

**LEAF MOBILE INC.**  
**Condensed Consolidated Interim Financial Statements**  
**(Unaudited – Presented in Canadian Dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

NOTICE OF NO AUDITOR REVIEW OF THE CONDENSED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2021 AND 2020

The accompanying unaudited condensed consolidated interim financial statements of Leaf Mobile Inc. (the “Company”) for the three month periods ended March 31, 2021 and 2020 have been prepared by, and are the responsibility of the Company’s management.

The Company’s independent auditor has not performed a review of the Company’s unaudited condensed consolidated interim financial statements for the three month periods ended March 31, 2021 and 2020.

**LEAF MOBILE INC.**  
**Condensed Consolidated Interim Statement of Financial Position**  
**(Unaudited - Presented in Canadian dollars)**  
**As at March 31, 2021 and December 31, 2020**

	<i>Note</i>	2021 <i>March 31</i>	2020 <i>December 31</i>
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash and cash equivalents	4	\$ 9,603,204	\$ 4,416,399
Marketable securities		-	5,249,052
Trade and other receivables	7	11,697,308	12,731,190
Government assistance receivable	8	2,351,283	2,005,998
Prepaid expenses and deposits	9	1,168,146	627,445
		<b>24,819,941</b>	25,030,084
PROPERTY AND EQUIPMENT	10	761,658	646,948
INTANGIBLE ASSETS	11	22,572,500	-
GOODWILL	4	30,952,496	-
LONG TERM INVESTMENTS	12	600,000	8,121,397
PREPAID EXPENSES AND DEPOSIT	9	1,531,958	1,531,958
		<b>\$ 81,238,553</b>	<b>\$ 35,330,387</b>
<b>LIABILITIES</b>			
<b>CURRENT</b>			
Trade and other payables	15	\$ 7,907,375	\$ 4,277,777
Income taxes payable		4,019,727	3,762,790
Current portion of contingent consideration	4	19,260,640	-
Current portion of lease obligation	16	181,191	174,390
		<b>31,368,933</b>	8,214,957
LEASE OBLIGATION	16	83,221	131,201
CONTINGENT CONSIDERATION	4	18,321,350	-
DEFERRED INCOME TAXES	17	6,035,073	1,336,703
		<b>\$ 55,808,577</b>	<b>\$ 9,682,861</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	18	74,137,187	2,104,861
Contributed surplus	19	744,055	1,312,366
Retained earnings (Deficit)		(49,451,266)	22,230,299
		<b>25,429,976</b>	25,647,526
		<b>\$ 81,238,553</b>	<b>\$ 35,330,387</b>

**APPROVED ON BEHALF OF THE BOARD**

\_\_\_\_\_  
*Director*

\_\_\_\_\_  
*Director*

**LEAF MOBILE INC.**  
**Condensed Consolidated Interim Statement of Income (Loss)**  
**and Comprehensive Income (Loss)**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

	<i>Note</i>	<b>2021</b> <b>March 31</b>	<b>2020</b> <b>March 31</b>
<b>REVENUE</b>			
Gaming	22	\$ 18,380,231	\$ 10,443,169
Advertising		4,624,755	2,532,506
		<b>23,004,986</b>	12,975,675
<b>COST OF SALES</b>			
		<b>7,968,314</b>	5,914,369
<b>GROSS PROFIT</b>			
		<b>15,036,672</b>	7,061,306
<b>EXPENSES</b>			
Research and development	8	2,535,175	4,189,366
Sales and marketing		8,104,875	3,568,408
General and administrative		4,257,007	778,342
Transaction expenses	4	1,210,375	-
Depreciation of property and equipment and right-of use assets		80,756	66,707
Depreciation of intangible assets		1,037,500	-
		<b>17,225,688</b>	8,602,823
<b>LOSS BEFORE OTHER INCOME (EXPENSES) AND INCOME TAXES</b>		<b>\$ (2,189,016)</b>	<b>\$ (1,541,517)</b>
<b>OTHER INCOME (EXPENSES)</b>			
Gain on long term investment	12	4,953,463	-
Investment income (loss)		169,179	(24,759)
Loss on foreign exchange		(164,696)	(72,777)
Accretion expense		(276,959)	-
Gain on disposal of property and equipment		-	2,115
		<b>4,680,987</b>	<b>(95,421)</b>
<b>INCOME (LOSS) BEFORE INCOME TAXES</b>		<b>\$ 2,491,971</b>	<b>\$ (1,636,938)</b>
<b>INCOME TAXES</b>			
Current		2,424,735	5,749
Deferred	17	(1,192,854)	-
		<b>1,231,881</b>	5,749
<b>NET AND COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD</b>		<b>\$ 1,260,090</b>	<b>\$ (1,642,687)</b>
<b>BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE</b>		<b>\$ 0.00</b>	<b>\$ (0.00)</b>
<b>WEIGHTED AVERAGE NUMBER OF SHARES</b>		<b>638,701,567</b>	<b>414,559,589</b>

