

PopReach Announces Proposed Business Combination with Federated Foundry

TORONTO, ONTARIO August 17, 2021 – PopReach Corporation (TSXV: POPR) (“**PopReach**”) is pleased to announce that it has entered into a letter of intent (“**LOI**”) dated August 16, 2021 with 2810735 Ontario Inc. d/b/a Federated Foundry, an acquirer and operator of digital technology companies (“**Federated**” and together with PopReach, the “**Parties**”, and each, a “**Party**”), pursuant to which PopReach and Federated will combine to form a leading, publicly-listed Canadian technology and media enterprise (the “**Transaction**”). The LOI outlines the principal terms and conditions for the Transaction, which will result in a reverse takeover of PopReach by Federated and its shareholders.

In connection with the announcement of the LOI, which constitutes an RTO Agreement (as such term is defined in the policies of the TSX Venture Exchange (the “**TSXV**”)) for the Transaction, trading in the common shares of PopReach (“**PopReach Shares**”) has been halted pursuant to the policies of the TSXV. Trading will remain halted until, among other things, PopReach completes certain regulatory filings in connection with the Transaction with the TSXV and the TSXV has completed certain matters it considers necessary or advisable, potentially until the completion of the proposed Transaction.

Highlights

- **Multi-pronged strategy to acquire, enhance and optimize digital technology assets:** Federated was launched in 2021 to pursue a strategy of acquiring, enhancing and optimizing technology assets in the digital media and ecommerce space. Since its launch, Federated has already completed two acquisitions, and anticipates closing another in the third quarter of 2021¹. The combination with PopReach’s platform to acquire and optimize free-to-play games gives the combined company broader purview to a deep pool of high quality targets across the digital technology and media landscape to maximize return on invested capital.
- **Immediate scale:** On an unaudited basis, Federated’s two existing portfolio companies generated over US\$23.5M in revenue in the first six months of 2021, with the third portfolio company (expected to close in the third quarter of 2021¹) having generated US\$2.2M in revenue for the same period. Management expects the companies’ combined financial strength to result in greater access to capital, which will facilitate and help accelerate growth.
- **Digital audience synergies:** Federated’s portfolio companies deliver 30 billion monthly advertising impressions for 500 direct advertising clients/partners to 650 million unique users across 1,900 publisher sites. PopReach has over 1.9 million monthly active users across its portfolio of 25+ games. Federated’s platform and expertise will help PopReach expand its advertising revenue, while PopReach provides a growing delivery channel for Federated’s advertising customers.
- **Management depth and experience:** A new board of directors and an expanded and combined executive management team will bring complementary strengths and deep experience in the areas of mergers and acquisitions, digital media and advertising, mobile user acquisition, and digital content monetization.

¹ As described in the “About Federated” section of this press release.

Transaction

It is currently anticipated that the Transaction will be a cashless transaction, effected by way of a three-way amalgamation amongst Federated, PopReach and a newly-incorporated, wholly-owned subsidiary of PopReach.

It is proposed that PopReach will acquire all of the issued and outstanding shares of Federated ("Federated Shares") on a fully-diluted basis (including all common shares issued or issuable on any exercise of the outstanding options, warrants and other securities convertible, exercisable or exchangeable for Federated Shares, collectively, the "Purchased Shares") for an indicative aggregate purchase price of C\$160 million, subject to adjustments for assumed debt, working capital and other customary terms and conditions to be set out in the Definitive Agreement (as defined below), payable by the issuance by PopReach of such aggregate number of PopReach Shares to the shareholders of Federated (including those from the exercise, exchange or conversion of options, warrants and other securities convertible, exercisable or exchangeable for Federated Shares) *pro rata* based on the number of Purchased Shares held by each such shareholder of Federated, at the deemed price per PopReach Share of C\$0.80, representing a premium of 27% over the PopReach Share closing price, and a premium of 32.9% over the PopReach Share 20-day VWAP, as at August 16, 2021. The aggregate purchase price is subject to due diligence and the assumptions, terms and conditions of the LOI, and is also subject to Federated having closed the acquisition of Contobox (as described below) prior to the Transaction.

Upon completion of the Transaction, it is anticipated that current shareholders of Federated will own more than 50% of the shares of the resulting issuer (the "Resulting Issuer") on a non-diluted basis.

