

**LEAF MOBILE INC.**  
**(Doing business as “East Side Games Group”)**  
**Condensed Consolidated Interim Financial Statements**  
**(Unaudited - Presented in Canadian Dollars)**  
**For the Three Month Periods Ended March 31, 2022 and 2021**

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2022 AND 2021

The accompanying unaudited condensed consolidated interim financial statements of Leaf Mobile Inc. (the “Company”) for the three month periods ended March 31, 2022 and 2021 have been prepared by, and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of the Company’s unaudited condensed consolidated interim financial statements for the three month periods ended March 31, 2022 and 2021.

**LEAF MOBILE INC. (dba "East Side Games Group")**  
**Consolidated Statement of Financial Position**  
**(Unaudited - Presented in Canadian dollars)**  
**As at March 31, 2022 and December 31, 2021**

	<i>Note</i>	<b>2022</b> <i>March 31</i>	<b>2021</b> <i>December 31</i>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	6	\$ 6,186,727	\$ 9,242,144
Marketable securities	21	768,538	-
Trade and other receivables	7	11,591,222	10,309,377
Income taxes recoverable		377,203	377,203
Government assistance receivable	8	1,099,789	1,099,789
Prepaid expenses and deposits	9	3,013,011	2,713,846
		<b>23,036,490</b>	<b>23,742,359</b>
PREPAID EXPENSES AND DEPOSITS	9	1,653,242	2,766,763
PROPERTY AND EQUIPMENT	10	661,376	680,742
INTANGIBLE ASSETS	11	19,365,825	18,662,468
GOODWILL		30,507,520	30,507,520
LONG TERM INVESTMENTS	12	3,950,000	3,950,000
DEFERRED INCOME TAXES	16	2,035,262	2,035,262
		<b>\$ 81,209,715</b>	<b>\$ 82,345,114</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Bank indebtedness	13	\$ 1,922,377	\$ -
Trade and other payables	14	15,456,410	12,739,096
Contingent liabilities	4	19,260,640	20,000,000
Income taxes payable		314,753	-
Deferred Revenue		1,171,771	915,870
Current portion of lease obligation	15	83,221	131,201
		<b>38,209,172</b>	<b>33,786,167</b>
CONTINGENT LIABILITIES	4	-	19,024,654
LONG TERM LIABILITIES	5	1,267,000	-
DEFERRED INCOME TAXES	16	5,081,318	5,501,505
		<b>\$ 44,557,490</b>	<b>\$ 58,312,326</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	88,459,393	74,758,038
Contributed surplus		5,752,056	7,364,733
Retained earnings (Deficit)		(57,559,224)	(58,089,983)
		<b>36,652,225</b>	<b>24,032,788</b>
		<b>\$ 81,209,715</b>	<b>\$ 82,345,114</b>
COMMITMENTS AND CONTINGENCIES	22		

**APPROVED ON BEHALF OF THE BOARD**

"Jason Bailey" Director

"Mike Edwards" Director

**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Consolidated Statement of Income (Loss)**  
**and Comprehensive Income (Loss)**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and 2021**

	Note	2022	2021
<b>REVENUE</b>			
Gaming		\$ 26,487,165	\$ 18,380,231
Advertising		9,120,741	4,624,755
		<b>35,607,906</b>	23,004,986
<b>COST OF SALES</b>			
		<b>11,193,873</b>	7,968,314
<b>GROSS PROFIT</b>			
		<b>24,414,033</b>	15,036,672
<b>EXPENSES</b>			
Research and development	8	5,859,275	2,535,175
Sales and marketing		12,593,262	8,104,875
General and administrative		3,729,366	4,257,007
Transaction expenses		23,373	1,210,375
Depreciation of property and equipment and right-of use assets		84,481	80,756
Depreciation of intangible assets		1,830,643	1,037,500
		<b>24,120,400</b>	17,225,688
<b>INCOME (LOSS) BEFORE OTHER INCOME (EXPENSES)</b>			
<b>AND INCOME TAXES</b>			
		<b>\$ 293,633</b>	<b>\$ (2,189,016)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Gain on long term investment and disposal of subsidiary		-	4,953,463
Investment and other income		89,876	169,179
Loss on foreign exchange		277,802	(164,696)
Accretion expense		(235,986)	(276,959)
		<b>131,692</b>	4,680,987
<b>INCOME BEFORE INCOME TAXES</b>			
		<b>\$ 425,325</b>	<b>\$ 2,491,971</b>
<b>INCOME TAX EXPENSE (RECOVERY)</b>			
Current		314,753	2,424,735
Deferred	16	(420,187)	(1,192,854)
		<b>(105,434)</b>	1,231,881
<b>NET AND COMPREHENSIVE INCOME FOR THE PERIOD</b>			
		<b>\$ 530,759</b>	<b>\$ 1,260,090</b>
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>			
		<b>\$ 0.01</b>	<b>\$ 0.02</b>
<b>SHARES USED IN CALCULATING EARNINGS PER SHARE</b>			
Basic		77,525,184	63,870,156
Diluted		78,160,267	64,505,239