**LEAF MOBILE INC.**  
**Condensed Consolidated Interim Statement of Changes in Equity**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

	<i>Note</i>	Number of shares	Share capital	Contributed surplus	Retained earnings (Deficit)	Total equity
<b>As at January 1, 2020</b>		414,559,589	\$ 375,666	1,195,419	\$ 10,152,870	\$ <b>11,723,955</b>
Stock based compensation		-	-	171,794	-	<b>171,794</b>
Comprehensive loss for the period		-	-	-	(1,642,687)	<b>(1,642,687)</b>
<b>As at March 31, 2020</b>		414,559,589	\$ 375,666	\$ 1,367,213	\$ 8,510,183	\$ <b>10,253,062</b>
<b>As at January 1, 2021</b>		444,444,444	\$ 2,104,861	\$ 1,312,366	\$ 22,230,299	\$ <b>25,647,526</b>
Adjustment to the issued common shares of the legal parent at the time of the reverse takeover	<i>4</i>	315,663,471	71,024,281	-	-	<b>71,024,281</b>
Fair value of stock options from reverse takeover	<i>4</i>	-	-	55,000	-	<b>55,000</b>
Shares issued for advisory fees for reverse takeover	<i>18</i>	4,268,825	960,486	-	-	<b>960,486</b>
Stock options exchanged		-	-	(1,255,349)	-	<b>(1,255,349)</b>
Stock options exercised		110,000	20,843	(9,843)	-	<b>11,000</b>
Warrants exercised		175,000	26,716	(9,216)	-	<b>17,500</b>
Stock based compensation	<i>19</i>	-	-	651,097	-	<b>651,097</b>
Distribution to shareholders on Reverse Takeover	<i>4</i>	-	-	-	(57,733,545)	<b>(57,733,545)</b>
Cash dividends paid prior to Reverse Takeover		-	-	-	(6,300,000)	<b>(6,300,000)</b>
Non-cash dividends paid prior to Reverse Takeover	<i>12, 21</i>	-	-	-	(9,178,619)	<b>(9,178,619)</b>
Refundable taxes paid		-	-	-	(1,712,302)	<b>(1,712,302)</b>
Refundable taxes recovered		-	-	-	1,982,811	<b>1,982,811</b>
Comprehensive income for the period		-	-	-	1,260,090	<b>1,260,090</b>
<b>As at March 31, 2021</b>		764,661,740	\$ 74,137,187	\$ 744,055	\$ (49,451,266)	\$ <b>25,429,976</b>

See notes to condensed consolidated interim financial statements

**LEAF MOBILE INC.**  
**Condensed Consolidated Interim Statement of Cash Flow**  
**(Unaudited - Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

