)
Lease payments (note 7)	(360,936)	(331,486)	(1,105,020)	(963,599)
Proceeds from sublease	150,807	155,203	450,958	473,549
	(2,658,802)	(7,359,332)	3,397,265	(21,236,622)
Investing activities:				
Additions to property and equipment and intangible assets	(707,790)	(1,640,283)	(1,824,618)	(8,683,507)
Proceeds from sale of assets	160,338	9,250	181,295	35,984
Payment of contingent considerations (note 4)	—	—	(15,000,000)	—
	(547,452)	(1,631,033)	(16,643,323)	(8,647,523)
Increase (decrease) in cash and cash equivalents	320,474	(2,630,341)	(2,279,278)	(12,570,593)
Cash and cash equivalents, beginning of the period	6,126,110	10,454,719	8,766,769	20,494,313
Change in restricted cash balances	2,078	(586)	29,104	12,542
Effect of movement of exchange rates on cash and restricted cash held	(13,393)	(59,467)	(81,326)	(171,937)
Cash and cash equivalents, end of period	\$6,435,269	\$7,764,325	\$6,435,269	\$7,764,325

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, 2023 and 2022

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## 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.

The Company continues to monitor the conflict in Israel and potential impacts the conflict could have on the Company's personnel and business in Israel and the recorded amounts of assets and liabilities related to the Company's operations in Israel. The extent to which the conflict may impact the Company's personnel, business and activities will depend on future developments which remain highly uncertain and cannot be predicted. It is possible that the recorded amounts of assets and liabilities related to the Company's operations in Israel could change materially in the near term.

## 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") Accounting Standards and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2022. 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, 2022.

These Interim Financial Statements were approved and authorized for issuance by the Board of Directors on November 8, 2023.

### (b) Basis of consolidation:

These Interim Financial Statements include the accounts of VerticalScope Holdings Inc., and its subsidiaries. Balances and transactions between VerticalScope Holdings Inc. and its subsidiaries 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

# 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, 2023 and 2022

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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, right-of-use asset, property and equipment and intangible asset impairment assessments, goodwill impairment assessments, the determination of the estimated useful lives of property and equipment, right-of-use assets 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*

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.

# 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, 2023 and 2022

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## 3. Material 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, 2022, except the following:

### (a) 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:

- 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 adoption of the amendments to this standard did not have a material impact on the interim financial statements in the current period.

### (b) 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 adoption of the amendments to this standard did not have a material impact on the interim financial statements in the current period.

### (c) Amendments to IAS 1 - Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants

The amendments clarify that the classification of liabilities as current or non-current is based solely on a company's right to defer settlement for at least 12 months at the reporting date. The right needs to exist at the reporting date and must have substance.

Only covenants with which a company must comply on or before the reporting date may affect this right. Covenants to be complied with after the reporting date do not affect the classification of a liability as current or non-current at the reporting date. However, disclosure about

# 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, 2023 and 2022

covenants is now required to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date.

The amendments also clarify that the transfer of a company's own equity instruments is regarded as settlement of a liability. If a liability has any conversion options, then those generally affect its classification as current or non-current, unless these conversion options are recognized as equity under IAS 32, Financial Instruments: Presentation.

The amendments are applied for annual periods beginning on or after January 1, 2024. 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:

Contingent considerations:

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 determined after the first anniversary of the acquisition of between \$8,100,000 and \$15,000,000 based on specific financial performance requirements in year one and payments determined in respect of the twelve month period ending on December 31, 2023 of between \$8,100,000 and \$15,000,000 based on specific financial performance requirements during year two. On January 6, 2023, the Company paid \$15,000,000 to the sellers of FOMOPOP, Inc. for the year one contingent consideration.

On March 31, 2023, the Company amended its purchase agreement with the former shareholders of FOMOPOP, Inc. to extend the measurement period of the year two potential contingent consideration to June 30, 2024.

The contingent consideration is revalued periodically using the Monte Carlo simulation valuation model. The key inputs used by management to determine fair value are: (i) projected EBITDA, (ii) the expected future volatility of FOMOPOP, Inc. based on comparable companies, (iii) the risk-free interest rate, and (iv) weighted average cost of capital. A balance of nil was accrued related to the estimated fair value of potential contingent consideration at September 30, 2023.

