



Consolidated Financial Statements of POPREACH CORPORATION

For the years ended December 31, 2020 and 2019

To the Shareholders of PopReach Corporation:

Opinion

We have audited the consolidated financial statements of PopReach Corporation and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and December 31, 2019, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficit) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that

includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Giacomo Angelini.

Waterloo, Ontario

April 19, 2021

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

MNP

POPREACH CORPORATION

Consolidated Statements of Financial Position

As at December 31, 2020 and December 31, 2019 (in US dollars, unless otherwise stated)

| | December 31 2020 | December 31 2019 |
|---|---------------------|---------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 18,097,649 | \$ 1,126,160 |
| Trade and other receivables (note 4) | 1,167,123 | 1,444,428 |
| Investment tax credits receivable | 466,619 | 587,715 |
| Investment in lease receivable (note 9) | 50,552 | 43,567 |
| Prepaid assets | 297,258 | 330,407 |
| | 20,079,201 | 3,532,277 |
| Property and equipment (note 5) | 184,220 | 131,820 |
| Intangible assets (note 6) | 5,116,926 | 7,651,485 |
| Goodwill | 6,084 | 6,084 |
| Investment tax credits receivable | 242,015 | 360,812 |
| Right-of-use asset (note 8) | 138,581 | 415,745 |
| Investment in lease receivable (note 9) | 100,164 | 147,746 |
| Deferred financing costs (note 10) | - | 371,467 |
| Deferred tax asset (note 28) | 67,340 | - |
| | 25,934,531 | 12,617,436 |

Liabilities and Shareholders' Deficit

| | | |
|--|--------------|-------------|
| Current Liabilities: | | |
| Trade and other payables | 869,081 | 2,074,058 |
| Taxes payable | 43,062 | 72,439 |
| Deferred revenue | 912,475 | 1,231,512 |
| Lease liabilities (note 8) | 208,302 | 327,408 |
| Borrowings (note 10) | 1,200,418 | 7,874,626 |
| Game acquisition payable (note 11) | - | 370,029 |
| Provisions (note 11) | 100,000 | 1,671,846 |
| Derivative financial instruments (note 12) | 4,546,471 | 205,590 |
| | 7,879,809 | 13,827,508 |
| Non-current liabilities: | | |
| Lease liabilities (note 8) | 113,264 | 321,926 |
| Borrowings (note 10) | 4,832,445 | 663,366 |
| Employee benefit obligations (note 14) | 588,855 | 538,217 |
| | 13,414,373 | 15,351,017 |
| Shareholders' equity (deficit): | | |
| Share capital (note 16) | 24,575,987 | 3,141,880 |
| Warrant reserve (note 17) | 50,176 | 382,155 |
| Share-based payment reserve (note 18) | 1,170,499 | 694,309 |
| Accumulated other comprehensive loss | (53,759) | (30,404) |
| Deficit | (13,222,745) | (6,921,521) |
| | 12,520,158 | (2,733,581) |
| | 25,934,531 | 12,617,436 |

Commitments (note 7)

See accompanying notes to consolidated financial statements.

On behalf of the Board:

/s/ Chris Schnarr Director

 /s/ Christopher Locke Director

POPREACH CORPORATION

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

| | 2020 | 2019 |
|---|--------------------|--------------------|
| Revenue (note 23): | | |
| In-App purchases | \$ 17,300,218 | \$ 16,970,160 |
| Advertising and other | 710,067 | 983,714 |
| | <u>18,010,285</u> | <u>17,953,874</u> |
| Cost of sales (notes 24 and 25) | <u>7,648,089</u> | <u>10,062,297</u> |
| Gross profit | <u>10,362,196</u> | <u>7,891,577</u> |
| Operating expenses: | | |
| Research and development (note 24) | 2,813,146 | 3,245,964 |
| General and administrative (notes 24 and 25) | 2,874,601 | 2,801,806 |
| Marketing (note 25) | 609,573 | 47,059 |
| Interest and accretion expenses (note 25) | 1,417,024 | 1,266,094 |
| Amortization | 2,894,788 | 3,720,177 |
| Impairment of intangible assets (note 6) | - | 994,525 |
| | <u>10,609,132</u> | <u>12,075,625</u> |
| Non-operating expenses: | | |
| Fair value loss on financial liabilities (notes 13 and 25) | 4,977,862 | 60,468 |
| Reverse takeover listing expense (note 26) | 1,008,834 | - |
| | <u>5,986,696</u> | <u>60,468</u> |
| Loss before income taxes | <u>(6,233,632)</u> | <u>(4,244,516)</u> |
| Current taxes (recovery) (note 27) | <u>127,076</u> | <u>191,269</u> |
| Deferred tax recovery (notes 27 and 28) | <u>(59,484)</u> | <u>-</u> |
| Net loss | <u>(6,301,224)</u> | <u>(4,435,785)</u> |
| Other comprehensive income (loss): | | |
| Employee benefit obligations actuarial earnings (loss), net of income tax (note 14) | (23,355) | 13,450 |
| Comprehensive loss (note 16) | <u>(6,324,579)</u> | <u>(4,422,335)</u> |
| Basic and diluted loss per share (note 16) | <u>(0.13)</u> | <u>(0.11)</u> |
| Weighted average number of shares outstanding | <u>47,824,804</u> | <u>40,557,686</u> |

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Qualifying Transaction (note 26) of 7.62 resulting issuer shares for every 1 share of PopReach Incorporated.

See accompanying notes to consolidated financial statements.

POPREACH CORPORATION

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

| | Number of shares | Share capital (note 16) | Warrant reserve (note 17) | Share-based payment reserve (note 18) | Accumulated other comprehensive income (loss) | Deficit | Total |
|--|------------------|----------------------------|------------------------------|--|---|----------------|--------------|
| January 1, 2019 | 37,041,292 | \$ 2,707,411 | \$ 626,754 | \$ 493,125 | \$ (43,854) | \$ (2,485,736) | \$ 1,297,700 |
| Conversion of warrants | 1,889,373 | 445,785 | (255,915) | — | — | — | 189,870 |
| Share-based compensation | — | — | — | 201,184 | — | — | 201,184 |
| Warrants issued during the year | — | (11,316) | 11,316 | — | — | — | — |
| Comprehensive income (loss) | — | — | — | — | 13,450 | (4,435,785) | (4,422,335) |
| December 31, 2019 | 38,930,665 | 3,141,880 | 382,155 | 694,309 | (30,404) | (6,921,521) | (2,733,581) |
| Share-based compensation | — | — | — | 180,201 | — | — | 180,201 |
| Shares issued during the year | 20,744,444 | 15,864,586 | — | — | — | — | 15,864,586 |
| Compensation options issued during the year | — | (243,355) | — | 243,355 | — | — | — |
| Warrants issued during the year | — | — | 12,684 | — | — | — | 12,684 |
| Conversion of convertible debentures (note 16) | 7,744,273 | 3,342,625 | — | — | — | — | 3,342,625 |
| Exercise of warrants | 1,629,273 | 416,710 | (378,966) | — | — | — | 37,744 |
| Exercise of share-based payments | 250,031 | 72,326 | — | (23,281) | — | — | 49,045 |
| Comprehensive income (loss) | — | — | — | — | (23,355) | (6,301,224) | (6,324,579) |
| Reverse takeover (note 26) | 3,750,000 | 1,981,215 | 34,303 | 75,915 | — | — | 2,091,433 |
| December 31, 2020 | 73,048,686 | 24,575,987 | 50,176 | 1,170,499 | (53,759) | (13,222,745) | 12,520,158 |

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Qualifying Transaction (note 26) of 7.62 resulting issuer shares for every 1 share of PopReach Incorporated.

See accompanying notes to consolidated financial statements.

POPREACH CORPORATION

Consolidated Statements of Cash Flows

For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

| | 2020 | 2019 |
|--|-------------------|--------------------|
| Cash flows from operating activities: | | |
| Net loss | \$ (6,301,224) | \$ (4,435,785) |
| Items not affecting cash: | | |
| Loss (gain) on disposal of property and equipment | 6,750 | (84,700) |
| Deferred tax recovery | (59,484) | – |
| Amortization | 2,894,788 | 3,720,177 |
| Amortization on deferred financing fees | 371,467 | 142,986 |
| Impairment loss on intangible assets | – | 994,525 |
| Fair value loss on financial liabilities (note 13) | 4,977,862 | 60,468 |
| Share-based compensation expense | 180,201 | 201,184 |
| Finance income on investment in lease receivable | (22,141) | (4,334) |
| Unrealized foreign exchange gains | (65,142) | (13,233) |
| Accretion expense | 311,865 | 321,691 |
| Employee benefit obligations expensed | 100,734 | 135,164 |
| Changes in working capital (note 19) | (942,862) | (965,796) |
| Reverse takeover listing expense (note 26) | 681,438 | – |
| Employee benefit obligations paid | (70,143) | (59,070) |
| Interest expense paid in financing activities | 620,923 | 614,743 |
| Cash generated from operating activities | 2,685,032 | 628,020 |
| Cash flows used in investing activities: | | |
| Additions to property and equipment | (140,318) | (66,495) |
| Payments for game acquisitions (note 11) | (824,361) | (2,097,752) |
| Payments for intangible asset acquisition (note 11) | – | (1,004,815) |
| Proceeds from lessee | 63,680 | – |
| Changes in restricted cash | – | 256,561 |
| Cash used in investing activities | (900,999) | (2,912,501) |
| Cash flows from financing activities: | | |
| Proceeds from borrowings | – | 4,622,607 |
| Financing fees paid on borrowings | (197,752) | – |
| Repayments of borrowings | (1,672,853) | (1,199,404) |
| Payments of interest on borrowings | (620,923) | (614,743) |
| Payments for lease liabilities | (389,506) | (256,946) |
| Payments for provisions (note 11) | (1,219,957) | – |
| Net cash proceeds received from issuance of shares (note 16) | 15,864,586 | – |
| Cash proceeds from convertible debentures (note 12) | 1,864,735 | 460,096 |
| Cash proceeds from exercise of warrants (note 17) | 37,744 | – |
| Cash proceeds received on reverse takeover (note 26) | 1,484,114 | – |
| Cash proceeds from exercise of share options | 49,045 | 189,870 |
| Cash generated from financing activities | 15,199,233 | 3,201,480 |
| Net cash inflow | 16,983,266 | 916,999 |
| Cash and cash equivalents, beginning of the year | 1,126,160 | 196,924 |
| Effects of foreign currency exchange rate on cash | (11,777) | 12,237 |
| Cash and cash equivalents, end of the year | 18,097,649 | 1,126,160 |
| Income taxes paid | 156,454 | 118,830 |

See accompanying notes to the consolidated financial statements.

1. Nature of operations

PopReach Corporation (formerly Mithrandir Capital Corp.) ("the **Company**"), was incorporated September 25, 2018 pursuant to the provisions of the *Business Corporations Act* (Ontario).

The Company was carrying on business as a Capital Pool Corporation ("CPC"), as such term is defined in TSX Venture Exchange Inc. (the "Exchange") Policy 2.4 – Capital Pool Companies. The Company's principal purpose was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation (the "Qualifying Transaction") therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company completed its initial public offering on October 11, 2019. Upon completion, the Company's shares were listed for trading on the Exchange under the symbol "GMER.P".

