
LEAF MOBILE INC.
Suite 909, 510 Burrard Street Vancouver,
British Columbia V6C 3A8

ANNUAL INFORMATION FORM

DATED AS OF APRIL 30, 2021

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ANNUAL INFORMATION FORM

In this Annual Information Form (the “AIF”), unless otherwise noted or the context indicates otherwise, the “Company”, “Leaf Mobile”, “we”, “us” and “our” refer to Leaf Mobile Inc. All financial information in this AIF is reported in Canadian dollars. Certain defined terms used herein have the meanings given to them under “Glossary of Defined Terms”.

The information contained herein is dated as of April 29, 2021 unless otherwise stated.

GLOSSARY OF TERMS

The following is a glossary of terms used in this AIF and the appendices attached hereto.

Acquisition	The acquisition by LEAF of all of the ESG Securities from the ESG Securityholders in accordance with the Acquisition Agreement. See “The Acquisition” for further discussion.
Acquisition Agreement	The agreement dated October 31, 2020 and amended effective November 26, 2020 among LEAF, ESG and the ESG Securityholders with respect to the Acquisition.
Agents	means LEAF’s agents in respect of the Offering, and includes EightCapital and Haywood Securities Inc. as co-lead agents.
BCA	Means the British Columbia <i>Business Corporations Act</i> , and the regulations promulgated thereunder, all as may be amended from time to time
Control Person	means any person that holds or is one of a combination of persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer, or that holds more than 20% of the outstanding voting securities of an issuer, except where there is evidence showing that the holder of those securities does not materially affect the control of that issuer.
EastSide Games or ESG	means EastSide Games Inc., a subsidiary of LEAF.
Eight Capital	means Eight Capital, co-lead agent of LEAF with respect to the Offering.
ESG Securityholders	means, collectively, the holders of the ESG Securities.
ESG Securities	means the issued and outstanding securities of ESG.
Filing Statement	means the amended and restated filing statement dated January 18, 2021 (amending and restating the filing statement dated December 22, 2020), prepared by LEAF with respect to the Acquisition.
Insider	if used in relation to an issuer, means: (a) a director or senior officer of that issuer; (b) a director or senior officer of the issuer that is an Insider or subsidiary of that issuer; (c) a person that beneficially owns or controls, directly or indirectly, voting securities carrying more than 10% of the voting rights attached to all outstanding voting securities of that issuer; or (d) the issuer itself if it holds any of its own voting securities.
LDRLY	means LDRLY (Technologies) Inc., a subsidiary of LEAF.
LEAF	means Leaf Mobile Inc.
LEAF Board	means the board of directors of LEAF.
LEAF Shareholder	means a holder of a LEAF Share.
LEAF Shares	means the common shares in the capital of LEAF.
Offering	means the offering of Subscription Receipts by LEAF as qualified by the Prospectus.
Prospectus	Means LEAF’s final short form prospectus dated January 22, 2021 with respect to

	the Offering.
Qualifying Transaction	means the qualifying transaction (as such term is defined under TSXV policies) of LEAF, including the acquisition of LDRLY.
Reverse Takeover or RTO	<p>means a transaction or series of transactions, involving an acquisition by the issuer or of the issuer, and a securities issuance by an issuer that results in:</p> <p>(a) new shareholders holding more than 50% of the outstanding voting securities of the issuer; and</p> <p>(b) a change of Control of the issuer.</p> <p>but does not include any transaction or series of transactions whereby the newly issued securities are to be issued to shareholders of an issuer listed on TSE or another senior exchange under a formal takeover bid made pursuant to applicable securities laws.</p>
SEDAR	means the Canadian System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators available to the public online at www.sedar.com .
Subscription Receipt Agreement	means the subscription receipt agreement governing the Subscription Receipts, to be entered into among LEAF, Eight Capital and Haywood Securities Inc. (as co-lead agents of LEAF with respect to the Offering and on behalf of itself and other Agents), and an escrow agent mutually acceptable to LEAF, Eight Capital and Haywood Securities Inc.
TSE	means the Toronto Stock Exchange.
TSXV	means the TSX Venture Exchange Inc.
1182533	means 1182533 B.C. Ltd., a subsidiary of LEAF.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This AIF contains "forward-looking statements" (within the meaning of applicable securities legislation). Such forward-looking statements concern the anticipated results of LEAF and developments in its operations in future periods, plans related to their businesses, and other matters that may occur in the future. In particular, all statements other than historical facts included in this AIF that address activities, events or developments that management of LEAF expects or anticipates will or may occur in the future are forward-looking statements, including but not limited to statements with respect to financial and other projections as well as statements or information concerning future operating plans, objectives, performance, revenues, growth, profits or operating expenses; plans to develop, implement or adopt new products, including with respect to the LEAF's products and services; statements regarding the industry in which LEAF operates; requirements for additional capital and future financing options; expansion and acceptance of the LEAF's brands and products to new markets; marketing plans; the availability of intellectual property protection for LEAF's products; and other expectations of LEAF.

In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of LEAF to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the Acquisition; risks related to the integration of the combined businesses of LEAF and ESG; cost synergies; the historic performance of ESG being outside of LEAF's control; pro forma information; uncertainty of future revenues; competition; regulation; potential intellectual property issues; reliance on third party distributors; dependence on key executives; dependence on advertising revenue; potential requirement for further funding; IT security risks; potential conflicts of interest with proposed directors and officers; potential share price volatility; need to attract and retain qualified personnel; limited market for the trading of its securities; uncertainty as to dividends; defects, bugs or errors with products or services; changes in technology; changes to mobile devices; "cheating" programs, scam offers or black markets with respect to LEAF's games; the unauthorized sale/purchase of virtual goods in LEAF's games; reputational harm; declines in mobile gaming generally; COVID-19 related risks; and risks with respect to LEAF's long term debt.

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

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this AIF from documents filed with the securities commissions or similar authorities in all of the provinces in Canada, excepting Quebec. Copies of documents incorporated herein by reference may be obtained upon request without charge from the Company at Suite 909 - 510 Burrard Street, Vancouver, British Columbia, V6C 3A8 (telephone: 604 288-4418; email: IR@leafmobile.io). Copies of documents incorporated by reference may also be accessed online at www.sedar.com. LEAF's filings through the System for Electronic Documents Analysis and Retrieval ("**SEDAR**") are not incorporated by reference in this Filing Statement, except as specifically set out herein.