	<i>Note</i>	2021 <i>March 31</i>	2020 <i>March 31</i>
<b>OPERATING ACTIVITIES</b>			
Net and comprehensive income (loss)		\$ 1,260,090	\$ (1,642,687)
Items not affecting cash:			
Depreciation of property and equipment and right-of-use asset		80,756	66,707
Depreciation of intangible assets		1,037,500	-
Deferred income tax recovery		(1,192,854)	-
Share based payments		1,038,486	-
Gain on disposal of marketable securities		(169,179)	-
Gain on long term investments		(4,953,463)	-
Accretion expense on contingent consideration		276,960	-
Stock based compensation and stock option exchange	<i>12, 19</i>	2,556,315	171,794
Changes in non-cash working capital			
Trade and other receivables		(352,578)	(1,588,302)
Government assistance receivable		(210,849)	-
Prepaid expenses		(441,313)	1,868,542
Trade and other payables		608,028	(293,099)
Income taxes payable		256,937	-
Cash flow used in operating activities		(205,164)	(1,417,045)
<b>INVESTING ACTIVITIES</b>			
Net proceeds from disposal of marketable securities		5,418,231	2,196,918
Purchase of equipment		(106,366)	(24,872)
Addition to long term investment		-	(125,000)
Cash flow from investing activities		5,311,865	2,047,046
<b>FINANCING ACTIVITIES</b>			
Cash acquired from Reverse Takeover		4,422,540	-
Cash consideration paid on Reverse Takeover		(19,328,515)	-
Cash dividends paid prior to Reverse Takeover		(6,300,000)	-
Proceeds from subscription offering		21,028,250	-
Stock options exercised		11,000	-
Warrants exercised		17,500	-
Refundable taxes paid		(1,712,302)	-
Refundable taxes recovered		1,982,811	-
Repayment of lease obligation		(41,179)	(35,181)
Cash flow from (used in) financing activities		80,105	(35,181)
<b>INCREASE IN CASH</b>		<b>5,186,805</b>	<b>594,820</b>
Cash - beginning of period		4,416,399	2,030,226
<b>CASH - END OF PERIOD</b>		<b>\$ 9,603,204</b>	<b>\$ 2,625,046</b>

**Supplemental cash flow information**

21

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

---

1. NATURE AND CONTINUANCE OF OPERATIONS

Leaf Mobile Inc. (the "Company", "Leaf") was incorporated provincially under the Business Corporations Act of British Columbia on November 29, 2018. The head office of the Company is Suite 909 - 510 Burrard Street, Vancouver, British Columbia, V6C 3A8.

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

On February 5, 2021, the Company received approval from the Toronto Stock Exchange ("TSX") and the TSX Venture Exchange ("TSX-V") to close its acquisition by ESG. On February 10, 2021, the Company resumed trading on the TSX under the symbol "LEAF". Refer to Note 4 for details of the acquisition of ESG, which is being accounted for as a reverse takeover.

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. These events are resulting in a challenging economic climate in which it is difficult to reliably estimate the length or severity of these developments and their financial impact. The direct and indirect impact to the Company has been considered in management's judgments, estimates and uncertainties at period-end. Although management has determined that no significant revisions to such estimates, judgments or assumptions were required at period-end, there could be a further prospective material impact in future periods to the extent that the negative impacts from SARS-CoV-2 continue or worsen. To date, the Company has taken steps to protect its employees during this time including having them work from home since March 2020, without any material disruption to the Company's day-to-day operations to date. The Company is monitoring developments of the SARS-CoV-2 outbreak and will adapt its business plans accordingly.

These condensed consolidated interim 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. The Company's ability to continue as a going concern is dependent upon its ability to generate profits and positive cash flows from operations to successfully integrate acquisitions and to fund the development, launch and growth of new games.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

---

2. BASIS OF PRESENTATION

*Statement of compliance*

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

These consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Leaf and ESG for the years ended December 31, 2020 and 2019, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's financial statements for the years ended December 31, 2020 and 2019. The disclosures which follow do not include all disclosures required for the annual financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 17, 2021.

*Basis of measurement*

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

*Basis of consolidation*

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

*Comparative balances*

The transaction as stated in Note 4 constituted a reverse takeover of Leaf by ESG. Accordingly, the condensed consolidated interim financial statements are a continuation of the financial statements of ESG. All prior period comparative amounts are those of ESG and the current year period includes the financial results of Leaf / LDRLY (the "acquiree") from February 5, 2021. The prior period share and stock option amounts for ESG were retrospectively restated to reflect the share exchange ratio in the merger between LEAF and ESG which was 94.81.

*(continues)*

---



**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

---

2. BASIS OF PRESENTATION *(continued)*

Significant Judgments and estimates

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

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

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

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

(b) Share-based payments

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

---

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim financial statements have been prepared following the same accounting policies used in the preparation of the audited consolidated financial statements of the Company and ESG for the year ended December 31, 2020.

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

---

4. ACQUISITION OF EAST SIDE GAMES INC.

Prior to the acquisition of ESG, on January 22, 2021, the Company received all necessary approvals from the TSX, the TSX-V and all security commissions in each of the Provinces of Canada (except Quebec), and filed its short form prospectus with respect to its public offering of Subscription Receipts and acquisition of ESG. The offering consisted of 88,888,888 Subscription Receipts at a price of \$0.225 per Subscription Receipt, for gross proceeds of \$20,000,000, and an over-allotment option for an additional 13,333,333 Subscription Receipts at a price of \$0.225 per Subscription Receipt, for additional gross proceeds of \$3,000,000.