Additionally, it is anticipated that (i) the Resulting Issuer will change its name to a name determined by the Parties in connection with completion of the Transaction and (ii) a new equity incentive plan will be established for the Resulting Issuer, comprised of a 10% rolling stock option plan, and a restricted stock unit plan. PopReach shall seek all requisite approval to effect same upon completion of the Transaction.

Definitive Agreement

The LOI contemplates the negotiation of a definitive agreement (the "Definitive Agreement"), which shall contain such customary representations, warranties, covenants, agreements, terms and conditions consistent with industry practice for a transaction of the nature of the Transaction, including (among other things) the following conditions precedent to closing:

- a) completion of mutual satisfactory due diligence investigations of PopReach and Federated;
- b) approval of the Transaction by shareholders of PopReach and Federated;
- c) approval of the Transaction by the boards of directors of PopReach and Federated;
- d) receipt of all regulatory approvals with respect to the Transaction, including approval by the TSXV;
- e) each of Ted Hastings, Amy Hastings, Jeff Collins, Mike Fitzgerald and Kevin Ferrell shall have executed executive employment agreements with the Resulting Issuer;
- f) confirmation of no adverse material change of PopReach or Federated; and
- g) compliance by each of PopReach and Federated with representations, warranties, covenants, obligations and conditions of such Party as set out in the Definitive Agreement.



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About Federated

Federated was incorporated as 2810735 Ontario Inc. on January 25, 2021 under the *Business Corporations Act* (Ontario). Federated is a diversified, rapidly growing acquirer and operator of digital technology companies. Federated identifies businesses with meaningful scale and longevity and provides them with the platform, team and synergistic assets to accelerate growth.

Federated's portfolio includes two operating divisions, a push notification advertising platform operated by Notify AI, LLC, a Wyoming limited liability company ("Notify AI"), and an industry-leading advertising and media service provider, Q1Media, LLC, a Delaware corporation ("Q1Media"). Federated is currently working to close the acquisition of its third portfolio company, Crucial Interactive Holdings Inc., an Ontario corporation ("Contobox").

Notify AI is headquartered in Denver, Colorado; its co-founders have over 60 years' experience in the internet marketing technology space. Notify AI's push notification subscription and monetization platform generates revenue by delivering targeted ads across its network of publisher websites.

Q1Media is headquartered in Austin, Texas, and has been operating in the digital media industry for over 17 years. Q1Media's clients are hundreds of longstanding mid-market enterprises across the United States, where Q1Media provides digital media advertising strategies including social, video and search.

Contobox, is a leader in personalization, eCommerce and creative advertising technologies. With offices in Toronto, Montreal, and New York, Contobox is focused on developing and selling marketing and advertising technology solutions for brands and publishers.

The following table sets out certain unaudited financial information of Federated and each entity acquired, or, in the case of Contobox, intended to be acquired, by Federated for the six-month period ending on June 30, 2021.

<u>Six months ended June 30, 2021</u> <i>(all figures in US dollars, unaudited)</i>				
	NotifyAI	Q1Media	Contobox ²	Federated
<i>Revenue</i>	\$11,931,274	\$11,607,598	\$2,203,290	\$0
<i>Net Income</i>	\$2,089,759	\$732,542	\$87,017	-\$271,319
<i>Adjusted EBITDA ³</i>	\$2,202,810	\$1,056,261	\$276,507	-\$271,319
<i>Current Assets</i>	\$3,939,116	\$5,746,071	\$3,472,202	\$5,491,870
<i>Total Assets</i>	\$3,939,116	\$5,804,593	\$3,677,407	\$5,491,870
<i>Current Liabilities</i>	\$1,970,320	\$5,606,038	\$5,332,531	\$1,621,026
<i>Total Liabilities</i>	\$1,970,320	\$5,606,038	\$6,756,376	\$1,621,026

² The acquisition of Contobox by Federated is currently pending completion. Subject to satisfaction of all due diligence, receipt of professional advice by both Contobox and Federated, and other conditions precedent to the completion of such acquisition, Federated expects to complete the acquisition of Contobox in the third quarter of 2021.

³ Please refer to "Non-GAAP Measures" section of this press release.



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Updates to PopReach Board and Proposed Principals and Insiders of Resulting Issuer

The Transaction, if completed on terms described herein, will represent a strategic expansion for PopReach from its historical focus on ‘free-to-play’ games to include also an overall strategy of acquiring, enhancing and optimizing other digital media and ecommerce assets and opportunities.