The following documents, filed by LEAF with the securities commission or similar authority in all the provinces of Canada, excepting Quebec, are specifically incorporated by reference into, and form an integral part of, this AIF:

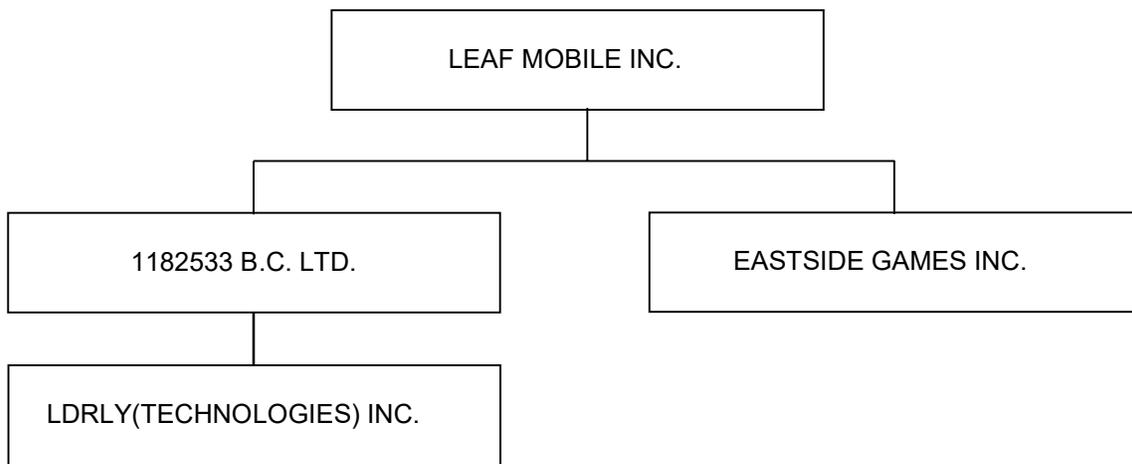
- the joint information circular of 1182533 and LEAF dated February 14, 2020, relating to the Qualifying Transaction;
- material change report dated April 20, 2020 with respect to LEAF's completion of its Qualifying Transaction;
- the amended and restated filing statement dated January 18, 2021 with respect to the Acquisition;
- the short form prospectus dated January 22, 2021 with respect to the Offering;
- Notice of change in corporate structure of LEAF dated February 8, 2021 with respect to the completion of the Acquisition;
- Change of status report of LEAF filed on February 9, 2021 with respect to the listing of the LEAF Shares on the Toronto Stock Exchange and the concurrent delisting of the LEAF Shares from trading on the TSX Venture Exchange;
- audited financial statements of LEAF for the year ended December 31, 2020, and the auditor's report thereon, and the corresponding management discussion and analysis dated April 29, 2021; and
- audited financial statements of ESG, as reverse takeover acquirer with respect to the Acquisition, for the year ended December 31, 2020, and the auditor's report thereon.

The foregoing documents are not incorporated by reference or deemed to be incorporated by reference to the extent their contents are modified or superseded by a statement contained in this AIF or in any other subsequently filed document that is incorporated by reference or deemed to be incorporated by reference in this AIF. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this AIF.

CORPORATE STRUCTURE

LEAF was incorporated under the name "Caprice Business Development Canada Inc." on November 29, 2018 under the BCA. It changed its name to "Leaf Mobile Inc." on April 17, 2020. The LEAF Shares are listed for trading on the TSX and is the parent company of ESG and LDRLY.

The intercorporate relationship of LEAF and its material subsidiaries are as follows:



The registered office of LEAF is located at 700 - 401 West Georgia Street, Vancouver, British Columbia V6B 5A1. Its head office is located at Suite 909 - 510 Burrard Street, Vancouver, British Columbia V6C 3A8.

LEAF'S BUSINESS

LEAF, through its operating subsidiaries ESG and LDRLY, is a developer and publisher of mobile games. All of LEAF's primary operations are conducted through ESG and LDRLY.

ESG is in the business of developing and producing mobile games, with such titles as *Archer: Danger Phone*, *Dragon Up: Idle Adventure*; *the Goldbergs: Back to the 80s*; *It's Always Sunny: The Gang Goes Mobile* and *Trailer Park Boys Greasy Money*. ESG is also the developer of a proprietary game framework known as "IdleKit," which allows the building of narrative-driven idle games quickly.

LDRLY, in turn, is in the business of developing and producing "counter culture" mobile games, with such titles as *Cheech & Chong Bud Farm*, *Bud Farm Idle Tycoon*, *Bud Farm Grass Roots* and *Bud Farm 420*. For further description of LDRLY's operations, please see the joint information circular of LEAF and 1182533 dated February 14, 2020 available on SEDAR.

The following is a summary of the general development of LEAF's business since incorporation, and includes a description of all major events through that period.

Completion of IPO

LEAF (then named "Caprice Business Development Inc.") was initially a "capital pool company," whose sole business was to identify and evaluate businesses and assets with a view to completing a "qualifying transaction" (as such terms are defined under TSXV policies).

On July 15, 2019, LEAF completed its initial public offering (the "IPO") of 2 million LEAF Shares for aggregate gross proceeds of \$200,000. Concurrently, the LEAF Shares were listed for trading on the

TSXV as a "capital pool company". In connection with the IPO, Haywood Securities Inc. was granted an option to acquire 200,000 LEAF Shares at a price of \$0.10 per share until June 15, 2021.

As a capital pool company, LEAF's sole business at the time was to identify and evaluate businesses or assets with a view to completing a qualifying transaction. Until the completion of its Qualifying Transaction, LEAF did not carry on any other active business and had no assets other than cash.

Completion of Qualifying Transaction

On July 26, 2019, LEAF entered into a letter of intent with 1182533 with respect to its Qualifying Transaction, which was subsequently formalized in an amalgamation agreement dated October 29, 2019 (the "**Amalgamation Agreement**")

Pursuant to the Amalgamation Agreement, LEAF (then "Caprice Business Development Canada Inc.") incorporated a subsidiary to amalgamate with the predecessor entity of 1182533 of same name (the "**Amalgamation**").

Immediately prior to such Amalgamation, this predecessor entity acquired all of the outstanding shares in LDRLY from ESG, in consideration of 55,187,500 shares of the predecessor and \$1.25 million in cash. Concurrently, the predecessor entity completed a private placement financing for gross proceeds of \$3.5 million. Proceeds from the private placement were used to fund such operational items such as licensing expenses (\$125,000), game development and publishing expenses (\$550,000), game launch marketing expenses (\$300,000), and general and administrative expenses (\$850,000), including transaction expenses with respect to the Qualifying Transaction and payment of finder's fees, with the remainder added to unallocated working capital.

Under the Amalgamation, all shares issued by the predecessor entity in its acquisition of LDRLY and the concurrent private placement financing, along with all other outstanding shares of the predecessor, were exchanged for LEAF Shares (which retained the "1182533 BC Ltd." name) on a one for one basis.

The Amalgamation was completed on April 17, 2020. Together with aforementioned acquisition of LDRLY by the predecessor entity, the Amalgamation comprised LEAF's Qualifying Transaction. As a result, 1182533 became the wholly-owned subsidiary of LEAF; in turn, LDRLY is the wholly-owned subsidiary of 1182533.

Concurrently with the completion of the Amalgamation, the Company changed its name to "LEAF Mobile Inc.", and the LEAF Shares commenced trading on the TSXV under the new symbol "LEAF" on April 21, 2020.

For further information regarding LEAF's Qualifying Transaction, please see the joint information circular of LEAF and 1182533 dated February 14, 2020, available on SEDAR.

Completion of Acquisition

On October 31, 2020, the Company, Eastside Games and the ESG Securityholders entered into the Acquisition Agreement, subsequently amended on November 26, 2020 and January 31, 2021, pursuant to which the Company acquired all of the ESG's issued and outstanding securities 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 terms and conditions of the Acquisition Agreement, of which 50% may be paid in LEAF Shares at a deemed price of \$0.225 per share, at the option of Jason Bailey, as representative of the ESG Securityholders.

On February 5, 2021, the Company completed the Acquisition. As a result of the transaction, ESG became a wholly-owned subsidiary of the Company.

Completion of the Acquisition was concurrent with completion of the Company's completion of the subscription receipt

offering, described further below.

As a further result of the transaction, the LEAF Shares were delisted from the TSX Venture Exchange and listed for trading on the Toronto Stock Exchange under the symbol "LEAF" on February 10, 2021.