**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Consolidated Statement of Changes in Equity**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and 2021**

	<i>Note</i>	Number of shares	Share capital	Contributed surplus	Retained earnings (Deficit)	Total equity
<b>As at January 1, 2021</b>		44,444,444	\$ 2,104,861	\$ 1,312,366	\$ 22,230,299	\$ 25,647,526
Adjustment to the issued common shares of the legal parent at the time of the reverse takeover	<i>4</i>	31,566,347	71,024,281	-	-	71,024,281
Fair value of stock options from reverse takeover	<i>4</i>	-	-	55,000	-	55,000
Shares issued for advisory fees for reverse takeover	<i>17</i>	426,883	960,486	-	-	960,486
Stock option exchange		-	-	(1,255,349)	-	(1,255,349)
Stock option exercised		11,000	20,843	(9,843)	-	11,000
Warrants exercised		17,500	26,716	(9,216)	-	17,500
Stock based compensation	<i>18</i>	-	-	651,097	-	651,097
Distribution to shareholders on Reverse Takeover	<i>4</i>	-	-	-	(57,733,545)	(57,733,545)
Deferred consideration on Reverse Takeover, as adjusted	<i>4</i>	-	-	5,442,439	(5,442,439)	-
Cash dividends paid prior to Reverse Takeover		-	-	-	(6,300,000)	(6,300,000)
Non-cash dividends paid prior to Reverse Takeover	<i>12, 20</i>	-	-	-	(9,178,619)	(9,178,619)
Refundable taxes paid		-	-	-	(1,712,302)	(1,712,302)
Refundable taxes recovered		-	-	-	1,982,811	1,982,811
Comprehensive income for the period		-	-	-	1,260,090	1,260,090
<b>As at March 31, 2021</b>		76,466,174	\$ 74,137,187	\$ 6,186,494	\$ (54,893,705)	\$ 25,429,976
<b>As at January 1, 2022</b>		76,620,326	\$ 74,758,038	\$ 7,364,733	\$ (58,089,983)	\$ 24,032,788
Stock options exercised		11,027	27,568	-	-	27,568
Warrants exercised		41,250	66,000	-	-	66,000
Stock based compensation	<i>18</i>	-	-	728,110	-	728,110
Shares issued for acquisition	<i>5</i>	419,389	1,267,000	-	-	1,267,000
Shares issued for contingent payment	<i>4</i>	4,444,444	12,340,787	(2,340,787)	-	10,000,000
Comprehensive income for the period		-	-	-	530,759	530,759
<b>As at March 31, 2022</b>		81,536,436	\$ 88,459,393	\$ 5,752,056	\$ (57,559,224)	\$ 36,652,225

See notes to consolidated financial statements

**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Consolidated Statement of Cash Flow**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and 2021**

	2022 <i>March 31</i>	2021 <i>March 31</i>
<b>OPERATING ACTIVITIES</b>		
Net and comprehensive income	\$ 530,759	\$ 1,260,090
Items not affecting cash:		
Depreciation of property and equipment	84,481	80,756
Depreciation of intangible assets	1,830,643	1,037,500
Deferred income tax	(420,187)	(1,192,854)
Share based payments	-	1,038,486
Gain on disposal of marketable securities	-	(169,179)
Gain on investments and disposal of subsidiary	-	(4,895,791)
Accretion expense on contingent liabilities	235,986	276,960
Marketable securities received	(768,538)	-
Stock based compensation	728,110	651,097
Changes in non-cash working capital		
Trade and other receivables	(1,281,845)	(352,578)
Government assistance receivable	-	(210,849)
Prepaid expenses	814,356	(441,313)
Trade and other payables	2,717,314	550,356
Deferred revenue	255,901	-
Income taxes payable and recoverable	314,753	312,209
Cash flow from (used in) operating activities	<u>\$ 5,041,733</u>	<u>\$ (2,055,110)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from marketable securities	-	5,418,231
Purchase of equipment	(65,115)	(106,366)
Cash acquired (disposed of) in acquisitions and dispositions	-	4,422,540
Cash flow from (used in) investing activities	<u>\$ (65,115)</u>	<u>\$ 9,734,405</u>
<b>FINANCING ACTIVITIES</b>		
Cash consideration paid on Reverse Takeover	-	(19,328,515)
Cash dividends paid prior to Reverse Takeover	-	(6,300,000)
Proceeds from subscription offering	-	21,028,250
Stock options exercised	27,568	11,000
Warrants exercised	66,000	17,500
Earnout payment	(10,000,000)	-
Bank indebtedness	1,922,377	-
Refundable taxes net	-	215,237
Repayment of lease obligation	(47,980)	(41,179)
Cash flow from (used in) financing activities	<u>\$ (8,032,035)</u>	<u>\$ (4,397,707)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<u>\$ (3,055,417)</u>	<u>\$ 3,281,587</u>
Cash - beginning of period	9,242,144	4,416,399
<b>CASH - END OF PERIOD</b>	<u>\$ 6,186,727</u>	<u>\$ 7,697,986</u>

**Supplemental cash flow information**

*Note 20*

**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and March 31, 2021**

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1. NATURE AND CONTINUANCE OF OPERATIONS

Leaf Mobile Inc. (the "Company", "Leaf") was incorporated provincially under the Business Corporations Act of British Columbia on November 29, 2018. The head office of the Company is Suite 909 - 510 Burrard Street, Vancouver, British Columbia, V6C 3A8. The Company is doing business as East Side Games Group and expects to officially change its name to East Side Games Group Inc. at its next Annual General Meeting.

