

This Management's Discussion and Analysis ("MD&A") provides a detailed analysis of the business of LEAF Mobile Inc. ("LEAF") and compares its Condensed Consolidated Interim Financial Statement (unaudited) results for the nine-month period ended September 30, 2020.

LEAF MOBILE INC.
(the "Company" or "LEAF")
Management Discussion and Analysis
For the 9 months ended September 30, 2020

The MD&A should be read in conjunction with the condensed interim financial statements of LEAF for the nine month period ended September 30, 2020 and the related notes, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). LEAF's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. This MD&A is dated as at November 30, 2020.

Note: As required by IFRS, revenues and profits for LEAF's games (the "Business of LEAF") prior to the business combination on April 17, 2020 is not included in the interim financial statements, including the condensed consolidated interim statements of loss and comprehensive loss contained therein. However, as set out in the paragraphs below, this MD&A speaks to the Business of LEAF for the current reporting period as though the acquisition date for the business combination that occurred on April 17, 2020 had been as of the beginning of the annual reporting period January 1, 2020, and this complete combined statement of income for the nine months ended September 30, 2020 and 2019 are provided at Schedule 2 of the interim financial statements. (See Note 6 and Schedules 1 and 2 of the interim financial statements)

This MD&A reports on consolidated results for the nine-month period ended September 30, 2020, including the period from January 1 to April 17, 2020, when the Company was named "Caprice Business Development Canada Inc." and still a capital pool company (discussed below), and the results of the Company since it completed its qualifying transaction and was renamed "LEAF Mobile Inc." on April 17, 2020. It does NOT include LEAF's operating subsidiary, LDRLY (Technologies) Inc. ("LDRLY"), for the period from January 1 to April 17, 2020, as its acquisition of LDRLY formed a part of the Company's qualifying transaction. Please refer to LDRLY's financial statements for the three month period ended March 31, 2020, available under LEAF's profile on SEDAR.

As discussed above, prior to April 17, 2020, the Company (then named "Caprice Business Development Canada Inc.") was a "capital pool company" (as such term is defined under TSX Venture Exchange policies), and as such did not have any active business operations. As part of its qualifying transaction, completed on April 17, 2020, the Company acquired LDRLY, which is the Company's primary active business unit. As the financial performance of LDRLY, through which all of the Company's operations primarily occurs, is substantially the financial performance of the Company, discussion of the Company's nine month period ended September 30, 2020 will also take into consideration LDRLY's financial performance for the three month period ended March 31, 2020.

As such, the discussion and analysis included in this MD&A is primarily focused on the COMBINED results of LEAF and LDRLY for the nine month period ended September 30, 2020 (in other words, including LDRLY's results for the three month period ended March 31, 2020). Though a portion of that time relates to a period before the completion of LDRLY's qualifying transaction, management of LEAF considers this focus to provide a more meaningful analysis. Comparisons to analogous periods in 2019 will thus refer to LDRLY's performance.

We further refer the reader to Note 6 of the interim financial statements, as well as Schedule 1 to such statements, which provides an income statement of LDRLY for the 166 day period from April 17, 2020, along with comparative information for LDRLY with respect to the same 166 day period in 2019, and Schedule 2, which provides an income statement on a combined basis for the three and nine month period ended September 30, 2020 along with comparative information from the same period in 2019.

CAUTION ON FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward looking statements". Forward looking statements include, but are not limited to, statements regarding future anticipated business developments and the timing thereof, and business and financing plans. No assurance can be given that such expectations will prove to be

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correct. Forward looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. Forward looking statements are not guarantees of future performance, and actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, LEAF's ability to uncertainty of future revenues; competition; regulation; potential intellectual property issues; reliance on third party distributors; dependence on key executives; dependence on advertising revenue; potential requirement for further funding; IT security risks; potential conflicts of interest with proposed directors and officers; potential share price volatility; need to attract and retain qualified personnel; and ability to implement business strategies.

Although LEAF has attempted to identify important factors that could affect it, unknown events may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this MD&A address only as of the date hereof. LEAF does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unforeseen events other than as required by applicable law.