For further discussion of the Acquisition, please see the Filing Statement.

Completion of the Offering

The Company completed its public offering of subscription receipts on February 4, 2021 for aggregate gross proceeds of \$23.0 million, including the full exercise of the over-allotment option by the Agents. The Offering was qualified by the Prospectus.

Each of the subscription receipts sold under the Offering were converted into LEAF Shares on a 1:1 basis concurrent with the completion of the Acquisition, and pursuant to the Subscription Receipt Agreement. A total of 102,222,222 LEAF Shares were issued upon conversion of the subscription receipts. Proceeds of the Offering were used primarily to fund the cash payment due under the Acquisition.

As a condition of the Offering, the LEAF Shares issued under the Acquisition are subject to "lock up" agreements for a period of 36 months in favour of the Company's Agents with respect to the Offering. One-third of these shares will be released from such "lock up" agreements on an annual basis, commencing on February 4, 2022.

Copies of the Subscription Receipt Agreement and the Prospectus are available under the Company's SEDAR profile online at www.sedar.com. Please refer to the Prospectus for further information regarding the Offering.

New Directors and Officers

Concurrent with the completion of the Acquisition and the Offering, Jason Bailey was appointed as Chief Revenue Officer of LEAF, and as a director to LEAF's board of directors. Additionally, Mike Edwards, Jonathan Bixby and Birgit Troy were appointed as directors, with Mr. Edwards serving as chair. Darcy Taylor, Ian Macleod and Mark Rutledge resigned as directors of LEAF, although Mr. Taylor continues in his position as CEO.

On March 26, 2021, Jim MacCallum was appointed as CFO of LEAF.

Graduation to TSX

Concurrent with the completion of the Acquisition and the Offering, the LEAF Shares were delisted from trading on the TSX Venture Exchange, and commenced trading under the symbol "LEAF" on the Toronto Stock Exchange, on February 10, 2021. As a result, LEAF is no longer considered a "venture issuer" for the purposes of applicable Canadian securities laws.

Letter of Intent to acquire Truly Social Games

On March 9, 2021, the Company announced that it has entered into a non-binding letter of intent (the "LOI") to acquire Truly Social Games ("TSG"), an innovative developer and publisher of mobile games headquartered in Vancouver, B.C., Canada. Completion of the acquisition of TSG is subject to numerous conditions, including but not limited to the formalization and execution of a binding purchase agreement. There is no assurance or guarantee that the TSG acquisition will complete. For further information, see the Company's news release dated March 9, 2021.

DESCRIPTION OF THE BUSINESS

LEAF's primary operations are conducted through ESG and LDRLY.

ESG is in the business of developing and producing mobile games, with such titles as *Archer: Danger Phone*, *Dragon Up: Idle Adventure*; *the Goldbergs: Back to the 80s*; *It's Always Sunny: The Gang Goes Mobile* and *Trailer Park Boys Greasy Money*. ESG is also the developer of a proprietary game framework known as "IdleKit," which allows the building of narrative-driven idle games quickly. For further description of ESG, please see the Filing Statement.

LDRLY, in turn, is in the business of developing and producing "counter culture" mobile games, with such titles as *Cheech & Chong Bud Farm*, *Bud Farm Idle Tycoon*, *Bud Farm Grass Roots* and *Bud Farm 420*. For further description of LDRLY's operations, please see the joint information circular of LEAF and 1182533 dated February 14, 2020 available on SEDAR.

The following discussion provides a general overview of ESG and LDRLY's respective operations.

Digital Entertainment/Mobile Game Industry Generally

The digital entertainment and mobile game industry has undergone dramatic change over the recent past, driven by technology and consumer trends which have seen a rapid growth in mobile platforms and social media networks, as well as the heightened importance of app stores as key distribution and payment gateways.

The gaming industry is today the largest entertainment industry in the world with 2.7 billion gamers globally. In 2020, the gaming industry is expected to generate revenues of around USD 159.3 billion, growing year-on-year by +9.3%, according to Newzoo¹. The games market is expected to continue its strong growth in the coming years. The total market will exceed USD 200 billion at the end of 2023, growing with a +8.3% CAGR, according to Newzoo.

Mobile gaming is the world's most popular form of gaming. Mobile games were expected to reach 2.6 billion players and generate revenues of USD 77.2 billion in 2020, representing almost half of the global games market in terms of revenues. The mobile games market was expected to grow by 13.3% year-on-year in 2020 and will continue to grow faster than the total games market up to 2023, according to Newzoo. Games are also the dominating category within mobile applications. In 2019, mobile games made up 72% of all app store spend, according to App Annie².

In-game advertising provides an additional growth tenet. As mobile games become increasingly popular, advertisers have become more interested in utilizing the medium to reach consumers. Based on data from App Annie, 74% of advertising on mobile apps is delivered through games, which LEAF believes reflects the realization by advertisers that gamers no longer skew younger and can be a method of reaching a wide variety of demographics. According to TechCrunch³, the average age of a gamer in 2019 was 36.3 versus 27.7 in 2014, and the gender mix is now 51% female. In addition, games today offer the full array of features to advertisers including full-screen video, advanced analytics, and the ability to utilize a variety of ad formats (including banners, videos, and playable ads).

The F2P model has successfully been applied to the browser game market for years and it has now taken over the mobile segment as well. This model currently dominates the world's single largest market, namely Asia and particularly China, and it is gaining ground across all platforms globally.

People across all age demographics play online games. The average age of a gamer is now 36.3 years of age, according to TechCrunch as described above, and according to the ESA⁴, the age of gamers is distributed fairly even across most age groups.

Casual/Incremental Games

ESG and LDRLY have been developers and publishers of F2P casual or idle games on digital platforms since 2011 and 2013, respectively. These games typically include evolving narrative and strategies, are easy to learn, and can be played in a few minutes or run by itself for long periods of time. They are typically suitable for play on a wide range of devices, including mobile phones and tablets.

A casual or idle game is one by which step-by-step progression is a prominent feature of the gameplay. Often, casual or idle games have a series of upgrades to the game, each of which needs to be "unlocked" by the user. The upgrade can be in a variety of forms: for example, an upgrade can be a new method of generating in-game currency or other aspects of the game that enhance or deepen gameplay. The act of

¹ Newzoo, Global Games Market Report 2020, online at <https://newzoo.com/products/reports/global-games-market-report/>.to 2023, according to Newzoo.

² App Annie The State of Mobile Report 2020, online at <https://www.appannie.com/en/go/state-of-mobile-2020/>.

³ Tech Crunch, "Mobile gaming is a \$68.5 billion global business, and investors are buying in", online at <https://techcrunch.com/2019/08/22/mobile-gaming-mints-money/>, dated August 22, 2019

⁴ Entertainment Software Association, Essential Facts of the Computer and Video Game Industry 2019, May 2019, online at <https://www.theesa.com/wp-content/uploads/2019/05/2019-Essential-Facts-About-the-Computer-and-Video-Game-Industry.pdf>

"unlocking" each upgrade can be considered the game's primary feedback loop. Typically, a casual or idle game will require less attention from the player, and may often be played while the player is doing other activities. These games do not penalize the player for inactivity.

