

Condensed Consolidated Interim Financial Statements  
(In US dollars)  
(Unaudited)

# **VERTICALSCOPE HOLDINGS INC.**

Three and Nine Months Ended September 30, 2024 and 2023

# VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Financial Position  
(In US dollars)  
(Unaudited)

	September 30, 2024	December 31, 2023
<b>Assets</b>		
Current assets:		
Cash	\$5,834,336	\$6,015,184
Restricted cash	95,166	93,840
Trade and other receivables (note 4)	13,382,859	14,175,352
Lease receivable	494,655	595,961
Income taxes receivable	253,225	797,465
Prepaid expenses	875,783	804,692
Derivative instruments	—	51,303
Other current assets (note 16)	1,508,473	—
	22,444,497	22,533,797
Property and equipment	541,445	754,293
Right-of-use asset (note 6)	1,702,645	2,123,739
Intangible assets (note 7)	41,168,092	52,480,458
Goodwill	52,635,164	52,635,164
Other assets	266,309	283,278
Deferred tax asset	18,622,827	21,786,506
Lease receivable	—	354,288
<b>Total assets</b>	<b>\$137,380,979</b>	<b>\$152,951,523</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$8,544,464	\$5,563,354
Income taxes payable	85,330	229,770
Derivative instruments	550	—
Deferred revenue	1,217,345	1,157,049
Current portion of long-term debt (note 8)	2,611,217	3,614,396
Lease liability (note 6)	1,137,565	1,227,160
	13,596,471	11,791,729
Long-term debt (note 8)	40,000,227	54,431,100
Lease liability (note 6)	1,368,764	2,248,029
Deferred tax liability	639,761	3,609,683
Other long-term liabilities	26,612	185,399
<b>Total liabilities</b>	<b>55,631,835</b>	<b>72,265,940</b>
Shareholders' equity:		
Share capital (note 9)	166,184,037	167,705,234
Contributed surplus (note 10)	23,048,942	22,435,738
Accumulated other comprehensive loss	(197,795)	(145,494)
Deficit	(107,286,040)	(109,309,895)
	81,749,144	80,685,583
Subsequent events (note 16)		
<b>Total liabilities and shareholders' equity</b>	<b>\$137,380,979</b>	<b>\$152,951,523</b>

See accompanying notes to condensed consolidated interim financial statements.

# VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)  
(In US dollars, except per share amounts)  
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue (notes 5 and 15)	\$17,786,704	\$15,509,334	\$49,197,664	\$43,045,765
Operating expenses:				
Wages and consulting	7,260,759	6,229,028	21,023,470	21,257,863
Share-based compensation (note 10)	385,403	1,249,310	1,174,219	3,630,859
Platform and technology	1,920,206	1,525,203	5,139,085	5,237,261
General and administrative	1,180,123	1,039,564	3,640,927	3,077,919
Depreciation and amortization (notes 6 and 7)	4,427,753	4,901,141	13,493,365	16,688,368
Adjustment to contingent considerations	—	—	—	(1,051,222)
	15,174,244	14,944,246	44,471,066	48,841,048
Operating income (loss)	2,612,460	565,088	4,726,598	(5,795,283)
Other expenses (income):				
Gain on sale of assets	(5,306)	(160,339)	(10,024)	(171,148)
Net interest expense (note 12)	985,549	1,299,049	3,223,363	3,879,773
Loss (gain) on investments	(712)	103	(17,110)	(1,792)
Foreign exchange loss (gain)	(15,993)	(6,117)	11,648	(30,316)
	963,538	1,132,696	3,207,877	3,676,517
Income (loss) before income taxes	1,648,922	(567,608)	1,518,721	(9,471,800)
Income tax expense (recovery)				
Current	427,461	111,331	679,826	317,146
Deferred	14,827	(163,430)	193,756	(2,764,172)
	442,288	(52,099)	873,582	(2,447,026)
Net income (loss)	\$1,206,634	(\$515,509)	\$645,139	(\$7,024,774)
<b>Other comprehensive income (loss)</b>				
<i>Items that may be reclassified to net income (loss):</i>				
Foreign currency differences on translation of foreign operations	(65,147)	63,363	(52,301)	21,555
Total comprehensive income (loss)	\$1,141,487	(\$452,146)	\$592,838	(\$7,003,219)
Earnings (loss) per share (note 13):				
Basic	\$0.06	(\$0.02)	\$0.03	(\$0.33)
Diluted	0.06	(0.02)	0.03	(0.33)

See accompanying notes to condensed consolidated interim financial statements.

# VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Changes in Equity  
(In US 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, 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	—	—	—	—	3,630,603	—	—	3,630,603
Repurchase of share capital for cancellation	—	—	(17,200)	(73,673)	—	—	—	(73,673)
Shares issued on exercise of vested RSUs and DSUs	—	—	140,503	1,577,112	(1,577,112)	—	—	—
Net settlement of tax liabilities on RSUs and DSUs	—	—	—	—	(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>
	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, 2023</b>	<b>2,957,265</b>	<b>\$7,191,707</b>	<b>18,667,040</b>	<b>\$160,513,527</b>	<b>\$22,435,738</b>	<b>(145,494)</b>	<b>(\$109,309,895)</b>	<b>\$80,685,583</b>
Net income	—	—	—	—	—	—	645,139	645,139
Foreign currency differences on translation of foreign operations	—	—	—	—	—	(52,301)	—	(52,301)
Share-based compensation (note 10)	—	—	—	—	1,174,219	—	—	1,174,219
Repurchase of share capital for cancellation (note 9)	—	—	(127,900)	(2,082,212)	—	—	1,378,716	(703,496)
Shares issued on exercise of vested RSUs (notes 9 and 10)	—	—	82,869	561,015	(561,015)	—	—	—
<b>Balance as at September 30, 2024</b>	<b>2,957,265</b>	<b>\$7,191,707</b>	<b>18,622,009</b>	<b>\$158,992,330</b>	<b>\$23,048,942</b>	<b>(\$197,795)</b>	<b>(\$107,286,040)</b>	<b>\$81,749,144</b>

See accompanying notes to condensed consolidated interim financial statements.

# VERTICALSCOPE HOLDINGS INC.

Condensed Consolidated Interim Statements of Cash Flows

(In US dollars)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cash provided by (used in):				
Operating activities:				
Net income (loss)	\$1,206,634	(\$515,509)	\$645,139	(\$7,024,774)
Items not involving cash:				
Depreciation and amortization	4,427,753	4,901,141	13,493,365	16,688,368
Net interest expense (note 12)	985,549	1,299,049	3,223,363	3,879,773
Gain on sale of assets	(5,306)	(160,339)	(10,024)	(171,148)
Gain on investments	(712)	—	(17,110)	—
Unrealized loss (gain) in derivative instruments	(22,850)	2,163	51,853	10,430
Income tax expense (recovery)	442,288	(52,099)	873,582	(2,447,026)
Adjustment to contingent considerations	—	—	—	(1,051,222)
Share-based compensation (note 10)	385,403	1,249,566	1,174,219	3,630,859
	7,418,759	6,723,972	19,434,387	13,515,260
Change in non-cash operating assets and liabilities (note 11)				
	(30,613)	(1,851,469)	1,828,266	1,589,499
Interest paid (note 8)	(979,387)	(1,215,173)	(3,212,715)	(3,307,424)
Income tax paid	(530,034)	(130,602)	(272,505)	(936,981)
	5,878,725	3,526,728	17,777,433	10,860,354
Financing activities:				
Repayment of term loan (note 8)	(625,000)	(625,000)	(1,875,000)	(1,875,000)
Proceeds from issuance of revolving loan	—	—	—	15,000,000
Repayment of revolving loan (note 8)	(5,000,000)	(1,750,000)	(13,250,000)	(9,000,000)
Repurchase of share capital for cancellation (note 9)	(34,411)	(73,673)	(703,496)	(73,673)
Lease payments (note 6)	(334,034)	(360,936)	(1,035,677)	(1,105,020)
Proceeds from sublease	148,342	150,807	446,298	450,958
Proceeds from leasehold improvement allowance	—	—	—	106,426
	(5,845,103)	(2,658,802)	(16,417,875)	3,503,691
Investing activities:				
Additions to property and equipment and intangible assets	(493,599)	(707,790)	(1,527,395)	(1,824,618)
Proceeds from sale of assets	5,666	160,338	11,747	181,295
Proceeds from sale of investments	712	—	17,110	—
Payment of contingent considerations	—	—	—	(15,000,000)
	(487,221)	(547,452)	(1,498,538)	(16,643,323)
Increase (decrease) in cash	(453,599)	320,474	(138,980)	(2,279,278)
Cash, beginning of the period	6,320,979	6,126,110	6,015,184	8,766,769
Change in restricted cash balances	(2,305)	2,078	(1,326)	29,104
Effect of movement of exchange rates on cash and restricted cash held	(30,739)	(13,393)	(40,542)	(81,326)
Cash, end of period	\$5,834,336	\$6,435,269	\$5,834,336	\$6,435,269