COVID-19 UPDATE

As highlighted in our second quarter report, the accelerated increase in demand from existing users and large inflow of new users that we experienced in March, April and May started to normalize in June, a trend which has remained in the third quarter. It is important to highlight that the users acquired since the beginning of the COVID-19 pandemic exhibit similar user behavior as users acquired during other periods, implying that many of the newly acquired users will continue to play our games over a long period of time. The marketing campaigns during the third quarter performed well and continue to meet our high requirements. At the end of the quarter and during October, we have seen unusually high volatility in the prices of online marketing primarily in the US market, which management assumes was likely driven by heightened activity due to the US presidential election.

Our workforce transitioned to remote working in March 2020, without any material disruption to our day-to-day operations to date. Currently, our offices remain closed and our safety of our employees is of utmost importance.

SUMMARY OF Q3 FINANCIAL PERFORMANCE HIGHLIGHTS

- For the three and nine-month period ending September 30th, 2020. From a combined entity perspective (per Schedule 2 of the of the interim financial statements):
 - - Total revenue was \$11.1 million in the three-month period, increasing by \$1.5 million (+16%) compared to the previous quarter of \$9.6M.
 - For the nine-month period, total revenue was \$25.9 million, increasing by \$20.9M million (+418%) as compared to the results over same period last year of \$5.0 million. This growth trend was strong across both key revenue streams of in-app purchase and advertising revenue.
 - Net loss of (\$0.5M) for the nine-month period as compared to the same nine-month period in 2019, showed a net loss of approximately (\$0.05M). Expenses netted from income in the nine-month period also included significant one-time costs with respect to the Company's qualifying transaction, as well as a new game launch investment in April 2020. The one-time cost of the qualifying transaction amounted to \$0.7M. In addition to this after the qualifying transaction was complete the Company issued 6,185,189 in stock options to management and key personnel and a further 500,000 stock options to a consultant which amounted to a further expense of \$0.6M. Excluding these two expenses, combined net income for the nine-month period ending September 30, 2020 would have been \$0.8M.

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- For product area operations financial results,
 - New titles demonstrated strong revenue momentum of \$2.6M in Q3 vs \$1.5M in Q2 2020. This represents 73% growth quarter over quarter.
 - Growth titles revenue was \$7.9M in Q3 2020 vs. \$7.2M in Q2 2020. This represents 10% increase quarter over quarter.
 - Evergreen titles, contributed \$0.6M in revenue for Q3 2020, resulting in a decrease of \$0.3M (-33%) over Q2 2020 results of \$0.9M. This was expected as COVID 19's impact for the Company, with accelerated increase in demand from existing users and large inflow of new users, have normalized, and also a reflection of general seasonality.

- Balance sheet and cash flow results show a solid financial position, in which cash \$3.7M and accounts receivable \$4.5M are sufficient for the Company to be able to meet its short-term obligations. Cash flow used in operations was (\$1.2M) for the nine-month period, as compared to (\$0.2M) in the same period in 2019. This decrease was driven by user acquisition investment to drive future growth in LDRLY's new and growth game titles, *Bud Farm Idle Tycoon* and *Cheech and Chong Bud Farm*.

COMMENTS FROM THE CEO

"LEAF's business momentum remained strong in the third quarter and we continue to deliver record revenue growth across the company. The record high revenue recorded in the quarter was a result of well-executed live operations and continued momentum of new and growth titles offsetting the usual seasonality effects.

"After the reporting period, on October 31, 2020, LEAF entered into an agreement with EastSide Games Inc. ("ESG") and its securityholders, pursuant to which LEAF will acquire all of the outstanding securities of ESG, a rapidly growing independent mobile game studio based in Vancouver. When ESG joins the LEAF family, we expect to expand our footprint in the narrative counter culture casual genre and further strengthen our portfolio of games. The acquisition is in line with our strategy to grow through acquisitions of talented studio teams, proven franchises and technology to broaden our footprint.

"Our balance sheet remains strong and we ended the quarter with a cash position of \$3,740,031. We continue to identify and assess a number of exciting opportunities. With our strong financial position, we are well positioned to continue to execute on our growth strategy and build the leading free-to-play mobile game company in Canada."

Darcy Taylor, CEO, LEAF Mobile Inc.

COMPANY BACKGROUND & DESCRIPTION OF BUSINESS

LEAF is a leading creator of counterculture mobile games, headquartered in Vancouver, with a premier development studio, LDRLY, based in Nanaimo, BC. The Company develops, operates and publishes mobile games played on platforms Apple's iOS and Google's Android. LEAF's culture is anchored in content, creativity, data insights and execution to create highly engaging games that produce enduring player enjoyment. Through its wholly owned operating subsidiary, LDRLY, we have pioneered for over a decade, counter-culture mobile games.