LDRLY'S BUSINESS

To date, LDRLY's leading counterculture games include Bud Farm Idle Tycoon, Cheech & Chong Bud Farm, Bud Farm 420, Bud Farm Grass Roots, Bud Farm Quest for Buds, and Potfarm Legacy. Each game follows the casual or idle game format. These games each have a general cannabis theme, and are targeted to mature audiences. However, none of the games promotes the sale of cannabis, nor do they include any advertisements for cannabis producers, nor do they display any use of cannabis.

Collectively, LDRLY's games were installed over 34 million times, with approximately 4.2 million game installs in 2020 and 182,528 game installs.

LDRLY's games are generally easy to learn, and can be played in a few minutes or run by itself for longer periods of time. While gameplay is simple, each game has a series of story "upgrades," either in the form of a new method of generating in-game currency or another aspect of the game that enhances or deepens the gameplay. Each upgrade must be "unlocked" or otherwise earned by the player, thus creating a sense of achievement for the player, which further increases player retention for that game.

Various of LDRLY's game titles are considered to be "growth" games, which are titles that are continually updated with additional content and features, with an aim to grow revenue derived from those games. Other game titles are considered to be "evergreen" games, which are similar to growth games in that additional content and features are also introduced, but are titles where revenue trends are stable, and LDRLY's focus is primarily to continue ongoing revenue trends, or, where necessary, to reduce and ideally to reverse ongoing revenue declines from those titles, such that they become "growth" games again. Lastly, there are some game titles that LDRLY considers to be "legacy" or "sunset" games, which are titles that are still published by LDRLY and that earn revenue, but for which LDRLY expends little to no investment in terms of updates or enhancements.

Game Development

Game development focuses on creating new narrative-based game concepts, first launched across mobile platforms and on LDRLY's website, ldrlygames.io, in a fluid beta format. This format allows for constant development to occur, based on systematic player feedback derived from real-time data as well as direct player feedback. Further improvements are then made to each game, and further systemic player feedback measured, thus creating a continuous feedback loop to improve player experience.

The internal architecture for each game is generated on a base source code shared centrally across all of the current franchise games, such that all of LDRLY's game studios share a base development and game operation platform. This allows a faster "development to market" timespan for each new game originating from a standard base architecture, while also lowering overall development costs, and increasing game portfolio scalability.

New games have been typically developed by internal teams of six to eight persons per game, in an average of eight to twelve months per game. Game development requires a team with specialized skill and knowledge requirements. As at the date of this AIF, LDRLY has 25 employees on a "steady state" basis. As LDRLY brings forward new game development projects, it can increase the number of employees or contractors by an average of six individuals. Specialized staff is needed for LDRLY's operations, in such key positions as unity engineers, software engineers, senior game designers, senior game producers and senior artists. As at the date of this Information Circular, LDRLY has retained all the specialized staff that it requires.

The key components of LDRLY's technology "stack" includes the following:

- the Leaf "cloud", which is a decentralized data storage which hosts all of LDRLY's shared platform components. LDRLY's server infrastructure is located at a primary server and a back-up third party data centre, located in Oregon, Virginia and Toronto;
- a social network abstraction layer, which allows LDRLY to easily support integration of its games with

different social networks, using the same code base;

- a single source code base, which allows LDRLY to develop its games to function on both the Apple iOS and Google Android operating systems. This allows LDRLY to launch its games simultaneously on both platforms;
- a data "warehouse", which allows LDRLY to process large volumes of data related to game play and related activities. This data is also collated and structured in a variety of ways, allowing for ad-hoc analysis, real time in-line analysis, and in standardized reports with respect to each LDRLY game;
- the "Live Ops" framework, which provides an active, flexible and ongoing shaping of each game's narrative aspects, increasing player engagement and thus LDRLY's potential monetization strategies. This framework also allows for continual player data analysis and direct player communications, which in turn informs further developments and updates to each game, again increasing player engagement and potential monetization strategies.

For LDRLY's existing games, LDRLY entered into service agreements with Eastside Games, which provided development services for those games, and continues to provide ongoing support services for current franchise games. In consideration, LDRLY pays Eastside Games a fee based on the net revenues received by LDRLY from the specific game, with the fee being variable as between each game. LDRLY also reimburses Eastside Games for any out-of-pocket expenses that Eastside Games may incur for the ongoing support of those games.

For new games, LDRLY may, in its discretion, elect not to use the services of Eastside Games for game development or ongoing game support, or it may negotiate different fee arrangements with Eastside Games for each new game. To that end, LDRLY is not dependent on the services of Eastside Games for game development or support in any manner.

Distribution, Pricing & Marketing

LDRLY offers its games for free through various channels (eg. Apple App Store, Google Play app store), though players can make "in app purchases" of virtual items priced relative to the entertainment value that they provide.

Downloads of these games are promoted by LDRLY's "app store optimisation" (ASO) strategies, focusing on keyword targeting in each app store's native search engine. LDRLY also runs frequent discrete advertising campaigns, each with individual target metrics and subject to the same target return parameters, typically within a 24 hour cycle.

Advertising campaigns are also deployed across a wide mix of social and mobile channels, and cross-platform, particularly as each of LDRLY's games can be played on a cross-platform basis, allowing each player to switch seamlessly between devices and platforms to continue their game play wherever they have left off. Management of LDRLY believes that increasing awareness of its game "brands" across platforms will bring down the cost of "player acquisition".

Third party ad services are utilized by LDRLY with the following common functions: to upload advertisements and rich media; to traffic ads according to differing business rules; to target ads to different users, in order to optimize advertisements based on results; and to report impressions, clicks, post-click and post-impression activities and interaction metrics. All of these functions are an integral part of running a mobile online advertising campaign, to ensure that advertising content is displayed where or on what feature and to whom it is intended. It also assists with analysis to gauge the effectiveness of ad campaigns, and whether the advertisement content is generating desired results. Third party ad services are provided by such parties as IronSource for ad mediation, and parties such as Pollfish (for surveys), IronSource (for 'offer wall' promotions), and various ad providers (Facebook, AdMob, IronSource, Unity Ads, Tapjoy).

Each of LDRLY's games are also inherently social, and provide players with features that allow them to interact with other players, such as comparative relative progress, sharing milestones, sending gifts, or asking for help. These features enhance the "virality" of LDRLY's games, and can attract more players without incurring direct marketing expenses. LDRLY management has found that a large number of its players discover its games through such channels.

Revenue is generated through aforementioned "in app purchases," as well as "in-game" advertisements

sold to third parties. LDRLY does not accept advertisements from cannabis producers, nor advertisements promoting the sale or use of cannabis. These ads can be in a variety of formats, including "rewarded video", "offer walls" or surveys, all of which reward the player for their active engagement with such advertisements with bonuses for use in the game.

From time to time, LDRLY also hosts game "events" on its website. Such events typically involve self-contained, time-limited game content that players may opt to play in return for ingame rewards and at no cost to the player, and are common among many casual or idle games.

Revenue depends on LDRLY's continued ability to publish games on mobile platforms, primarily iOS and Android, and on social networking sites. Use of such platforms and sites are governed by the provider's respective standard terms of service. Of LDRLY's revenues in the year ended December 31, 2020, approximately 76% was derived from "in app" purchases of virtual items, of which the facilitating app store (eg. Apple App Store, Google Play app store, etc.) charge a fee of approximately 30% on average of the after-tax payments collected. Eleven percent of revenues was derived from the sale of "in-game" advertising to third parties.

Through LDRLY's "Live Ops" framework described above, LDRLY is able to continuously measure the success of its games and advertisements, with ongoing monitoring of LDRLY's average revenue per daily active user and other metrics for each game.