On June 30, 2020, the Company incorporated a wholly owned subsidiary under the *Business Corporations Act* (Ontario), 2759344 Ontario Inc. ("Subco"), for the sole purpose of completing the proposed Qualifying Transaction.

The Qualifying Transaction was completed on June 30, 2020 by way of a three-cornered amalgamation, pursuant to which Subco amalgamated with PopReach Incorporated ("PopReach") and the Company, which now holds the assets of PopReach Incorporated as a wholly-owned subsidiary, changed its name to PopReach Corporation. Immediately prior to the close of the Qualifying Transaction, the Company consolidated its common shares on an 8 to 1 basis (the "Share Consolidation"). The Share Consolidation has been applied retrospectively in the consolidated financial statements, including a share exchange in connection with the Qualifying transaction of 7.62 post-consolidation shares of the Company for every one share of PopReach, and as a result, the common shares (the "Common Shares"), broker warrants and option amounts of the Company presented herein are stated in an adjusted post-share consolidation basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on Tier 1 of the TSX Venture Exchange (see Note 26) under the symbol "POPR".

The Company is a free-to-play game publisher focused on acquiring and optimizing proven game franchises; the Company drives growth through a combination of investment in existing franchises and new acquisitions. The head office of the Company is located at 1 University Avenue, 3rd Floor, Toronto, ON, M5J 2P1.

The Company has a wholly owned subsidiary, PopReach, incorporated under the laws of the Province of Ontario, and PopReach's accounts are consolidated into the Company's consolidated financial statements. As at December 31, 2020, PopReach employs 17 employees on a full-time basis between its offices in Toronto, Ontario and Vancouver, British Columbia. In addition, PopReach operates a wholly owned subsidiary, PopReach Technologies Private Limited ("PR Tech"), in Bangalore, India. PR Tech is incorporated pursuant to the laws of India, and its accounts are also consolidated into the Company's consolidated financial statements. PR Tech is a management company in charge of managing and operating the Company's developed technology, and employs 106 employees on a full-time basis.

2. Significant accounting policies

Statement of compliance

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements were authorized for issue by the Company's Board of Directors on April 19, 2021.

Basis of measurement and presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments measured at fair value through profit or loss. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

These consolidated financial statements are presented in US dollars, which is the Company's functional currency.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and entities ultimately controlled by the Company:

- PopReach Incorporated, a wholly-owned subsidiary of the Company
- PopReach Technologies Private Ltd , a wholly-owned subsidiary of PopReach Incorporated

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany transactions balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Revenue recognition

The Company's revenue is derived primarily from the sale of In-App purchases and from advertising in games on mobile devices and Facebook. In addition, the Company historically earned revenue from producing games for its customers and commission income as a percentage of gaming revenues earned by its customers.

Revenue is measured based on the value of the expected consideration in a contract with a customer. The Company recognizes revenue using a 5-step process including:

- 1) Identification of the contract or contracts with the customer
- 2) Identification of the performance obligations in the contract
- 3) Determination of the transaction price
- 4) Allocation of the transaction price to the performance obligations in the contract; and
- 5) Recognition of revenue when or as the Company satisfies the performance obligation

A contract asset is recognized in the consolidated statements of financial position when the Company's right to consideration from the transfer of products or services to a customer is conditional on its contractual obligation to transfer other products or services. Contract assets are transferred to trade receivables when the Company's right to consideration becomes conditional only as to the passage of time.

A contract liability is recognized in the consolidated statements of financial position when the Company receives consideration in advance of the transfer of products or services to the customer. Contract assets and liabilities relating to the same contract are presented on a net basis.

Incremental costs of obtaining a contract with a customer are included in contract costs in the consolidated statements of financial position, except where the amortization period is one year or less, in which case costs of obtaining a contract are immediately expensed. Capitalized costs are amortized on a systematic basis that is consistent with the period and pattern of transfer to the customer of the related products or services.

In-app purchases

The Company operates games as live services that allow players to play for free. However, within these games, players can purchase virtual currency to obtain virtual goods to enhance their game-playing experience. The identified performance obligation is to display the virtual items within the game over the estimated life of the paying player or until it is consumed in game play based upon the nature of the virtual item. Payment is required at time of purchase and the purchase price is a fixed amount.

The Company distributes its games on digital platforms such as Apple's App Store, the Google Play Store, the Amazon Appstore, and the Facebook App Center. Within these platforms, players can download the Company's games and can then purchase or earn virtual currency within the game. The Company sells both consumable and durable virtual goods. Consumable goods are items that can be purchased directly by the user and are consumed at a predetermined time or otherwise have limitations on repeated use, while durable goods are items that remain in the game for as long as the user continues to play. Revenue from consumable and durable virtual goods is generated through direct purchases or via the purchase of virtual currency by users. Users convert the virtual currency within the game to consumable goods or durable virtual goods to enhance their game-playing experience. Such payments are initially recorded to deferred revenue. As a result, in connection with new game launches, acquisitions of new games from third parties or during periods of increased bookings, the deferred revenue balance specific to such games will increase, sometimes significantly.

For revenue earned through digital platforms, the transaction price is equal to the gross amount charged to the player because the Company is the principal in the transaction. The related platform and payment processing fees are recorded as cost of sales in the period incurred.

The Company currently does not have the ability to differentiate between revenue attributable to consumable virtual items versus durable virtual items for a specific game, and therefore instead recognizes revenue ratably over the estimated average playing period of payers for the applicable game.

Advertising and other

The Company has relationships with certain advertising agencies for digital advertisements within its games and revenue from these advertisers is generated when an app that has been advertised in our games has been installed and opened by the viewer of the ad, and when the ad view that was generated in our game was attributed to the user who installed the app. Revenue is recognized as advertisements are delivered on a periodic basis when transfer of control of service has occurred and when collectability has been reasonably assured.

Historically, other revenues included production revenues relating to the income earned by the Company on developing games and applications for customers. The Company does not own the source code to these apps, and therefore, does not recognize these as intangible assets. Revenue is recognized over a period of time as the contracts are being completed, with amounts received prior to the above recognition criteria having been met are recorded as deferred revenue. The Company is also entitled to ongoing commission revenues based on the amount of gross revenue generated by the customers. The ongoing commissions are recognized when they are earned, provided that the collection is probable.

The Company evaluates the sales of its products and income earned thereon to determine whether it is the agent or the principal in the transaction. Accordingly, the Company records its income on a net or gross basis, respectively.

Foreign currency translation

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in US dollars, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognized in profit or loss. The Company's primary source for obtaining foreign exchange rates is the Bank of Canada.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses, if any. The initial cost includes the purchase price and any expenditures directly attributable to ready the asset for use. Gains and losses on the disposal of property and equipment represents the difference between the proceeds received, if any, on disposal of the asset and its carrying amount. Any resulting gain or loss is recognized in the consolidated statements of loss and comprehensive loss.

Amortization is charged using the following methods and rates:

| | | |
|------------------------|---------------|------------|
| Computer Equipment | Straight-line | 3 years |
| Furniture and Fixtures | Straight-line | 3 years |
| Computer Software | Straight-line | 1-3 years |
| Leasehold Improvements | Straight-line | 3-10 years |

Investment tax credits

The Company is entitled to certain Canadian investment tax credits for qualifying research and development activities performed in Canada. The Company records investment tax credits when qualifying expenditures have been made provided there is reasonable assurance that the credits will be realized. The amount of investment tax credits recorded can vary, based on estimates of future taxable income. These credits can be applied against income tax liabilities and are subject to a 20-year carry-forward period or, in some cases, are refundable. Accrued investment tax credits are accounted for as a reduction of the related expenditures for items expensed in the consolidated statement of loss and comprehensive loss or a reduction of the related asset's cost for items capitalized in the consolidated statements of financial position.

Cash and cash equivalents

Cash includes cash on hand and short-term deposits which are highly liquid with original maturities of less than 90 days. As at December 31, 2020 and December 31, 2019, cash and cash equivalents were composed entirely of cash.

Intangible assets

Intangible assets with finite useful lives are stated at cost less accumulated amortization and accumulated impairment losses, if any. Intangible assets are tested for impairment when there is any indication that the asset is

impaired. The Company's intangible assets are amortized over their expected useful lives and charged to net loss in the consolidated statements of loss and comprehensive loss. The estimated useful life and amortization method are reviewed at least annually, with any change in estimated recognized prospectively.

Estimated useful lives for intangible assets having finite lives are as follows:

| | |
|------------|-------------|
| Technology | 2 - 7 years |
| Brand | 2 - 7 years |

Internally generated intangible assets are capitalized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset is expected to make it available for use or sale;
- The Company intends to complete and use or sell the intangible asset;
- The Company has the ability to use or sell the intangible asset;
- How the Company expects the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset exists; and
- The Company has the ability to reliably measure the expenditures attributable to its development.

The amount recognized as an internally generated intangible asset represents the sum of expenditures from the date when the intangible asset first meets the recognition criteria listed above to the date the asset is available for use.

When the asset is available for use, the cost model is applied which requires the asset to be carried at cost less accumulated amortization and accumulated impairment losses, if any. Research activities are expensed as incurred.

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred by the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognized directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's weighted average cost of capital, calculated by estimating a specific company risk premium over the risk-free rate.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognized in profit or loss.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on their fair values. Goodwill is allocated, at the date of the business acquisition, to the Company's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is not amortized and is tested annually for impairment, or more frequently if there are changes in circumstances that indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Impairment of non-financial assets

The carrying value of property and equipment and intangibles are reviewed at each reporting period to determine if indicators of impairment are present. If any such indicator exists, the asset's recoverable amount is estimated.

For the purpose of impairment testing, the recoverable amount is determined for an individual asset or are grouped together into a cash generating unit ("CGU"), which represents the smallest group of assets that generates independent cash inflows. If the carrying amount of the asset or CGU exceeds its recoverable amount, an impairment loss is recognized in the consolidated statements of loss and comprehensive loss as a reduction in the carrying amount of the asset to its recoverable amount. The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairments of non-financial assets recognized in a prior period are re-assessed at the end of each reporting period to determine if indicators of impairment have reversed or no longer exist. An impairment loss is reversed if the estimated recoverable amount exceeds the asset or CGU's carrying amount. The reversal of an impairment loss may not exceed the carrying amount, net of amortization, of the asset or CGU had no impairment loss been recognized.

Employee benefit obligations

The Company has defined employee benefit plans, both mandated by Indian law, covering employees of PR Tech. The plans consist of a Gratuity and a Leave Encashment plan. Under the Gratuity scheme, employees with equal to or more than 5 years of service are entitled to a lump-sum payment upon retirement or leaving service from PR Tech. The benefits are based on years of service and final average salary. The Leave Encashment plan is for accrued earned leave benefits for unused vacation time, and is paid via lump-sum payment upon retirement or leaving service.

The Company accrues its obligations under the defined employee benefit plans as the employees render the services necessary to earn the benefits. The defined benefit obligation at the end of the year is determined based on the most recent actuarial valuation report prepared for accounting purposes. The measurement date of the defined benefit obligation coincides with the Company's fiscal year-end. The date of the most recent actuarial valuation of the plans prepared for accounting purposes was December 31, 2020.

The liability recognized in the statement of financial position is the present value of the obligation of the plans at the statement of financial position date. The liability includes the present value of the obligations as determined by discounting the estimated future required payments using interest rates of high-quality long-term corporate bonds. All actuarial gains and losses that arise in calculating the present value of the obligations are recognized immediately in the consolidated statements of loss and comprehensive loss in other comprehensive income.