	September 30, 2023
Balance, beginning of period	\$16,051,222
Payments	(15,000,000)
Adjustments	(1,051,222)
Balance, end of period	\$—

# 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, 2023 and 2022

## 5. Trade and other receivables:

	September 30, 2023	December 31, 2022
Trade accounts receivable	\$10,358,365	\$15,392,869
Investment tax credits recoverable	167,575	242,265
Sundry receivables	134,918	77,374
	<u>\$10,660,858</u>	<u>\$15,712,508</u>

## 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,	
	2023	2022	2023	2022
Digital advertising	\$12,827,416	\$13,357,543	\$34,806,632	\$40,847,118
E-commerce	2,681,918	6,219,537	8,239,133	20,547,076
Revenue	<u>\$15,509,334</u>	<u>\$19,577,080</u>	<u>\$43,045,765</u>	<u>\$61,394,194</u>

## 7. Right-of-use assets and lease liability:

The following reconciles the right-of-use asset as at September 30, 2023:

Right-of-use asset	September 30, 2023
Balance, December 31, 2022	\$1,745,398
Additions	1,105,071
Leasehold improvement allowance receivable	(109,785)
Modifications to lease contracts	27,131
Depreciation	(498,779)
Balance, September 30, 2023	<u>\$2,269,036</u>

# 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, 2023 and 2022

The following reconciles the lease liability as at September 30, 2023:

Lease liability	September 30, 2023
Balance, December 31, 2022	\$3,545,362
Additions	1,105,071
Modifications to lease contracts	29,203
Interest expense	170,277
Foreign exchange	(86,000)
Lease payments	(1,105,020)
Balance, September 30, 2023	\$3,658,893
Current	\$1,182,302
Non-current	2,476,591
	\$3,658,893

On July 14, 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 current and non-current receivables set up for the sublease receipts. The discounted current and non-current lease receivables at September 30, 2023 were \$577,777 and \$492,156 (December 31, 2022 - \$569,278 and \$929,682) respectively.

## 8. Acquired and other intangible assets:

	Websites / Trade Names	Acquired content	Customer relationships	Software	Total
<b>Cost</b>					
Balance, December 31, 2022	\$156,204,796	\$93,720,157	\$40,924,430	\$56,662,961	\$347,512,344
Additions arising from internal development	—	—	—	1,762,563	1,762,563
Disposals	(211,000)	—	—	—	(211,000)
Balance, September 30, 2023	\$155,993,796	\$93,720,157	\$40,924,430	\$58,425,524	\$349,063,907
<b>Accumulated amortization</b>					
Balance, December 31, 2022	\$138,246,059	\$92,937,653	\$25,432,604	\$20,316,040	\$276,932,356
Amortization	4,103,830	773,437	3,527,934	7,476,617	15,881,818
Disposals	(211,000)	—	—	—	(211,000)
Balance, September 30, 2023	\$142,138,889	\$93,711,090	\$28,960,538	\$27,792,657	\$292,603,174
<b>Carrying amounts</b>					
December 31, 2022	\$17,958,737	\$782,504	\$15,491,826	\$36,346,921	\$70,579,988
September 30, 2023	13,854,907	9,067	11,963,892	30,632,867	56,460,733

The Company capitalized third party costs of nil and \$74,267 for the three and nine months ended September 30, 2023, respectively (\$150,744 and \$447,955 for the three and nine months

# 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, 2023 and 2022

ended September 30, 2022, respectively) and internal costs of \$690,587 and \$1,688,296 for the three and nine months ended September 30, 2023, respectively (\$993,927 and \$3,415,195 for the three and nine months ended September 30, 2022, 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, 2023, the Company did not acquire any community sites. During the nine months ended September 30, 2022, thirteen community sites were acquired for a total value of \$4,250,498.