The Company completed its offering on February 4, 2021, including the over-allotment, for aggregate gross proceeds of \$23,000,000. The Company paid \$1,971,750 in cash and issued 6,133,332 broker warrants exercisable into Leaf shares at \$0.225 per share, in share issuance costs.

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

- Cash consideration of \$10,000,000, plus a working capital adjustment of \$10,428,514, with \$1,100,000 being held in escrow for a period of 12 months;
- Share consideration of 444,444,444 Leaf shares; and
- \$40,000,000 in contingent consideration, with a present value of \$37,305,031, upon the Company reaching certain milestones. At the option of the vendors, the contingent consideration will be paid fully in cash or up to a maximum of 50% in Leaf common shares at a set price of \$0.225 per share. The contingent consideration becomes payable based on the following:
  - \$20,000,000 if Leaf achieves \$100,000,000 in gross revenue in the first 12 months following transaction close date; and
  - \$20,000,000 if Leaf achieves \$125,000,000 in gross revenue in the second 12 months following transaction close date. The Company estimates that the contingent consideration will be paid and has accrued the present value of the expected payments as contingent liabilities. However, if the above targets are not achieved no additional payments will be made to the vendors.

The cash consideration, working capital adjustment and estimated contingent consideration totalling \$57,733,545 are payments from Leaf to its shareholders and have been included as part of dividends and distributions to shareholders in the condensed consolidated interim statement of changes in equity.

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

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

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

*(continues)*

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

---

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

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

Consideration

315,663,471 Leaf shares at a price of \$0.225 per share	\$ 71,024,281
440,000 stock options	55,000
	\$ 71,079,281

Net assets acquired

Cash	\$ 4,422,540
Trade and other receivables	6,091,431
Subscription proceeds receivable	21,028,250
Government assistance receivable	134,436
Prepaid expenses and deposits	99,388
Property and equipment	89,100
Trade and other payables	(9,457,136)
Deferred income taxes	(5,891,224)
Brand	7,130,000
Developed game technology	11,470,000
Customer relationships	5,010,000
Goodwill	30,952,496
	\$ 71,079,281

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

---

5. BUSINESS COMBINATION DISCLOSURES

IFRS 3, Business combinations, applies to the reverse acquisition of Leaf Mobile Inc. by Eastside Games Inc. on February 5, 2021. In order to evaluate the nature and financial effect of this business combination, the following information has been provided:

Leaf Mobile Inc. Statement of Loss for period from February 5, 2021 to March 31, 2021

The amount of revenue and net income of Leaf Mobile Inc. subsequent to February 5, 2021 included in the condensed consolidated interim statement of income (loss) and comprehensive income (loss) for the reporting period is as follows:

Revenue	\$ 7,793,412
Net loss	\$ 2,558,845

Leaf Mobile Inc. Statement of Loss for the three month period ended March 31, 2021

The amount of revenue and net income of Leaf Mobile Inc. had the acquisition occurred on January 1, 2021 is as follows:

Revenue	\$ 13,596,600
Net loss	\$ 3,802,791

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

---

6. FINANCIAL INSTRUMENTS

Categories of financial assets and financial liabilities

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

<b>Financial Instrument</b>	<b>Category</b>	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Cash and cash equivalents	FVTPL	9,603,204	4,416,399
Marketable securities	FVTPL	-	5,249,052
Trade and other receivables	Amortized Cost	11,697,308	12,731,190
Trade and other payables	Amortized Cost	7,907,376	4,277,777
Contingent liabilities	Amortized Cost	37,581,990	-

Fair value

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

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

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

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

The carrying values of trade and other receivables, trade and other payables, and contingent liabilities approximates their fair value due to their short-term nature. The Company's fair value of cash under 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 majority of the Company's receivables come from large corporations who pay the Company advertising and gaming revenue. There is no bad debt expense in the current or prior periods and in the opinion of management, none of the amounts comprising this balance were considered impaired. As at March 31, 2021, 70% (December 31, 2020 - 64%) 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)*

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

6. FINANCIAL INSTRUMENTS *(continued)*

***Liquidity risk***

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

***Currency risk***

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

At March 31, 2021, 1 Canadian Dollar was equal to \$0.7952 US Dollar (December 31, 2020 - \$0.7854).