We operate our mobile games as free to play. We generate in-app purchases ("IAP") revenue from the sale of in-game virtual items that enhance game-playing experience, and through in-game advertising. Revenue growth will continue to depend on our ability to attract and retain players and effectively monetize our players. We intend to do

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this through the launch of new games, enhancements to current games, expansion into new markets and distribution platforms. Other revenue may consist of royalties received from the licensing of our brands with the recent outbound licensing agreement signed with Treimage.

Our business generates revenue through mobile platforms. In the nine months ended September 30th, 2020, we estimate that 39% and 61% of our revenue were generated on Apple and Google respectively. This information is estimated only, as certain payment methods we accept and certain advertising networks do not allow us to determine the platform used.

In addition, we also incur licensing fees related to the use of intellectual property within our games and our operating margins can be affected by the mix of player purchases from games in which we own the intellectual property as compared to games in which we license certain intellectual properties. For example, we use licensed intellectual property as creative assets in games such as *Cheech & Chong Bud Farm*, and for new games under development using licensed intellectual property for B-Real of Cypress Hill. While overall revenue within these games will benefit our revenue, a shift in the mix of our revenue towards such games using licensed intellectual property could decrease our operating margins.

LEAF currently publishes 4 game titles generating revenue, all are within our "Green" game Bud Farm franchise, which we segment into specific revenue and lifecycle phases:

1. "New" -*Cheech & Chong Bud Farm* launched 4.20.20; (*Publisher & Developer*)
2. "Growth" -*Bud Farm Idle Tycoon*, launched Q2 2019; (*Publisher agreement with East Side Games*)
3. "Evergreen" – *Bud Farm Grass Roots*; and *Bud Farm 420*, launched in 2014 and 2018 respectively (*Publisher & Developer*).

In this quarter, we have sought to improve the structure of how we present our active portfolio for preparation for further organic game introductions and potential M&A expansion. The Company's active portfolio currently consists of four games. In the new structure, we will increase our focus on the games with high potential for growth or longevity. Our financial reporting structure will not report on individual titles and will report only the product area totals. We have changed the earlier communicated areas ("New", "Growth", "Evergreen" and "Legacy" and the new product areas are:

- New: <12months since launch
- Growth: >12months since launch, active user acquisition marketing and active "live operations" ("Live Ops")
- Evergreen: >12months since launch, limited user acquisition marketing and passive Live Ops

SIGNIFICANT EVENTS

Licensing Partnerships and Agreements

On July 23, 2020, a partnership agreement was signed with B-Real of the hip hop group Cypress Hill for the development of a new mobile game. The game will be developed and published by LDRLY. The terms of this agreement are subject to confidentiality and non-disclosure obligations. The game is anticipated to launch in 2021.

SUBSEQUENT EVENTS

East Side Games

On October 31, 2020, LEAF entered into an agreement (amended effective November 26, 2020) with ESG and its securityholders, pursuant to which LEAF will acquire (the "Acquisition") all of the outstanding securities of ESG on a "cash free, debt free" basis, subject to the terms and conditions thereunder. Completion of the Acquisition is subject to, among other things, LEAF completing a concurrent equity financing for gross proceeds up to \$20 million (discussed further below), receiving disinterested shareholder approval, and receiving all necessary prior approvals of the TSX Venture Exchange, and the conditional approval of the TSX to list the LEAF common shares for

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trading. There can be no assurance or guarantee that the Acquisition will complete. In consideration, the ESG securityholders will receive a cash payment of \$10 million at closing of the Acquisition, subject to adjustments, and 444,444,444 common shares of LEAF issued at a deemed price of \$0.225 per share.

ESG securityholders may also receive an additional \$40,000,000 in contingent consideration following the completion of the Acquisition, subject to certain revenue thresholds being achieved in the two year period following completion of the Acquisition. Of such contingent consideration, \$20,000,000 may be paid in cash or in LEAF common shares at the direction of Jason Bailey, as representative for the ESG securityholders. If directed to issue LEAF common shares, such shares will be issued at \$0.225 per share, up to maximum of 88,888,888 LEAF common shares, without taking into consideration the Consolidation described below.

