EASTSIDE GAMES INC.

Consolidated Financial Statements

(Presented in Canadian dollars)

For the Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Eastside Games Inc.

Opinion

We have audited the consolidated financial statements of Eastside Games Inc. (the Company), which comprise:

- the consolidated statement of financial position as at December 31, 2020
- the consolidated statement of income and comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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.

Emphasis of Matter – Comparative Information

We draw attention to Note 21 to the financial statements ("Note 21"), which explains that certain comparative information presented for the year ended December 31, 2019 has been restated.

Note 21 explains the reason for the restatement and also explains the adjustments that were applied to restate certain comparative information.

Our opinion is not modified in respect of this matter.

Other Matter - Comparative Information

The financial statements for the year ended December 31, 2019, excluding the adjustments that were applied to restate certain comparative information, were audited by another auditor who expressed an unmodified opinion on those financial statements on October 31, 2020.

As part of our audit of the financial statements for the year ended December 31, 2020, we also audited the adjustments that were applied to restate certain comparative information presented for the year ended December 31, 2019. In our opinion, such adjustments are appropriate and have been properly applied.

Other than with respect to the adjustments that were applied to restate certain comparative information, we were not engaged to audit, review or apply any procedures to the financial statements for the year ended December 31, 2019. Accordingly, we do not express an opinion or any other form of assurance on those financial statements taken as a whole.

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

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

In preparing the 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the 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 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 auditors' report to the related disclosures in the 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 auditors' 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 30, 2021

EASTSIDE GAMES INC.

Consolidated Statement of Financial Position

(Presented in Canadian dollars)

As at December 31, 2020 and 2019

		2020		2019
ASSETS				
CURRENT				
Cash and cash equivalents	**$**	**4,416,399**	$	2,030,226
Marketable securities		**5,249,052**		3,487,773
Trade and other receivables *(Note 5)*		**5,260,385**		2,154,274
Trade receivable from related parties *(Note 20)*		**7,470,805**		125,000
Government assistance receivable *(Note 6)*		**2,005,998**		3,151,561
Prepaid expenses and deposits *(Note 7)*		**627,445**		2,141,375
Assets classified as held for sale - Schedule 1 *(Note 11)*		**-**		2,025,275
		25,030,084		15,115,484
PROPERTY AND EQUIPMENT *(Note 8)*		**382,460**		400,576
RIGHT-OF-USE ASSETS *(Note 9)*		**264,488**		423,181
LONG TERM INVESTMENTS *(Note 10)*		**8,121,397**		390,805
DEFERRED INCOME TAXES *(Note 16)*		**-**		114,532
PREPAID EXPENSES AND DEPOSIT *(Note 7)*		**1,531,958**		1,606,777
	$	**35,330,387**	$	18,051,355

See notes to consolidated financial statements

EASTSIDE GAMES INC.

Consolidated Statement of Financial Position

(Presented in Canadian dollars)

As at December 31, 2020 and 2019

		2020		2019
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT				
Trade and other payables *(Note 13)*	**$**	**4,277,777**	$	3,226,174
Income taxes payable		**3,762,790**		1,328,864
Deposits received		**-**		1,250,000
Current portion of lease obligation *(Note 9)*		**174,390**		149,230
Liabilities directly associated with assets classified as held for sale - Schedule 1 *(Note 11)*		**-**		67,541
		8,214,957		6,021,809
LEASE OBLIGATION *(Note 9)*		**131,201**		305,591
DEFERRED INCOME TAXES *(Note 16)*		**1,336,703**		-
		9,682,861		6,327,400
SHAREHOLDERS' EQUITY				
Share capital *(Note 14)*		**2,104,861**		375,666
Contributed surplus		**1,312,366**		1,195,419
Retained earnings		**22,230,299**		10,152,870
		25,647,526		11,723,955
	$	**35,330,387**	$	18,051,355

EVENTS OCCURRING AFTER THE REPORTING PERIOD *(Note 22)*

APPROVED ON BEHALF OF THE BOARD

"Derek Lew" *Director*   *"Mike Edwards"* *Director*

See notes to consolidated financial statements

EASTSIDE GAMES INC.
Consolidated Statement of Income and Comprehensive Income
(Presented in Canadian dollars)
For the Years Ended December 31, 2020 and 2019

	2020	2019 (Restated - Note 21)
REVENUE		
Gaming *(Note 20)*	**$ 58,587,399**	$ 29,395,598
Advertising	**9,463,052**	7,838,868
	68,050,451	37,234,466
COST OF SALES	**20,209,075**	14,997,900
GROSS PROFIT	**47,841,376**	22,236,566
EXPENSES		
Research and development	**11,279,507**	6,044,784
Sales and marketing	**21,602,400**	7,966,630
General and administrative	**3,564,471**	4,314,190
Depreciation of property and equipment and right-of-use assets	**305,084**	342,661
	36,751,462	18,668,265
INCOME BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES	**11,089,914**	3,568,301
OTHER INCOME (EXPENSES)		
Gain on disposal of subsidiary *(Note 11)*	**9,597,771**	-
Unrealized gain on marketable securities	**554,481**	587,124
Gain on disposal of property and equipment	**5,015**	800
Loss on foreign exchange	**(219,051)**	(257,452)
Investment income (loss)	**(885,294)**	2,449
	9,052,922	332,921
INCOME BEFORE INCOME TAXES	**20,142,836**	3,901,222
INCOME TAXES		
Current *(Note 15)*	**3,582,220**	858,357
Deferred *(Notes 15, 16)*	**1,451,236**	82,939
	5,033,456	941,296
NET AND COMPREHENSIVE INCOME FOR THE YEAR	**$ 15,109,380**	$ 2,959,926