Future Developments

While LDRLY continues to improve upon and evolve its existing game titles, it also continues to produce new games on an ongoing basis. In this process, it continually develops potential new narrative themes for development, whether internally or externally. External development may include the incorporation of third-party licensed brands or properties.

ESG'S BUSINESS

General

ESG was founded in 2011, and is a mobile game developer and publisher, specialising in free toplay (F2P) casual mobile games. Headquartered in Vancouver, British Columbia, it has almost a decade track record of producing successful titles. It generated \$33.6 million in revenue in 2019 and \$65.9 million in 2020, driven by a strong portfolio of long lifecycle game franchises with loyal user base.

ESG was recently recognised on the "Top 50 Mobile Game Makers 2020" list compiled by *Pocket Gamer Biz*, on the "Canada's Top Small & Medium Employers" list compiled by *Canada's Top 100*, as well as on the "Canada's Top Growing Companies 2019" list compiled by *Globe & Mail Report on Business*.

In April 2020, ESG sold LDRLY to LEAF, as part of LEAF's Qualifying Transaction. Prior to this time, LDRLY was a wholly-owned subsidiary of ESG. See "LEAF's Business - Completion of Qualifying Transaction" for further discussion.

Distribution, Pricing & Marketing

ESG offers its games for free through various channels (e.g. Apple App Store, Google Play app store), though players can make "in app purchases" of virtual items priced relative to the entertainment value that they provide.

Downloads of these games are promoted by ESG's "app store optimisation" (ASO) strategies, focusing on keyword targeting in each app store's native search engine. ESG also runs frequent discrete advertising campaigns, each with individual target metrics and subject to the same target return parameters, typically within a 24 hour cycle.

Advertising campaigns are also deployed across a wide mix of social and mobile channels, and cross-platform, particularly as each of ESG's games can be played on a cross-platform basis, allowing each player

to switch seamlessly between devices and platforms to continue their game play wherever they have left off. Management of ESG believes that increasing awareness of its game "brands" across platforms will support the reduction of cost of "player acquisition".

Third party advertising services are utilized by ESG with the following common functions: to upload advertisements and rich media; to traffic ads according to differing business rules; to target ads to different users, in order to optimize advertisements based on results; and to report impressions, clicks, post-click and post-impression activities and interaction metrics. All of these functions are an integral part of running a mobile online advertising campaign, to ensure that advertising content is displayed where or on what feature and to whom it is intended. It also assists with analysis to gauge the effectiveness of ad campaigns, and whether the advertisement content is generating desired results. Third party ad services are provided by such parties as IronSource for ad mediation, and parties such as Pollfish (for surveys), IronSource (for 'offer wall' promotions), and various ad providers (Facebook, AdMob, IronSource, Unity Ads, Tapjoy).

Each of ESG's games are also inherently social, and provide players with features that allow them to interact with other players, such as comparative relative progress, sharing milestones, sending gifts, or asking for help. These features enhance the "virality" of ESG's games, and can attract more players without incurring direct marketing expenses. ESG's management has found that a large number of its players discover its games through such channels.

Revenue is generated through aforementioned "in app purchases," as well as "in-game" advertisements sold to third parties. These ads can be in a variety of formats, including "rewarded video", "offer walls" or surveys, all of which reward the player for their active engagement with such advertisements with bonuses for use in the game.

From time to time, ESG also hosts major and mini "events" within its games. Such events typically involve self-contained, time-limited game content that players may opt to play in return for in-game rewards and at no cost to the player, and support long-term retention of its players, that is at the heart of ESG's business model. At times, such events may include in-game appearances by celebrities. While ESG's players are able to enjoy our games for free, ESG generates revenue by selling in game ads and In-App Purchases (IAP) to a subset of players who wish to enhance their entertainment experience either through rewarded ads viewing (rewarded video, offer walls and surveys), that reward the player bonuses, time speed ups or in-game currency for actively engaging with ads or direct IAP of in game currency. ESG's approach is to make its pricing transparent and consistent throughout the game journey.

Revenue depends on ESG's continued ability to publish games on mobile platforms, primarily iOS and Android, and on social networking sites. Use of such platforms and sites are governed by the provider's respective standard terms of service. Of ESG's revenues in the year ended December 31, 2020 approximately 82% was derived from "in app" purchases of virtual items, of which the facilitating app store (eg. Apple App Store, Google Play app store, etc.) charges a fee of approximately 30% on average of the after-tax payments collected. 18% of revenues was derived from the sale of "in-game" advertising to third parties. See Appendix F for further discussion of ESG's past financial performance.

Through ESG's live game operations ("Live Ops") framework described above, ESG is able to continuously measure the success of its games and advertisements, with ongoing monitoring of ESG's average revenue per daily active user and other metrics for each game.

Game Portfolio

ESG currently publishes and operates five successful franchise titles in the F2P casual mobile games category, including *Archer: Danger Phone*, *Dragon Up: Idle Adventure*, *The Goldbergs: Back to the 80s*, *It's Always Sunny: The Gang Goes Mobile* and *Trailer Park Boys Greasy Money*.

Each game follows the casual or idle game format. These games each have a general comedic theme, and are primarily targeted to mature audiences, "17+".

ESG's present focus is to provide a highly engaging, differentiated entertainment experience where the combination of challenge and progress drives a sense of achievement. Its games are available for free, while players can purchase virtual items priced relative to the entertainment value they provide. ESG

embeds a strong game narrative in its content, enhancing the player experience.

ESG's game titles are segmented into specific revenue and lifecycle phases:

"New" Titles or Games: these include titles that less than 12 months "live" since world-wide launch. They are in refinement stage and continually updated through Live Ops fine tuning, evolving content and features development, to rapidly grow the base of daily active users (DAU) and monthly active users (MAU) through organic installs and user acquisition marketing investment with aim to retain and monetize DAU through In App Purchases (IAP) and advertising revenue to advance the title to growth phase. Games in this category include:

- *Archer: Danger Phone* is based on the FXX animated television show, *Archer*. ESG has a multi-year licensing deal with 20th Century Fox (now Disney Games), expiring September 2023. The game was built in partnership with Truly Social Games, which also manages Live Ops. It is published by ESG and built using Idlekit (discussed further below). It launched worldwide in August 2020 and is currently in its launch phase. Disney Games is paid a royalty quarterly based on game revenues. Truly Social Games also receives payment based on a partnership agreement.
- *The Goldbergs: Back to the 80s* is based on the ABC television series, *The Goldbergs*. ESG has a multi-year licensing deal, expiring December 2023, with Sony Pictures Television which owns all relevant intellectual property rights to the series. Sony Pictures Television receives a royalty payment based on game revenues. The game was built using IdleKit (discussed further below) by Lumen Games, which also manages Live Ops. It is published by Eastside Games and launched worldwide in May 2020.
- *Dragon UP: Idle Adventure* is based on intellectual property rights created by ESG. The game was built in partnership with Night Garden Games using IdleKit. It is published by ESG, and built by Night Garden Games, which also manages Live Ops. It launched in March 2020 and is currently in its launch phase. Revenue is shared between NightGarden and ESG based on a publishing agreement.