## 9. Long-term debt:

	Term Loan	Revolving Loan	Total
Balance, December 31, 2022	\$46,924,716	\$11,168,180	\$58,092,896
Advances	—	15,000,000	15,000,000
Payments	(4,226,972)	(9,955,452)	(14,182,424)
Interest and accretion	2,461,414	1,127,852	3,589,266
Balance, September 30, 2023	45,159,158	17,340,580	62,499,738
Current portion of long-term debt	2,553,260	1,329,381	3,882,641
Non-current portion of long-term debt	\$42,605,898	\$16,011,199	\$58,617,097

On October 5, 2017, the Company entered into a credit agreement with Capital One, National Association, as successor from Antares Capital LP (the "Original Credit Agreement"), which provided for credit facilities consisting of a revolving credit facility of \$20,000,000, a term loan of \$110,000,000, and a delayed draw term loan of \$70,000,000, each bearing interest at a floating rate of LIBOR plus a margin determined by the Company's net leverage ratio and expiring on October 4, 2022.

On December 20, 2019, the Company and Capital One entered into an amendment to the Original Credit Agreement (the "First Amendment"), which increased the amortization to 7.5% per annum, maximum total net leverage to 4.50x, and minimum fixed charge coverage ratio to 1.05x. On May 25, 2021, the Company and Capital One entered into a second amendment to the Original Credit Agreement (the "Second Amendment"), which provided for certain amendments to the event of default related to a "Change of Control" (as defined in the Original Credit Agreement).

On June 24, 2021, the Company and Capital One entered into an amended and restated credit agreement (the "A&R Credit Agreement" or "Credit Facilities"). As of the effective date of the A&R Credit Agreement, the term loan and the delayed draw term loan were restated into 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 (the "Revolving Loan" or "Revolver"), with each maturing five years after the effective date. The maximum total net leverage ratio is 4.00x, with such ratio reducing by 0.25 percentage points each fiscal year beginning with the fiscal year ended December 31, 2022, to 3.0x for the fiscal year ended

# 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, 2023 and 2022

December 31, 2025 and the minimum fixed charge coverage ratio is 1.25x 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% and a minimum margin of 2.25%.

On May 18, 2023, the Company and Capital One, National Association entered into an amended credit agreement referred to as the "First Amendment to Credit Agreement". This amendment replaces LIBOR with Adjusted Term SOFR as the benchmark interest rate effective July 1, 2023.

The Company made repayments including interest of \$3,590,173 and \$14,182,424 during the three and nine months ended September 30, 2023 against the long-term debt, respectively (during the three and nine months ended September 30, 2022 - \$7,125,000 and \$22,389,942).

The Company is required to pay a quarterly commitment fee for the total undrawn amount of the revolving loan. As at September 30, 2023, the fee was 0.25% per annum. The fee is dependent on the Company's total net leverage ratio as set forth in the First Amendment to Credit Agreement.

During the three and nine months ended September 30, 2023, the total interest and expenses incurred on long-term debt was \$1,200,138 and \$3,589,266 (three and nine months ended September 30, 2022 - \$758,572 and \$1,884,034).

As at September 30, 2023, the Company had principal outstanding of \$61,375,000 under its First Amendment to Credit Agreement with \$58,000,000 available to borrow from its Revolver. The Company also had accrued interest of \$1,124,738 at September 30, 2023 (December 31, 2022 - \$842,896).

Principal repayments required on the credit facility are due as follows:

	2023	2024	2025	2026+
Term Loan	625,000	2,500,000	2,500,000	38,750,000
Revolving loan	—	—	—	17,000,000

# 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, 2023 and 2022

## 10. Share capital:

	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)
Share options exercised	—	—	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
Balance as at December 31, 2022	2,957,265	7,191,707	18,268,004	153,367,399
Repurchase of share capital for cancellation	—	—	(17,200)	(73,673)
Shares issued on exercise of vested RSUs and DSUs	—	—	140,503	1,577,112
Balance as at September 30, 2023	2,957,265	\$7,191,707	18,391,307	\$154,870,838

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 canceled. Purchases under the NCIB concluded on August 15, 2023.

On August 16, 2023, the Company renewed their NCIB, to purchase up to 920,374 of its SVS in the open market for cancellation. Under the NCIB, the Company may acquire up to 5,033 shares per day, subject to certain exceptions, including block purchase exceptions. All shares purchased by the Company under the NCIB will be canceled. 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, 2024. Pursuant to the terms of the Company's First Amendment to 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.