See accompanying notes to condensed consolidated interim financial statements.

# VERTICALSCOPE HOLDINGS INC.

Notes to Condensed Consolidated Interim Financial Statements  
(In US dollars, except per share amounts and as otherwise indicated)  
For the three and nine months ended September 30, 2024 and 2023

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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 is listed on the Toronto Stock Exchange (TSX: FORA) and the OTCQX<sup>®</sup> Best Market (OTCQX: VFORF).

## 2. Basis of presentation:

### (a) Statement of compliance:

These unaudited condensed consolidated interim financial statements ("Interim Financial Statements") have been prepared in accordance with IAS 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 IFRS Accounting Standards and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2023. 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, 2023. These Interim Financial Statements are presented in US dollars, which is the Company's functional currency.

These Interim Financial Statements were approved and authorized for issuance by the Board of Directors of the Company on November 12, 2024.

### (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 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.

# VERTICALSCOPE HOLDINGS INC.

Notes to Condensed Consolidated Interim Financial Statements  
(In US dollars, except per share amounts and as otherwise indicated)  
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Areas in these Interim Financial Statements 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, valuation of long-lived assets, 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) Impairment of long-lived assets, including goodwill*

When long-lived assets including goodwill are tested for impairment, the determination of the assets' recoverable amount involves the use of estimates. The recoverable amount is based on the higher of the fair value of the assets less costs of disposal and value-in-use, which is determined using discounted cash flow models. The significant assumptions used by the Company in estimating the value-in-use of the VerticalScope cash-generating unit ("CGU") include estimated cash flows, discount rate, and long-term growth rate.

*(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, which cannot be capitalized as intangible assets and are expensed in the years incurred.

(d) Measurement uncertainty:

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, specifically HomeTalk IL Development Ltd., the Company's subsidiary 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.

(e) Change in Classification:

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

# VERTICALSCOPE HOLDINGS INC.

Notes to Condensed Consolidated Interim Financial Statements  
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### 3. Material accounting policies:

These 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, 2023, except the following:

- (a) 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 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 retrospectively for annual periods beginning on or after January 1, 2024. The adoption of the amendments to this standard did not have a material impact on the Interim Financial Statements in the current period.

Recently issued accounting pronouncements not yet effective:

- (a) Amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates

The amendments clarify when a currency is exchangeable into another currency and how a company estimates a spot rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.

A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate. Therefore, when estimating a spot rate a company can use an observable exchange rate without adjustment; or another estimation technique.

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Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements.

The amendments are applied prospectively for annual periods beginning on or after January 1, 2025. 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.

## (b) Amendments to IAS 1 - Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 replaces IAS 1 Presentation of Financial Statements and sets out requirements for the presentation and disclosure of information in general purpose financial statements.

The standard applies to annual reporting periods beginning on or after January 1, 2027 and is to be applied retrospectively, with early adoption permitted. 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. Trade and other receivables:

	September 30, 2024	December 31, 2023
Trade accounts receivable	\$12,942,737	\$13,147,964
Investment tax credits recoverable	341,878	341,964
Sundry receivables	98,244	685,424
	<u>\$13,382,859</u>	<u>\$14,175,352</u>

## 5. 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,	
	2024	2023	2024	2023
Digital advertising	\$15,643,351	\$12,827,416	\$42,647,645	\$34,806,632
E-commerce	2,143,353	2,681,918	6,550,019	8,239,133
Revenue	<u>\$17,786,704</u>	<u>\$15,509,334</u>	<u>\$49,197,664</u>	<u>\$43,045,765</u>