The cost of the plans for the year is charged to net income/loss. Past service costs arising from plan amendments are immediately charged to net income/loss at the date of the amendment. Interest costs arising from applying the discount rate to the benefit obligation is also charged to net income/loss.

Share-based compensation and other share-based payments

The Company has a share-based compensation plan, which is described in Note 18. Equity instruments awarded to employees are measured and recognized based on Black-Scholes option pricing model. The compensation cost is recognized over the vesting period based on the number of awards expected to vest. Awards for past service are recognized as an expense in the period when granted.

When options are exercised, the amount initially recognized in the share based-payment reserve is reduced, with a corresponding increase in common shares.

Financial instruments and risk management

The Company classifies and measures financial assets and liabilities based on their contractual cash flow characteristics. A financial asset is classified as amortized cost; fair value through other comprehensive income ("FVOCI"); or fair value through profit and loss ("FVTPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding

Financial assets and liabilities classified as measured at amortized cost are subsequently measured using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in the consolidated statements of loss and comprehensive loss. Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if

the Company transfers the control or substantially all the risks and rewards of ownership to another party. Any resulting gain or loss on derecognition is recorded in the consolidated statements of loss and comprehensive loss in the period that the asset is derecognized.

Financial assets and liabilities classified as measured at FVTPL are subsequently measured at fair value at each reporting date. Net gains and losses, including any interest or dividend income, are recorded in the consolidated statements of loss and comprehensive loss.

Financial assets whose objective is achieved by both collecting contractual cash flows and selling financial assets, are classified as measured at FVOCI. Financial assets measured at FVOCI are subsequently accounted for with any gains and losses recognized in other comprehensive income or loss and reclassified to profit and loss when the asset is derecognized. The Company does not have any financial instruments designated as FVOCI.

Financial liabilities are classified and measured based on two categories: amortized cost or FVTPL. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset within the scope of the standard are not separated, and the hybrid financial instrument is assessed for classification as a whole. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recorded in the consolidated statements of loss and comprehensive loss in the period that the liability is derecognized.

Below is the summary showing the measurement categories under IFRS 9:

| Financial assets and liabilities | IFRS 9 |
|----------------------------------|----------------|
| Cash and cash equivalents | Amortized cost |
| Trade and other receivables | Amortized cost |
| Trade and other payables | Amortized cost |
| Game acquisition payable | Amortized cost |
| Derivative financial instruments | FVTPL |
| Provisions | FVTPL |
| Borrowings | Amortized cost |

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, other than financial assets and financial liabilities classified as FVTPL, are added to or deducted from the fair value of financial assets or financial liabilities, as appropriate. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities classified as FVTPL are expensed to the consolidated statements of loss and comprehensive loss.

The cost of issuing debt is included as part of borrowings and is accounted for at amortized cost using the effective interest method. When borrowings amounts are nil, but amounts are still available to be drawn, costs of issuing debt are reclassified to other assets in the consolidated statements of financial position.

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, where the conversion feature is accounted for as equity, the fair value of the liability is measured separately using an estimated market rate for a similar liability without an equity component and the residual is allocated to the conversion

option. The liability component is subsequently recognized on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is recognized and included in equity and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share capital. Transaction costs are divided between the liability and equity components in proportion to their values. Where the conversion feature is accounted for as a liability at the date of issuance, the fair value of the conversion feature is measured initially at fair value and the residual is allocated to the debt host. Subsequently, the debt host is accounted for at amortized cost and the liability conversion feature is accounted for at FVTPL.

Certain of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

- Level 1 - Defined as observable inputs such as quoted prices in active markets.
- Level 2 - Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.
- Level 3 - Defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

The impairment of financial assets under IFRS 9 is based on an expected credit loss ("ECL") model. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

The Company elected to measure loss allowances for trade and other receivables at an amount equal to lifetime ECLs applied at each reporting date. The Company adopted the practical expedient to determine ECL on trade and other receivables using a provision matrix based on historical credit loss experience to estimate lifetime ECL adjusted for estimated changes to credit risks and forecasts of future economic conditions and the results are discussed in Note 4.

Impairment losses are recorded in the consolidated statements of loss and comprehensive loss with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts.

When an impairment loss has decreased in a subsequent period, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment loss is reversed immediately in the consolidated statements of loss and comprehensive loss. The reversal of an impairment loss may not exceed the amortized cost had no impairment loss been recognized.

Income taxes

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. In this case, the tax is also recognized in other comprehensive loss or directly in equity. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid, to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income tax is determined on a non-discounted basis using the liability method using tax rates and laws that have been enacted or deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable the assets can be recovered. Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Deferred income tax assets and liabilities, if any, are presented as non-current.

Leases

The Company leases various offices, where rental contracts are typically made for fixed periods of 5 to 10 years, but may have extension options, in which the extension and termination options held are exercisable only by the Company and not by the respective lessor. Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Right-of-use assets arising from a lease are initially measured at fair value or, if lower, at the present value of the future minimum lease payments. The corresponding liabilities are included in the consolidated statements of financial position as a lease liability. The fixed lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Company also engaged in a sublease agreement in December 2019 for one of its offices. At the commencement of the sublease, the right-of-use asset is derecognized, and an investment in lease receivable is recognized. The investment in lease receivable is measured at fair value or, if lower, at the present value of the future minimum lease payments. The fixed lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Judgment is applied to determine whether the expected period would be the contract term or a longer period such as the estimated life of the relationship or taking into consideration the likelihood of exercising renewal options. In the case where the Company expects the renewal period to differ based on certain circumstances, the fair value of the lease liability will be recalculated, and any adjustment of the right-of-use asset will be recorded. Any gains and losses on the change in fair value of the liability or the disposition of the asset is recorded as general and administrative expense in the statement of loss and comprehensive loss.

Segment information

The Company has one operating segment with one major business activity, the commercialization of free-to-play games. Financial information about our one segment and geographic areas is incorporated into this section by reference to our consolidated financial statements including Note 5 – “Property and equipment”, Note 6 – “Intangible assets” and Note 23 – “Revenue from contracts with customers”.

Provisions

The Company pays for certain contingent consideration associated with the acquisition of businesses and portfolios of games. Amounts are measured at fair value at the inception date and at the end of each reporting period. Gains or losses are recorded in the consolidated statements of loss and comprehensive loss for contingent consideration associated with business combinations. Gains or losses on asset acquisitions, are recorded as an adjustment to the asset acquired.

Loss per share

Basic loss per share is calculated by dividing net loss attributable to shareholders of the Company by the weighted average number of shares outstanding during the period.

Diluted loss per share is calculated by adjusting the consolidated earnings or loss available to common shareholders and the weighted average number of common shares outstanding for the effects of all potentially dilutive shares. Such potentially dilutive common shares are excluded when the effect would be to increase earnings per share or reduce a loss per share. For the years ended December 31, 2020 and 2019, the Company has incurred a net loss, therefore the convertible debentures, share options, and warrants are all anti-dilutive.

3. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the following:

Identification of CGUs

The Company has allocated its tangible assets, intangible assets and goodwill to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The determination of CGUs for the purpose of annual impairment testing requires judgment.

Impairment of goodwill and long-lived assets

Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of property and equipment and intangible assets is reviewed each reporting year to determine whether indicators of impairment exist. The recoverable amounts attributed to CGUs reflect the higher of fair value less costs to sell (FVLCS) or value in use. The Company's determination of a CGU's recoverable amount, which could include an estimate of FVLCS, uses market information to estimate the amount the Company could obtain from disposing of the asset in an arm's length transaction, less the estimated cost of disposal. The Company estimates value in use by discounted estimated future cash flows for the CGU or asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the CGU or asset. Estimated cash flows are based on management's assumptions and business plans which are supported by internal strategies, plans and external information. The estimate of the recoverable amount for an asset or CGU requires significant estimates such as future cash flows, growth rates, and terminal and discount rates. The Company has concluded that goodwill is tested at the consolidated level, since that represents the smallest identifiable group of

assets that can generate cash inflows. The Company's brand and technology intangible assets are tested at the individual game level.

Business combinations and asset acquisitions

The Company uses the acquisition method to account for business combinations. This requires an entity to measure each identifiable asset and liability at fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The purchase price allocation involves judgment with respect to the identification of intangible assets acquired and estimates of fair or fair value for assets acquired and liabilities assumed, including pre-acquisition contingencies and contingent consideration. Changes in any of the assumptions or estimates used to identify intangible assets acquired, determine the fair value of acquired assets and liabilities assumed, including pre-acquisition contingencies or contingent consideration, could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

The Company makes estimates, assumptions, and judgments when valuing goodwill and other intangible assets in connection with the initial purchase price allocation of an acquired entity, in addition to evaluating the recoverability of goodwill and other intangible assets on an ongoing basis. These estimates are based on a number of factors, including historical experience, market conditions, and information obtained from the management of acquired portfolios of games. Critical estimates in valuing certain intangible assets include, but are not limited to, historical and projected attrition rates, discount rates, anticipated revenue growth/decline from acquired customers, acquired technology, and the expected use of the acquired assets. These factors are also considered in determining the useful life of acquired intangible assets. The amounts and useful lives assigned to identified intangible assets also impacts the amount and timing of future amortization expense. Unanticipated events and circumstances may affect the accuracy or validity of such assumptions, estimates or actual results.

The Company considers certain acquisition of games to be asset acquisitions, on the assumption that there are no identifiable businesses acquired in the transaction. There is judgment involved in the determination of whether the acquisition involves assets or entire businesses.

Amortization of property and equipment and intangible assets

Judgment is applied to determine an asset's useful life, and where applicable, estimated residual value, used in the computation of amortization. Accordingly, an asset's actual useful life and estimated residual value may differ significantly from these estimates.

Fair value of derivative financial instruments

The Company uses a Monte Carlo simulation to estimate the fair value of convertible debentures, which consists of a conversion feature to convert the instrument into one Common Share and one warrant. Upon completion of the Reverse Takeover transaction (Note 26), the convertible debentures were converted into Common Shares and warrants, the Company subsequently switched to a Black-Scholes model in order to estimate the value of the warrant liabilities. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, the risk-free interest rate (based on government bonds) and probabilities of certain events occurring. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of derivative liabilities. The fair value reported may not represent the transaction value if these instruments were exchanged at any point in time.

Share-based payments and warrant reserves

The Company uses the Black-Scholes option pricing model to estimate the fair value of share-based compensation and warrant reserves which require the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrant liabilities. The fair value reported may not represent the transaction value if these options/warrants were exercised/exchanged at any point in time.

Provisions

Due to the nature of these provisions related to contingent consideration payable for the acquisition of certain games or businesses, there is a degree of uncertainty inherent in their measurement. Inputs used to arrive at the fair value of these provisions, such as discount rates and future revenues, are subject to estimate and changes in these inputs can materially impact the estimated fair value of the contingent consideration.

Deferred revenue and revenue

The Company uses judgment and estimates to determine the amount of revenue to defer for each reporting period. The Company expects that in future periods, there will be changes in estimates of the average playing period of payers and/or changes in the ability to make such estimates. In particular, if the estimated average playing period of payers increases on average, the amount of revenue recognized in a current or future period may be reduced, perhaps materially. Conversely, if the estimated average playing period of payers decreases on average, the amount of revenue that is recognized in a future or future period may be accelerated, perhaps materially.