# 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, 2023 and 2022

During the three and nine months ended September 30, 2023, the Company repurchased and canceled 17,200 of its SVS for an aggregate purchase price of \$73,673 (three and nine months ended September 30, 2022 - 9,400 SVS for an aggregate purchase price of \$58,049).

## 11. 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 2,561,829 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 ("PSUs"), Restricted Share Units ("RSUs") or Deferred Share Units ("DSUs").

The following table summarizes share based compensation balances in contributed surplus as at September 30, 2023:

	Share Options	Deferred share units	Restricted share units	Market performance based share units	Total
Contributed surplus, December 31, 2022	\$13,051,527	\$248,265	\$5,268,061	\$6,739,019	\$25,306,872
Share based compensation expense	476,663	191,097	2,844,483	118,360	3,630,603
Shares issued from treasury for RSUs and DSUs	—	(100,423)	(1,476,689)	—	(1,577,112)
Net settlement of tax liabilities on RSUs and DSUs	—	(24,263)	(69,886)	—	(94,149)
Contributed surplus, September 30, 2023	\$13,528,190	\$314,676	\$6,565,969	\$6,857,379	\$27,266,214

As at September 30, 2023, \$1,863 (December 31, 2022 - \$1,607) is included in accounts payable for market performance based share units.

# 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, 2023 and 2022

## *Share Options:*

The following table summarizes share options that are outstanding as at September 30, 2023 and 2022.

	September 30, 2023		September 30, 2022	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding share options, beginning of period	1,245,268	\$19.29	900,000	\$21.35
Granted share options	63,583	4.43	490,854	14.60
Exercised share options	—	—	(12,700)	15.17
Forfeited share options	(181,681)	13.78	(81,886)	14.75
Expired share options	(3,418)	14.70	—	—
Outstanding share options, ending balance	1,123,752	19.41	1,296,268	19.27

On January 10, 2023, 40,000 share options were granted. The share options were to vest on December 31, 2023 based on specific performance criteria for the year ended December 31, 2023. The share options were voluntarily forfeited on the grant date.

On March 10, 2023, 17,745 share options were granted at a value of \$40,989. The shares will vest over a period of 4 years and \$12,722 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2023. 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 3.70%; expected volatility of 44.66% and an expected time until exercise of 5.5 to 7 years.

On May 17, 2023, 5,838 share options were granted at a value of \$7,103. The shares will vest over a period of 4 years and \$1,506 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2023. 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 3.54%; expected volatility of 44.73% and an expected time until exercise of 5.5 to 7 years.

## *Deferred Share Units:*

During the three and nine months ended September 30, 2023, 16,268 and 54,459 deferred share units were granted at a value of \$75,000 and \$191,097, respectively (three and nine months ended September 30, 2022 - 6,954 and 15,118 deferred share units were granted at a value of \$50,000 and \$150,000, respectively). The grant value was recorded as share-based compensation expense. The DSU's were valued using the five day volume-weighted average market price at each quarter-end.

# 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, 2023 and 2022

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## *Restricted Share Units:*

On January 1, 2023, 50,500 equity settled restricted share units were granted at a value of \$243,551. The shares will vest on January 1, 2026. \$74,452 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2023. The RSU's were valued at the market price on the grant date of January 1, 2023.

On January 1, 2023, 26,300 equity settled restricted share units were granted at a value of \$126,840. The shares will vest on December 31, 2023. \$95,130 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2023. The RSU's were valued at the market price on the grant date of January 1, 2023.

On January 10, 2023, 58,632 equity settled restricted share units were granted at a value of \$326,568. The shares will vest annually in equal tranches over four years beginning on November 11, 2023. \$128,161 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2023. The RSU's were valued at the market price on the grant date of January 10, 2023.

On February 17, 2023, 55,245 equity settled restricted share units were granted at a value of \$335,886. The shares vested on March 10, 2023 and the value was recorded as share-based compensation expense. The RSU's were valued at the market price on the grant date of February 17, 2023.