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

The following reconciles the right-of-use asset as at September 30, 2024:

# VERTICALSCOPE HOLDINGS INC.

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Right-of-use asset	September 30, 2024
Balance, December 31, 2023	\$2,123,739
Modifications to lease contracts	21,396
Depreciation	(442,490)
Balance, September 30, 2024	\$1,702,645

The following reconciles the lease liability as at September 30, 2024:

Lease liability	September 30, 2024
Balance, December 31, 2023	\$3,475,189
Modifications to lease contracts	21,396
Interest expense	120,020
Foreign exchange	(74,599)
Lease payments	(1,035,677)
Balance, September 30, 2024	\$2,506,329
Current	\$1,137,565
Non-current	1,368,764
	\$2,506,329

## 7. 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	—	—	—	2,159,442	2,159,442
Disposals	(211,000)	—	—	—	(211,000)
Balance, December 31, 2023	155,993,796	93,720,157	40,924,430	58,822,403	349,460,786
Acquisitions	130,116	70,062	—	—	200,178
Additions arising from internal development	—	—	—	1,260,061	1,260,061
Balance, September 30, 2024	\$156,123,912	\$93,790,219	\$40,924,430	\$60,082,464	\$350,921,025
<b>Accumulated amortization</b>					
Balance, December 31, 2022	\$138,246,059	\$92,937,653	\$25,432,604	\$20,316,040	\$276,932,356
Amortization	5,050,251	782,504	4,489,934	9,936,283	20,258,972
Disposals	(211,000)	—	—	—	(211,000)
Balance, December 31, 2023	143,085,310	93,720,157	29,922,538	30,252,323	296,980,328
Amortization	1,951,535	29,752	2,886,000	7,905,318	12,772,605
Balance, September 30, 2024	\$145,036,845	\$93,749,909	\$32,808,538	\$38,157,641	\$309,752,933
<b>Carrying amounts</b>					
December 31, 2023	\$12,908,486	\$—	\$11,001,892	\$28,570,080	\$52,480,458
September 30, 2024	11,087,067	40,310	8,115,892	21,924,823	41,168,092

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The Company capitalized third party costs of \$619 and \$15,909 for the three and nine months ended September 30, 2024, (nil and \$74,267 for the three and nine months ended September 30, 2023) and internal costs of \$470,527 and \$1,244,153 for the three and nine months ended September 30, 2024, (\$690,587 and \$1,688,296 for the three and nine months ended September 30, 2023) 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, 2024, the Company acquired the assets of one community site for a total value of \$200,178. During the nine months ended September 30, 2023, the Company acquired the assets of nil community sites.

## 8. Long-term debt:

	Term Loan	Revolving Loan	Total
Balance, December 31, 2023	\$44,522,706	\$13,522,790	\$58,045,496
Payments	(4,390,981)	(13,946,734)	(18,337,715)
Interest and accretion	2,424,668	478,995	2,903,663
Balance, September 30, 2024	42,556,393	55,051	42,611,444
Current portion of long-term debt	2,556,166	55,051	2,611,217
Non-current portion of long-term debt	\$40,000,227	\$—	\$40,000,227

On October 5, 2017, the Company entered into a credit agreement with Capital One, National Association ("Capital One"), 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 "First A&R Credit Agreement"). As of the effective date of the First 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

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4.00x, with such ratio reducing by 0.25x each fiscal year beginning with the fiscal year ended December 31, 2022, to 3.0x for the fiscal year ended 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 US 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 entered into an amended credit agreement referred to as the "Amended Credit Agreement" or "Credit Facility". This amendment replaces LIBOR with Adjusted Term SOFR as the benchmark interest rate effective July 1, 2023.

The Company made repayments including interest of \$6,604,387 and \$18,337,715 during the three and nine months ended September 30, 2024 against the long-term debt (during the three and nine months ended September 30, 2023 - \$3,590,173 and \$14,182,424).

The Company is required to pay a quarterly commitment fee for the total undrawn amount of the Revolver. As at September 30, 2024, the fee was 0.25% per annum. The fee is dependent on the Company's total net leverage ratio as set forth in the Amended Credit Agreement.

During the three and nine months ended September 30, 2024, the total interest and expenses incurred on long-term debt was \$894,770 and \$2,903,663 (three and nine months ended September 30, 2023 - \$1,200,138 and \$3,589,266).