As ESG is a "control person" of LEAF by reason of holding more than 20% of LEAF's common shares, the Acquisition is considered to be a related party transaction. Further description of the Acquisition can be found in LEAF's management proxy information circular dated November 4, 2020, available online under LEAF's profile on at www.sedar.com.

Subscription Receipt Financing

On November 10, 2020, LEAF filed a preliminary short form prospectus (the "Prospectus") with respect to its offering (the "Offering") of 240,000,000 subscription receipts (the "Subscription Receipts") at a price of \$0.225 per Subscription Receipt for gross proceeds of \$54 million. Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action, and subject to adjustment, upon the satisfaction of certain release conditions (including the satisfaction or waiver of all conditions precedent to LEAF's acquisition of ESG, described above), one common share of LEAF. Eight Capital has been retained as lead agent of LEAF with respect to the Offering. Agents of the Offering will receive a cash commission equal to 6% of the gross proceeds received under the Offering, and that number of compensation warrants that will entitle the holders thereof to acquire one LEAF common share for \$0.225 per share for a period of 24 months from issuance. Agents will also be granted an over-allotment option to acquire, for a period of 30 days from the completion of the Offering, up to an additional 15% of the total Subscription Receipts sold under the Offering at a price of \$0.225 per Subscription Receipt.

It is anticipated that the Offering will be revised, such that up to 88,888,889 Subscription Receipts will be offered for gross proceeds of up to \$20 million. All other terms of the Offering are anticipated to remain materially the same. LEAF will provide further disclosure as soon as they become available. There is no assurance or guarantee that the terms of the Offering will be revised as described, or at all.

Proceeds of the Offering will be used primarily to fund the cash payment due under the Acquisition. Please see the Prospectus, available online under LEAF's profile on at www.sedar.com, for further discussion.

Consolidation

LEAF has announced a proposal to consolidate all of its common shares on the basis of ten "old" shares for one "new" share (the "**Consolidation**"), to be effected immediately upon completion of the Acquisition and the Offering, such that all LEAF common shares issued under the Acquisition and on conversion of Subscription Receipts sold under the Offering will also be subject to the Consolidation. Implementation of the Consolidation is subject to LEAF obtaining all necessary shareholder approvals and the prior approval of the TSX Venture Exchange. The Consolidation will not be implemented if the Acquisition and Offering are not completed.

OVERALL PERFORMANCE & DISCUSSION OF OPERATIONS

The financials shown below are per the combined results of LEAF (including for the period from January 1, 2020 to April 17, 2020 prior to the completion of its qualifying transaction, when it was known as "Caprice Business

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Development Canada Inc.") and LDRLY for the nine-month period ended September 30, 2020 (see note 6 and Schedules 1 & 2 in the Financial Statements).

(Schedule 2)

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Combined Statement of Loss
For the Three and Nine Month Period Ended September 30, 2020 and 2019

	September 30 2020 (three month)	September 30 2019 (three month)	September 30 2020 (nine month)	September 30 2019 (nine month)
REVENUE				
In-App	\$ 8,481,723	\$ 1,949,459	\$ 19,949,803	\$ 3,951,815
Advertising	2,611,293	707,690	5,937,448	1,092,919
	11,093,016	2,657,149	25,887,251	5,044,735
COST OF SALES	10,376,193	2,655,369	23,096,291	4,973,442
GROSS PROFIT	716,823	1,780	2,790,960	71,293
EXPENSES				
Administrative expenses	472,835	5,369	815,074	112,694
Amortization	186,511	1,554	382,694	5,725
Other operating expenses	120,173	-	607,563	-
Selling and distribution expenses	638,618	-	841,978	-
Listing expense	-	-	670,941	-
	1,418,137	6,923	3,318,250	118,419
NET LOSS FOR THE PERIOD	\$ (701,314)	\$ (5,143)	\$ (527,290)	\$ (47,126)

During the nine months ended September 30, 2020 we have been able to observe continued positive trends in our DAU and MAU, while we believe there is a measurable impact due to the COVID-19 pandemic, we cannot determine the quantifiable impact primarily attributable to the COVID-19 pandemic on our results of operations and financial performance versus the fact we launched a new game and focused marketing efforts on games in their growth phase.

Total gross revenue was \$11.1 million in the three months ended September 30, 2020, increasing by \$1.5 million (+16%) compared to the previous quarter ended June 30, 2020 of \$9.6 million. For the nine-month period ended September 30, 2020, total revenue was \$25.9 million, increasing by \$20.9 million (+418%) as compared to LDRLY's performance in the same period of the prior year of \$5.0 M. This growth trend was solid across both key revenue streams of IAP (defined below) and advertising revenue.