The board of directors of the Resulting Issuer is anticipated to consist of seven members: three nominees from PopReach (being Jon Walsh, Christopher Locke and Mike Vorhaus) and four from Federated (being Ted Hastings, and three directors independent in relation to the Resulting Issuer with complementary skills and experiences, including in digital media and advertising, mobile user acquisition, and digital content monetization).

Mr. Schnarr, who was a director of the TSXV capital pool company (the “CPC”) that is a predecessor of PopReach and who continued to serve as a director of PopReach upon PopReach’s ‘go public’ transaction via the CPC, Mr. Sharma, who similarly was a director of the CPC and who joined the PopReach Board in late July 2020 after PopReach’s ‘go public’ transaction via the CPC, and Mr. Patterson, who joined the PopReach Board upon completion of PopReach’s ‘go public’ transaction, have each resigned from the PopReach Board. The Board and management of PopReach sincerely thanks Messrs. Schnarr, Sharma and Patterson for their invaluable service and guidance of PopReach in its formative years as a public company, as well as their expert insights and advice in the execution of PopReach’s strategy to date in digital game assets.

The expanded and combined team of executive officers of the Resulting Issuer will include Ted Hastings as Executive Chairman, Jon Walsh as Chief Executive Officer, Christopher Locke as President, Greg Donaldson as Chief Financial Officer, and Amy Hastings as General Counsel and Corporate Secretary.

It is anticipated that Michael Fitzgerald of Denver, Colorado, and James Mansfield of Austin, Texas, will become Insiders (as such term is defined in the policies of the TSXV) of the Resulting Issuer as holders of more than 10% of the issued and outstanding shares of the Resulting Issuer immediately upon completion of the Transaction.

Jon Walsh

Mr. Walsh, currently Chief Executive Officer and a director of PopReach, is a veteran of game publishing and digital media technology industries. He has delivered more than 30 games across console, PC and mobile platforms that have collectively generated more than 50 million downloads. Prior to PopReach, he was the Founder and CEO of Fuse Powered, a mobile ad mediation and analytics platform used by hundreds of successful apps, which was acquired by Upsight, where he served as President. Prior to Fuse, Mr. Walsh founded Groove Games, a retail game publisher that produced over a dozen PC and console games that sold millions of units and generated tens of millions of dollars in revenue. He holds an HBA and MBA from the Richard Ivey School of Business at the University of Western Ontario.

Christopher Locke

Mr. Locke, currently President, Chief Operating Officer, Corporate Secretary and a director of PopReach, has led the development, publishing and commercialization of industry defining free-to-play mobile games that have generated hundreds of millions of dollars in revenue, including Smurfs’ Village and Kim Kardashian: Hollywood. Mr. Locke was the founder and Chief Executive Officer of Blammo Games, acquired by Glu Mobile (NASDAQ: GLUU), where he served as Senior Vice President.



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Mike Vorhaus

Mr. Vorhaus, currently a director of PopReach, is the founder and CEO of Vorhaus Advisors, a research and consultancy firm to media, internet and video game companies. Previously, he was President of Magid Advisors, where he founded their Internet and Gaming practices, advising many of the top digital and gaming companies in the U.S. and abroad. Mr. Vorhaus is a director of Perion (NASDAQ: PERI), where he chairs the Nominations Committee and serves on the Audit Committee, a director of Altimar Acquisitions (NYSE: ATAC), and an advisor to venture capital and private equity firms in regard to investments in the media and tech spaces. Mike Vorhaus appears regularly on CNBC, CNBC Asia, MSNBC, CBS, NPR, and Fox Business, and is often quoted in newspapers and Websites, such as The New York Times, The Wall Street Journal, USA Today, Reuters, MarketWatch, TheStreet, and others.

Ted Hastings

Mr. Hastings has an 18-year career as a CEO/President including 30+ acquisitions in both the public (LSE, TSX) and private markets. He has served as CEO of RhythmOne (LSE AIM: RTHM), CEO of Perk (TSX: PER), President of Cyberplex, CEO of Tsavo Media, and CEO of GBG (sold to NYSE: MMM) through his career in leadership positions in software and internet companies. He was named to Canada's Top 40 Under 40 for 2009, is a CPA and a graduate of Wilfrid Laurier.