As at September 30, 2024, the Company had principal outstanding of \$41,875,000 under its Amended Credit Agreement with \$75,000,000 available to borrow from its Revolver. The Company also had accrued interest of \$736,444 at September 30, 2024 (December 31, 2023 - \$1,045,496).

Principal repayments required on the Credit Facility are due as at September 30, 2024 as follows:

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

On October 4, 2024, the Company and Capital One entered into an amended and restated credit agreement amending and restating the Company's existing credit agreement with Capital One (the "Second A&R Credit Agreement") to, among other things, remove the Term Loan under the Amended Credit Agreement and increase the Revolving Loan under the Amended Credit Agreement to \$100 million. The Credit Facility has been extended and will now mature on October 4, 2028. The Second A&R Credit Agreement contains representations and warranties, affirmative and negative covenants and events of default, and is secured on a basis consistent in material respects with the Amended Credit Agreement.

The Company incurred transaction costs of \$1,508,473 directly attributable to this amendment, which were included within accounts payable and accrued liabilities as at September 30, 2024.

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## 9. Share capital:

	Voting Shares			
	MVS	Amount	SVS	Amount
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
Balance as at December 31, 2023	2,957,265	7,191,707	18,667,040	160,513,527
Repurchase of share capital for cancellation	—	—	(127,900)	(2,082,212)
Shares issued on exercise of vested RSUs	—	—	82,869	561,015
Balance as at September 30, 2024	2,957,265	\$7,191,707	18,622,009	\$158,992,330

On August 16, 2024, the Company renewed its NCIB, to purchase up to 931,151 of its SVS in the open market for cancellation. Under the NCIB, the Company may acquire up to 5,715 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, 2025.

Pursuant to the terms of the Company's Amended 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 Share Purchase Plan ("ASPP") 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 and nine months ended September 30, 2024, the Company repurchased and canceled 5,600 and 127,900 of its SVS for an aggregate purchase price of \$34,411 and \$703,496, respectively (three and nine months ended September 30, 2023 - 17,200 of its SVS were repurchased and canceled for an aggregate purchase price of \$73,673).

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## 10. Share-based compensation:

Omnibus incentive plan:

The Company has 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 2,589,513 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, 2024:

	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
Contributed surplus, December 31, 2023	\$13,632,159	\$386,897	\$1,519,764	\$6,896,918	\$22,435,738
Share based compensation expense	228,215	225,000	694,644	26,360	1,174,219
Shares issued from treasury for RSUs	—	—	(561,015)	—	(561,015)
Contributed surplus, September 30, 2024	\$13,860,374	\$611,897	\$1,653,393	\$6,923,278	\$23,048,942

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## Share Options:

The following table summarizes share options that are outstanding as at September 30, 2024 and 2023.

	September 30, 2024		September 30, 2023	
	Number of options	Weighted average exercise price per share	Number of options	Weighted average exercise price per share
Outstanding share options, beginning of period	1,098,875	\$19.53	1,245,268	\$19.29
Granted share options	15,500	6.34	63,583	4.43
Forfeited share options	(444,003)	21.22	(181,681)	13.78
Expired share options	(5,645)	11.32	(3,418)	14.70
Outstanding share options, ending balance	664,727	18.17	1,123,752	19.41

On March 15, 2024, 2,639 share options were granted at a value of \$5,813. The shares will vest over a period of 4 years and \$1,593 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2024. 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 4.31%; expected volatility of 45.08% and an expected time until exercise of 5.5 to 7 years.

On May 9, 2024, 7,694 share options were granted at a value of \$23,346. The shares will vest over a period of 4 years and \$5,225 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2024. 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 4.45%; expected volatility of 44.98% and an expected time until exercise of 5.5 to 7 years.

On August 9, 2024, 5,167 share options were granted at a value of \$15,481. The shares will vest over a period of 4 years and \$1,258 of the grant value was recorded as share-based compensation expense for the nine months ended September 30, 2024. 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 3.94%; expected volatility of 45.23% and an expected time until exercise of 5.5 to 7 years.