	March 31, 2021		December 31, 2020	
	US Dollar	CDN Equivalent	US Dollar	CDN Equivalent
Cash	3,679,949	4,627,702	1,536,544	1,956,384
Marketable securities	-	-	2,260,201	2,877,771
Trade and other receivables	5,599,315	7,041,392	2,941,181	3,744,819
Trade and other payables	(1,934,509)	(2,432,733)	(1,123,091)	(1,429,961)

Based on the net exposures as of March 31, 2021 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 \$839,669 (December 31, 2020 - \$561,484).

7. TRADE AND OTHER RECEIVABLES

	2021 <i>March 31</i>	2020 <i>December 31</i>
	Trade receivables	<b>\$ 10,671,193</b>
Trade receivable from related party	-	7,470,805
Goods and services tax recoverable	<b>1,026,115</b>	-
	<b>\$ 11,697,308</b>	\$ 12,731,190

There is no bad debt expense for the period. There are no trade receivables owing from related parties as at March 31, 2021, and all trade and other receivables are current.

The amounts due from related party at December 31, 2020 are unsecured, non-interest bearing and due on demand with no set repayment terms.

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

---

8. GOVERNMENT ASSISTANCE

Included in research and development expenses are tax credits from various government assistance programs. The Company claims investment tax credits (“ITC”) from the eligible scientific research and experimental development (“SR&ED”) expenditures incurred during the year and British Columbia Interactive Digital Media Tax Credits (“BC IDMTC”). As at March 31, 2021, the Company has an amount receivable from these government assistance programs of \$2,351,283 (December 31, 2020 - \$2,005,998).

During the period, the Company claimed SR&ED ITC of \$101,622 (2020 - \$Nil) and BC IDMTC of \$109,227 (2020 - \$Nil), which are offset against research and development expenses.

---

9. 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 guarantees on these games in the future based on a percentage of sales less certain eligible costs.

	<b>2021</b>	2020
	<i>March 31</i>	<i>December 31</i>
Prepaid royalties - current	\$ <b>582,915</b>	\$ 233,543
Other prepaid expenses	<b>542,073</b>	359,058
Security deposits	<b>43,158</b>	34,844
Prepaid expenses and deposits	<b>\$ 1,168,146</b>	\$ 627,445
 Prepaid royalties - non-current	 <b>1,531,958</b>	 1,531,958
	<b>\$ 2,700,104</b>	\$ 2,159,403

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Month Periods Ended March 31, 2021 and 2020**

10. PROPERTY AND EQUIPMENT

<u>Cost</u>	2020			2021
	<i>December 31</i> Balance	Addition	Disposals	<i>March 31</i> Balance
Computer equipment	\$ 730,626	\$ 177,299	\$ -	\$ 907,925
Furniture and fixture	236,522	18,167	-	254,689
Leasehold improvements	62,576	-	-	62,576
Right-of-use Assets	581,874	-	-	581,874
	<u>\$ 1,611,598</u>	<u>\$ 195,466</u>	<u>\$ -</u>	<u>\$ 1,807,064</u>

  

<u>Accumulated Depreciation</u>	2020		Accumulated	2021
	<i>December 31</i> Balance	Addition	Depreciation on Disposals	<i>March 31</i> Balance
Computer equipment	\$ 474,671	\$ 33,203	\$ -	\$ 507,874
Furniture and fixture	110,017	7,880	-	117,897
Leasehold improvements	62,576	-	-	62,576
Right-of-use Assets	317,386	39,673	-	357,059
	<u>\$ 964,650</u>	<u>\$ 80,756</u>	<u>\$ -</u>	<u>\$ 1,045,406</u>