See notes to consolidated financial statements

EASTSIDE GAMES INC.
Consolidated Statement of Changes in Equity
(Presented in Canadian dollars)
For the Year Ended December 31, 2020 and 2019

	Number of shares		Share capital		Contributed Surplus		Retained earnings		**Total equity**
As at January 1, 2019	4,360,088	$	363,041	$	770,543	$	7,212,603	**$**	**8,346,187**
Share issuance	12,500		12,625		-		-		**12,625**
Stock based compensation	-		-		424,876		-		**424,876**
Comprehensive income for the period	-		-		-		2,959,926		**2,959,926**
Refundable income taxes paid	-		-		-		(19,659)		**(19,659)**
As at December 31, 2019	4,372,588	$	375,666	$	1,195,419	$	10,152,870	**$**	**11,723,955**
As at January 1, 2020	4,372,588	$	375,666	$	1,195,419	$	10,152,870	**$**	**11,723,955**
Share issuance - Class A common shares	539,852		1,967,978		(497,926)		-		**1,470,052**
Share exchange - Class A common shares	(224,640)		(238,783)		-		-		**(238,783)**
Share issuance on exchange - Class B preferred shares	783,145		238,783		-		-		**238,783**
Share redemption - Class B preferred shares	(783,145)		(238,783)		-		(1,510,383)		**(1,749,166)**
Stock based compensation	-		-		614,873		-		**614,873**
Comprehensive income for the period	-		-		-		15,109,380		**15,109,380**
Dividends paid	-		-		-		(1,300,000)		**(1,300,000)**
Refundable income taxes paid	-		-		-		(242,911)		**(242,911)**
Refundable income taxes recovered	-		-		-		21,343		**21,343**
As at December 31, 2020	4,687,800	$	2,104,861	$	1,312,366	$	22,230,299	**$**	**25,647,526**

EASTSIDE GAMES INC.

Consolidated Statement of Cash Flows

(Presented in Canadian dollars)

For the Years Ended December 31, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Net and comprehensive income for the year	**$ 15,109,380**	$ 2,959,926
Items not affecting cash:		
Depreciation of property and equipment and right-of-use assets	**305,084**	342,661
Gain on disposal of property and equipment	**(5,015)**	(800)
Gain on disposal of subsidiary	**(9,597,771)**	-
Interests on lease obligation	**46,625**	-
Deferred income taxes	**1,451,236**	82,939
Stock-based compensation	**614,873**	424,876
Unrealized gain on marketable securities	**(554,481)**	(587,124)
Equity-method accounting loss on long term investments	**1,324,407**	-
Changes in non-cash working capital:		
Trade and other receivables	**(3,106,111)**	(343,338)
Trade receivable from related parties	**(7,345,805)**	261,279
Trade and other payables	**1,051,603**	1,166,075
Income taxes payable	**2,433,926**	(382,850)
Prepaid expenses and deposits	**1,513,930**	(1,279,561)
Government assistance receivable	**1,145,563**	(794,667)
Prepaid expenses and deposit	**74,819**	(1,606,777)
Assets classified as held for sale	**(903,033)**	(1,373,855)
Liabilities directly associated with assets classified as held for sale	**3,565,478**	(321,774)
Cash flow from (used by) operating activities	**7,124,708**	(1,452,990)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(118,190)**	(84,867)
Net proceeds from sale (purchase) of marketable securities	**(1,206,798)**	522,078
Proceeds from sale (purchase) of long term investments	**(225,000)**	64,583
Deposit received for sale of subsidiary	**-**	1,250,000
Cash disposed of from the sale of subsidiary	**(1,192,010)**	-
Cash flow from (used by) investing activities	**(2,741,998)**	1,751,794
FINANCING ACTIVITIES		
Dividends paid	**(1,300,000)**	-
Refundable income taxes paid	**(242,911)**	(19,659)
Refundable income taxes recovered	**21,343**	-
Proceeds from stock option exercise	**1,470,052**	12,625
Payment of share redemption	**(1,749,166)**	-
Repayment of lease obligations	**(195,855)**	(127,053)
Cash flow used by financing activities	**(1,996,537)**	(134,087)

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See notes to consolidated financial statements

EASTSIDE GAMES INC.