Leases and investment in lease receivable

The Company uses judgment to determine whether the expected period would be the contract term or a longer period such as the estimated life of the relationship, where renewal periods would be considered. The Company also uses judgment in estimating the incremental borrowing rate based on borrowing rates of similar companies. Changes in these inputs can materially impact the estimated fair value of the lease liability and the investment in lease receivable.

Employee benefit obligations

The Company uses judgment to determine the fair value of employee benefit obligations at the end of each reporting year, including regulatory requirements, an evaluation of relevant discount rates, expected long-term returns on plan liabilities, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, and input from actuaries and other consultants. Changes in these inputs can materially impact the estimated fair value of the employee benefit obligations.

Deferred taxes

Significant estimates are required in determining the Company's income tax provision. Some estimates are based on interpretations of existing laws or regulations. Various internal and external factors may have favourable or unfavourable effects on the Company's future effective tax rate. These include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits by tax authorities, changes in estimates of prior years' items and changes in overall levels of pre-tax earnings.

Going concern

Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2020 and 2019.

Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease doing business or has no realistic alternative but to do so.

Expected Credit Losses

The Company employs judgment and estimates in the determination of expected credit loss as described in Note 4.

Seasonality of interim operations

The operations of the Company are seasonal, and the results of operations for any interim period are not necessarily indicative of operations for the full fiscal year or any future period. Due to the COVID-19 pandemic, changes in player activity, quarter over quarter, may not be indicative of the financial and operating results in future periods. Given the level of continued volatility and uncertainty around the COVID-19 pandemic, there is the potential for a wider range of outcomes – both positive and negative – as it relates to impact of seasonality on the Company's business results.

COVID-19 pandemic

Following the outbreak of the COVID-19 pandemic, the Company has modified its business practices to help minimize the risk of the virus to employees, business partners, and the communities in which the Company participates, which could negatively impact the business of the Company. To date, the COVID-19 crisis has not materially impacted the Company's financial condition, cash flows and financial performance. In response to the outbreak, the Company has instituted operational and monitoring protocols to ensure the health and safety of its employees and stakeholders, which follow the advice of local governments and health authorities where it operates. The Company has adopted a work from home policy where possible. The Company will continue to monitor developments of the COVID-19 pandemic and continuously assess the COVID-19 pandemic's potential further impact on the Company's operations and business.

4. Trade and other receivables

| | December 31 2020 | December 31 2019 |
|-----------------------------|---------------------|---------------------|
| Trade receivables | \$ 1,086,617 | \$ 1,381,898 |
| Less expected credit losses | — | — |
| Trade receivables, net | 1,086,617 | 1,381,898 |
| Other receivables | 52,649 | 46,302 |
| Government remittances | 27,857 | 16,228 |
| receivables | | |
| | 1,167,123 | 1,444,428 |

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised

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cost using the effective interest method. The maximum credit risk exposure associated with trade and other receivables is the carrying value of \$1,167,123 (December 31, 2019 - \$1,444,428).

As at December 31, 2020 and December 31, 2019, the Company concludes there to be nil credit losses. Historically, there have been no bad debts, and the majority of trade receivables remit within 30 to 60 days.

5. Property and equipment

The following represents property and equipment by class:

| | Computer Equipment | Furniture and Fixtures | Computer Software | Leasehold Improvements | Total Value |
|-------------------------------------|--------------------|------------------------|-------------------|------------------------|----------------|
| Cost | | | | | |
| Balance at January 1, 2020 | \$ 118,741 | \$ 71,160 | \$ 10,205 | \$ 24,290 | \$ 224,396 |
| Additions | 135,252 | 5,066 | — | — | 140,318 |
| Disposals | (20,405) | (1,994) | — | (4,969) | (27,368) |
| Balance at December 31, 2020 | 233,588 | 74,232 | 10,205 | 19,321 | 337,346 |

Accumulated amortization and impairment

| | | | | | |
|-------------------------------------|---------------|---------------|--------------|--------------|----------------|
| Balance at January 1, 2020 | 43,950 | 37,476 | 4,558 | 6,592 | 92,576 |
| Amortization | 61,508 | 21,194 | 1,707 | 3,509 | 87,918 |
| Disposals | (20,405) | (1,994) | — | (4,969) | (27,368) |
| Balance at December 31, 2020 | 85,053 | 56,676 | 6,265 | 5,132 | 153,126 |

Carrying amounts

| | | | | | |
|-------------------------------------|----------------|---------------|--------------|---------------|----------------|
| Balance at December 31, 2020 | 148,535 | 17,556 | 3,940 | 14,189 | 184,220 |
|-------------------------------------|----------------|---------------|--------------|---------------|----------------|

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| | Computer Equipment | Furniture and Fixtures | Computer Software | Leasehold Improvements | Total Value |
|--|--------------------|------------------------|-------------------|------------------------|----------------|
| Cost | | | | | |
| Balance at January 1, 2019 | \$ 143,559 | \$ 80,649 | \$ 9,470 | \$ 25,916 | \$ 259,594 |
| Additions | 52,284 | 8,783 | 5,390 | 37 | 66,494 |
| Disposals | (77,102) | (18,272) | (4,655) | (1,663) | (101,692) |
| Balance at December 31, 2019 | 118,741 | 71,160 | 10,205 | 24,290 | 224,396 |
| Accumulated amortization and impairment | | | | | |
| Balance at January 1, 2019 | 40,815 | 19,539 | 2,684 | 1,376 | 64,413 |
| Amortization | 45,146 | 27,501 | 6,530 | 6,880 | 86,057 |
| Disposals | (42,011) | (9,564) | (4,656) | (1,664) | (57,894) |
| Balance at December 31, 2019 | 43,950 | 37,476 | 4,558 | 6,592 | 92,576 |
| Carrying amounts | | | | | |
| Balance at December 31, 2019 | 74,791 | 33,684 | 5,647 | 17,698 | 131,820 |

The property and equipment broken down by geographic location is as follows:

| | December 31 2020 | December 31 2019 |
|--|---------------------|---------------------|
| Canada | \$ 104,650 | \$ 75,939 |
| India | 79,570 | 55,881 |
| Total property and equipment, net | 184,220 | 131,820 |

For the years ended December 31, 2020 and 2019, there were no indicators of impairment noted for property and equipment.

6. Intangible assets

Intangible assets

Intangible assets include costs to acquire certain portfolios of games. The movements of the Company's intangibles are summarized as follows:

| | Technology Based | Brand/ License Based | Total Value |
|--|---------------------|----------------------------|----------------|
|--|---------------------|----------------------------|----------------|

Cost

| | | | |
|-------------------------------------|------------------|------------------|-------------------|
| Balance at January 1, 2020 | \$ 9,083,124 | \$ 3,069,902 | \$ 12,153,026 |
| Additions | — | — | — |
| Balance at December 31, 2020 | 9,083,124 | 3,069,902 | 12,153,026 |

Accumulated amortization and impairment

| | | | |
|-------------------------------------|------------------|------------------|------------------|
| Balance at January 1, 2020 | 3,733,665 | 767,876 | 4,501,541 |
| Amortization | 1,847,282 | 687,277 | 2,534,559 |
| Balance at December 31, 2020 | 5,580,947 | 1,455,153 | 7,036,100 |
| Carrying amounts | | | |
| Balance at December 31, 2020 | 3,502,177 | 1,614,749 | 5,116,926 |

For the year ended December 31, 2020, there were no indicators of impairment noted for intangible assets.

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For the years ended December 31, 2020 and 2019 (in US dollars, unless otherwise stated)

| | Technology Based | Brand/ License Based | Total Value |
|--|---------------------|----------------------------|----------------|
| Cost | | | |
| Balance at January 1, 2019 | \$ 8,360,000 | \$ 1,868,000 | \$ 10,228,000 |
| Purchase price and legal fees acquired through asset acquisition | 634,273 | 1,054,224 | 1,688,497 |
| Adjustment to contingent consideration for asset acquisition | 88,851 | 147,678 | 236,529 |
| Balance at December 31, 2019 | 9,083,124 | 3,069,902 | 12,153,026 |

Accumulated amortization and impairment

| | | | |
|--|-----------|---------|-----------|
| Balance at January 1, 2019 | 65,982 | 15,041 | 81,023 |
| Amortization | 2,756,189 | 669,804 | 3,425,993 |
| Impairment of intangible assets acquired in business combination | 911,494 | 83,031 | 994,525 |
| Balance at December 31, 2019 | | | |
| | 3,733,665 | 767,876 | 4,501,541 |

Carrying amounts

| | | | |
|-------------------------------------|-----------|-----------|-----------|
| Balance at December 31, 2019 | 5,349,459 | 2,302,026 | 7,651,485 |
|-------------------------------------|-----------|-----------|-----------|

On September 5, 2019, the Company entered into an asset purchase agreement with Flashman Games LLC, a California corporation and Bongfish GmbH, an Austria corporation ("Smurfs acquisition") to acquire a list of developed technology consisting of certain game assets from Flashman LLC. All intangible assets are based in Canada.

The asset was recorded using the present value of the cash consideration plus the contingent consideration as follows:

| | |
|--|--------------|
| Cash consideration, present value | \$ 1,309,233 |
| Contingent consideration on revenues from September 2019 – December 2019, at present value (note 11) | 204,767 |
| Contingent consideration on revenues from September 2019 – August 2020, at present value (note 11) | 119,682 |
| Legal invoices associated with acquisition | 54,815 |
| Aggregate purchase price | |
| | 1,688,497 |

The consideration was allocated to the technology and the license based on their estimated fair values. The fair value of the license was calculated using a multi-period excess earnings method, and the technology was calculated using a cost approach.

The consideration for the portfolio of games included a potential increase of consideration based on certain revenues earned by the Company for the four-month period from September to December 2019. As such, \$236,529 was added to the asset value as at December 31, 2019 based on revised actual revenues as determined at December 31, 2019. Legal fees of \$54,815 associated with the asset acquisition were also capitalized to the intangible asset value and pro-rated accordingly to the technology and license/brand values. The amount owing on the acquisition of the games is described in Note 11.

In 2018, PopReach entered into an asset purchase agreement with RockYou Inc, a Delaware corporation to acquire a list of developed technology consisting of certain game assets from RockYou Inc (the “**RockYou portfolio**”). As part of the same RockYou acquisition, PopReach acquired its assets in RockYou India (“RY India”), a wholly owned subsidiary of RockYou Inc including the net working capital, property, plant and equipment, and employees inclusive of the related employee liabilities. Explanations on the funding of the acquisition can be found in Note 10.

On May 7, 2019, the investment in the RockYou portfolio of games was legally transferred to PR Tech, a wholly owned subsidiary of Popreach Incorporated. As the process to transfer PR Tech was administrative in nature, the Company accounted for such transfer on December 23, 2018, at the time of entering into the RockYou acquisition as PopReach had full control over the related assets and employees at this date. However, during 2019, the seller of the RockYou portfolio of games went through bankruptcy and insolvency proceedings. As such, certain advertising engines that the seller was operating were shut down, resulting in lower actual revenues compared to forecasted revenues during the year. As such, an indication of impairment was noted for the year ended December 31, 2019, and the recoverable amount was calculated using its value in use. The discount rate of the future cash flows was estimated to be 24.5%-31.0%, which is consistent with the discount rate used in the determination of the fair value of the initial acquisition. The amount of impairment, determined by the difference between the recoverable amount and the carrying amount of the associated intangible assets, was calculated to be \$911,494 for the technology and \$83,031 for the brand, and is recorded under operating expenses in the statements of loss and comprehensive loss. Changes in inputs, such as discount rates and future cash flows, are subject to estimate and changes in these inputs can materially impact the estimated value in use of the intangible assets.