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"In-app purchase" or "IAP" revenue was \$8.5 million in the three-month period, an increase of \$1.0M (+13%) as compared to the same period of the previous quarter ended June 30, 2020 of \$7.5 million. For the nine-month period, IAP revenue was \$19.9 million, increasing by \$15.9 million (+398%) as compared to LDRLY's performance in the same period of the prior year of \$4.0M.

Advertising Revenue or "ad" revenue was \$2.6 million in the three-month period, increasing by \$0.5 million (+24%) compared to the previous quarter ended June 30, 2020 of \$2.1M. For the nine-month period, ad revenue was \$5.9 million, increasing by \$4.8 million (+436%) as compared to LDRLY's performance in the same period of the prior year of \$1.1 million.

The increase in total revenue of \$20.9M referenced above was primarily attributable to significant increases in key audience operating metrics across the portfolio related to continued investment in user acquisition ("UA"), "Live Ops" player engagement supporting growth games and new titles. Our product area results were as follows:

- New titles demonstrated strong gross revenue momentum of \$2.6M in Q3 vs \$1.5M in Q2 2020. This represents 73% growth quarter over quarter.
- Growth titles gross revenue was \$7.9M in Q3 2020 vs. \$7.2M in Q2 2020. This represents 10% increase quarter over quarter.
- Evergreen Titles, contributed \$0.6M in revenue for Q3 2020, resulting in a decrease of \$0.3M (-33%) over Q2 2020 results of \$0.9M. This was expected as COVID 19 impact normalized and general seasonality.

The continued success of new and growth titles resulted in significant revenue gains across our game portfolio.

Cash flow from operations for the nine-month period was (\$1.1 million), compared to (\$0.2 million) in the same period last year. The decrease in cash from operations was driven in part by user acquisition spending to drive growth in LDRLY's two lead titles, *Bud Farm Idle Tycoon* and *Cheech and Chong Bud Farm*, and in part extraordinary costs associated with Headquarter functions including marketing and investor relations.

MILESTONES PROGRESS UPDATE

After the completion of its Qualifying Transaction, LEAF has been able to meet the business objectives set out in the joint information circular dated February 14, 2020 with respect to the Qualifying Transaction as follows:

- LEAF has secured new third-party intellectual rights for new game development, as described in the "Future Developments - Product Pipeline" below;
- LEAF has optimized LDRLY's legacy franchise economics through disciplined financial management, and has increased alternative revenue through the increased scale and frequency of in-game events and promotions, as described above; and
- LDRLY's user base has increased, as described above.

In reaching these objectives, LEAF has met previously disclosed milestones as follows:

Event/Milestone	Status
Completion of Qualifying Transaction	Completed April 17, 2020.
Add two third party intellectual property-driven growth games to LDRLY's development pipelines.	In progress. See the "Future Developments - Product Pipeline" discussion below.

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Launch one third party intellectual property-driven growth game.	Completed with the launch of <i>Cheech & Chong Bud Farm</i> in April 2020.
<i>Bud Farm Idle Tycoon</i> to reach key performance indicator of 40,000 daily active users (DAU)	Completed January 31, 2020.
Transition <i>Pot Farm Legacy</i> to "sunset" phase of game cycle, and migrate players to growth games such as <i>Bud Farm Idle Tycoon</i>	Completed January 31, 2020.
Enhance "Live Ops" to weekly event frequency across legacy game franchise	Completed in Q1 2020, with introduction of daily events across legacy game franchise.
Reduce non-essential operating costs to improve LDRLY profitability	Completed in Q1 2020 by enacting "virtual" studio for remote work, thereby reducing office-related expenses.
Streamline game development and launch to improve speed to market and game launch results	Completed in Q1 2020 by focusing on creative content development process and leveraging "off the shelf" tools such as IdleKit, thereby improving speed to market.
Hire marketing and strategic insights leader	Completed October 2020.
Financial management processes deployment	Completed Q2 2020.

LIQUIDITY & CAPITAL RESOURCES

As of September 30, 2020, LEAF had working capital of \$4,584,958 (December 31, 2019: \$1,069,312), including cash and cash equivalents of \$3,740,031 (December 31, 2019: \$32,598).

