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PopReach Reports Second Quarter 2021 Financial Results

Execution of the growth strategy drove 17% sequential growth in mobile platform revenue from the first quarter of 2021 with positive Adjusted EBITDA and cash flow generation

TORONTO, ONTARIO August 30, 2021 - PopReach Corporation ("**PopReach**" or the "**Company**") (TSXV: POPR, OTCQX: POPRF), a free-to-play game publisher focused on acquiring and optimizing proven game franchises, today announced financial results for the three and six months ended June 30, 2021.

(All figures in US dollars, unless otherwise indicated)

Q2 2021 Financial Highlights

- Revenue from mobile platforms (Apple, Google and Amazon) was $3.5 million (78.3% of total revenue), compared to $3.0 million in Q1 2021 (72.8%), and $3.1 million in Q2 2020 (63.6%)
- Revenue of $4.4 million, compared to $4.1 million in Q1 2021, and $4.9 million in Q2 2020; overall revenue was impacted by an industry wide decline in Facebook Canvas platform game activity
- Gross profit margin increased to 65.3%, from 62.0% in Q1 2021, and 59.0% in Q2 2020, driven by the ongoing execution of operating cost reductions
- Operating expenses of $3.1 million, compared to $2.6 million in Q1 2021, and $2.4 million in Q2 2020; the increase in operating expenses is due to higher marketing of $0.6M compared to Q1 2021, including user acquisition investments late in the quarter, which are expected to drive revenue growth in subsequent periods
- EBITDA[1] of $0.4 million (9.4% of revenue), compared to $0.4 million (10.8%) in Q1 2021, and $0.7 million (14.3%) in Q2 2020
- Adjusted EBITDA[1] of $0.6 million (13.3% of revenue), compared to $0.9 million (20.9%) in Q1 2021, and $1.5 million (31.0%) in Q2 2020
- Net income of $1.1 million ($0.01 per basic and diluted share), compared to a net income of $2.2 million ($0.03 per basic and diluted share) in Q1 2021, and a net loss of $1.8 million (($0.05) per basic and diluted share) in Q2 2020
- Cash generated by operating activities in Q2 2021, net of working capital changes, was $0.5 million, compared to $0.4 million in Q1 2021, and $1.3 million in Q2 2020
- Cash at the end of June 30, 2021 was $12.6 million, compared to $18.1 million at the end of 2020, and debt outstanding on the bank credit facility was $5.7 million, compared to $6.0 million at the end of 2020; the decrease in cash is due to payments relating to the Company's Q1 and Q2 2021 M&A activities

[1] Please refer to "Non-GAAP Measures" section of this press release

Q2 2021 Operating Highlights

- On April 13, 2021, the Company acquired all right and title to the existing "PAYDAY Crime War" source code and game assets for cash consideration of $0.25 million, and entered into a five-year licensing agreement to commercialize the title worldwide; the transition of these assets was successfully completed in Q2 2021, and the Company is targeting its closed beta of the only mobile version of the PAYDAY franchise in Q4 2021

Subsequent Highlights

- On August 16, 2021, the Company entered into a letter of intent ("LOI") with Federated Foundry ("Federated"), an acquirer and operator of digital technology companies, for a proposed business combination, pursuant to which the Company and Federated will combine to form a leading, publicly-listed Canadian technology and media enterprise through a reverse takeover of the Company by Federated and its shareholders

Management Commentary

"The investments we have made in our key growth franchises are starting to pay dividends as we posted another quarter of double-digit sequential growth in mobile platform revenue, which more than offset the decline in revenue from Facebook Canvas games that are now in sunset mode," said Jon Walsh, Co-founder and CEO of PopReach. "We expect our core game franchises, which includes War of Nations, Kitchen Scramble, Smurfs' Village and Peak – Brain Training, have the potential to drive meaningful growth in H2 2021, and we are excited for our plans to release Payday Crime War in H1 2022. The breadth of growth opportunities we have generated across our portfolio while continuing to deliver positive cash flow is a testament to the strength of our business model. We have also begun investing in new user growth, and have seen encouraging results to date."

Added Christopher Locke, Co-founder and President of PopReach "At the same time, we fully recognize that our playbook really starts to work well when we reach a critical mass. That's why we're very excited about the proposed business combination with Federated – it provides necessary scale, more positive cash flow generation, and broadens our pool of acquisition opportunities across the digital media and technology landscape, with the potential to drive meaningful synergies across the businesses."

Selected Quarterly Information

Below is selected quarterly information from the Company's consolidated financial statements for each of the quarterly periods indicated. The Company's functional and presentation currency is US Dollars. Except where indicated, the following financial data is reported in accordance with IFRS.