7. Commitments

The Company and its subsidiaries are subject to routine legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its consolidated losses, cash flow or financial position.

8. Leases

Short Term Leases

The Company and its subsidiaries are parties to various rent and software license costs. For leases in which the lease has a term less than 12 months on the commencement date, all commitments are on a month-to-month basis and can be cancelled at any time within a 30 to 60 day notice period.

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In December 2019, the Company signed a short-term lease for an office space in Toronto, Ontario, with the intention to utilize the office space for less than 12 months. This lease was renewed in August 2020 for an additional period of less than 12 months. In September 2020, the Company signed a short-term lease for an office space in Vancouver, British Columbia, with the intention to utilize the office space for less than 12 months. The amount of rent expensed during the year ended December 31, 2020 was \$88,633 (2019 – \$15,105) and was recorded as a general and administrative expense in the statement of loss and comprehensive loss.

The following is a summary of the right-of-use asset and lease liabilities as reported on the statement of financial position:

| | December 31 2020 | December 31 2019 |
|--------------------------------------|---------------------|---------------------|
| Right-of-use assets | | |
| Buildings – Cost | \$ 554,327 | \$ 554,327 |
| Buildings – Accumulated Amortization | (415,746) | (138,582) |
| <hr/> | | |
| | 138,581 | 415,745 |
| Lease liabilities | | |
| Current | 208,302 | 327,408 |
| Non-current | 113,264 | 321,926 |
| <hr/> | | |
| | 321,566 | 649,334 |

During the year ended December 31, 2020, the Company recognized \$277,164 of amortization expense related to right-of-use assets (year ended December 31, 2019 - \$138,582) and \$73,325 of interest expense related to lease liabilities (year ended December 31, 2019 - \$73,401).

Below is a summary of the maturity of the lease liabilities as at December 31, 2020:

| Year | Payments | Interest | Total |
|------|------------|-----------|------------|
| 2021 | \$ 236,868 | \$ 25,690 | \$ 211,178 |
| 2022 | 71,802 | 9,934 | 61,868 |
| 2023 | 50,485 | 1,965 | 48,520 |
| | <hr/> | <hr/> | <hr/> |
| | 359,155 | 37,589 | 321,566 |

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 15%.

Right-of-use assets for PR Tech are amortized over the expected lease term of 2 years.

9. Investment in lease receivable

On December 1, 2019, the Company entered into a sublease agreement for its previous Toronto office with a lessee, expiring on August 1, 2023.

The following is a summary of lease receivable as recorded in the statement of financial position:

| | December 31 2020 | December 31 2019 |
|-------------|---------------------|---------------------|
| Current | \$ 50,552 | \$ 43,567 |
| Non-current | 100,164 | 147,746 |
| | 150,716 | 191,313 |

Below is a summary of the maturity of the investment in lease receivable as at December 31, 2020:

| Year | Payments | Finance income | Total |
|---------|-----------|-------------------|-----------|
| 2021 | \$ 67,139 | \$ 16,587 | \$ 50,552 |
| 2022 | 67,139 | 9,638 | 57,501 |
| 2023 | 44,760 | 2,097 | 42,663 |
| 179,038 | | 28,322 | 150,716 |

The incremental borrowing rate for the investment in lease receivable was estimated to be 13%.

10. Borrowings

Bank credit facility

To fund the acquisition of the games from RockYou Inc. in 2018 (see note 6), PopReach entered into a senior secured credit agreement of \$10,000,000 with a maturity date of December 23, 2022, where PopReach agreed to secure all of its obligations by granting the lender a first priority security interest on all of its assets. The interest rate charged on the credit facility was equal to the LIBOR plus 7.00% per annum, where LIBOR floor was 2.00%.

Certain deferred financing fees of \$138,708 were incurred with the facility, in addition to \$360,425 worth of warrants (note 17) and were amortized over the life of the debt facility. As at December 31, 2019, the net carrying value of the deferred financing fees was \$371,467 with the amortization of deferred financing fees recorded as general and administrative expenses in the consolidated statements of loss and comprehensive loss.

On October 2, 2020, PopReach entered into a new non-revolving term facility of \$6,500,000 with the Bank of Nova Scotia in order to refinance its prior credit facility and entered into an operating line of credit of \$1,000,000 with the same lender (collectively, the “**New Facility**”). The interest rate charged on the non-revolving term facility is equal to the US Base Lending Rate plus 3.50% per annum, and the interest rate charged on the operating line of credit is equal to the US Base Lending Rate plus 2.00% per annum. The New Facility matures 24 months from the closing date. PopReach, as borrower, and the Company, as guarantor, have agreed to secure all of PopReach’s obligations under the New Facility by granting the lender a first ranking security interest on all of their respective assets.

On October 2, 2020, in conjunction with the closing of the New Facility, the Company retired its prior bank credit facility by paying down the entire outstanding principal of \$6,134,832 plus applicable interest, premium and legal expenses, and all remaining deferred financing fees related to the prior bank credit facility were expensed to interest and accretion expenses.

The Company is in full compliance with the financial covenants at December 31, 2020.

Below is a summary of the borrowings owing by the Company:

| | December 31 2020 | December 31 2019 |
|----------------------------------|---------------------|---------------------|
| Bank credit facility | \$ 6,032,863 | \$ 7,874,626 |
| Convertible debentures (note 12) | — | 663,366 |
| Total borrowings | 6,032,863 | 8,537,992 |
| | | |
| Current | 1,200,418 | 7,874,626 |
| Non-current | 4,832,445 | 663,366 |
| Total borrowings | 6,032,863 | 8,537,992 |

11. Provisions and game acquisition payable

Provisions are related to the present value of contingent consideration payable to entities for the purchase of certain portfolios of games or businesses. As there is judgment involved in estimating the discount rate of the contingent consideration and the future cash flows of which the consideration is calculated, it is separated out from the fixed portion of consideration classified as "Game acquisition payable" in the statements of financial position.

Game acquisition payable – Smurfs portfolio of games

| | |
|--|-----------|
| Game acquisition payable at January 1, 2019 | \$ – |
| Cash consideration, present value (note 6) | 1,309,233 |
| Cash consideration paid to date | (950,000) |
| Accretion expense | 10,796 |
| Game acquisition payable at December 31, 2019 | 370,029 |
| Accretion expense | 5,571 |
| Cash consideration paid | (375,600) |
| Game acquisition payable at December 31, 2020 | – |

Provisions

For the asset acquisition of the Smurfs portfolio of games, the discount rate used to estimate the fair value of the provision as at December 31, 2020 and December 31, 2019 was 25%.

For the acquisition of the RockYou portfolio of games recorded as a business combination, the discount rate used to estimate the fair value of the provision as at December 31, 2020 and December 31, 2019 was 24%.

Below is a summary of the contingent consideration provisions as at the end of each year:

| | 2020 | 2019 |
|--|--------------|--------------|
| Balance at January 1 | \$ 1,671,846 | \$ 1,014,772 |
| Contingent consideration acquired (paid) in asset acquisition, at present value (note 6) | (1,688,497) | 324,449 |
| Accretion expense | 133,644 | 155,796 |
| Adjustment to contingent consideration (note 6) | – | 236,529 |
| Change in fair value of contingent consideration (note 13) | (16,993) | (59,700) |
| Balance at December 31 | 100,000 | 1,671,846 |

As of December 31, 2020, the entire provision for the acquisition of the RockYou portfolio of games of \$1,219,957 has been paid. The remaining balance is related to the acquisition of the Smurfs portfolio of games.

Changes in these variables can materially impact the estimated fair value of contingent consideration and consequently, the related amount recognized to fair value loss on financial liabilities with respect to the contingent consideration recorded for the acquisition of the RockYou portfolio of games/business and intangible assets with respect to the contingent consideration recorded for the acquisition of the Smurfs portfolio of games recorded as an asset acquisition.

12. Derivative financial instruments and convertible debentures

The summary of the convertible debt liability and related conversion features is as follows:

| | Debt host value | Conversion/ Warrant value (liability) | Total Value |
|--|-----------------|---|-------------|
| Balance at January 1, 2019 | \$ 256,561 | \$ — | \$ 256,561 |
| Debentures issued during the year | 340,038 | 81,265 | 421,303 |
| Accretion expense | 53,356 | — | 53,356 |
| Effect of foreign exchange rates | 13,411 | 4,157 | 17,568 |
| Change in fair value of conversion feature | — | 120,168 | 120,168 |
| Balance at December 31, 2019 | 663,366 | 205,590 | 868,956 |
| Debentures issued during the year | 1,153,588 | 711,147 | 1,864,735 |
| Debt issuance cost | (12,684) | — | (12,684) |
| Accretion expense | 90,262 | — | 90,262 |
| Effect of foreign exchange rates (note 13) | (34,558) | 67,125 | 32,567 |
| Change in fair value of conversion feature and warrant liability (note 13) | — | 4,927,730 | 4,927,730 |
| Conversion to Common Shares | (1,859,974) | (1,365,121) | (3,225,095) |
| Balance at December 31, 2020 | — | 4,546,471 | 4,546,471 |

For the year ended December 31, 2020, the Company issued unsecured convertible debentures, for aggregate proceeds of \$1,864,735 (year ended December 31, 2019 - \$421,303 plus early proceeds received in 2018 of \$256,561) to certain investors of the Company. These instruments, including both debenture rounds issued in 2020 and 2019, along with interest accrued at an annual interest rate bearing 8%, were converted automatically and immediately upon completion of the reverse takeover transaction on June 30, 2020 (note 26) into fully paid and non-assessable units of the Company, consisting of one Common Share at the conversion price C\$0.325 – C\$0.576 per share, and one warrant at a strike price of C\$0.488 - C\$0.864 per share representing a strike price 50% higher than the conversion price. These warrants expire on June 30, 2022.

The Company also paid \$7,818 in cash, issued \$7,818 in convertible debentures, and issued non-transferable share purchase warrants to acquire up to 36,454 Common Shares to certain entities in reference to finder's fee agreements associated with the aforementioned convertible debt issuance. Each warrant will be exercisable to purchase one additional Common Share at a strike price of C\$0.576 per share, and expire on June 30, 2022.

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The December 31, 2020 and 2019 warrant value balances are related to the warrants which do not meet the fixed-for-fixed condition, and therefore are classified as a current liability on the statement of financial position until the exercise or expiration of the warrants. As at December 31, 2020, there are 7,744,273 warrants outstanding which are classified as a current liability. Changes in the inputs to the Black Scholes model can materially change the fair value of the warrants. A 10% increase in the volatility would increase the fair value of the liability by \$142,601, while a 10% decrease in the volatility would decrease the fair value of the liability by \$106,982.