Eastside Games Inc. (“ESG”) and LDRLY (Technologies) Inc. ("LDRLY"), wholly owned subsidiaries of the Company, are mobile game developers and publishers, specialising in free-to-play casual mobile games. ESG and LDRLY generate in-app purchases revenue from the sale of in game virtual items that enhance the game-playing experience, and through advertising.

On February 5, 2021, the Company received approval from the Toronto Stock Exchange (“TSX”) and the TSX Venture Exchange ("TSX-V") to close its acquisition by ESG. On February 10, 2021, the Company resumed trading on the TSX under the symbol "LEAF". Refer to Note 5 for details of the acquisition of ESG, which is being accounted for as a reverse takeover. On December 8, 2021, the Company changed its ticker to “EAGR” on the TSX and “EAGRF” on the OTCQB Marketplace in the United States.

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2. BASIS OF PRESENTATION

*Statement of compliance*

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Leaf and ESG for the years ended December 31, 2021 and 2020, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's financial statements for the years ended December 31, 2021 and 2020. The disclosures which follow do not include all disclosures required for the annual financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 12<sup>th</sup>, 2022.

*Basis of measurement*

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs. The consolidated financial statements are presented in Canadian dollars unless otherwise noted, which is the Company's functional currency.

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and March 31, 2021**

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2. BASIS OF PRESENTATION *(continued)*

*Basis of consolidation*

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Eastside Games Inc. (“ESG”), Eastside Games (Ontario) Inc (“ESG-ON”), Eastside Games USA Inc. (“ESG-USA”), 1182533 B.C. Ltd. (“118Co”), LDRLY (Technologies) Inc. (“LDRLY”) and Keh Kaw Games Inc. (“KKG”). The subsidiaries are entities over which the Company is able, directly or indirectly, to control financial operating policies, which is the authority usually connected with holding majority voting rights. The results of operations of the subsidiaries are included in the consolidated financial statements from the respective dates of acquisition or incorporation. All intercompany balances and transactions have been eliminated.

Significant Judgments and estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the consolidated financial statements, along with reported amounts of expenses and net losses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

(a) Identification and valuation of intangible assets acquired in business combinations

In a business combination, all identifiable assets, liabilities and contingent liabilities acquired are recorded at their fair values. One of the most significant estimates relates to the determination of the fair value of intangible assets. For any intangible asset identified, depending on the type of intangible asset and the complexity of determining its fair value, management with assistance from an independent valuation expert develops the fair value using appropriate valuation techniques which are based on a forecast of the total expected future net cash flows. In determining the fair value of the intangible assets at the acquisition date, the Company’s significant assumptions include the future net cash flows, royalty rates, annual customer attrition rates and the discount rate applied.

Certain fair values may be estimated at the acquisition date pending confirmation or completion of the valuation process. Where provisional values are used in accounting for a business combination, they may be adjusted retrospectively in subsequent periods. However, the measurement period will last for one year from the acquisition date.

(b) Share-based payments

The fair value of all share-based payments granted are determined using the Black-Scholes option pricing model which incorporates assumptions regarding risk-free interest rates, dividend yield, expected volatility, estimated forfeitures, and the expected life of options. The Company has a significant number of options outstanding and expects to continue to make option grants.



**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and March 31, 2021**

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared following the same accounting policies used in preparation of the audited consolidated financial statements of the Company for the year ended December 31, 2021.

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4. ACQUISITION OF EAST SIDE GAMES INC.

Prior to the acquisition of ESG, on January 22, 2021, the Company received all necessary approvals from the TSX, the TSX-V and all security commissions in each of the Provinces of Canada (except Quebec) and filed its short form prospectus with respect to its public offering of Subscription Receipts and acquisition of ESG. The offering consisted of 8,888,888 Subscription Receipts at a price of \$2.25 per Subscription Receipt, for gross proceeds of \$20,000,000, and an over-allotment option for an additional 1,333,333 Subscription Receipts at a price of \$2.25 per Subscription Receipt, for additional gross proceeds of \$3,000,000.

The Company completed its offering on February 4, 2021, including the over-allotment, for aggregate gross proceeds of \$23,000,000. The Company paid \$1,971,750 in cash and issued 613,333 broker warrants exercisable into Leaf shares at \$2.25 per share, in share issuance costs.