Consolidated Statement of Cash Flows *(continued)*

(Presented in Canadian dollars)

For the Years Ended December 31, 2020 and 2019

		2020		2019
INCREASE IN CASH FLOW		**2,386,173**		164,717
Cash and cash equivalents - beginning of year		**2,030,226**		1,865,509
CASH AND CASH EQUIVALENTS - END OF YEAR	**$**	**4,416,399**	$	2,030,226

SUPPLEMENTAL CASH FLOW INFORMATION *(Note 19)*

See notes to consolidated financial statements

1. NATURE AND CONTINUANCE OF OPERATIONS

Eastside Games Inc. (the "Company") was incorporated provincially under the Business Corporations Act of British Columbia on June 14, 2011. The Company's principal business activity is the development, sales and marketing of mobile games. The head office of the Company is #550 - 555 W 12th Avenue, Vancouver, BC V5Z 3X7.

On March 11, 2020, the World Health Organization characterized the outbreak of a disease caused by a strain of a novel coronavirus ("COVID-19"), as a pandemic. This has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and conditions of the Company in future periods.

These consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

2. BASIS OF PRESENTATION

Statement of compliance

The consolidated financial statements have been prepared in accordance 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").

The consolidated financial statements were authorized for issue by the Board of Directors on April 30, 2021.

Basis of measurement

The consolidated financial statements have been prepared on an accrual basis and are based on historical costs, except for certain financial instruments that are measured at fair value. The consolidated financial statements are presented in Canadian dollars unless otherwise noted, which is the Company's functional currency.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Keh Kaw Games Inc., a company incorporated in British Colombia. The results of LDRLY are included in the Consolidated Statement of Income and Comprehensive Income from January 1, 2020 until April 17, 2020, the date LDRLY was sold to LEAF Mobile (see Note 5). The subsidiary is an entity 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 subsidiary are included in the consolidated financial statements from the respective dates of acquisition or incorporation. The subsidiaries are de consolidated from the date that the control by the Company ceases. 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:

Judgments and estimates:

a) Management is required to assess impairment in respect of property and equipment and long term investments. The triggering events are defined in IAS 36. Management has determined that there were no triggering events present as at December 31, 2019, as defined in IAS 36, for property and equipment and long term investments, and, as such, no impairment test was performed on either.

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2. BASIS OF PRESENTATION *(continued)*

b) Management uses judgment when determining amounts receivable for various refundable and non-refundable tax credits earned from the federal and provincial governments and in assessing the eligibility of research and development and other expenses which give rise to these credits. Government assistance may be overstated if the underlying project is determined to be ineligible or if certain costs claimed are determined to be ineligible.

c) Determining the fair value of stock options requires estimates related to the estimated fair value of a common share, the estimation of stock price volatility, the expected forfeiture rate and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could have a significant impact on the Company's future operating results or on other components of shareholders' equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer. The following steps are considered when recognising revenue:

1. Identify the contract with customers;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to performance obligation(s); and
5. Recognize revenue when/as performance obligation(s) are satisfied.

In-app purchases

Users can download the Company's free-to-play games within the Digital Storefronts/platform providers. Users can pay to acquire virtual currency, which can be redeemed in the game for virtual goods, or purchase virtual goods directly (together, defined as "virtual items") to enhance their game-playing experience. The Company sells consumable virtual items through the Digital Storefronts.

Satisfaction of performance obligations is based on the nature of the virtual items purchased. We evaluate our revenue against these criteria and recognize in accordance with their nature:

- Consumables - Consumable virtual items are items that are consumed at a predetermined time or otherwise have limitations on repeated use. They are consumed by a specific action. The Company's performance obligation is satisfied upon consumption, and thus revenue is recognized at a point in time.
- Durables - Durable virtual items are items purchased and the obligation to the paying users is to continue displaying and providing access to the virtual items within the game. The Company's performance obligation is satisfied over time, and thus any revenue arising from durable items is recognized over time.

The Company has assessed its sources of revenue and concluded that there is no material durable revenue arising from its current games.

Advertising services

The Company has relationships with certain advertising service providers for advertisements within its games. Revenue from these advertising service providers is generated through impressions, clickthroughs, offers and banner ads. Offers are the type of advertisements where the players are rewarded with virtual currency for completing specified actions, such as downloading another application, watching a short video, subscribing to a service or completing a survey.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Company has determined the advertising buyer to be its customer and displaying the advertisements within the games is identified as the single performance obligation. Revenue associated with advertising are recognized at the point-in-time the advertisements are displayed in the game or the offer has been completed by the users as the customer simultaneously receives and consumes the benefits provided from these services.

Principal vs. Agent Considerations

The Company evaluated its Digital Storefront and advertising service provider agreements under IFRS 15 in order to determine if it is acting as the principal or as an agent when selling virtual items or advertisements within its games. The Company primarily uses Digital Storefronts for distributing its games and for enabling players to purchase virtual items and advertising service providers to serve advertisements within its games. The Company evaluated the following factors to assess whether it controls each specified good or service before that good or service is transferred to the customer:

- the party responsible for the fulfillment of the virtual items, game related services, or serving of advertisements;
- the party having the discretion to set pricing with the end-users; and
- the party having inventory risk before the specified good or service have been transferred to a customer.