*(continues)*



**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

10. PROPERTY AND EQUIPMENT *(continued)*

<u>Cost</u>	2019			2020
	<i>December 31</i>			<i>December 31</i>
	Balance	Addition	Disposals	Balance
Computer equipment	\$ 616,382	\$ 114,244	\$ -	\$ 730,626
Furniture and fixture	227,561	8,961	-	236,522
Leasehold improvements	62,576	-	-	62,576
Right-of-use Assets	581,874	-	-	581,874
	<u>\$ 1,488,393</u>	<u>\$ 123,205</u>	<u>\$ -</u>	<u>\$ 1,611,598</u>
<u>Accumulated Depreciation</u>	2019			2020
	<i>December 31</i>		Accumulated Depreciation on Disposals	<i>December 31</i>
	Balance	Addition		Balance
Computer equipment	\$ 364,976	\$ 109,695	\$ -	\$ 474,671
Furniture and fixture	78,391	31,626	-	110,017
Leasehold improvements	62,576	-	-	62,576
Right-of-use Assets	158,693	158,693	-	317,386
	<u>\$ 664,636</u>	<u>\$ 300,014</u>	<u>\$ -</u>	<u>\$ 964,650</u>
<u>Net book value</u>			2021	2020
			<i>March 31</i>	<i>December 31</i>
Computer equipment			\$ 400,051	\$ 255,955
Furniture and fixture			136,792	126,505
Right-of-use Assets			224,815	264,488
			<u>\$ 761,658</u>	<u>\$ 646,948</u>

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

11. INTANGIBLE ASSETS

<u>Cost</u>	2020			2021	
	<i>December 31</i>			<i>March 31</i>	
	Balance	Addition	Disposals	Balance	
Brand	\$ -	\$ 7,130,000	\$ -	\$ 7,130,000	
Developed game technologies	-	11,470,000	-	11,470,000	
Customer relationships	-	5,010,000	-	5,010,000	
	<u>\$ -</u>	<u>\$ 23,610,000</u>	<u>\$ -</u>	<u>\$ 23,610,000</u>	
<u>Accumulated Depreciation</u>	2020			2021	
	<i>December 31</i>		Accumulated	<i>March 31</i>	
	Balance	Addition	Depreciation	Balance	
Brand	\$ -	\$ 237,667	\$ -	\$ 237,667	
Developed game technologies	-	382,333	-	382,333	
Customer relationships	-	417,500	-	417,500	
	<u>\$ -</u>	<u>\$ 1,037,500</u>	<u>\$ -</u>	<u>\$ 1,037,500</u>	
<u>Net book value</u>				2021	2020
				<i>March 31</i>	<i>December 31</i>
Brand				\$ 6,892,333	\$ -
Developed game technologies				11,087,667	-
Customer relationships				4,592,500	-
				<u>\$ 22,572,500</u>	<u>\$ -</u>

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

12. LONG TERM INVESTMENTS

	Shares / Units		Amount	
	2021	2020	2021	2020
	<i>March 31</i>	<i>December 31</i>	<i>March 31</i>	<i>December 31</i>
Leaf Mobile Inc. (i)	-	55,187,500	\$ -	\$ 7,521,397
Creative Labs Limited Partnership (ii)	500,000	500,000	\$ 500,000	\$ 500,000
Night Garden Studio Inc. (iii)	37,500	37,500	100,000	100,000
			\$ 600,000	\$ 8,121,397

- i. The Leaf shares were adjusted to their fair value and distributed to option holders and shareholders of ESG upon reverse acquisition of Leaf and a gain of \$4,953,463 was recognized and a stock based charge of \$1,905,217 was recorded in general and administrative expenses for this stock option exchange.
- ii. The Company entered into a subscription agreement Creative Labs L.P. on December 5, 2016 and committed to subscribe for 500,000 units of the partnership and enter the partnership as a limited partner. As at March 31, 2021, 500,000 (December 31, 2020 – 500,000) of the committed units have been funded. The investment has been accounted for using the cost method.
- iii. 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.

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

13. DISPOSAL OF SUBSIDIARY

On October 29, 2019 ESG 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") to LEAF 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.

The gain on sale of LDRLY is calculated as follows:

Consideration received		
Cash		\$ 1,250,000
Share consideration		<u>8,830,000</u>
		<b>10,080,000</b>
Net assets disposed of		<u>(482,229)</u>
Gain of sale of subsidiary		<u><b>\$ 9,597,771</b></u>

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

14. BANK INDEBTEDNESS

The Company has an authorized \$13,500,000 operating line of credit, bearing interest up to 5%.