	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended June 30 2020
In-app purchases	$ 4,177,682	$ 3,938,807	$ 4,706,106
Advertising	263,109	137,722	195,894
Other	295	1,371	326
Total revenue	$ 4,441,086	$ 4,077,900	$ 4,902,326
Net Income (Loss)	1,080,290	2,161,299	(1,822,189)
Comprehensive Income (Loss)	1,084,270	2,184,484	(1,848,562)
Earnings (loss) per share (basic and diluted)	0.01	0.03	(0.05)

Non-GAAP[1]*:*

Bookings	4,667,189	4,115,915	4,793,186
EBITDA	419,453	440,276	702,487
Adjusted EBITDA	589,587	851,647	1,519,290

[1] Please refer to "Non-GAAP Measures" section of this press release

	June 30 2021	December 31 2020
Cash and cash equivalents	$ 12,589,024	$ 18,097,649
Current assets	15,208,846	20,079,201
Total assets	28,823,844	25,934,531
Current liabilities	6,130,799	7,879,809
Non-current liabilities	6,690.565	5,534,564

	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended June 30 2020
Apple	$ 2,240,569	$ 1,779,882	$ 2,022,115
Facebook	961,767	1,110,453	1,786,368
Google	864,454	970,001	822,833
Amazon	53,498	65,655	74,790
Other mobile	57,394	12,816	--
Total in-app purchases	4,177,682	3,938,807	4,706,106

Financial Statements and MD&A

PopReach's Financial Statements for the three and six months ended June 30, 2021, and Management's Discussion and Analysis (the "MD&A") for the three and six months ended June 30, 2021, are posted on the corporate website at https://www.popreach.com/financial-information/ and available on the company's profile on SEDAR at www.sedar.com.

Non-GAAP Measures

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-GAAP financial measures as useful additional information to assess its financial performance. These measures, which it believes 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 companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-GAAP measures include “Bookings”, “EBITDA” and “Adjusted EBITDA”.

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. Company management 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 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, changes in deferred revenues, and other extraordinary one-time expenses.

Management believes EBITDA and Adjusted EBITDA are useful financial metrics to assess its operating performance on a cash basis before the impact of non-cash items.

The following table presents the Company’s calculation of EBITDA and Adjusted EBITDA for each period:

	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended June 30 2020
Net loss	$ 1,080,290	$ 2,161,299	$ (1,822,189)
Add:			
Interest and accretion expenses	145,734	138,140	354,426
Loss (gain) on disposal of assets	(4,212)		-
Current taxes (recovery)	21,936	31,392	34,092
Deferred tax recovery	(4,495)	(1,198)	-
Amortization	491,663	400,576	734,124
Fair value loss (gain) on financial liabilities	(1,311,463)	(2,289,933)	1,402,034
EBITDA	419,453	440,276	702,487
Add:			
Share-based compensation expense	73,469	73,939	38,946
Change in deferred revenue	226,103	38,015	(109,140)
Change in deferred cost of sales	(139,560)	(35,973)	-
Extraordinary one-time expenses	10,122	335,390	886,997
Adjusted EBITDA	**589,587**	**851,647**	**1,519,290**

Adjusted EBITDA/Revenue %	**13%**	**21%**	**31%**

Adjusted EBITDA was $589,587 for the three months ended June 30, 2021 compared to $1,519,290 for the three months ended June 30, 2020, which represents a decrease of $929,703 or 61%.

The decrease in amortization was due to certain intangible assets being fully amortized during 2020. Decreases in interest and accretion expenses were due to the restructuring of the credit facility mentioned in "Summary of Significant Developments" in the MD&A.

Non-operating items

Fair value gain on financial liabilities was $1,311,463 for the three months ended June 30, 2021 compared to a fair value loss of $1,402,034 for the three months ended June 30, 2020. The full amount of the fair value gain of $1,311,463 for the three months ended June 30, 2021 related to the change in fair value of the warrant liability. As the share price of the Company increases, the fair value of the warrant liability increases. Conversely, if the share price of the Company decreases, the fair value of the warrant liability decreases. The entire $1,402,034 loss for the three months ended June 30, 2020 also related to the fair value loss of the conversion feature and warrant liability. As the probability of the completion of the Qualifying Transaction increased, along with the valuation of the Company, the fair value of the conversion feature and warrants also increased.

Bookings

Bookings is a non-GAAP financial measure that is equal to revenue recognized plus or minus the change in deferred revenue during the period. The following table is the reconciliation from revenue to bookings for each period:

	Three months ended June 30 2021	Three months ended March 31 2021	Three months ended June 30 2020
Revenue	$ 4,441,086	$ 4,077,900	$ 4,902,326
Add: Increase (decrease) in deferred revenue	226,103	38,015	(109,140)
Total bookings	4,667,189	4,115,915	4,793,186

The decrease in bookings for the three months ended June 30, 2021 compared to the three months ended June 30, 2020, are due to the industry wide decline of the Facebook Canvas platform, as discussed in the Growth Platforms section of "Summary of Significant Developments" in the MD&A. The Company also continues to experience uncertainties around the impact of COVID-19 in general but particularly in India, which has resulted in delayed content updates and bug fixes relating to the live operations of the Company's entire portfolio of games, and the ongoing uncertainty around paid user acquisition costs resulting from Apple's IDFA policy change. Additionally, management now believes that Q2 2020 was subject to an industry wide "COVID lift", as discussed in "Seasonality" section in the MD&A.

About PopReach Corporation

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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

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Forward-looking Information

Certain information in this news release constitutes forward-looking statements and forward-looking information under applicable Canadian securities legislation (collectively, "forward-looking information"). Forward-looking information include, but are not limited to, statements with respect to and the business, financials and operations of the Company. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Forward looking information is necessarily based on a number of opinions, assumptions and estimates that, while considered reasonable by the Company as of the date of this news release, are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements and future events to be materially different from those expressed or implied by such forward-looking information, including but not limited to the factors described in greater detail in the public documents of the Company available at www.sedar.com. Although the Company has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Investors are cautioned undue reliance should not be placed on any such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Company. The Company does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.