On March 10, 2023, 16,000 equity settled restricted share units were granted at a value of \$81,118. The shares will vest on March 10, 2024. \$45,015 was recorded as share-based compensation expense for the nine months ended September 30, 2023. The RSU's were valued at the market price on the grant date of March 10, 2023.

On March 10, 2023, 29,594 equity settled restricted share units were granted at a value of \$175,946. The shares vested on March 10, 2023 and the value was recorded as share-based compensation expense. The RSU's were valued at the market price on the grant date of March 10, 2023.

On May 16, 2023, 153,604 equity settled restricted share units were granted at a value of \$413,254. The shares will vest annually in equal tranches over four years beginning on May 16, 2024. \$64,681 was recorded as share-based compensation expense for the nine months ended September 30, 2023. The RSU's were valued at the market price on the grant date of May 16, 2023.

On May 17, 2023, 3,570 equity settled restricted share units were granted at a value of \$21,745. The shares vested on May 17, 2023 and the value was recorded as share-based compensation expense. The RSU's were valued at the market price on the grant date of May 17, 2023.

On August 11, 2023, 12,000 equity settled restricted share units were granted at a value of \$53,666. The shares will vest annually in equal tranches over four years beginning on August 11, 2024. \$3,825 was recorded as share-based compensation expense for the nine months ended

# 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, 2023 and 2022

September 30, 2023. The RSU's were valued at the market price on the grant date of August 11, 2023.

## 12. Change in non-cash operating assets and liabilities:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Trade and other receivables	(\$665,888)	\$832,518	\$5,185,996	\$926,688
Prepaid expenses and other assets	(308,396)	433,948	177,755	(363,497)
Accounts payable, accrued liabilities and other long-term liabilities	(1,214,449)	(85,815)	(4,072,136)	(1,532,481)
Deferred revenue	337,264	(48,093)	404,310	(91,980)
	(1,851,469)	1,132,558	1,695,925	(1,061,270)

## 13. Net interest expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Interest income	\$ (17)	\$ (5,060)	\$ (100)	\$ (63,572)
Interest accretion expense - leases	50,082	43,892	147,505	137,140
Interest on long term debt (note 9)	1,200,138	758,572	3,589,266	1,884,034
Interest expense - other	48,846	61,883	143,102	138,387
Interest expense	1,299,066	864,347	3,879,873	2,159,561
Net interest expense	1,299,049	859,287	3,879,773	2,095,989

## 14. 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, 2023:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net loss	(\$515,509)	(\$6,043,975)	(\$7,024,774)	(\$24,915,947)
Issued subordinate and multiple voting shares	21,348,572	21,310,743	21,348,572	21,310,743
Weighted average shares outstanding basic and diluted	21,361,109	21,319,467	21,324,147	21,312,938
Loss per share basic and diluted	(0.02)	(0.28)	(0.33)	(1.17)

# 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, 2023 and 2022

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During the three and nine months ended September 30, 2023, there were nil weighted average outstanding share options, RSUs, DSUs and PSUs excluded from the computation of diluted loss per share (three and nine months ended September 30, 2022, - nil). All potentially dilutive securities have been excluded from the calculation of diluted loss per share for all periods presented, as the Company was in a net loss position during those periods. Including the dilutive securities would be anti-dilutive; therefore, basic and dilutive number of shares used in the calculation is the same for all periods presented.

## 15. Financial instruments:

The fair values of cash and cash equivalents, trade and other receivables, and accounts payable and accrued 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.

Level 3 instruments includes the contingent consideration associated with the acquisition of FOMOPop, Inc. and derivative financial instruments which are measured at their estimated fair value. 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, 2023.

# 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, 2023 and 2022

## 16. Geographical information:

The Company operates in multiple countries, principally in the US and Canada. In presenting geographical information, revenue is based on the country in which the revenue is transacted.

Geographic revenue	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
United States	\$9,857,793	\$11,983,879	\$26,680,685	\$37,381,601
Canada	1,330,074	1,675,776	3,790,104	5,669,092
United Kingdom	1,113,974	1,410,682	3,057,845	4,819,284
Other	3,207,493	4,506,743	9,517,131	13,524,217
	\$15,509,334	\$19,577,080	\$43,045,765	\$61,394,194