Based on the evaluation of the above indicators, the Company determined that it has control of the services before they are transferred to the end user. Thus, the Company is generally acting as a principal and is the primary obligor to end users for games distributed through Digital Storefronts and advertisements served through its advertising service providers. Therefore, the Company recognizes revenue related to these arrangements on a gross basis, when the necessary information about the gross amounts or Digital Storefront fees charged, before any adjustments, are made available by the Digital Storefronts and advertising service providers. The fees retained by the Digital Storefronts are presented as part of cost of sales.

<u>Cash and cash equivalents</u>

Cash includes cash and cash equivalents. Cash equivalents are considered to be any term deposit with a maturity of three months or less that the Company may hold.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. It is depreciated over its estimated useful life at the following rates and methods:

Computer equipment	30%	declining balance method
Furniture and fixtures	20%	declining balance method
Leasehold improvements	3 years	straight-line method

The Company regularly reviews its property and equipment to eliminate obsolete items.

Property and equipment acquired during the year but not placed into use are not depreciated until they are placed into use.

Leases

The Company recognizes a right-of-use asset and a lease liability for its lease. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is re-measured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in profit or loss. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

Research and development

The Company incurs costs related to research, design and development of products. Such costs incurred in conjunction with product development for software to be sold, leased or otherwise marketed are charged to expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs must be capitalized and reported at the lower of undepreciated cost or net realizable value of the related product.

The Company does not consider a game in development to have passed the technological feasibility milestone until the Company has completed a model of the game that contains essentially all the functionality and features of the final game and has tested the model to ensure that it works as expected. To date, the Company has not incurred significant costs between the establishment of technological feasibility and the release of a game for sale; thus, the Company has expensed all software development costs as incurred.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Marketable securities

Marketable securities consist of investments that are quoted in an active market, which the Company does not exercise significant influence over, and are initially and subsequently measured at fair value.

Long term investments

Long term investments consist of investments in associates. The investments are accounted for using the equity-method of accounting if the Company exercises significant influence over the investment. If significant influence does not exist the investment are recorded at cost.

Impairment of Long Lived Assets

The Company's assets are assessed for impairment at each financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognized in the statement of income and comprehensive income when incurred. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and 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 time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Trade and other payables

Payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers and contractors. Payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Share capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any related income tax effects.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Stock based compensation

The Company grants stock options to its employees and management under its stock option plan.

All goods and services received in exchange for the grant of any stock-based compensation are measured at their fair values. Where employees are rewarded using stock-based compensation, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date, using the Black-Scholes Option Pricing Model, and exclude the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All stock-based compensation is recognized as an expense in profit or loss with a corresponding credit to the equity reserve, over the period during which the related stock-based compensation vests. No amount is recognized for instruments which do not ultimately vest.

Consideration received on the exercise of share purchase options is recorded as share capital and the related amount originally recorded in the options reserve is transferred to share capital.

Current and deferred income taxes

Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of income and comprehensive income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the income tax is also recognized in other comprehensive income or directly in equity, respectively.

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the statement of financial position date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Deferred income tax is recognized, using the asset and liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Government assistance

Amounts receivable resulting from government assistance programs, including investment tax credits under the Scientific Research and Experimental Development (SR&ED) and Interactive Digital Media Tax Credit (IDMTC) programs are recognized where there is reasonable assurance that the amount of government assistance will be received, and amounts can be reasonably estimated. When the government assistance relates to an expense item, it is recognized as a reduction of the corresponding expense on the statement of income and comprehensive income. Where government assistance relates to an asset, it is deducted from the cost of the related asset.

Assets and liabilities held for sale

The Company classifies assets and liabilities of a disposal group as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets of the disposal group classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense. Property and equipment and right-of-use asset are not depreciated once classified as held for sale.

Additional disclosures are provided in Note 11.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

a) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income ("FVOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

b) Measurement

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. Trade and other receivables, trade receivables from related parties and trade and other payables are classified as amortized cost.

Financial assets and liabilities carried at FVTPL are initially recorded at fair value. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in income or loss in the period in which they arise. Cash and cash equivalents and marketable securities are classified as FVTPL.

Financial assets and liabilities carried at FVOCI are initially recorded at fair value. Unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVOCI are included in comprehensive income or loss in the period in which they arise. As at December 31, 2020 and December 31, 2019, the Company has not classified any financial assets as FVOCI.

c) Impairment of financial asset at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. Regardless of whether credit risk has increased significantly, the loss allowance for trade receivables without a significant financing component classified at amortized cost, are measured using the lifetime expected credit loss approach. The Company shall recognize in the statements of net income and comprehensive income, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(continues)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Derecognition

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statements of net income and comprehensive income.

Foreign currency translation

Transactions entered into in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates applicable when the transactions occur. The Company's and its subsidiary's functional currency is the Canadian dollar. Foreign currency monetary assets and liabilities are translated at the rates applicable at the statement of financial position date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognized immediately in the statements of income and comprehensive income.