Greg Donaldson

Mr. Donaldson, CPA, CA, currently Chief Financial Officer of PopReach, has held senior finance positions at technology companies including ecobee, Freshbooks and VarageSale. He also served as the most senior financial officer for Timminco Limited, a TSX listed company with revenue in excess of \$150MM.

Amy Hastings

Ms. Hastings has been advising both public and private companies on M&A, financing transactions and general corporate matters for over 10 years. She has previously served as General Counsel to each of Perk Inc. (TSX: PER) and RhythmOne plc (LSE AIM: RTHM). She played a critical role in guiding Perk through a reverse take-over transaction and listing on the Toronto Stock Exchange in 2015, several M&A transactions and an eventual sale to RhythmOne plc (LSE AIM:RTHM) in 2017. At RhythmOne she led several corporate development initiatives, including the company's acquisition of Yume, Inc. (NYSE: YUME). Ms. Hastings has recently served as Legal Advisor to a number of Ad Tech companies, including, TextNow, Inc., Beachfront Media, LLC and Snapsort Inc. She earned her LL.B. from University of Windsor and B.A. from Columbia University.

Arm's Length Transaction

The Transaction will constitute an Arm's Length Transaction (as such term is defined in the policies of the TSXV). No person who or which is a Non-Arm's Length Party of PopReach has any direct or indirect beneficial interest in Federated, its shareholders or its assets prior to giving effect to the Transaction and no such persons are also Insiders of Federated. Similarly, there is no known relationship between or among any person who or which is a Non-Arm's Length Party of PopReach and any person who or which is a Non-Arm's Length Party to Federated.



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Shareholder Approvals

The Transaction will be a Reverse Takeover (as such term is defined in the policies of the TSXV) and therefore will require approval of the shareholders of PopReach. It is anticipated that PopReach will seek approval of its shareholders at an annual general and special meeting of shareholders as soon as reasonably practicable (the “**PopReach Shareholders Meeting**”). It is anticipated that shareholders will be requested to approve: (A) the Transaction, (B) the proposed name change, (C) the election of new directors, (D) the proposed new equity incentive plan, (E) such other matters that may be reasonably required in order to give effect to the Transaction, and (F) such other matters to be addressed at an annual general meeting, being to receive and consider the fiscal 2020 annual financial statements and the appointment of MNP LLP as auditor. In connection with the Transaction, the PopReach Shareholders Meeting and pursuant to the requirements of the TSXV, PopReach will prepare an information circular, which will contain details regarding the Transaction, PopReach, Federated and the Resulting Issuer. The information circular and other materials for the PopReach Shareholders Meeting will be mailed to shareholders of PopReach and posted under PopReach’s profile on SEDAR at www.sedar.com.

The Transaction will require approval of the shareholders of Federated. All of Federated’s shareholders are subject to a voting trust agreement allowing for Ted Hastings, in his capacity as Chief Executive Officer of Federated, to exercise voting rights in respect of the Federated Shares.

Sponsorship

The TSXV has discretion to require sponsorship in connection with certain significant transactions where the TSXV considers sponsorship necessary or advisable. In the event the TSXV determines that sponsorship is required in connection with the Transaction, PopReach intends to make an application to the TSXV for a waiver from sponsorship requirements. There is no assurance that if applied for, a waiver will be granted.

Management Commentary

“Ted Hastings and the Federated Foundry team have a strong track record of growth, both organic and inorganic, and a shared philosophy in uncovering, acquiring and optimizing technology assets that drive meaningful returns and cash flows.” said Jon Walsh, CEO of PopReach. “The combination of our businesses greatly increases our addressable market, access to capital, and the ability to accelerate value creation for our shareholder bases.”

Added Christopher Locke, President of PopReach, “This Transaction brings together two established consolidation platforms in free-to-play games and digital media technology, a strategy validated by strong recent precedents in our industry. It not only creates instant critical mass for both of our organizations, but owning cash flowing businesses that provide digital media services, technology platforms, and content, provides the opportunity to capture more margin across the value chain as we fully integrate our operations.”

Non-GAAP Measures

The Parties prepare their financial statements in accordance with IFRS. However, the Parties consider certain non-GAAP financial measures as useful additional information to assess its financial performance. These measures, which the Parties believe are widely used by investors, securities analysts and other interested parties to evaluate its performance, do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded



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companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. "EBITDA" and "Adjusted EBITDA" are non-GAAP measures.