On February 5, 2021, the Company acquired all issued and outstanding shares of ESG, such that ESG is now a wholly owned subsidiary, for the following consideration:

- Cash consideration of \$10,000,000, plus a working capital adjustment of \$10,428,514, with \$1,100,000 being held in escrow for a period of 12 months;
- Share consideration of 44,444,444 Leaf shares; and
- \$40,000,000 in contingent payable, with an acquisition date present value of \$37,305,031, upon the Company reaching certain milestones. At the option of the vendors, the contingent payable will be paid fully in cash or up to a maximum of 50% in Leaf common shares at a set price of \$2.25 per share. The contingent amount becomes payable based on the following:
  - \$20,000,000 if Leaf achieves \$100,000,000 in gross revenue, as defined in the purchase agreement, in the first 12 months following transaction close date. This milestone was achieved on February 5, 2022 and the Company paid the \$20,000,000, with the vendors electing to take half in shares with 4,444,444 shares being issued and \$10,000,000 cash.
  - \$20,000,000 if Leaf achieves \$150,000,000 in gross revenue in the second 12 months following transaction close date. The Company estimates that the contingent amount will be paid and has accrued the present value of the expected payments as contingent liabilities. However, if the above targets are not achieved no additional payments will be made to the vendors.

The cash consideration, working capital adjustment and estimated contingent amount totalling \$57,733,545 are payments, or expected payments, from Leaf to its shareholders and have been included as part of dividends and distributions to shareholders in the consolidated statement of changes in equity. Given the contingent liability has an equity feature allowing for up to 50% to be settled in shares, the equity settlement option was valued using the Black-Scholes model resulting in a value of \$5,442,439 being recognized as an increase to contributed surplus and as a further distribution to shareholders in the consolidated statement of changes in equity. The Black-Scholes option pricing model used the following inputs: risk-free interest rate of 0.48%, expected volatility ranging from 55.80% to 59.06%, and expected dividend yield of 0%.

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and March 31, 2021**

4. ACQUISITION OF EAST SIDE GAMES INC. *(continued)*

As a result of the shares issued to shareholders of ESG, ESG shareholders owned 58% of the combined Company. As such, despite being the legal subsidiary, ESG was identified as the accounting acquiror and LEAF was identified as the legal parent and the accounting acquiree. As ESG was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in the consolidated financial statements at their historical carrying values. Leaf’s results of operations have been included from the date of the transaction. The legal capital continues to be that of Leaf, the legal parent.

As at March 31, 2022, cash of \$1,100,000 (December 31, 2021 - \$1,100,000) remains held in escrow pursuant to the share purchase agreement. This restricted amount is included in the total cash and cash equivalents and trade and other payables on the statement of financial position.

Transaction costs for the reverse acquisition were \$1,210,375 and were expensed during the period ended March 31, 2021.

The purchase price allocation based on the reverse takeover accounting is summarized as follows:

Consideration

31,566,347 Leaf shares at a price of \$2.25 per share	\$ 71,024,281
44,000 stock options	55,000
	\$71,079,281
Total consideration before settling the pre-existing relationship	\$71,079,281
Net payables to ESG eliminated on acquisition	7,765,636
	\$ 78,844,917

Net assets acquired

Cash	\$ 4,422,540
Trade and other receivables	5,447,741
Subscription proceeds receivable	21,028,250
Government assistance receivable	156,315
Prepaid expenses and deposits	99,388
Property and equipment	89,100
Trade and other payables	(1,537,444)
Deferred income taxes	(4,978,493)
Brand	7,130,000
Developed game technology	11,470,000
Customer relationships	5,010,000
Goodwill	30,507,520
	\$ 78,844,917

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and March 31, 2021**

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ACQUISITION OF EAST SIDE GAMES INC. (continued)

The amount of revenue and net loss of Leaf Mobile Inc. on a combined basis had the acquisition occurred on January 1, 2021 after intercompany eliminations is as follows:

Combined Revenue	\$ 25,268,255
Combined Net loss	\$ 16,144

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5. ASSET ACQUISITION OF FUNKO POP! BLITZ

In January 2022, we acquired all of N3TWORK Inc.’s interest in the *Funko Pop! Blitz* mobile game, and all assets used and related to the free-to-play mobile game on iOS and Android thereto. The purchase price included 419,389 shares and the assumption of certain minimum guarantees due in 2023 and 2024 which are included in long term liabilities in the consolidated statement of financial position at March 31, 2022. The assets acquired are included in intangible assets and are being amortized over their estimated useful life of three years.

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and March 31, 2021**

6. FINANCIAL INSTRUMENTS

Categories of financial assets and financial liabilities

Financial instruments are classified into one of the following three categories: fair value through profit or loss (“FVTPL”); fair value through other comprehensive income (“FVOCI”); and amortized cost. The carrying values of the Company’s financial instruments are classified into the following categories:

<b>Financial Instrument</b>	<b>Category</b>	<b>March 31, 2022</b>	<b>December 31, 2021</b>
Cash and cash equivalents	FVTPL	6,186,727	9,242,144
Marketable securities	FVTPL	768,538	-
Trade and other receivables	Amortized Cost	11,591,222	10,146,362
Long term investments without significant influence	FVTPL	950,000	950,000
Bank indebtedness	Amortized Cost	1,922,377	-
Trade and other payables	Amortized Cost	15,456,411	12,739,096
Contingent liabilities	Amortized Cost	19,260,640	39,024,654

Fair value

IFRS 13 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 - applies to assets or liabilities for which there are unobservable market data.