Comparative information

Certain of the information presented for comparative purposes has been reclassified to conform to the financial statement presentation adopted for the current year.

(Presented in Canadian dollars)

4. 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:

Financial Instrument	**Category**	**December 31, 2020**	**December 31, 2019**
Cash and cash equivalents	FVTPL	4,416,399	2,030,226
Marketable securities	FVTPL	5,249,052	3,487,773
Trade and other receivables	Amortized Cost	5,260,385	2,154,274
Trade receivables from related party	Amortized Cost	7,470,805	125,000
Trade and other payables	Amortized Cost	4,277,777	3,226,174

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 receivables from related parties and trade and other payables approximates their fair value due to their short-term nature. The Company's fair value of cash and cash equivalents and marketable securities under the fair value hierarchy are measured using Level 1 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 balance 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 December 31, 2020, 77% (2019 - 76%) 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.

(continues)

4. 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. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period.

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, marketable securities, trade and other receivables, and trade and other payables held in U.S. dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

At December 31, 2020, $1 Canadian Dollar was equal to $0.7854 US Dollar (2019 - $0.7699).

	December 31, 2020		**December 31, 2019**	
	US Dollar	**CDN Equivalent**	**US Dollar**	**CDN Equivalent**
Cash	1,536,544	1,956,384	1,122,559	1,458,058
Marketable securities	2,260,201	2,877,771	894,843	1,162,285
Trade and other receivables	2,941,181	3,744,819	904,770	1,175,179
Trade and other payables	(1,123,091)	(1,429,961)	(923,468)	(1,199,465)

Based on the net exposures as of December 31, 2020 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 $561,484 (2019 - $199,870).

Other price risk

The Company is exposed to price risk with respect to its marketable securities, which may arise due to changes in conditions that affect commodity and equity prices. These fluctuations may be significant.

5. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivable	**$ 5,260,385**	$ 2,005,659
Goods and services tax recoverable	**-**	148,266
Loans receivable	**-**	349
	$ 5,260,385	$ 2,154,274

(Presented in Canadian dollars)

6. GOVERNMENT ASSISTANCE

Included in research and development expenses are tax credits from various government assistance programs. The Company claims investment tax credits ("ITC") for the eligible scientific research and experimental development ("SR&ED") expenditures incurred during the year and British Columbia Interactive Digital Media Tax Credit ("BC IDMTC"). As at December 31, 2020, the Company has the amount receivable from these government assistance programs of $2,005,998 (2019 - $3,151,561).

During the year the Company claimed the following tax credits from the government assistance programs, which are offset against research and development expenses:

	2020	2019
ITC from SR&ED expenditures	**$ 1,101,125**	$ 1,129,842
BC IDMTC	**978,815**	812,295
	$ 2,079,940	$ 1,942,137

7. PREPAID EXPENSES AND DEPOSITS

The Company has entered into agreements with several external studios in an effort to develop new video games. Included in prepaid expenses and deposits are amounts paid to 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 gaurantees on these games in the future based on a percentage of sales less certain eligible costs.

	2020	2019
Prepaid royalties - current portion	**$ 233,543**	$ 1,914,900
Other prepaid expenses	**359,058**	183,317
Security Deposit	**34,844**	43,158
Prepaid Expenses and deposits	**627,445**	2,141,375
Prepaid royalties - long term portion	**1,531,958**	1,606,777
	$ 2,159,403	$ 3,748,152

(Presented in Canadian dollars)

8. PROPERTY AND EQUIPMENT

Cost	2019 Balance	Additions	Disposals	**2020 Balance**
Computer equipment	$ 616,382	$ 114,244	$ -	**$ 730,626**
Furniture and fixtures	227,561	8,961	-	**236,522**
Leasehold improvements	62,576	-	-	**62,576**
	$ 906,519	$ 123,205	$ -	**$ 1,029,724**

Accumulated Depreciation	2019 Balance	Depreciation	Accumulated Depreciation on Disposals	**2020 Balance**
Computer equipment	$ 364,976	$ 109,695	$ -	**$ 474,671**
Furniture and fixtures	78,391	31,626	-	**110,017**
Leasehold improvements	62,576	-	-	**62,576**
	$ 505,943	$ 141,321	$ -	**$ 647,264**

(continues)

(Presented in Canadian dollars)

8. PROPERTY AND EQUIPMENT *(continued)*

Cost	2018 Balance	Additions	Disposals	2019 Balance
Computer equipment	533,063	83,319	-	616,382
Furniture and fixtures	225,213	2,348	-	227,561
Leasehold improvements	62,576	-	-	62,576
	820,852	85,667	-	906,519

Accumulated Depreciation	2018 Balance	Depreciation	Accumulated Depreciation on Disposals	2019 Balance
Computer equipment	$ 275,081	$ 89,895	$ -	$ 364,976
Furniture and fixtures	41,392	36,999	-	78,391
Leasehold improvements	62,576	-	-	62,576
	$ 379,049	$ 126,894	$ -	$ 505,943

Net book value	**2020**	2019
Computer equipment	**$ 255,955**	$ 251,406
Furniture and fixtures	**126,505**	149,170
	$ 382,460	$ 400,576

(Presented in Canadian dollars)

9. RIGHT-OF-USE ASSETS / LEASE OBLIGATIONS

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. Interest expense on lease obligations for the year ended December 31, 2020 was $46,625 and is included in general and administrative expenses.