---

15. TRADE AND OTHER PAYABLES

	<b>2021</b>	2020
	<i>March 31</i>	<i>December 31</i>
Trade payables	<b>\$ 7,025,180</b>	\$ 3,941,678
Wages and vacation payable	<b>882,196</b>	154,386
Goods and services tax payable	-	181,713
	<b>\$ 7,907,376</b>	<b>\$ 4,277,777</b>

---

16. LEASE OBLIGATION

The lease obligation has been measured by discounting future lease payments using the Company's incremental borrowing rate at January 1, 2020. The weighted-average rate applied is 12%. Rates implicit in the leases were not readily determinable. Interest expense on lease obligations for the three months period ended March 31, 2021 was \$8,759 (December 31, 2020 - \$46,625) and is included in general and administrative expenses.

	<b>2021</b>	2020
	<i>March 31</i>	<i>December 31</i>
Opening balance	<b>\$ 305,591</b>	\$ 454,821
Lease payments, net of interest recognized	<b>(41,179)</b>	(149,230)
	<b>264,412</b>	305,591
Current portion of lease obligation	<b>181,191</b>	174,390
	<b>\$ 83,221</b>	<b>\$ 131,201</b>

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

17. DEFERRED INCOME TAXES

The following components of deferred income taxes are calculated based on a current period enacted rate of 27% (December 31, 2020 - 27%). The change in deferred income taxes is \$1,192,854 (2020 - \$Nil) and is represented as a deferred income tax recovery on the condensed consolidated interim statement of income (loss) and comprehensive income (loss). The deferred income tax assets and liabilities recognized as at March 31, 2021 are as follows:

	<b>2021</b>	2020
	<i><b>March 31</b></i>	<i>December 31</i>
Marketable securities	\$ -	\$ (74,855)
Long term investments	-	(895,436)
Property and equipment	<b>69,670</b>	92,490
Right-of-use assets and lease obligations	<b>10,691</b>	11,098
Intangible assets	<b>(6,094,575)</b>	-
Loss carryforwards	<b>36,070</b>	-
Government tax credits	<b>(56,929)</b>	(470,000)
	<u><b>\$ (6,035,073)</b></u>	<u>\$ (1,336,703)</u>

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

18. SHARE CAPITAL

Authorized:

Unlimited common shares of Leaf without par value

Share transactions during the period

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

- As part of the reverse takeover (“RTO”) as described in Note 4, an increase of \$71,024,281 to share capital was recorded as consideration for the issued and outstanding Leaf shares immediately prior to the RTO transaction.
- As part of the RTO transaction, the Company issued 4,268,825 shares as advisory fees, valued at \$960,486.
- During the period, 175,000 warrants were exercised and 110,000 options were exercised.

Escrow shares

Pursuant to the IPO Escrow Agreement from Leaf, 3,500,000 common shares issued are held in escrow pursuant to an escrow agreement dated May 31, 2019. In connection with the graduation to the TSX, the Company qualifies as a Tier 1 issuer and has made application to be designated as such which automatically adjusts the escrow release schedule. If approved, an additional 1,225,000 common shares will be released from escrow upon approval, with the remaining 875,000 common shares to be released on October 17, 2021.

In aggregate 122,387,500 common shares were placed in escrow pursuant to a “surplus shares” escrow agreement dated April 17, 2020. The shares are released in various percentages over a three year period. In aggregate 42,835,625 common shares have been released from such escrow and 79,551,875 common shares remain subject to such escrow. As noted above, if Tier 1 issuer status is approved, an additional 48,955,000 common shares will be released from escrow upon approval, with the remaining 30,596,875 common shares to be released on October 17, 2021.

An additional 43,000,000 shares were placed in escrow pursuant to a “value” escrow agreement dated April 17, 2020. Under this agreement 25% were released upon completion of the Qualifying Transaction and an additional 25% will be released every six months over a period of three years. Accordingly, in aggregate 17,200,000 common shares have been released from such escrow and in aggregate 25,800,000 common shares remain subject to such escrow. As noted above, if Tier 1 issuer status is approved, an additional 15,050,000 common shares will be released from escrow upon approval, with the remaining 10,750,000 common shares to be released on October 17, 2021.

As at March 31, 2021, a total of 107,451,875 shares remain in escrow as a result of the above regulatory requirements.

In connection with the acquisition of ESG, the directors and senior executive officers of the Company have agreed that they will not dispose of any interest in 49,997,778 shares until August 5, 2021. In addition, former ESG shareholders have agreed that 489,854,166 shares are subject to lock-up with one third coming out of lock-up on each of February 5, 2022, February 5, 2023 and February 5, 2024.