The chart below highlights LEAF's cash flows during the nine-month period ended September 30, 2020 and during the same period in 2019. Please note that the 2019 figures do not include cash flows of LDRLY, as LEAF had not yet completed its qualifying transaction, per above.

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LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Liquidity & Capital Resources
For the Nine Month Period Ended September 30, 2020 and 2019

	September 30 2020 <i>(nine month)</i>	September 30 2019 <i>(nine month)</i>
CASH FLOW		
From (used in) operating activities	\$ (1,147,758)	\$ (242,406)
Used in investing activities	\$ (35,199)	\$ (1,250,000)
Provided by (used in) financing activities	\$ 4,890,390	\$ 1,507,850
Increase (decrease) during the year	\$ 3,707,433	\$ 15,444
CASH, BEGINNING OF YEAR	\$ 32,598	\$ -
CASH, END OF YEAR	\$ 3,740,031	\$ 15,444

The net cash outflow used in operating activities was (\$1,147,758) (September 30, 2019, (\$242,406)). The decrease in cash from operations was driven primarily by User Acquisition spending to drive growth for *Bud Farm Idle Tycoon* and *Cheech and Chong Bud Farm*.

LEAF had cash available of \$3,740,031 for the period ended September 30, 2020 (December 31, 2019: \$32,598). The increase in cash balance is mainly attributed to financing activity in relation to its April 2020, qualifying transaction, which included a concurrent private placement financing of common shares completed by 1182533 B.C. Ltd. (a predecessor to LEAF's subsidiary) for gross proceeds of \$3.5 million, and the dramatic growth in revenue following the completion of LEAF's qualifying transaction. The company used the gross proceeds referred to above (approximate amounts) in the chart below.

Principal Purpose	Amount as of end of Q3
IP & Licensing	\$125,000
Game Development & Publishing	\$550,000
Game Launch Marketing expenses	\$300,000
General & Administrative Expenses (including Listing Expense)	\$850,000
Unallocated Working Capital	\$1,675,000

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Cash used by investing activities through the period was (\$35,199). In the same period in 2019, cash used was \$1,250,000, representing an advance payment for the cash portion of the acquisition of LDRLY.

Cash provided by financing activities for the nine-month period ended September 30, 2020 was \$4,890,390 compared to \$1,507,850 in the same period in the prior year. The increase in cash was primary due to aforementioned private placement financing.

RELATED PARTY TRANSACTIONS

ESG Transactions

As noted above, ESG holds over 20% of LEAF's issued and outstanding common shares, and is thus a "related party" for the purposes of this MD&A.

Since the acquisition of LDRLY by LEAF, ESG received \$10.3 million through a combination of the following game support services:

(a) Technology licensing fees, with respect to platform technology licensed by LEAF for the development of the *Cheech & Chong Bud Farm* title. This was needed so as to allow for speed to market, and as LEAF's focus is primarily on game development instead of platform development. Going forward, LEAF may choose to continue licensing this platform technology from ESG, though it reserves the right to utilize any other third-party technology that it considers to be best suited towards game development;

(b) Royalty fees, with respect to historical game development work provided by ESG on the *Bud Farm Idle Tycoon* title. This title was developed by ESG, but published by LDRLY; and

(c) Consulting services fees. These consulting services include user acquisition services. As ESG is in a position to negotiate favorable rates given their advertising investment dollar value combined with LEAF's investment value, using ESG's user acquisition services provides a synergy that lowers LEAF and ESG's respective costs of acquiring users. The consulting services also included "Live Ops" services provided with respect to the *Bud Farm Idle Tycoon* title. LEAF may continue to use ESG's services in this regard going forward, but reserves the discretion to utilize other third parties (or in-house services) for user acquisition and/or "Live Ops" services going forward."

As at September 30, 2020 the Company owed ESG a total of \$4.1M related to the above services.

Key management personnel

In the nine months ending September 30, 2020 key management personnel was paid a total of \$0.25M in compensation, with \$37,500 outstanding as payable at September 30, 2020.

FINANCIAL INSTRUMENT RISKS & EXPOSURES

LEAF may be at risk for regulatory issues and fluctuations in exchange rates. LEAF's financial instruments are exposed to certain financial risks, which include the following:

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. LEAF's main exposure to credit risk relates to its trade receivables. The credit risk is minimal since the balance of LEAF's receivables comes from large corporations who pay advertising and software sales revenue. There is no bad debt expense in the current year and in the opinion of LEAF's management, none of the amounts comprising this balance were considered impaired.