	2020	2019
Right-of-use assets		
Right-of-use assets - cost	**$ 581,874**	$ 581,874
Right-of-use assets - accumulated amortization	**(317,386)**	(158,693)
	$ 264,488	$ 423,181
Lease obligation		
Balance at the beginning of the year	**$ 454,821**	$ 581,874
Lease payments, net of interest recognized	**(149,230)**	(127,053)
	305,591	454,821
Current portion of lease obligation	**(174,390)**	(149,230)
	$ 131,201	$ 305,591

The remaining lease obligation is due in 2022.

(Presented in Canadian dollars)

10. LONG TERM INVESTMENTS

	Shares / Units		Amount	
	2020	2019	**2020**	2019
Leaf Mobile Inc. (1)	**55,187,500**	-	**$ 7,521,397**	$ -
Creative Labs Limited Partnership (2)	**500,000**	375,000	**500,000**	390,805
Night Garden Studio Inc. (3)	**37,500**	-	**100,000**	-
			$ 8,121,397	$ 390,805

1. The Company received 55,187,500 shares in Leaf Mobile Inc. ("Leaf"), a publicly traded company listed on TSX Venture Exchange, as part of the transaction described in Note 11. The transaction has resulted in 26% ownership in Leaf and has been accounted for using the equity method.
2. The Company entered into a subscription agreement with 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 December 31, 2020, 500,000 (2019 - 375,000) of the committed units have been funded. This investment has been accounted for using the cost method.
3. 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.

(Presented in Canadian dollars)

11. DISPOSAL OF SUBSIDIARY

On October 29, 2019 the Company entered into a share purchase agreement (the "SPA"), which completed on April 17, 2020, with 1182533 B.C. Ltd. (the "Purchaser") to sell its interest in LDRLY (Technologies) Inc. ("LDRLY") for an aggregate selling price as follows:

- cash consideration of $1,250,000 (received on February 14, 2019); and
- share consideration of 55,187,500 common shares to the Company with a fair value of $0.16 per share for a total share consideration of $8,830,000 (Note 10). The fair value of the share price equals the price of the subscription offering of 1182533 B.C. Ltd. immediately prior to the sale.

The gain on sale of LDRLY is calculated as follows:

Consideration received	
Cash	**$ 1,250,000**
Share consideration	**8,830,000**
	10,080,000
Net assets disposed of	**(482,229)**
Gain on sale of subsidiary	**$ 9,597,771**

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the associated assets and liabilities were consequently presented as held for sale in these financial statements as at December 31, 2019. Financial information related to the disposal group classified as held for sale for the periods is set out below:

	2019
ASSETS	
Cash and cash equivalents	**$ 351,771**
Trade and other receivables	**1,488,331**
Prepaid expenses	**101,742**
	1,941,844
Property and equipment	**44,097**
Right-of-use assets	**39,334**
	$ 2,025,275
LIABILITIES	
Trade and other payables	**$ 25,857**
Lease obligation	**41,684**
	67,541
NET ASSETS	**1,957,734**
	$ 2,025,275

(Presented in Canadian dollars)

12. BANK INDEBTEDNESS

The Company has an authorized $3,500,000 operating line of credit, bearing interest at prime plus 1.0%. As at December 31, 2020 and 2019, the Company had a drawn balance of $5,000, which has been included in the Company's total cash and cash equivalents balance.

13. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables	**$ 3,938,664**	$ 2,900,822
Wages and vacation payable	**154,386**	320,866
Interest payable	**3,014**	4,486
Goods and services tax payable	**181,713**	-
	$ 4,277,777	$ 3,226,174

14. SHARE CAPITAL

Authorized:

Unlimited	Class "A" Common voting shares, without par value
Unlimited	Class "B" Common voting shares, without par value
Unlimited	Class "A" Non-voting preferred shares, with a par value of $0.01 per share
Unlimited	Class "B" Non-voting preferred shares, without par value

		2020	2019
Issued:			
1,087,800	Class A common shares (2019 - 772,588)	**$ 2,104,851**	$ 375,656
3,600,000	Class B common shares (2019 - 3,600,000)	**10**	10
		$ 2,104,861	$ 375,666

(Presented in Canadian dollars)

15. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 27.00% (2019 - 27.00%) to the income for the year and is reconciled as follows:

	2020	2019
Income before income taxes	**$ 20,142,836**	$ 3,901,222
Income tax expense at the combined basic federal and provincial tax rate:	**$ 5,438,566**	$ 1,053,330
Increase (decrease) resulting from:		
Difference from prior year	**470,000**	-
Permanent differences	**(733,801)**	(132,221)
Rate differential on investment income	**(55,063)**	(2,341)
Others	**(86,246)**	22,448
Effective current tax expense (2020 - 24.90%; 2019 - 24.10%)	**$ 5,033,456**	$ 941,216