The carrying values of trade and other receivables, trade and other payables, bank indebtedness, and contingent payable approximate their fair value due to their short-term nature. The Company’s fair value of cash and cash equivalents and marketable securities under fair value hierarchy are measured using Level 1 inputs. Long-term investments not subject to significant influence are measured using Level 2 inputs.

***Credit risk***

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Company's main exposure to credit risk relates to its trade receivables. The credit risk is minimal since the majority of the Company's receivables come from large corporations who pay the Company advertising and gaming revenue. There is no bad debt expense in the current or prior periods and in the opinion of management, none of the amounts comprising this balance were considered impaired. As at March 31, 2022, 64% (December 31, 2021 - 72%) of the Company’s trade receivables was concentrated to three major Digital Storefronts and advertisers. The Company has not had any problems with payment from these Digital Storefronts and advertisers and as such management is of the opinion that any concentration of credit risk is minimal.

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2022 and March 31, 2021**

6. FINANCIAL INSTRUMENTS *(continued)*

**Liquidity risk**

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations.

**Currency risk**

Currency risk is the risk to the Company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Company is exposed to foreign currency exchange risk on cash, trade and other receivables, and trade and other payables held primarily in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At March 31, 2022, 1 Canadian Dollar was equal to \$0.79 US Dollar (December 31, 2021 - \$0.7816).

	March 31, 2022		December 31, 2021	
	US Dollar	CDN Equivalent	US Dollar	CDN Equivalent
Cash	3,695,781	4,678,120	3,068,546	3,925,898
Marketable securities	-	-	-	-
Trade and other receivables	6,642,987	8,408,693	4,487,294	5,741,044
Trade and other payables	(4,639,591)	(5,872,794)	(2,350,206)	(3,006,853)

Based on the net exposures as of March 31, 2022 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in a change to the Company's net income by approximately \$655,820 (December 31, 2021 - \$605,463).

7. TRADE AND OTHER RECEIVABLES

	2022		2021	
	<i>March 31</i>		<i>December 31</i>	
Trade receivable	\$	<b>11,020,101</b>	\$	9,467,801
Goods and services tax recoverable		<b>571,121</b>		678,561
	<b>\$</b>	<b>11,591,222</b>	<b>\$</b>	<b>10,146,362</b>

**LEAF MOBILE INC. (dba “East Side Games Group”)**  
**Notes to the Condensed Consolidated Interim Financial Statements**  
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**For the Three Month Periods Ended March 31, 2022 and March 31, 2021**

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8. GOVERNMENT ASSISTANCE

Included in research and development expenses are tax credits from various government assistance programs. The Company claims investment tax credits (“ITC”) from the eligible scientific research and experimental development (“SR&ED”) expenditures incurred during the year and British Columbia and Ontario Interactive Digital Media Tax Credits (“BC IDMTC” and “Ontario IDMTC”). As at March 31, 2022, the Company has an amount receivable from these government assistance programs of \$1,099,789 (December 31, 2021 - \$1,099,789).

During the three months ended March 31, 2022 and the year ended December 31, 2022, the Company claimed the following tax credits from the government assistance programs, which are offset against research and development expenses:

	<b>2022</b>	<b>2021</b>
	<i>March 31</i>	<i>March 31</i>
ITC from SR&ED expenditures	\$ -	\$ 101,622
BC IDMTC	-	109,227
Ontario IDMTC	-	-
	<b>\$ -</b>	<b>\$ 210,849</b>

9. PREPAID EXPENSES AND DEPOSITS

The Company has entered into agreements with several license holders and external studios in an effort to develop new video games. Included in deposits and other are amounts paid to license holders and external studios in advance related to development and royalty costs of the games under development. The Company is also committed to pay royalties over and above prepaid minimum guarantees on these games in the future based on a percentage of sales less certain eligible costs.

	<b>2022</b>	<b>2021</b>
	<i>March 31</i>	<i>December 31</i>
Prepaid royalties - current	\$ 1,718,702	\$ 1,758,491
Other prepaids	1,258,352	919,398
Security deposits	35,957	35,957
Prepaid expenses and deposits	\$ 3,013,011	\$ 2,713,846
Prepaid royalties - non-current	1,653,242	2,766,763
	<b>\$ 4,666,253</b>	<b>\$ 5,480,609</b>

**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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10. PROPERTY AND EQUIPMENT