In June 2020, the Company completed its reverse takeover transaction discussed in Note 26, with all of the convertible debt liability and accrued interest converting to common shares at that time. The summary of the conversion is as follows:

| | Value of shares (note 16) |
|--|---------------------------------|
| Conversion to Common Shares - convertible debt | \$ 3,225,095 |
| Conversion to Common Shares – accrued interest | 117,530 |
| | 3,342,625 |

Inputs for measurement of issuance date fair values

As there is uncertainty in the dollar amount of conversion, these do not meet the fixed-for-fixed condition. The fair value of the conversion feature related to the issuances of the convertible debentures were estimated using the Monte Carlo simulation method. The assumptions at the issuance date were as follows:

For the year-ended December 31, 2020:*Issuance dates – year ended December 31, 2020*

Risk-free interest rate: 0.30-1.13%

Expected volatility: 40.0%

Stock price (expressed in Canadian \$): \$0.72

Expected life: 2.18-2.43 years

Expected dividends: \$nil

Liquidity event: June 30, 2020

Discount to Liquidity event share price: 20%

Probability of liquidity event: 75-90%

The remainder of the value was allocated towards the debt feature, with the effective interest rate being 25%. At the end of each reporting year, the conversion feature and warrant liabilities are measured at fair value, with any gains or losses recorded in the Consolidated statements of loss and comprehensive loss. The fair value of the conversion feature and warrants were revalued on the conversion date using the assumptions as follows:

Conversion date – June 30, 2020

Risk-free interest rate: 0.32%

Expected volatility: 42.56%

Stock price (expressed in Canadian \$): \$0.72

Expected life: 2.00 years

Expected dividends: \$nil

Liquidity event: June 30, 2020

Share price based on the lower of 20% discount to the liquidity price or a pre-money valuation of C\$18,000,000

Probability of liquidity event: 100%

Upon completion of the reverse takeover transaction, the subsequent warrants were estimated using the Black-Scholes model. As the warrant liabilities are measured at fair value, the fair value of the warrants were revalued on December 31, 2020, with the assumptions as follows:

Revaluation date – December 31, 2020

Risk-free interest rate: 0.33%

Expected volatility: 42.23%

Stock price (expressed in Canadian \$): \$0.86

Expected life: 1.5 years

Expected dividends: \$nil

For the year ended December 31, 2019:

Issuance date – January 25, 2019

Risk-free interest rate: 1.88%

Expected volatility: 36.60%

Stock price (expressed in Canadian \$): \$2.39

Expected life: 2.00 years

Expected dividends: \$nil

Liquidity event: May 31, 2019

Conversion price using pre-money valuation (expressed in Canadian \$): \$12.34

Probability of liquidity event: 20%

The remainder of the value was allocated towards the debt feature, with the effective interest rate being 15%. At the end of each reporting period, the conversion feature and warrant liabilities are measured at fair value, with any gains or losses recorded in the consolidated statements of loss and comprehensive loss. The fair value of the conversion feature and warrants were revalued using the assumptions as follows:

Revaluation date – December 31, 2019

Risk-free interest rate: 1.74%

Expected volatility: 36.60%

Stock price (expressed in Canadian \$): \$2.50

Expected life: 1.07 years

Expected dividends: \$nil

Liquidity event: May 31, 2020

Conversion price using pre-money valuation (expressed in Canadian \$): \$11.74

Probability of liquidity event: 50%

13. Fair value loss on financial liabilities

The summary of the fair value loss on financial liabilities as follows:

| | 2020 | 2019 |
|---|------------------|---------------|
| Change in fair value of contingent consideration (note 11) | \$ (16,993) | \$ – |
| Change in fair value of conversion feature and warrant liability (note 12) | 4,927,730 | 60,468 |
| Foreign exchange (gains) losses on conversion feature and warrant liability (note 12) | 67,125 | – |
| | 4,977,862 | 60,468 |

14. Employee benefit obligations

The Company has defined employee benefit plans, both mandated by Indian law, covering employees of PR Tech. The plans consist of a Gratuity and a Leave Encashment plan. The liability recognized in the statement of financial position in respect of the Gratuity plan and the Leave Encashment plan is the present value of defined benefit obligations at the end of the reporting year. The defined benefit obligation is calculated through an actuarial valuation using the projected unit credit method. The benefits are based on years of service and last drawn salary.

The most recent actuarial valuation of the benefit plans for accounting purposes was as of December 31, 2020.

Below is a summary of the change in employee benefit obligations from December 31, 2019 to December 31, 2020:

| | 2020 | 2019 |
|---|----------------|----------------|
| Beginning benefit obligation – January 1 | \$ 538,217 | \$ 475,573 |
| Service cost | 100,281 | 112,602 |
| Interest cost | 33,579 | 34,599 |
| Actuarial gains to profit and loss | (33,127) | (13,450) |
| Actuarial losses to other comprehensive income | 31,211 | – |
| Benefits paid | (70,143) | (59,070) |
| Foreign currency translation adjustments | (11,163) | (12,037) |
| Ending benefit obligation – December 31 | 588,855 | 538,217 |

The actuarial losses to other comprehensive income during the year ended December 31, 2020 were shown on the statement of loss and comprehensive loss net of income tax recovery of \$7,856 (year ended December 31, 2019 – nil).

The key assumptions for the gratuity and leave encashment plans at December 31, 2020 are as follows:

Discount rate: 5.94%

Salary escalation: 10%

Attrition rate: 2-16%

Indian Assured Lives mortality rate (ages 15-70): 0.0698% – 2.4058%

The key assumptions for the gratuity and leave encashment plans at December 31, 2019 are as follows:

Discount rate: 6.95%

Salary escalation: 10%

Attrition rate: 2-16%

Indian Assured Lives mortality rate (ages 20-60): 0.0924% – 1.1162%

15. Financial risks

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars and Indian rupees (INR). The Company does not currently enter into forward contracts to mitigate this risk. There have been no significant changes in the risk exposure from fiscal 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due, if any; and management of cash including the ability to raise additional debt and equity capital as and when required.

The Company takes advantage of government assistance programs which promote interactive digital media development in the Canadian economy as investment tax credits available from qualifying research and development expenditures.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The following tables outline the Company's remaining contractual maturities for its non-derivative financial liabilities, at their undiscounted value, based on the earliest date the Company is required to make payment on these amounts:

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| | December 31 2020 | | | |
|--|------------------|------------------|------------------|---------------|
| | Payments due | | | |
| | Total | Less than 1 year | 1-3 years | After 3 years |
| Trade payables and accrued liabilities | \$ 869,081 | \$ 869,081 | \$ — | \$ — |
| Provisions | 100,000 | 100,000 | — | — |
| Borrowings – principal | 6,201,772 | 1,305,636 | 4,896,136 | — |
| Borrowings – interest | 709,940 | 402,299 | 307,641 | — |
| Lease payments – principal | 321,566 | 211,178 | 110,388 | — |
| Lease payments – interest | 37,589 | 25,690 | 11,899 | — |
| Total | 8,239,948 | 2,913,884 | 5,326,064 | — |

Credit risk

Credit risk is that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from cash and trade and other receivables as amounts are owing primarily from three customers. As at December 31, 2020 and December 31, 2019, all trade and other receivables were within normal repayment terms and the Company had recorded no expected credit losses.

Interest rate risk

The Company's New Facility has a variable interest rate based on US Base Lending Rate plus 3.50% for the term loan, and US Base Lending Rate plus 2.00% for the operating line of credit. As a result, the Company is exposed to interest rate risk due to fluctuations in the US Base Lending Rate. Interest expense has been recorded in the statement of loss and comprehensive loss.

16. Share capital

Authorized and issued

The Company's authorized share capital consists of an unlimited number of Common Shares with no par value.

Below is a summary of the movement in share capital during the years ended December 31, 2020 and 2019:

| | Number of Shares | Total Value |
|--|------------------|--------------|
| Balance at January 1, 2019 | 37,041,292 | \$ 2,707,411 |
| Exercise of warrants | 1,889,373 | 445,785 |
| Issuance of broker warrants | – | (11,316) |
| Balance at December 31, 2019 | 38,930,665 | 3,141,880 |
| Exercise of warrants | 1,629,273 | 416,710 |
| Issuance of shares – non-brokered private placement | 6,944,444 | 3,633,518 |
| Issuance of shares – bought deal public offering | 13,800,000 | 12,231,068 |
| Issuance of compensation options – bought deal public offering | – | (243,355) |
| Exercise of share-based payments | 250,031 | 72,326 |
| Conversion of convertible debt (note 12) | 7,744,273 | 3,342,625 |
| Shares issued on reverse takeover (note 26) | 3,750,000 | 1,981,215 |
| Balance at December 31, 2020 | 73,048,686 | 24,575,987 |

In the years ended December 31, 2020 and 2019, the Company incurred a net loss, with anti-dilutive securities including convertible debentures and associated derivatives described in Note 12, warrants in Note 17 and share-based payments in Note 18.

Non-brokered private placement

On November 5, 2020, the Company closed a non-brokered private placement (the “**Private Placement**”) of C\$5,000,000 with New Insight Incentive Plan Company (“**New Insight**”), a 100% owned subsidiary of eWTP Tech Innovation Fund LP, the global investment arm of Alibaba Group. As permitted by the rules of the TSX Venture Exchange, on closing of the Private Placement on November 5, the Corporation received C\$4.175 million of gross proceeds and issued to New Insight 5,798,611 Common Shares at a price of C\$0.72 per Common Share. The remaining C\$825,000 of gross proceeds was received on December 8, 2020 and an additional 1,145,833 Common Shares were issued to New Insight. The gross proceeds amounted to \$3,843,118, and net proceeds were \$3,633,518, inclusive of transaction costs of \$209,600.

Bought deal public offering

On November 27, 2020, the Company completed a public offering with Beacon Securities Limited, on behalf of a syndicate of underwriters, for the purchase on a bought deal basis (the “**Bought Deal**”) of 12,000,000 Common Shares of the Company at a price of C\$1.25 per share for gross proceeds to the Company of C\$15,000,000. The Company also granted the underwriters an option (the “**Over-Allotment Option**”) to purchase an additional number

of Common Shares equal to 15% of the number of Common Shares sold pursuant to the Bought Deal, which was fully exercised for an additional 1,800,000 Common Shares at C\$1.25 per share for gross proceeds to the Company of C\$2,250,000. The total Bought Deal, including the Over-Allotment, resulted in 13,800,000 Common Shares of the Company at a price of C\$1.25 per share for aggregate total gross proceeds to the Company of C\$17,250,000. Underwriters' compensation is comprised of a 6% cash fee plus 6% compensation options exercisable into Common Shares at the issue price of C\$1.25 for 24 months from November 27, 2020. A total of 828,000 compensation options were accordingly issued. The gross proceeds amounted to \$13,284,559, and net proceeds were \$12,231,068, inclusive of cash transaction costs of \$1,053,491.

Compensation options issued were valued at \$243,355. The value of the compensation options was calculated using the Black-Scholes option pricing model and the assumptions at grant dates were as follows:

Grant date – November 27, 2020

Risk-free interest rate: 0.24%

Expected volatility: 45.35%

Expected life: 2.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): 1.25

Share price (expressed in Canadian \$): 1.35

Fair value, per option (expressed in Canadian \$): 0.3816

In January 2019, the Company issued units of \$11,316 in aggregate value consisting of one common share and one warrant as consideration for services provided in connection with the issuance of convertible debt, which is exercisable at any time until the date which is twenty-four months following the closing of said issuance. These broker "units" (common share and warrants) are unit payments and are not readily convertible into cash - hence, they are treated as equity and booked to share-based payment reserve. On December 2, 2020, the holder chose to exercise these units, and they were bifurcated into 27,774 common shares and warrants each. The value of the shares was reclassified from warrants to share capital.