16. DEFERRED INCOME TAXES

The following components of deferred income taxes are calculated based on a current year enacted rate of 27% (2019 - 27%). The change in deferred income taxes is $1,451,236 (2019 - $82,939) and is represented as a deferred income tax expense on the consolidated statement of income and comprehensive income in the years then ended. The deferred income tax assets and liabilities recognized as at December 31 are as follows:

	2020	2019
Marketable securities	**$ (74,855)**	$ (20,100)
Long term investments	**(895,436)**	14,741
Property and equipment	**92,490**	(46,613)
Right of use assets and lease liabilities	**11,098**	8,543
Intangible assets	**-**	157,961
Government tax credits	**(470,000)**	-
Deferred income tax asset (liability)	**$ (1,336,703)**	$ 114,532

(Presented in Canadian dollars)

17. EMPLOYEE STOCK OPTION PLAN

The Company had an employee stock based compensation plan for Class "A" common shares. Under the terms of the plan, the options vest over a one year period and expire five years after the date of the grant.

On December 9, 2020, pursuant to the terms of the employee stock option plan with regards to the pending change of control as a result from the acquisition by Leaf Mobile Inc. (the "acquisition") as described in Note 22, the Company decided to accelerate the vesting periods for all outstanding options, effective December 15, 2020. The expiry date of the options has also been accelerated to the date of the acquisition.

Details of the employee stock options are as follows:

	Number	**Weighted Average Exercise Price 2020**	Number	Weighted Average Exercise Price 2019
Outstanding at beginning of year	**815,876**	**$ 4.16**	712,150	$ 3.22
Granted	**43,100**	**11.25**	236,676	7.00
Exercised	**(527,025)**	**2.75**	(12,500)	1.01
Forfeited	**(81,726)**	**7.19**	(120,450)	4.49
Outstanding at end of year	**250,225**	**$ 7.36**	815,876	4.16

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 0.30% - 1.62% and 1.13% - 1.96%, respectively.
- The expected life of the options is 5 years.
- The expected volatility is 60%.
- The expected forfeiture rate ranges from 10.02% - 16.91%.
- 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 and the value of the common shares were estimated based on comparable public companies given the lack of data for the Company

Accordingly, during the year, the Company recognized stock based compensation expense of $614,873 (2019 - $424,876).

The weighted average fair value of all share options granted, using the Black Scholes option pricing model, during the year was $5.65 per option (2019 - $3.62). The weighted average estimated share value at the date of exercise was $11.25 per share (2019 - $7.00). The weighted average remaining contractual life of outstanding share options at December 31, 2020 was 0.10 (2019 - 4.44) years.

(continues)

(Presented in Canadian dollars)

17. EMPLOYEE STOCK OPTION PLAN *(continued)*

The following table summarizes information about the share options outstanding and exercisable at December 31, 2020:

Number outstanding	Number exercisable	Exercise price	Expiry date
14,550	14,550	$ 4.00	February 5, 2021
203,675	203,675	$ 7.00	February 5, 2021
32,000	32,000	$ 11.25	February 5, 2021
250,225	250,225		

18. 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.

(Presented in Canadian dollars)

19. SUPPLEMENTAL CASH FLOW INFORMATION

The following schedule presents the non-cash transactions related to the disposition of LDRLY:

	2020	2019
Operating activities not affecting cash		
Gain on sale of subsidiary	**$ 9,597,771**	$ -
Trade and other receivables disposed of	**2,469,658**	-
Government assistance receivable disposed of	**183,683**	-
Prepaid expenses and deposits disposed of	**87,980**	-
Trade and other payables disposed of	**(3,491,569)**	-
Deposit applied to sale of subsidiary, net of cash disposed	**(57,990)**	-
Cancellation of notes payable	**1,749,166**	-
	10,538,699	-
Investing activities not affecting cash		
Equipment disposed of	**42,817**	-
Right-of-use assets disposed of	**39,334**	-
	82,151	-
Financing activities not affecting cash		
Redemption of Class B preferred shares	**(1,749,166)**	-
Shares consideration received	**(8,830,000)**	-
Lease obligation disposed of	**(41,684)**	-
	$ -	$ -

(Presented in Canadian dollars)

20. RELATED PARTY TRANSACTIONS

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

	2020	2019
<u>Related party transactions</u>		
LDRLY (Technologies) Inc.		
Former subsidiary, now subsidiary of long-term investment		
Game support services included in gaming revenue	**$ 18,628,035**	$ -
Key management personnel		
Management		
Compensation	**$ 491,814**	$ 520,849

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.

	2020	2019
Trade and other receivable from related parties		
LDRLY (Technologies) Inc.	**$ 7,270,805**	$ -
1182533 B.C. Ltd.	**200,000**	125,000
	$ 7,470,805	$ 125,000

The amounts due from related parties are unsecured, non-interest bearing and due on demand with no set repayment terms.