"Growth" games: this category includes titles that are greater than 12 months "live" since worldwide launch. They have robust Live Ops allocation and user acquisition marketing investment priority to accelerate DAU and MAU growth improve monetization in to achieve sustainable and profitable over the long term. Games in this category include:

- *The Trailer Park Boys Greasy Money* is based on the Netflix series, *The Trailer Park Boys*. ESG has a multi-year licensing deal with TPB Acquisition Company Inc., which owns all the intellectual property rights associated with the series. The contract was renewed in 2020 for an additional 5 year term. The game was built and published by ESG, which also manages Live Ops. The game launched in April 2017. TPB Acquisition Inc. is paid a royalty quarterly based on game revenues.
- *Bud Farm Idle Tycoon* was originally developed by ESG through LDRLY, and currently owned by LEAF through LDRLY. ESG has a partnership deal with LEAF, which owns all the rights to the associated intellectual property rights. The game was built by ESG, which also manages LiveOps. The game was built using the IdleKit framework. LEAF is the publisher. The game launched in March 2019 and is currently in its "growth" phase. ESG is paid for its marketing, UA and Live Ops cost as well as receiving a royalty based on revenue.
- *It's Always Sunny: The Gang Goes Mobile* is based on the FX television series, *It's Always Sunny in Philadelphia*. ESG has a multi-year licensing deal with FoxNext Games (now Disney Games) which is due for renewal in 2022. The game was built and published by ESG, which also manages Live Ops. It launched in July 2019. Disney Games is paid a

royalty quarterly based on game revenues.

"Evergreen" games: these include titles that have surpassed 24 months "live" since worldwide launch, with passive Live Ops, limited to no user acquisition and investment minimal to no investment in terms of updates or enhancements. ESG's focus is primarily to continue sustainable revenue trends and improve profitability and ideally to return games to "growth" games status again. Games in this category include:

- *FUBAR: Idle Party Tycoon* is based on the movie series, *FUBAR*. ESG has an exclusive multi-year licensing deal, expiring December 2021, with Busted Tranny Productions which owns all the relevant intellectual property rights associated with the series. The game was in partnership with KANO Apps using the IdleKit framework. The game is published by and LiveOps by KANO Apps. It launched in December 2019. ESG receives a royalty based on game revenue and pays a portion of that to Busted Tranny Productions.

All payment terms referenced in the descriptions above are subject to confidentiality provisions.

Game Development

Game development focuses on creating new narrative-based game concepts, first launched across mobile platforms and on ESG's website in a fluid beta format. This format allows for constant development to occur, based on systematic player feedback derived from real-time data as well as direct player feedback. Further improvements are then made to each game, and further systemic player feedback measured, thus creating a continuous feedback loop to improve player experience.

The internal architecture for each game is generated on a base source code shared centrally across all of the current franchise games, such that all of ESG's game studios share a base development and game operation platform. This allows a faster "development to market" timespan for each new game originating from a standard base architecture, while also lowering overall development costs, and increasing game portfolio scalability.

Game development requires a team with specialized skill and knowledge requirements. As at the date of this Filing Statement, ESG has 100 employees in a "steady state" basis. As ESG brings forward new game development projects, it can increase the number of employees or contractors by an average of six individuals. Specialized staff is needed for operations, in such key positions as unity engineers, software engineers, senior game designers, senior game producers and senior artists. As at the date of this Filing Statement, ESG has retained all the specialized staff that it requires.

Technology

The key components of ESG's technology "stack" used in operations includes the following:

- the ESG "cloud", which is a decentralized data storage which hosts all of ESG's shared platform components. ESG's server infrastructure is located at a primary server and back-up third party data centres, located in Oregon, Virginia and Toronto;
- a social network abstraction layer, which allows ESG to easily support integration of its games with different social networks, using the same code base;
- a single source code base, which allows ESG to develop its games to function on both the Apple iOS and Google Android operating systems. This allows ESG to launch its games simultaneously on both platforms;
- a data "warehouse", which allows ESG to process large volumes of data related to game play and related activities. This data is also collated and structured in a variety of ways, allowing for ad-hoc analysis, real time in-line analysis, and in standardized reports with respect to each ESG game;

- the Live Ops framework, which provides an active, flexible and ongoing shaping of each game's narrative aspects, increasing player engagement and thus ESG's potential monetization strategies. This framework also allows for continual player data analysis and direct player communications, which in turn informs further developments and updates to each game, again increasing player engagement and potential monetization strategies.

IdleKit - Proprietary Technology

ESG's core software technology, known as "IdleKit", is an internally developed proprietary game framework for building narrative driven idle games quickly, thereby increasing each game's likelihood of success.

The average time to build and launch a mobile game is six to eighteen months. The game industry is inherently "hit" driven and the likelihood of any individual game succeeding is moderately low. With IdleKit, development teams can cut production time in half, decreasing the time-to-market.

IdleKit is a software platform that ESG uses for all of its internal game builds. ESG also licenses IdleKit to third party developers on a revenue share model. Such partnerships have resulted in several titles launching, with many more in development and more than a dozen in various negotiation phases as at the date of the Filing Statement.

IdleKit includes the following features:

- A reusable game engine framework for casual or idle narrative driven game development;
- Automated monetization triggers;
- Ad management platform for managing ad network waterfalls to maximize revenue;
- Game asset pipelines for managing content and game updates;
- Greybox UI (user interface) builds where developers can quickly swap in their own art assets;
- Game and event balances optimized for engagement and monetization;
- Mini game frameworks to allow each game to feel unique;
- Event management and best practices for Live Ops once the game launches; and
- Analytics platform which allows developers to measure performance against others and know where to fix things and where they are excelling.

ESG continually improves and builds on Idlekit. Its current work in process is to extract the core components of the platform to reengineer to enter additional game genres. This additional version (or "MasterKit") will provide users with an ability to enter game genre segments and compete with mobile hits, such as Coin Master, Pet Master, Piggy Go Go, Board Kings by dramatically improving upon production speed and effectiveness. In parallel, ESG is developing a beta prototype of "Match3Kit", and is in early development of "EndlessRunnerKit", "MergeKit", "ShooterKit", "ClashKit", "CardKit", with each platform specific to a game genre.

As most of these game genres do not currently have any celebrity IP lead games, ESG is of the opinion that most of the games in these genres are clones of one another, thus creating a "whitespace" opportunity for its platforms.

Strategies

Broad Game Portfolio

ESG believes that the Free to Play casual mobile game segment will continue to be a strong part of the overall gaming industry, building on its consistent popularity over the last 10 years. In addition, ESG's expertise in this space has been built across multiple franchise titles. This has reduced forecasting risk, due to experience derived from its existing franchises, and as every new release adds new capability to its proprietary technology and a stronger understanding of its player base.

Grow the Audience

To date, ESG has targeted four main methods by which it intends to grow its audience:

- adding innovative features, content and services to its existing franchises in order to attract more gamers;
- expanding its existing portfolio to other segments, based on market opportunity and consumer testing. ESG believes that its new games should broaden its existing audience, appealing to gamers who want different types of casual entertainment;
- leveraging celebrity IP across additional content theme verticals within North America and English-speaking countries;
- increasing penetration into existing major markets. Non-Western markets such as India and other Asian countries can be a significant contributor to ESG's growth, owing to penetration of mobile phones and gaming market size.

Increase Average Revenue per Daily Active User (ARPDau)

ESG has identified the following as possible routes to enable it to increase its ARPDau:

- invest in additional post-launch content and services (LiveOps) to increase the engagement, retention and monetization of ESG's gamers. Securing additional predictable, recurring and profitable revenues, while improving gamers' experience and satiating their demand;
- identify and develop new business models and technologies (such as paid subscription models) that more platforms will follow.