	<b>Computer equipment</b>	<b>Furniture and Fixture</b>	<b>Leasehold Improvement</b>	<b>Right-of- use asset</b>	<b>Total</b>
<b>Cost</b>					
Balance at January 1, 2021	\$ 730,626	\$ 236,522	\$ 62,576	\$ 581,874	\$ 1,611,598
Additions	413,655	18,167	-	-	431,822
Disposals	-	-	-	-	-
Balance at December 31, 2021	\$ 1,144,281	\$ 254,689	\$ 62,576	\$ 581,874	\$ 2,043,420
Additions	65,114	-	-	-	65,114
Disposals	-	-	-	-	-
Balance at March 31, 2022	\$ 1,209,395	\$ 254,689	\$ 62,576	\$ 581,874	\$ 2,108,534
<b>Accumulated depreciation</b>					
Balance at January 1, 2021	\$ 474,671	\$ 110,017	\$ 62,576	\$ 317,386	\$ 964,650
Depreciation for the year	208,890	30,446	-	158,692	398,028
Disposals	-	-	-	-	-
Balance at December 31, 2021	\$ 683,561	\$ 140,463	\$ 62,576	\$ 476,078	\$ 1,362,678
Depreciation for the period	38,747	6,061	-	39,674	84,482
Disposals	-	-	-	-	-
Balance at March 31, 2022	\$ 722,308	\$ 146,524	\$ 62,576	\$ 515,752	\$ 1,447,160
<b>Carrying value</b>					
At December 31, 2021	\$ 460,720	\$ 114,226	\$ -	\$ 105,796	\$ 680,742
At March 31, 2022	\$ 487,087	\$ 108,166	\$ -	\$ 66,122	\$ 661,376

**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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11. INTANGIBLE ASSETS

	<b>Brand</b>	<b>Developed Game Technologies</b>	<b>Customer relationships</b>	<b>Total</b>
<b>Cost</b>				
Balance at January 1, 2021	\$ -	\$ -	\$ -	\$ -
Additions	\$ 7,130,000	\$ 12,228,718	\$ 5,010,000	\$ 24,368,718
Disposals	-	-	-	-
Balance at December 31, 2021	<u>\$ 7,130,000</u>	<u>\$ 12,228,718</u>	<u>\$ 5,010,000</u>	<u>\$ 24,368,718</u>
Additions	\$ -	\$ 2,534,000	\$ -	\$ 2,534,000
Disposals	\$ -	\$ -	\$ -	\$ -
Balance at March 31, 2022	<u>\$ 7,130,000</u>	<u>\$ 14,762,718</u>	<u>\$ 5,010,000</u>	<u>\$ 26,902,718</u>
<b>Accumulated depreciation</b>				
Balance at January 1, 2021	\$ -	\$ -	\$ -	\$ -
Depreciation for the period	\$ 1,307,167	\$ 2,102,833	\$ 2,296,250	\$ 5,706,250
Disposals	\$ -	\$ -	\$ -	\$ -
Balance at December 31, 2021	<u>\$ 1,307,167</u>	<u>\$ 2,102,833</u>	<u>\$ 2,296,250</u>	<u>\$ 5,706,250</u>
Depreciation for the period	\$ 356,500	\$ 847,893	\$ 626,250	\$ 1,830,643
Disposals	\$ -	\$ -	\$ -	\$ -
Balance at March 31, 2022	<u>\$ 1,663,667</u>	<u>\$ 2,950,726</u>	<u>\$ 2,922,500</u>	<u>\$ 7,536,893</u>
<b>Carrying value</b>				
At December 31, 2021	<u>\$ 5,822,833</u>	<u>\$ 10,125,885</u>	<u>\$ 2,713,750</u>	<u>\$ 18,662,468</u>
At March 31, 2022	<u>\$ 5,466,333</u>	<u>\$ 11,811,992</u>	<u>\$ 2,087,500</u>	<u>\$ 19,365,825</u>



**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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12. LONG TERM INVESTMENTS

	<b>2022</b>	2021
	<i>March 31</i>	<i>December 31</i>
Creative Labs Limited Partnership (i)	\$ 950,000	\$ 950,000
Night Garden Studio Inc. (ii)	-	-
Truly Social Games Inc. (iii)	3,000,000	3,000,000-
	\$ 3,950,000	\$ 3,950,000

- i. The Company entered into a subscription agreement Creative Labs L.P. on December 5, 2016 and committed to subscribe for 500,000 units of the partnership and enter the partnership as a limited partner. As at March 31, 2022, 500,000 (December 31, 2021 – 500,000) of the committed units have been funded. During the year ended December 31, 2021, the Company recognized an unrealized gain on investment of \$450,000 (2020 – nil).
  
  - ii. The Company entered into a Share Purchase Agreement with Night Garden Studio Inc. (“Night Garden”) on November 15, 2020 to purchase 37,500 common shares of Night Garden for a purchase price of \$100,000. This transaction has resulted in 25% ownership in Night Garden and has been accounted for using the equity method. During the year end December 31, 2021, the company incurred \$2,176,000 (2020 – \$ nil) recoupable development costs to Night Garden. The balance recoverable at March 31, 2022 was \$2,176,000 (December 31, 2021 – \$ 2,176,000) and is included in prepaids. During the three months ended March 31, 2022, the Company recorded \$890,000 in research and development expense (March 31, 2021 - \$376,000).
  