(Presented in Canadian dollars)

21. RESTATEMENT

During the year, the Company reviewed its previous treatment of LDRLY (Technologies) Inc. as a discontinued operation and determined that the operations did not meet the definition of a discontinued operation as set out in IFRS 5 - *Non-current assets held for sale and discontinued operations*.

The Company has restated its December 31, 2019 comparative statement of income and comprehensive income to remove the discontinued operations and reclassify the figures to the appropriate revenue and expenditure line items. This restatement resulted in no impact on the Company's net and comprehensive income for the year ending December 31, 2019 or its Statement of Financial Position as at December 31, 2019.

Details of the restatement, net of eliminated intercompany transactions, are as follows:

Statement of income and comprehensive income

	As previously reported	Adjustments	**Restated**
Revenue			
Gaming	$ 27,840,274	$ 1,555,324	**$ 29,395,598**
Advertising	5,800,586	2,038,282	**7,838,868**
	33,640,860	3,593,606	**37,234,466**
Cost of sales	12,405,225	2,592,675	**14,997,900**
Gross profit	21,235,635	1,000,931	**22,236,566**
Expenses			
Research and development	6,505,712	(460,928)	**6,044,784**
Sales and marketing	7,947,930	18,700	**7,966,630**
General and administrative	3,049,609	1,264,581	**4,314,190**
Depreciation of property and equipment and right-of-use assets	285,588	57,073	**342,661**
	17,788,839	879,426	**18,668,265**
Income before other income (expenses) and income taxes	3,446,796	121,505	**3,568,301**
Other income (expenses)			
Unrealized gain on marketable securities	587,124	-	**587,124**
Gain on disposal of property and equipment	800	-	**800**
Loss on foreign exchange	(202,620)	(54,832)	**(257,452)**
Investment income (loss)	2,290	159	**2,449**
	387,594	(54,673)	**332,921**
Income before income taxes	3,834,390	66,832	**3,901,222**
Income taxes			
Current	858,357	-	**858,357**
Deferred	82,939	-	**82,939**
	941,296	-	**941,296**
Income from continuing operations	2,893,094	66,832	**2,959,926**
Income from discontinued operation	66,832	(66,832)	**-**
Net and comprehensive income for the year	2,959,926	-	**2,959,926**

(Presented in Canadian dollars)

22. EVENTS AFTER REPORTING PERIOD

The following events occurred subsequent to the fiscal year end:

Acquisition by Leaf Mobile Inc.

On October 31, 2020, a conditional Share Purchase Agreement (the "SPA) was entered into between the Company and Leaf Mobile Inc. ("Leaf"), and subsequently amended on November 26, 2020, whereby Leaf would acquire all of the Company's issued and outstanding shares for the following consideration:

- $10,000,000 in cash consideration, plus a working capital adjustment of $9,325,968;
- 444,444,444 of Leaf's common shares; and
- contingent consideration of $40,000,000, subject to the "Earn Out" clauses as specified in the SPA, with the vendors' option to convert up to 50% into Leaf's common shares, at a set price of $0.225 per share.

On February 5, 2021, the Company and Leaf have obtained all necessary regulatory approvals and completed the transaction.

The share consideration received by the Company has resulted in 58% of voting power of Leaf being controlled by the existing shareholders of the Company. As a result, the transaction constitutes a reverse acquisition in accordance with IFRS 3, Business Combinations, with the Company being identified as the acquirer and Leaf being the acquiree for accounting purposes. The fair value of the consideration was measured at the share price of $0.225 per share, Leaf's quoted price on the date of the transaction.

The preliminary purchase price allocation based on the reverse take over accounting is summarized as follows:

Preliminary Consideration based on the number of Leaf shares outstanding	
213,441,250 Leaf shares at a fair value of $0.225 per share	$ 48,024,281
Net assets acquired (preliminary allocation)	
Cash and cash equivalent	$ 4,422,540
Trade and other receivables	6,091,431
Government assistance receivable	156,315
Prepaid expenses and deposits	99,388
Property and equipment	89,100
Trade and other payables	(9,461,056)
Deferred income taxes	(12,594,366)
Loss carry-forward	133,592
Brand	7,130,000
Developed game technology	11,470,000
Customer relationships	5,010,000
Goodwill	35,477,337
	$ 48,024,281

Additional contingent consideration, as noted above, can also be earned by the ESG shareholders.

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22. EVENTS AFTER REPORTING PERIOD *(continued)*

Dividend distributions

Subsequent to year end the Company's directors authorized the following dividend distributions:

- On February 5, 2021, immediately prior to the acquisition by Leaf, the Company paid an in-kind dividend of $9,178,619, by way of transferring 40,793,863 Leaf shares owned by the Company at a price of $0.225 per share.
- On February 5, 2021, immediately prior to the acquisition by Leaf, the Company paid a capital dividend of $6,300,000 in cash and marketable securities.

Stock options

- On February 5, 2021, immediately prior to the acquisition, the Company bought out 250,225 stock options for total consideration of $3,160,575, paid by way of transferring 14,046,975 Leaf shares owned by the Company at a price of $0.225 per share.