In December 2019, certain warrants were exercised by investors for aggregate cash proceeds of \$86,638 (2019- \$189,870).

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17. Warrant reserve

Below is a summary of the outstanding warrants classified as equity instruments:

| | Number of Warrants | Weighted average exercise price (in Canadian dollars) | Remaining contractual life (years) | Total Value (equity) |
|---|--------------------|---|------------------------------------|----------------------|
| Balance at January 1, 2019 | 3,525,530 | \$ 0.09 | 1.67-5.00 | \$ 626,754 |
| Warrants to be issued (note 16) | | | 2.00 | 11,316 |
| Warrants exercised during the year (note 16) | (1,889,379) | 0.16 | – | (255,915) |
| Balance at December 31, 2019 | 1,636,151 | 0.008 | 0.01-4.00 | \$ 382,155 |
| Broker warrants issued | 99,584 | 0.54-0.58 | 0.07-1.42 | 12,684 |
| Warrants expired during the year | (77,152) | 0.16 | – | – |
| Warrants exercised during the year | (1,601,499) | 0.00001-0.80 | – | (378,966) |
| Warrants issued on reverse takeover (note 26) | 250,000 | 0.80 | 0.78 | 34,303 |
| Balance at December 31, 2020 | 307,084 | 0.74 | 0.84 | 50,176 |

Below is a summary of the outstanding warrants classified as current liabilities:

| | Number of Warrants | Weighted average exercise price (in Canadian dollars) | Remaining contractual life (years) | Total Value (liability) |
|--|--------------------|---|------------------------------------|-------------------------|
| Balance at January 1, 2019 | – | \$ – | – | \$ – |
| Balance at December 31, 2019 | – | – | – | – |
| Conversion of convertible debentures (note 12) | 7,744,273 | 0.49-0.86 | 1.50 | 4,546,471 |
| Balance at December 31, 2020 | 7,744,273 | 0.71 | 1.50 | 4,546,471 |

During the year ended December 31, 2020, the Company issued 36,454 broker warrants as consideration for services provided in connection with the issuance of convertible debt as disclosed in Note 12, which are exercisable into 36,454 Common Shares. The broker warrants expire 24 months following the closing of the convertible debentures.

The Company also paid \$14,775 in cash and issued non-transferable share purchase warrants to acquire up to 35,356 Common Shares to certain entities in reference to finder's fee agreements associated with the convertible

debt issuance described in Note 12. Each warrant will be exercisable to purchase one additional Common Share at a price of C\$0.576 per share, and expires on June 2, 2022.

Grant dates – for the year ended December 31, 2020

Risk-free interest rate: 0.32-1.15%

Expected volatility: 39.50-42.88%

Expected life: 2.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): 0.576

Share price (expressed in Canadian \$): 0.720

Fair value, per warrant (expressed in Canadian \$): 0.232-0.244

More information on the assumptions used in valuing the warrants issued on conversion of the convertible debentures can be found in Note 12.

The Company observed similar public companies in order to estimate volatility over the estimated life of the warrants. Changes in these variables can materially impact the estimated fair value of the warrants.

77,152 warrants expired during the year ended December 31, 2020 (2019 – nil).

On June 9, 2020, the Company's creditor exercised all of its broker warrants associated with the financing of the acquisition of the RockYou portfolio of games discussed in Note 10.

The total number of warrants issued and their classification are as follows:

| | December 31 2020 | December 31 2019 |
|--------------------------------|---------------------|---------------------|
| Warrants – equity | 307,084 | 1,636,151 |
| Warrants – liability (note 12) | 7,744,273 | – |
| | 8,051,357 | 1,636,151 |

18. Share-based payments

Description of the share-based payment arrangements with employees

The Company has a share option plan with the objective of attracting, retaining and motivating key employees, officers and directors in long-term success of the Company. In accordance with this plan, options are exercisable at the exercise price of each option, as determined on the grant date. Each share option expires on the date that is the earlier of 5 years from the date of grant or such earlier date as may be set out in the participant's award agreement.

In 2020, the Company awarded key employees 782,200 share options. 25% of the options granted to each employee vest after 12 months, and 6.25% vest each quarter thereafter. All options expire on the 5th anniversary from the date of grant.

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In 2020, the Company awarded independent directors 650,000 share options, all vesting on the first anniversary of the grant. All options expire on the 5th anniversary from the date of the grant.

In 2020, the Company awarded independent consultants 30,000 share options. 25% of the options granted to the consultants vest after 3 months, and 25% vest each quarter thereafter. All options expire on the 2nd anniversary from the date of the grant.

In 2019, the Company awarded executive officers 2,148,169 share options. 25% of the options vest after 12 months, and 6.25% vest each quarter thereafter. All options expire on the 5th anniversary from the date of grant. A total of 700,369 share options were cancelled during the year, and 190,500 share options were forfeited due to employee departures.

The following is a summary of the share options for years ended December 31, 2020 and 2019:

| | Average exercise price per share | Number of options |
|--|----------------------------------|-------------------|
| As at January 1, 2019 | | |
| Granted during the year | C\$0.19 | 4,093,814 |
| Forfeited during the year | C\$0.31 | 2,148,169 |
| Cancelled during the year | C\$0.28 | (190,500) |
| | C\$0.31 | (700,369) |
| As at December 31, 2019 | | |
| Granted during the year | C\$0.22 | 5,351,114 |
| Share options issued on reverse takeover (note 26) | C\$0.72-\$1.40 | 1,462,200 |
| Share options forfeited | C\$0.80 | 375,000 |
| Share options exercised | C\$0.32 | (92,869) |
| | C\$0.16-\$0.31 | (250,031) |
| As at December 31, 2020 | | |
| Vested and exercisable at December 31, 2019 | C\$0.39 | 6,845,414 |
| Vested and exercisable at December 31, 2020 | C\$0.18 | 2,512,321 |
| | C\$0.25 | 3,896,486 |

POPREACH CORPORATION

Notes to the Consolidated Financial Statements

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No options expired during the years covered by the above tables. Share options outstanding at the end of the year have the following expiry dates and exercise prices:

| Grant date | Expiry date | Exercise price | Share options December 31 2020 |
|---|---------------------|-------------------|-----------------------------------|
| Jan 2017 – Oct 2017 | Jan 2022 – Oct 2022 | C\$0.16 | 3,369,914 |
| Jan 2018 | Jan 2023 | C\$0.31 | 190,500 |
| Jan 2019 – Oct 2019 | Jan 2024 – Oct 2024 | C\$0.31 | 1,447,800 |
| Apr 2020 | Apr 2025 | C\$0.72 | 457,200 |
| From Qualifying Transaction | Oct 2024 | C\$0.80 | 375,000 |
| Jul 2020 – Aug 2020 | Jul 2025 – Aug 2025 | C\$0.85 – C\$1.00 | 925,000 |
| Nov 2020 | Nov 2022 – Nov 2025 | C\$1.40 | 80,000 |
| Total | | | 6,845,414 |
| Weighted average remaining contractual life of options outstanding at end of year (in years) | | | 2.76 |

| Grant date | Expiry date | Exercise price | Share options December 31 2019 |
|---|---------------------|----------------|-----------------------------------|
| Jan 2017 – Oct 2017 | Jan 2022 – Oct 2022 | C\$0.16 | 3,465,164 |
| Jan 2018 | Jan 2023 | C\$0.31 | 438,150 |
| Jan 2019 – Oct 2019 | Jan 2024 – Oct 2024 | C\$0.31 | 1,447,800 |
| Total | | | 5,351,114 |
| Weighted average remaining contractual life of options outstanding at end of year (in years) | | | 3.16 |

During the year ended December 31, 2020, the Company incurred share-based payment expenses to employees and directors of the Company in the amount of \$180,201 (year ended December 31, 2019 - \$201,184) in relation to its share option plan. These costs are included in general and administrative expenses in the consolidated statements of loss and comprehensive loss.

Inputs for measurement of grant date fair values

The grant date fair value of stock options was estimated using the Black-Scholes option pricing model and the assumptions at grant dates were as follows:

Grant dates – for the year ended December 31, 2020

Risk-free interest rate: 0.26-0.56%

Expected volatility: 40.80%-47.23%

Expected life: 2.00-5.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): 0.72-1.40

Share price (expressed in Canadian \$): 0.72-1.38

Fair value, per option (expressed in Canadian \$): 0.21-0.49

Grant dates – for the year ended December 31, 2019

Risk-free interest rate: 1.56-1.89%

Expected volatility: 39.54-39.58%

Expected life: 5.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): 0.31

Share price (expressed in Canadian \$): 0.31

Fair value, per option (expressed in Canadian \$): 0.11-0.12

The Company observed similar public companies in order to estimate volatility over the estimated life of the option. Changes in these variables can materially impact the estimated fair value of share-based compensation and consequently, the related amount recognized to general and administrative expenses in the consolidated statements of loss and comprehensive loss.

19. Supplementary cash flow information

Change in working capital

| | 2020 | 2019 |
|--|------------------|------------------|
| Trade and other receivables | \$ 277,305 | \$ (2,254,425) |
| Prepaid assets | 33,149 | (256,218) |
| Investment tax credits receivable | 256,663 | (94,738) |
| Trade payables and accrued liabilities | (1,161,565) | 1,005,257 |
| Taxes payable | (29,377) | 72,439 |
| Deferred revenue | (319,037) | 561,889 |
| Total change in working capital | (942,862) | (965,796) |

20. Related party transactions

Convertible debentures

During 2020, of the C\$2,536,870 of convertible debentures issued (US\$1,847,889), C\$660,000 (US\$480,753) was issued to key management personnel and Directors of the Company.

21. Key management compensation

Compensation for key management personnel, including the Company's officers and Board of Directors, and private companies controlled by the Company's Officers and Board of Directors, was as follows:

| | 2020 | 2019 |
|---|----------------|----------------|
| Management salaries, bonuses and other benefits | \$ 789,842 | \$ 609,891 |
| Director fees | 53,561 | — |
| Share-based payments - management | 77,390 | 168,755 |
| Share-based payments - directors | 62,950 | 10,978 |
| Total key management compensation | 983,743 | 789,624 |

22. Management of capital

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to preserve its capital through adapting its strategic efforts and working to optimize revenues from its game production and operations. The Company also attempts to raise additional funds through the issuance of debt or equity.

In the management of capital, the Company's definition of capital includes shareholders' (deficit) equity and borrowings. As at December 31, 2020, the Company's managed capital was \$18,553,021 (December 31, 2019 - \$5,804,411), which was comprised of shareholders' equity of \$12,520,158 (December 31, 2019 - deficit of \$2,733,581) and interest bearing debt of \$6,032,863 (December 31, 2019 - \$8,537,992). Included in interest-bearing debt is the debt component of the convertible debentures of nil (December 31, 2019 - \$663,366), where the associated accreted interest expenses is a non-cash charge.