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Liquidity risk

Liquidity risk is the risk that LEAF will encounter difficulties in meeting obligations when they become due. LEAF intends to ensure that there is sufficient capital in order to meet short-term operating requirements, after taking into account LEAF's holdings of cash.

As at September 30, 2020, LEAF had cash of \$3,740,031 and trade receivables of \$4,459,046 to settle the total current liabilities of \$4,516,773.

Currency risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. As of September 30, 2020, LEAF is exposed to foreign currency exchange risk on cash, trade receivables, and trade payables held in U.S. dollars. LEAF has not hedged its exposure to currency fluctuations.

OFF-BALANCE SHEET ARRANGEMENTS

LEAF has not entered into any off-balance sheet arrangements as at September 30, 2020.

RISK FACTORS AFFECTING OUR PERFORMANCE

The performance of LEAF is subject to numerous risks, including but not limited to the factors discussed below.

Platform agreements. Our games are distributed, marketed and promoted through third parties, Apple's App Store and the Google Play Store. Virtual items for our games are purchased through the payment processing systems of these platform providers. We generate the entirety of our revenue and players through the Apple and Google platforms and expect to continue to do so for the foreseeable future as we launch more games for mobile devices. Apple and Google generally have the discretion to set the amounts of their platform fees and change their platforms' terms of service and other policies with respect to us or other developers in their sole discretion, and those changes may be unfavorable to us. These platform fees are recorded as costs of revenue as incurred.

Launch of new games and release of enhancements. Our revenue results have been driven by the launch of new games and the release of fresh content and new features in existing games. Our future success depends on our ability to innovate and provide fresh content to keep our existing players engaged, while also engaging new and lapsed players, and launch and monetize new titles on various platforms. Although the amount of revenue we generate from an enhancement to an existing game or launch of a new game or can vary significantly, we expect our revenue to be correlated to our success in releasing engaging content and features for our existing games and the success and timely launch of our new games. Further, revenue from many of our games may decline over time after reaching a peak of popularity and player usage. As a result of this decline in the revenue of our games, our business depends on our ability to consistently release fresh content for our existing games and launch new games that achieve significant popularity and have the potential to become franchise games.

Game monetization. We generate most of our revenue from the sale of virtual items in our games. The degree to which our players choose to pay for virtual items in our games is driven by our ability to create content and virtual items that enhance the game-play experience. Our revenue and overall financial performance are affected by the number of players and the effectiveness of our monetization of players through the sale of virtual items and advertising. The percentage of paying players may increase or decrease based on a number of factors, including growth in mobile games as a percentage of total game audience, localization of content in international markets and the availability of payment options.

This Management's Discussion and Analysis ("MD&A") provides a detailed analysis of the business of LEAF Mobile Inc. ("LEAF") and compares its Condensed Consolidated Interim Financial Statement (unaudited) results for the nine-month period ended September 30, 2020.

Investment in game development. In order to develop new games and enhance the content and features in our existing games, we must continue to invest in a significant amount of engineering and creative resources. These expenditures generally occur in advance of the launch of a new game or the release of new content, and the resulting revenue may not equal or exceed our development costs, or the game or feature may be abandoned in its entirety.

Player acquisition costs. We utilize advertising and other forms of player acquisition and retention to grow and retain our player audience. These expenditures generally relate to the promotion of new game launches and ongoing performance-based programs to drive new player acquisition and lapsed player reactivation. Over time, these acquisition and retention-related programs may become either less effective or costlier, negatively impacting our operating results. Additionally, the ability to drive traffic to our games through unpaid channels may become diminished, and the overall cost of marketing our games may increase.

New market development. We are investing in new distribution channels, mobile platforms and international markets to expand our reach and grow our business. Our ability to be successful will depend on our ability to develop a successful mobile network, obtain new players and retain existing players on new and existing social networks and attract advertisers.

As we expand into new markets and distribution channels, we expect to incur headcount, marketing and other operating costs in advance of the associated revenue. Our financial performance will be impacted by our investment in these initiatives and their success.

Hiring and retaining key personnel. Our ability to compete depends in large part on our ability to hire and retain key talent and match that key talent to our current business needs. We are continually reviewing our hiring, learning and development and total rewards programs against best practices, with the goal of building and retaining world class teams.

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