  - iii. The Company entered into a Definitive Agreement to acquire Truly Social Games Inc. (“TSG”) on June 22, 2021. The Company initially acquired 20% of TSG in July 2021 in exchange for an initial investment of up to \$3,000,000 which will be used by TSG to develop new game titles. The Company is committed to increasing its ownership position if certain performance targets are met. The remaining 80% ownership position would be purchased for \$19,000,000, to be paid in LEAF shares on the achievement of defined revenue targets by June 2024. The Company is also committed to a \$15,000,000 payment to TSG, also in LEAF shares, on the achievement of TSG achieving defined revenue targets by June 2027. Of the \$3 million initial investment, \$980,350 has been funded as of March 31, 2022 (December 31, 2021, \$552,130). The remaining \$2,019,650 is accrued in trade and other payables.
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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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13. CREDIT FACILITIES

The Company has two authorized operating lines of credit totalling \$17,100,000. One of the lines is with a Canadian Bank for \$7,100,000 and carries interest at prime plus 0.75% and the other for \$10,000,000 is with a director of the Company. As of March 31, 2022, the Company has drawn \$1,922,377 (December 31, 2021 - \$nil) from its bank credit line.

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14. TRADE AND OTHER PAYABLES

	<b>2022</b>	<b>2020</b>
	<i>March 31</i>	<i>December 31</i>
Trade payables	\$ 14,539,293	\$ 11,993,494
Wages and vacation payable	917,118	745,602
Goods and services tax payable	-	-
	<b>\$ 15,456,411</b>	<b>\$ 12,739,096</b>

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15. LEASE OBLIGATION

The lease obligation has been measured by discounting future lease payments using the Company’s incremental borrowing rate at January 1, 2020. The weighted-average rate applied is 12%. Rates implicit in the leases were not readily determinable.

	<b>2022</b>	<b>2021</b>
	<i>March 31</i>	<i>December 31</i>
Opening balance	\$ 131,201	\$ 305,591
Lease payments, net of interest recognized	(47,980)	(174,390)
Lease obligation	<b>\$ 83,221</b>	<b>\$ 131,201</b>

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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16. DEFERRED INCOME TAXES

The following components of deferred income taxes are calculated based on a current period enacted rate of 27% (December 31, 2021 - 27%). The change in deferred income taxes is \$420,187 (2021 - \$2,848,953) and is represented as a deferred income tax recovery on the consolidated statement of income (loss) and comprehensive income (loss). The deferred income tax assets and liabilities recognized as at December 31, 2021 are as follows:

	<b>2022</b> <i>March 31</i>	2021 <i>December 31</i>
Long term investments	(47,250)	(47,250)
Property and equipment	(131,114)	(124,255)
Intangible assets	(4,406,966)	(4,834,013)
Government tax credit	(495,560)	(495,560)
Loss carryforwards	1,563,273	1,563,273
Financing and share issuance costs	471,561	471,561
	<b>\$ (3,046,056)</b>	<b>\$ (3,466,243)</b>

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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17. SHARE CAPITAL

Authorized:

Unlimited common shares of Leaf without par value

Share transactions during the period

For the three month period ended March 31, 2022, the Company had the following transactions:

- As part of the contingent consideration related to the reverse takeover (“RTO”) as described in Note 4, the Company issued 4,444,444 shares for achieving \$100,000,000 in revenue during the first twelve months subsequent to the acquisition.
- As part of the Funko Pop! Acquisition, the Company issued 419,389 shares.
- During the period, 11,027 warrants and 41,250 options were exercised.

On August 16, 2021, the Company completed a 10-for-1 share consolidation. All share, option and warrant amounts in these financial statements have been retrospectively restated.

For the three month period ended March 31, 2021, the Company had the following transactions:

- As part of the reverse takeover (“RTO”) as described in Note 4, an increase of \$71,024,281 to share capital was recorded as consideration for the issued and outstanding Leaf shares immediately prior to the RTO transaction.
- As part of the RTO transaction, the Company issued 426,883 shares as advisory fees, valued at \$960,486.
- During the period, 17,500 warrants and 11,000 options were exercised.

Escrow shares

Former ESG shareholders agreed that 48,985,416 shares are subject to lock-up with one third coming out of lock-up on each of February 5, 2022, February 5, 2023 and February 5, 2024. Accordingly, as of the date of these financial statements, 32,656,944 of these shares are in lock-up. In addition, two thirds, or 2,962,962, of the contingent shares are in lock-up.

	Shares Locked-up	Released on Feb 5, 2022	To be released on Feb 5, 2023	To be released on Feb 5, 2024
Acquisition of ESG	48,985,416	16,328,472	16,328,472	16,328,472
Contingent payment (shares issuable)	2,962,962	-	1,481,481	1,481,481

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18. STOCK OPTIONS AND WARRANTS

Stock options

The Company has adopted an incentive stock option plan (the “Option Plan”) which provides that the board of directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of the grant. Under the Option Plan, options are required to have an exercise price not less than the closing market price of the Company’s shares prevailing on the day that the option is granted less applicable discount, if any, permitted by the policies of the Exchange. Pursuant to the Option Plan, the board of directors of the Company may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or an aggregate maximum of 2% if the optionee is engaged in investor relations activities or if the optionee is a consultant, no more than 2% per consultant.