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

19. STOCK OPTIONS AND WARRANTS

Stock options

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

Details of the stock options, reflecting ESG options in 2020 updated for the share exchange ratio of 94.81 on reverse takeover, are as follows:

	Number	Weighted Average Exercise Price 2021 <i>March 31</i>	Number	Weighted Average Exercise Price 2020 <i>December 31</i>
Outstanding at beginning of period	23,723,519	\$ 0.08	77,352,181	\$ 0.04
Previously issued from legal parent	6,805,680	0.25	-	-
Granted	24,000,000	0.23	4,086,257	0.12
Exchanged	(23,723,519)	0.08	-	-
Exercised	(110,000)	0.10	(49,966,580)	0.03
Forfeited	-	-	(7,748,340)	0.08
Outstanding at end of period	<b>30,695,680</b>	<b>\$ 0.23</b>	<b>23,723,519</b>	<b>\$ 0.08</b>

*(continues)*

---



**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

19. STOCK OPTIONS AND WARRANTS *(continued)*

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

- The risk-free interest rate ranges from 0.36% - 0.48%.
- The expected life of the options ranges from 5 – 10 years.
- The expected volatility is 67.5%.
- The expected forfeiture rate is 4%.
- The expected dividends yield is 0%.

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

Accordingly, during the period, the Company recognized stock-based compensation expense of \$651,097 (2020 - \$171,794).

The weighted average fair value of all share options granted, using the Black Scholes option pricing model, during the period was \$0.12 per option (2020 - \$0.12). The weighted average remaining contractual life of outstanding share options at March 31, 2021 was 4.74 years (2020 – 0.80 years).

*(continues)*

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

19. STOCK OPTIONS AND WARRANTS *(continued)*

Warrants

Details of the warrants issued are as follows:

	Number	Weighted Average Exercise Price 2021 <i>March 31</i>	Number	Weighted Average Exercise Price 2020 <i>December 31</i>
Outstanding at beginning of period	-	\$ -	-	\$ -
Previously issued from legal parent	<b>6,720,832</b>	<b>0.22</b>	-	-
Exercised	<b>(175,000)</b>	<b>0.10</b>	-	-
Forfeited	-	-	-	-
Outstanding at end of period	<b>6,545,832</b>	<b>\$ 0.22</b>	-	\$ -

Of the total warrants previously issued from legal parent, 6,133,332 warrants were issued as part of the share issuance in February 2021.. These warrants are exercisable at \$0.225 per warrant for a period of two years from the issuance date of February 5, 2021.

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

- The risk-free interest rate ranges from 0.20% - 1.34%.
- The expected life of the warrants is 2 years.
- The expected volatility is 67.5%.
- The expected forfeiture rate is 0%.
- The expected dividends yield is 0%.

The weighted average fair value of all warrants granted, using the Black Scholes option pricing model, during the year was \$0.22 per warrants (2020 - \$Nil). The weighted average remaining contractual life of outstanding warrants at March 31, 2021 was 1.80 years (2020 - Nil years)

---

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

20. 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.

---

21. SUPPLEMENTAL CASH FLOW INFORMATION

The following non-cash transaction occurred during the period:

- Shares and contributed surplus on reverse takeover (Note 4) of \$71,024,281 and \$55,000, respectively;
  - Non-cash dividends of \$9,178,619; and
  - Non-cash stock option exchange of \$3,160,569.
-

**LEAF MOBILE INC.**  
**Notes to Condensed Consolidated Interim Financial Statements**  
**(Presented in Canadian dollars)**  
**For the Three Months Period Ended March 31, 2021 and 2020**

---

22. RELATED PARTIES

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

	<b>2021</b>	2020
	<b><i>March 31</i></b>	<i>March 31</i>
LDRLY (Technologies) Inc. <i>Subsidiary of Leaf Mobile Inc. prior to RTO transaction</i>		
Game support services included in gaming revenue, prior to RTO transaction	<b>\$ 3,539,918</b>	\$ -
Haymarket Investments Inc. <i>Entity with common directorship</i>		
Advisory services	<b>\$ 960,486</b>	\$ -
Growthworks Capital Ltd. <i>Entity with common directorship</i>		
Accounting and administrative services	<b>\$ 35,350</b>	\$ -
Key management personnel <i>Management</i>		
Compensation	<b>\$ 90,000</b>	\$ 45,000

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.

---