EBITDA and Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization ("EBITDA") and consolidated adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") are non-IFRS measures of financial performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS, and may be different from non-IFRS financial measures used by other companies. Management of the Parties defines EBITDA as follows: IFRS Net income (loss) adding back accretion and interest expenses (including amortization of deferred financing fees), income taxes, amortization, gain/loss on disposal of assets, and fair value gain/loss on financial liabilities. Adjusted EBITDA is calculated as EBITDA and excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, legal expenses, and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments, and changes in deferred revenues.

The Parties believe EBITDA and Adjusted EBITDA are useful financial metrics to assess operating performance on a cash basis before the impact of non-cash items.

The following table presents Federated's calculation of EBITDA and Adjusted EBITDA, on an unaudited basis, for the six months ended June 30, 2021:

All figures in US dollars	NotifyAI	Q1Media	Contobox ²	Federated
<u>Reconciliation of non-GAAP measures</u>				
Net Income	\$2,089,759	\$732,542	\$87,017	-\$271,319
Add:				
Interest and accretion expenses	-\$113	\$41,606	\$29,247	\$0
Current taxes	\$0	\$133,774	\$0	\$0
(Gain) / loss on sale	\$0	-\$3,587	-\$42,297	\$0
Amortization & Depreciation	\$0	\$12,927	\$52,487	\$0
EBITDA	\$2,089,646	\$917,261	\$126,453	-\$271,319
Add:				
Extraordinary one-time expenses	\$113,163	\$139,000	\$150,054	\$0
Adjusted EBITDA	\$2,202,810	\$1,056,261	\$276,507	-\$271,319

² The acquisition of Contobox by Federated is currently pending completion. Subject to satisfaction of all due diligence, receipt of professional advice by both Contobox and Federated, and other conditions precedent to the completion of such acquisition, Federated expects to complete the acquisition of Contobox in the third quarter of 2021.



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About PopReach Corporation

PopReach, a Tier 1 Issuer on the TSX Venture Exchange, with shares also trading on OTCQX® Best Market, is a free-to-play game publisher focused on acquiring and optimizing proven franchises. The Company has to date acquired successful game franchises enjoyed by over 1.9 million unique players a month, including *Smurfs' Village* (IP under license), *PAYDAY Crime War* (IP under license), *Peak - Brain Training*, *Kitchen Scramble*, *Gardens of Time*, *City Girl Life*, *War of Nations* and *Kingdoms of Camelot*. PopReach, headquartered in Toronto, employs a team of over 130 experts in Toronto, Vancouver, London, UK, and Bangalore, India.

Additional information about the Company is available at www.sedar.com

For further information:

PopReach Corporation
Christopher Locke
invest@popreach.com

Federated Foundry
Ted Hastings
ted@federatedfoundry.com

Completion of the Transaction is subject to a number of conditions, including but not limited to, TSXV acceptance and if applicable, disinterested shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of PopReach should be considered highly speculative.

Certain financial data contained herein is unaudited and may be subject to refinement or modification during the audit process. Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon.

The TSXV has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this news release.

This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction.

Cautionary Statement Regarding Forward-Looking Information

This news release contains "forward-looking information" within the meaning of Canadian securities legislation. Forward- looking information generally refers to information about an issuer's business, capital, or operations that is prospective in nature, and includes future-oriented financial information about the issuer's prospective financial performance or financial position.



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The forward-looking information in this news release includes disclosure about the terms of the Transaction and the proposed structure of the Transaction.

PopReach and Federated made certain material assumptions, including but not limited to: prevailing market conditions; general business, economic, competitive, political and social uncertainties; delay or failure to receive board, shareholder or regulatory approvals; and the ability of the resulting issuer to execute and achieve its business objectives, to develop the forward-looking information in this news release. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

Actual results may vary from the forward-looking information in this news release due to certain material risk factors. These risk factors include, but are not limited to: adverse market conditions; the inability of PopReach or Federated to complete the Transaction on the terms disclosed in this news release, or at all; the unavailability of exemptions from prospectus requirements for the issuance of PopReach Shares; the risks associated with the marketing and sale of PopReach Shares; refusal of the proposed directors or officers to act for any reason, including conflicts of interest; reliance on key and qualified personnel; and regulatory and other risks associated with the technology, media and digital gaming industries in general. The foregoing list of material risk factors and assumptions is not exhaustive.

PopReach assumes no obligation to update or revise the forward-looking information in this news release, unless it is required to do so under Canadian securities legislation.

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