Lessen Competitive Barriers to Entry

In order to lessen competitive barriers to entry, ESG intends to:

- continue to invest in developing IdleKit, in order to drive quality, further efficiencies and speed to market;
- grow ESG's community in order to enable a deeper understanding of consumer behaviours and therefore deliver better and more engaging gamer experiences.

Expand IdleKit Revenue

ESG offers its IdleKit platform primarily through a SAAS license model and related services primarily through revenue-share and usage-based models. This has allowed ESG to generate revenue from its customers as they develop games and also as they succeed and grow.

Licenses for ESG's IdleKit platform drive adoption of related services offered by ESG. The IdleKit growth strategy consists of:

- Investing in IdleKit Product Innovation for Growth: Continue to innovate with new products as described above, as well as new features and functionality, and continue the support of third parties to integrate their respective applications with the IdleKit platform. In addition, if ongoing revenues permit, ESG intends to pursue potential acquisitions of products, teams and technologies that complement and expand the functionality of IdleKit, add to its technology expertise and bolster ESG's leadership position by providing access to new customers or markets.
- Growth within Existing IdleKit Customers: ESG believes that it has strong opportunities to broaden its relationships with existing customers, by expanding IdleKit licenses and related services, growing usage and increasing the variety of services customers use.

ESG intends to increase the number of its licensing of IdleKit by expanding within and across multiple studios within a single publisher. Some customers are publishers that have relations with multiple studios. When one studio achieves better quality content and improved efficiency, higher return on investment on customer acquisition, or better monetization of end-users through the use of IdleKit, ESG believes that other studios within the publisher's portfolio or sphere of relations will also begin to adopt IdleKit, and ideally to a level where a "tipping point" is achieved, such that IdleKit becomes the standard for that customer. ESG intends to invest in targeted sales and account-based marketing efforts to identify, stimulate and communicate these opportunities to customers.

ESG also intends to grow the usage of its IdleKit related services products primarily through the success of its customers' games and applications. Their usage of ESG's services will grow in line with their end-user adoption and engagement. The more their end-users are retained through ESG's event management and other tools, and the more that their end-users spend time in their respective games, the more revenue ESG expects to derive from such offered services.

- Grow New IdleKit Customers: Gaming continues to be the fastest growing segment of the entertainment industry, and within this growing segment, customers of all sizes are increasingly looking to leverage third party tools to accelerate the development process. Large and small mobile publishers have indicated that they increasingly find using IdleKit to be more efficient and productive than building proprietary technology in-house. Additionally, IdleKit enables mid-sized, small and independent developers and freelance artists to create and operate games where they would not otherwise have the resources to do so independently.

Games made by large global publishers represent an attractive growth opportunity for IdleKit. These studios have historically invested in their respective proprietary technology to create and operate content for the select platforms of their individual choice. Marketing efforts are focused on driving migration of such publishers from developing their own proprietary technology stacks to ESG's IdleKit platform, which ESG considers to be more time efficient and cost effective for such publishers.

- Growth Across Major Global Markets outside of North America: ESG's IdleKit solutions can drive game creation around the globe. In the year ended December 31, 2020, ESG's entire revenue base was generated by customers based in Canada and the United States (US). Markets outside of the US and Canada, especially in gaming, are large and important. In 2019, the gaming market in the Asia-Pacific region alone was over \$70

billion⁵. ESG intends to expand its reach in such markets to facilitate further penetration of its platform and to grow with new customers to increase its global footprint, and has dedicated a sales person to focus on this.

Future Developments

While ESG continues to improve upon and evolve its existing game titles, it also continues to produce new games on an ongoing basis. In this process, it continually develops potential new narrative themes for development, whether internally or externally. External development may include the incorporation of third-party licensed brands or properties.

Product Pipeline

"Project Eggplant" is a game currently in development in partnership with Night Garden Studio. The game is targeted at an LGBTQ+ audience and using IdleKit. ESG has been granted a license to use third party intellectual property rights for the development of such game. The game will be published by ESG with LiveOps by Night Garden Studio. Both Night Garden Studio and the intellectual property licensor will be paid a royalty based on revenues as well as a minimum guarantee. It is anticipated to launch in 2021 and on March 17, 2021, the Company entered into a multi-year partnership with World of Wonder Productions Inc. for the exclusive mobile game rights to Emmy Award-winning competition series, RuPaul's Drag Race, to develop and publish a new mobile game.

"Project Lagertha" is a game currently in development by ESG using IdleKit. ESG has been granted a license to use third party intellectual property rights by NBC Universal for the development of such game. The game will be published by and LiveOps by ESG. NBC Universal will be paid a royalty based on revenues as well as a minimum guarantee. The game is anticipated to launch in 2021.

"Project Tattoo" is a game currently in development by Truly Social Games using IdleKit. It will be published by ESG while Truly Social Games manages LiveOps. The game is anticipated to launch in 2021. Revenues will be shared between ESG and Truly Social Games.

"Project Mario" is a non-IP arcade game that is targeting a soft launch in 2021. The game will be published by ESG.

"Project Musk" is an Earth simulation game currently in development in partnership with Night Garden Studio. The game will be published by ESG, and is anticipated to launch in 2021.

ESG has many other titles in various stages of negotiation, early development and pitches to intellectual property right holders. Some of which involve signed NDAs, Idlekit license agreements and other preliminary documents which are included in diligence documents. However ESG does not expect these games to be material in the near term. They are all still subject to finalized IP, partnership and publishing agreements.

Intellectual Property

ESG and LDRLY's respective businesses are significantly based on the creation, acquisition, use and protection of intellectual property. Some of this intellectual property is in the form of software code and trade secrets used to develop IdleKit, and the respective games of ESG and LDRLY, and to enable them to run properly on multiple platforms. Other intellectual property that both ESG and LDRLY creates includes product and feature names and audio-visual elements, including graphics, music, story lines and interface design.

While most of the intellectual property that ESG and LDRLY uses is created by or on their behalf, ESG may also acquire rights to proprietary intellectual property from third parties, primarily through licenses and service agreements. These licenses may limit usage of such third party intellectual property to specific uses and for specific time periods. Existing licenses agreements

are used to develop and publish such titles as, with respect to ESG, *Archer: Danger Phone*, *Dragon Up: Idle Adventure*, *The Goldbergs: Back to the 80s*, *It's Always Sunny: The Gang Goes Mobile* and *Trailer Park Boys Greasy Money*, and with respect to LDRLY, *Cheech & Chong Bud Farm*, all as described above.

ESG and LDRLY protect their intellectual property rights by relying on legislative and common law protections, as well as contractual restrictions. It controls access to proprietary technology by entering into confidentiality and invention assignment agreements with employees and contractors, and confidentiality agreements with third parties.

Competitive Conditions

ESG and LDRLY face significant competition in all aspects of its business. As the nature of its games is entertainment, both compete with business in a spectrum of industries that compete for the leisure time, attention and discretionary spending of its users, on the basis of multiple factors such as quality of experience, access and value.

Their competitors include:

- existing game developers who develop products for social networks, mobile, PC and video game consoles, some of which include features that compete with the casual or idle games that ESG and LDRLY produces and that have similar community functions that allows such developers to engage with their players. Examples include LBC Studios Inc., Metamoki, Kongregate, Kolibri, and Hyper Hypo Games;
- emerging and potential game developers who may enter into the gaming market, which may include larger companies with a significant online presence who may choose to enter into game development or otherwise increase their presence in game development; and
- other forms of media and entertainment, which broadly compete for user's time and attention.