23. Revenue from contracts with customers

The following table presents our revenue disaggregated based on the geographic location of our paying players. All of the geographic locations presented below represent at least 10% of total revenues in either the years ended December 31, 2020 or December 31, 2019:

| | 2020 | 2019 |
|----------------------|-------------------|-------------------|
| North America | \$ 13,856,473 | \$ 13,952,244 |
| Europe | 2,531,001 | 2,277,961 |
| Other | 1,622,811 | 1,721,669 |
| Total revenue | 18,010,285 | 17,953,874 |

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The following table presents our in-app purchases disaggregated based on each platform partner:

| | 2020 | 2019 |
|----------------------|-------------------|-------------------|
| Apple | \$ 7,393,225 | \$ 6,404,671 |
| Facebook | 6,360,952 | 7,505,518 |
| Google | 3,306,286 | 2,779,293 |
| Amazon | 239,755 | 280,678 |
| Total revenue | 17,300,218 | 16,970,160 |

During the years ended December 31, 2020 and 2019, there was no significant impact from discontinued games or from changes in our estimated average playing year of payers that required adjusting the recognition year of deferred revenue generated in prior years.

24. Breakdown of employee compensation

| | 2020 | 2019 |
|----------------------------------|--------------|------------------|
| Salaries and benefits | \$ 3,953,326 | \$ 4,018,391 |
| Employee benefits expenses | 100,734 | 135,164 |
| Share-based compensation expense | 180,201 | 201,184 |
| 4,234,261 | | 4,354,739 |

Presented as follows:

| | | |
|----------------------------|------------|------------------|
| Cost of sales | \$ 150,024 | \$ 164,497 |
| Research and development | 2,622,708 | 3,245,964 |
| General and administrative | 1,461,529 | 944,278 |
| 4,234,261 | | 4,354,739 |

25. Change in comparative information

Certain figures in the statements of loss and comprehensive loss have been reclassified from general and administrative expenses to separate line items. Below is the summary of the reclassification during the prior reporting years:

| For the year ended December 31 2019 | As previously reported | Reclassification | As adjusted |
|--|---------------------------|------------------|--------------|
| Interest and accretion expenses | \$ — | \$ 1,266,094 | \$ 1,266,094 |
| Fair value loss on financial liabilities | — | 60,468 | 60,468 |
| General and administrative expenses | 4,128,368 | (1,326,562) | 2,801,806 |
| | 4,128,368 | — | 4,128,368 |

Certain figures in the statements of loss and comprehensive loss have been reclassified from cost of sales to marketing expenses. Below is the summary of the reclassification during the prior reporting years:

| For the year ended December 31 2019 | As previously reported | Reclassification | As adjusted |
|--|---------------------------|------------------|---------------|
| Cost of sales | \$ 10,109,356 | \$ (47,059) | \$ 10,062,297 |
| Marketing | — | 47,059 | 47,059 |
| | 10,109,356 | — | 10,109,356 |

The reclassification changes had no impact to the consolidated statement of financial position, net loss and comprehensive loss, loss per share and the consolidated statement of cash flows.

26. Reverse Takeover Transaction

On November 11, 2019, the Company signed a letter of intent with PopReach, where the Company would acquire PopReach, by way of a three-corner amalgamation, share exchange, plan of arrangement or other similar form of transaction as agreed by the parties. On June 26, 2020, the Company and PopReach entered into the Definitive Agreement, which supersedes the prior binding letter of intent, pursuant to which the parties agreed to complete the Qualifying Transaction (the “**Transaction**”) on the terms set out therein. The Transaction was completed on June 30, 2020 and resulted in a reverse take-over of the Company by PopReach and constitutes the Qualifying Transaction of the Company in compliance with the CPC Policy. Pursuant to the terms of the Definitive Agreement, the Company acquired 100% of PopReach and the Company changed its name to PopReach Corporation.

Pursuant to the Transaction, each PopReach shareholder received 7.62 post-Consolidation Common Shares in the capital of the Company for each PopReach common share held by them, for a total issuance by the Company from treasury of 48,233,937 post-Share Consolidation Common Shares. In addition, each convertible, exchangeable, or exercisable security of PopReach was exchanged for a convertible, exchangeable or exercisable security, as applicable, of the Company on substantially the same economic terms and conditions as the original convertible,

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exchangeable, or exercisable security of PopReach (with their exercise prices being divided by 7.62) resulting in the issuance of 7,744,273 warrants in respect of outstanding PopReach warrants, 5,808,314 options in respect of outstanding PopReach options and 99,584 broker warrants in respect of outstanding PopReach broker warrants, all of which have been retroactively adjusted in the Consolidated Financial Statements (see Note 1).

Following completion of the Transaction as at June 30, 2020, the Company had 51,983,937 Common Shares issued and outstanding. Assuming the conversion of all outstanding options, warrants and stock options, 66,288,882 Common Shares would be outstanding on a fully diluted basis. Common shares of the Company began trading on the TSX Venture Exchange under the symbol "POPR" on July 8, 2020.

The fair value of consideration for the Transaction is \$2,091,433. After deducting net assets of the Company before the closing of the Transaction of \$1,409,995, the non-cash listing expense of \$681,438 was expensed in the post acquisition year as a cost associated with obtaining a public stock listing. Based on the Company's statement of financial position immediately prior to the closing of the Transaction as at June 30, 2020, the net assets at fair value that were acquired by PopReach are as follows:

Purchase Consideration

| | |
|------------------------------------|------------------|
| Share capital | \$ 1,981,215 |
| Share-based payment reserve | 75,915 |
| Warrant reserve | 34,303 |
| Fair value of consideration | 2,091,433 |

Identifiable assets acquired

| | |
|---|------------------|
| Cash and cash equivalents | \$ 1,484,114 |
| Accounts payable and accrued liabilities | 74,119 |
| Net Assets Acquired | 1,409,995 |
| Non-cash listing expense | 681,438 |
| Add: Professional fees associated with reverse takeover | 327,396 |
| Reverse takeover listing expense | 1,008,834 |

The value of the share-based payment reserve was calculated using the Black-Scholes option pricing model and the assumptions were as follows:

Risk-free interest rate: 0.45%

Expected volatility: 37.66%

Expected life: 5.00 years

Expected dividends: \$nil

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Exercise price (expressed in Canadian \$): \$0.80

Share price (expressed in Canadian \$): \$0.80

Fair value, per option (expressed in Canadian \$): \$0.03

The value of the warrant reserve was calculated using the Black-Scholes option pricing model and the assumptions were as follows:

Risk-free interest rate: 0.45%

Expected volatility: 40.00%

Expected life: 2.00 years

Expected dividends: \$nil

Exercise price (expressed in Canadian \$): \$0.80

Share price (expressed in Canadian \$): \$0.80

Fair value, per warrant (expressed in Canadian \$): \$0.02

27. Current taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) to the effective tax rate is as follows:

| | 2020 | 2019 |
|--|---------------|----------------|
| Net loss before recovery of income taxes | \$ 6,233,632 | \$ 4,244,516 |
| Expected income tax recovery | (1,651,910) | (1,124,797) |
| Difference in foreign tax rates | (4,490) | (6,021) |
| Share-based compensation and non-deductible expenses | 123,950 | 135,050 |
| Tax effect of convertible debt | 1,367,590 | - |
| Listing and transaction costs | 267,340 | - |
| Share issuance cost booked through equity | (337,620) | - |
| Unrealized FX gain/loss | 17,160 | - |
| Other | 18,032 | 58,024 |
| Change in tax benefits not recognized | 267,540 | 1,129,013 |
| Income tax expense | 67,592 | 191,269 |

The Company's income tax (recovery) is allocated as follows:

| | 2020 | 2019 |
|---------------------------------|---------------|----------------|
| Current tax (recovery) expense | \$ 127,076 | \$ 191,269 |
| Deferred tax (recovery) expense | (59,484) | - |
| | 67,592 | 191,269 |

28. Deferred taxes

The following table summarizes the components of deferred tax:

| | 2020 | 2019 |
|---|---------------|------------|
| Deferred Tax Assets | | |
| Lease liabilities | \$ 79,400 | \$ 160,870 |
| Non-capital losses carried forward | 502,930 | 279,264 |
| Pension liabilities | 55,990 | — |
| Actuarial loss to OCI | 7,860 | — |
| Deferred Tax Liabilities | | |
| Right-of-use assets | (74,820) | (160,870) |
| Property and equipment | (1,090) | — |
| Investment tax credits receivable | (187,790) | (251,360) |
| Deferred financing costs | — | (7,182) |
| Unrealized foreign exchange gains or losses | (315,140) | (20,722) |
| Deferred Tax Assets | 67,340 | — |

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Below is the change in net deferred tax:

| | 2020 | 2019 |
|------------------------------|---------------|----------|
| Balance, beginning of year | \$ — | \$ — |
| Recognized in profit or loss | 59,484 | — |
| Recognized in OCI | 7,856 | — |
| Balance, end of year | 67,340 | — |

Deferred tax assets recognized in the statement of financial position are solely related to PR Tech. The subsidiary is profitable and expects to utilize the deferred tax assets in the future to offset taxable profits.

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Unrecognized deferred tax assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

| | 2020 | 2019 |
|---|------------------|------------------|
| Tangibles and intangibles | \$ 2,810,390 | \$ 4,776,284 |
| Lease liabilities | 14,060 | 42,275 |
| Non-capital losses carried forward | 1,284,460 | 538,746 |
| Deferred financing costs | 1,357,030 | — |
| Unrealized foreign exchange gains or losses | 2,092,530 | — |
| Total | 7,558,470 | 5,357,305 |

The Canadian non-capital loss carryforwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because the Company is currently not profitable and are not able to utilize the benefits therefrom.

The Company's Canadian non-capital income tax losses, the benefit of which has not been recognized on the consolidated financial statements, expire as follows:

| | |
|------|--------------|
| 2040 | \$ 1,284,460 |
| | 1,284,460 |

The share issue and financing cost will be fully amortized in 2024.

29. Subsequent events

On January 8, 2021, the Company filed a preliminary short form base shelf prospectus with the securities commissions in each of the provinces and territories of Canada. On January 15, 2021, the Company filed a final base shelf prospectus, which is valid for a 25-month period and allows the Company to issue common shares, preferred shares, units, debt securities, subscription receipts and warrants, pursuant to terms set forth in an accompanying prospectus supplement, for an aggregate offering amount of up to C\$150,000,000.

On March 18, 2021, the Company acquired substantially all of the assets relating to the "Peak – Brain Training" app from Brainbow Limited. On March 18, 2021, the Company made a \$3,000,000 cash payment to Brainbow Limited, with an additional \$2,000,000 payable on completion of certain post-closing transitional matters, to be completed within two months of closing. In connection with the acquisition, the Company incorporated PopReach UK Limited, a wholly-owned subsidiary of PopReach Incorporated.

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On April 13, 2020, the Company signed an asset purchase agreement and licensing agreement with Starbreeze Studios AB (“**Starbreeze**”) for the re-launch of mobile title PAYDAY Crime War. Under the terms of the asset purchase agreement, Starbreeze received a payment of \$250,000 in exchange for all rights and title to the existing PAYDAY Crime War source code and game assets. Concurrently, the parties entered into a five year licensing agreement granting the Company the right to publish PAYDAY Crime War worldwide, and access to assets from the PAYDAY 2 PC game for use in PAYDAY Crime War. PopReach will be responsible for completing development, marketing, live operations and user acquisition for PAYDAY Crime War, which it expects to soft launch in Q4 2021. Starbreeze will receive tiered royalties on PAYDAY Crime War net sales, and retains all IP rights to the PAYDAY franchise.