Details of the stock options, reflecting ESG options in 2020 updated for the share exchange ratio of 94.8 on reverse takeover and the 10-for-1 share consolidation, are as follows:

	Number	Weighted Average Exercise Price 2022 <i>March 31</i>	Number	Weighted Average Exercise Price 2021 <i>December 31</i>
Outstanding at beginning of period	2,877,028	\$ 2.35	2,372,351	\$ 0.80
Previously issued from legal parent	-	-	680,568	2.51
Granted	1,874,800	3.07	2,459,302	2.30
Exercised	(41,250)	2.50	(158,785)	2.19
Exchanged	-	-	(2,372,351)	0.80
Forfeited	-	-	(104,057)	2.50
Outstanding at end of period	4,710,578	\$ 2.63	2,877,028	\$ 2.35

*(continues)*

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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18. STOCK OPTIONS AND WARRANTS *(continued)*

The Company applies the fair value method using the Black Scholes option pricing model in accounting for its stock options granted. The following inputs were used:

- The risk-free interest rate ranges from 0.33% - 0.94%.
- The expected life of the options ranges from 2 – 5 years.
- The expected volatility is 67.5%.
- The expected forfeiture rate is 0%.
- The expected dividends yield is 0%.

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company’s share options. Volatility was estimated based on comparable public companies given the lack of historical data for the Company.

Accordingly, during the three month period, the Company recognized stock-based compensation expense of \$728,110 respectively (Q1 2021 - \$651,097).

The weighted average fair value of all share options granted, using the Black Scholes option pricing model, during the period was \$2.88 per option (2021 - \$1.20). The weighted average remaining contractual life of outstanding share options at March 31, 2022 was 3.45 years (2021 – 4.74 years).

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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18. STOCK OPTIONS AND WARRANTS *(continued)*

Warrants

Details of the warrants issued are as follows:

	Number	Weighted Average Exercise Price 2022 <i>March 31</i>	Number	Weighted Average Exercise Price 2021 <i>December 31</i>
Outstanding at beginning of period	648,216	\$ 2.21	-	\$ -
Previously issued from legal parent	-	-	672,083	2.18
Exercised	(11,027)	2.25	(23,867)	1.33
Forfeited	-	-	-	-
Outstanding at end of period	<b>637,189</b>	<b>\$ 2.21</b>	<b>648,216</b>	<b>\$ 2.21</b>

Of the total warrants previously issued from legal parent, 613,333 warrants were issued as part of the share issuance in February 2021 and the legal parent recognized stock-based compensation expense from granting the warrants of \$507,999 prior to acquisition. These warrants are exercisable at \$2.25 per warrant for a period of two years from the issuance date of February 5, 2021.

The weighted average fair value of all warrants granted, using the Black Scholes option pricing model, during 2021 was \$0.83 per warrant. The weighted average remaining contractual life of outstanding warrants at March 31, 2022 was 0.80 years (2021 – 1.05 years)

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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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19. CAPITAL MANAGEMENT

The Company manages, as capital, the components of shareholders’ equity and its cash. The Company’s objectives, when managing capital, are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares, borrow or adjust the amount of cash. The Company does not anticipate the payment of dividends in the foreseeable future.

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20. SUPPLEMENTAL CASH FLOW INFORMATION

The following non-cash transaction occurred during the period ended March 31, 2022:

- 419,389 shares were issued for the purchase of Funko Pop!
- 4,444,444 shares were issued for settlement of the contingent payable.
- \$768,568 in marketable securities were received in exchange for the license of intellectual property.

The following non-cash transaction occurred during the period ended March 31, 2022:

- Shares and options issued on reverse takeover (Note 4) of \$71,024,281 and \$55,000, respectively;
  - Non-cash dividends of \$9,178,619;
  - Non-cash investment to acquire 20% of TSG of \$2,447,870 which is accrued in trade and other payables (Note 14); and
  - Non-cash stock option exchange of \$3,160,569.
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**LEAF MOBILE INC. (dba “East Side Games Group”)**  
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21. RELATED PARTY TRANSACTIONS

The following is a summary of the Company’s related party transactions:

	<b>2022</b>	<b>2021</b>
	<i>March 31</i>	<i>March 31</i>
LDRLY (Technologies) Inc. - support services	\$ -	\$3,539,918
TSG accrued royalties (i)	\$212,033	\$273,330
Pioneer Media Holdings Ltd. - license revenue (ii)	\$768,538	-
Growthworks Capital Ltd. - accounting and administrative (iii)	\$96,000	\$35,350

- (i) For additional transactions with Night Garden and Truly Social see note 12(ii) and 12(iii). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.
- (ii) Pioneer and Growthworks are related due to common directors
- (iii) For transactions with former ESG shareholders see note 4.

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22. COMMITMENTS AND CONTINGENCIES

See note 4 for contingent consideration related to the acquisition of ESG.

See note 5 for long term liabilities associated with the Funko Pop! Blitz game acquisition.

See note 12 for commitments related to the investment in Truly Social.

The Company has minimum guarantees of approximately \$599,732 for certain intellectual property rights.

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