## Deferred Share Units:

During the three and nine months ended September 30, 2024, 11,556 and 35,168 equity settled DSUs were granted at a value of \$75,000 and \$225,000, respectively (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). The grant value was recorded as share-based

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compensation expense. The DSUs were valued using the five day volume-weighted average market price at each quarter-end.

## *Restricted Share Units:*

On March 15, 2024, 75,000 equity settled restricted share units were granted at a value of \$359,689. The shares will vest annually in equal tranches over four years beginning on January 1, 2025. \$118,451 was recorded as share-based compensation expense for the nine months ended September 30, 2024. The RSUs were valued at the market price on the grant date of March 15, 2024.

On August 9, 2024, 57,387 equity settled restricted share units were granted at a value of \$378,192. The shares will vest annually in equal tranches over four years beginning on August 9, 2025. \$28,063 was recorded as share-based compensation expense for the nine months ended September 30, 2024. The RSUs were valued at the market price on the grant date of August 9, 2024.

## *Market Performance Based Share Units:*

During the nine months ended September 30, 2024 1,438,631 Performance Share Units (PSU) issued under the Omnibus Incentive Plan were voluntarily forfeited. This forfeiture ensures sufficient capacity for future equity incentive grants under the plan.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Trade and other receivables	(\$1,353,801)	(\$665,888)	\$762,000	\$5,079,570
Prepaid expenses and other assets	(1,426,430)	(308,396)	(1,562,594)	177,755
Accounts payable, accrued liabilities and other long-term liabilities	2,912,541	(1,214,449)	2,568,564	(4,072,136)
Deferred revenue	(162,923)	337,264	60,296	404,310
	(30,613)	(1,851,469)	1,828,266	1,589,499

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## 12. Net interest expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Interest income	\$ (103)	\$ (17)	\$ (4,463)	\$ (100)
Interest accretion expense - leases	32,259	50,082	107,732	147,505
Interest on long term debt (note 8)	894,770	1,200,138	2,903,663	3,589,266
Interest expense - other	58,623	48,846	216,431	143,102
Interest expense	985,652	1,299,066	3,227,826	3,879,873
Net interest expense	985,549	1,299,049	3,223,363	3,879,773

## 13. Earnings (loss) per share:

The following table summarizes the calculation of the weighted average number of basic and diluted voting shares for the three and nine months ended September 30, 2024:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$1,206,634	(\$515,509)	\$645,139	(\$7,024,774)
Issued subordinate and multiple voting shares	21,579,274	21,348,572	21,579,274	21,348,572
Weighted average shares outstanding basic	21,581,313	21,361,109	21,600,375	21,324,147
Weighted average shares outstanding diluted	21,706,083	21,361,109	21,725,145	21,324,147
Earnings (loss) per share basic	\$0.06	(\$0.02)	\$0.03	(\$0.33)
Earnings (loss) per share diluted	0.06	(0.02)	0.03	(0.33)

During the three and nine months ended September 30, 2024, there were 124,770 weighted average outstanding share options, RSUs, DSUs and PSUs excluded from the computation of diluted earnings (loss) per share, respectively (three and nine months ended September 30, 2023, - nil). All potentially dilutive securities have been excluded from the calculation of diluted earnings (loss) per share for the three and nine months ended September 30, 2023, as the Company was in a net loss position during the period. Including the dilutive securities would be anti-dilutive; therefore, the basic and dilutive number of shares used in the calculation is the same for the three and nine months ended September 30, 2023.

## 14. Financial instruments:

The fair values of cash, trade and other receivables, other current assets and accounts payable and accrued liabilities are assumed to approximate their carrying amounts because of their short

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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, 2024.

## 15. Geographical information:

The Company transacts in multiple countries, primarily 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,	
	2024	2023	2024	2023
United States	\$14,532,753	\$11,100,354	\$40,202,628	\$33,731,678
Canada	1,923,361	1,741,052	5,086,760	4,373,393
United Kingdom	551,566	703,163	1,503,622	1,462,474
Other	779,024	1,964,765	2,404,654	3,478,220
	\$17,786,704	\$15,509,334	\$49,197,664	\$43,045,765

## 16. Subsequent events:

On October 4, 2024, the Company and Capital One entered into the Second A&R Credit Agreement, amending and restating the Company's existing credit agreement with Capital One. Refer to note 8 for further details on the Second A&R Credit Agreement.