⁵ NewZoo, *Global Games Market Report 2019*, online at <https://newzoo.com/products/reports/global-games-market-report/>.

Government Regulation

ESG and LDRLY are subject to various laws and regulations that affect companies conducting business on the Internet and mobile platforms, including those relating to privacy, use and protection of player and employee personal information and data (including the collection of data from minors), the Internet, behavioral tracking, mobile applications, content, advertising and marketing activities (including sweepstakes, contests and giveaways), and anti-corruption. Additional laws in all of these areas are likely to be passed in the future, which could result in significant limitations on or changes to the ways in which ESG and LDRLY can collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with game players, and deliver products and services, and may significantly increase our compliance costs. As business expands to include new uses or collection of data that are subject to privacy or security regulations, the compliance requirements and costs of ESG and LDRLY will increase and it may be subject to increased regulatory scrutiny.

Seasonality

Many new mobile phones and tablets are released in, or shortly before, the fourth calendar quarter to coincide with the holiday shopping season. Because many players download games soon after they purchase or receive their new devices, ESG and LDRLY may experience seasonal sales increases based on the holiday selling period. Some of this seasonality may also result in lags in the first calendar quarter, due to a lag between device purchases and game purchases. In addition, the advertising budgets of third parties that advertise in ESG and LDRLY's games are generally assumed to be highest during the fourth quarter and decline significantly in the first quarter of the following year, which may affect revenue derived from advertisements and offers in ESG and LDRLY's games.

COVID-19

COVID-19 has impacted the gaming industry. The pandemic and resulting containment measures had a profound impact on gaming, with over 1.2 billion weekly downloads during March to April 2020, representing a 35% increase, according to App Annie. The increase has a twofold impact on the long-term trajectory of the industry:

- it introduced a contingent of non-users to mobile games, which increases the base of subscribers (although most would likely fit into the "casual" gamers category); and
- it propelled significant growth in hours-played-per-week, which is a key driver of monetization.

RISK FACTORS

Integration of ESG

LEAF's ability to maintain and successfully operate its business depends upon the judgment and project execution skills of its senior professionals. Any management disruption or difficulties in integrating the management and operations staff of LEAF and ESG could significantly affect LEAF's business and results of operations. The success of the Acquisition will depend, in large part, on the ability of management to realize the anticipated benefits and cost synergies from integration of the businesses of LEAF and ESG. The integration of the businesses may result in significant challenges, and management may be unable to accomplish the integration smoothly, or successfully, in a timely manner or without spending significant amounts of money. It is possible that the integration process could result in the loss of key employees, the disruption of the respective ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the ability of management to maintain relationships with business partners or employees or to achieve the anticipated benefits of the Acquisition.

The integration of ESG requires the dedication of substantial effort, time and resources on the part of management, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. There can be no assurance that LEAF will be able to integrate the operations of the business successfully or achieve any of the synergies or other benefits that are anticipated. The extent to which synergies are realized and the timing of such cannot be assured.

Any inability of LEAF to successfully integrate the operations of LEAF and ESG could have a material adverse effect on the business, financial condition and results of operations of LEAF. The challenges involved in the integration may include, among other things, the following: the necessity of coordinating overlapping organizations and addressing possible differences in corporate cultures and management philosophies; retaining key personnel; integrating ESG into LEAF's existing accounting system and adjusting LEAF's internal control environment to cover the operations of ESG; meeting the expectations of business partners with respect to the overall integration of the business; and unplanned costs required to integrate the business and achieve synergies.

The successful integration of the Acquisition is also subject to the risk that personnel from LEAF and ESG may not be able to work together successfully, which could adversely impact LEAF's business, financial condition and results of operations.

Cost Synergies

Although it is anticipated that LEAF will achieve some annual cost synergies after the Acquisition, LEAF may or may not achieve these cost synergies imminently or at all.

LEAF and ESG continue to evaluate LEAF's potential synergies to be realized from the Acquisition, although LEAF's actual synergies could differ materially from current estimates. Actual cost synergies, the expenses required to realize the cost synergies and the sources of the cost synergies could differ materially, and there is no assurance that LEAF will achieve the full amount of cost synergies or at all or that these cost synergy programs will not have other adverse effects on LEAF's business.

Historic Performance of ESG outside of LEAF's Control

Historic and current performance of ESG's business and operations may not be indicative of LEAF's success in future periods. The future performance of LEAF may be influenced by, among other factors, economic downturns, long-term changes in consumer tastes, preferences and spending patterns and other factors beyond LEAF's control. As a result of any one or more of these factors, among others, the operations and financial performance of LEAF may be negatively affected which may adversely affect LEAF's future financial results.

Uncertainty of Future Revenues

LEAF's future growth and prospects will depend on its ability to expand ESG and LDRLY's current operations and gain additional revenue streams, while maintaining effective cost controls. Any failure to do so will likely have a material adverse effect on LEAF's business, financial condition and results.

LEAF's business will depend on developing, publishing and continuing to service games that consumers will download and spend time and money playing. It is primarily focused on mobile gaming, offering games on mobile devices, including smartphones and tablets on Apple's iOS and Google's Android operating systems, and on social networking platforms such as Facebook. Substantial resources have been and will be devoted to the research, development, analytics and marketing of its games. Development and marketing efforts are focused on both improving the experience of existing games (frequently through new content and feature releases for our live services) and developing new games. Revenue is primarily generated through the sale of in-game virtual items and advertising. For games distributed through third-party platforms, a portion of revenues are shared from in-game sales with the platform providers. Due to its focus on mobile gaming, these costs are expected to remain a significant operating expense. In order to remain profitable, LEAF will need to generate sufficient bookings and revenues from existing and new game offerings to offset ongoing development, marketing and operating costs.

Successfully monetizing games is difficult, and requires that LEAF deliver valuable and entertaining player experiences that a sufficient number of players will pay for or that LEAF is able to otherwise sufficiently monetize its games (for example, by serving in-game advertising). The success of its games depends, in part, on unpredictable and volatile factors beyond LEAF's control, including consumer preferences, competing games, new mobile platforms and the availability of other entertainment experiences. If its games do not meet consumer expectations, or if they are not brought to market in a timely and effective manner, LEAF's ability to grow revenue and our financial performance will be negatively affected.

In addition to the market factors noted above, LEAF's ability to successfully develop games for mobile platforms and its ability to achieve commercial success will depend on its ability to:

- effectively market its games to existing and new players;
- achieve benefits from player acquisition costs;
- achieve organic growth and gain customer interest in its games through free or more efficient channels;
- adapt to changing player preferences;
- adapt to new technologies and feature sets for mobile and other devices;
- expand and enhance games after their initial release;
- attract, retain and motivate talented and experienced game designers, product managers and engineers;
- partner with mobile platforms and obtain featuring opportunities;
- continue to adapt game feature sets for an increasingly diverse set of mobile devices, including various operating systems and specifications, limited bandwidth, and varying processing power and screen sizes;
- minimize launch delays and cost overruns on the development of new games and features;
- achieve and maintain successful customer engagement and effectively monetize our games;
- maintain a quality social game experience so as to retain players;
- develop games that can be built upon or become franchise games;
- compete successfully against a large and growing number of existing market participants;
- accurately forecast the timing and expense of operations, including game and feature development, marketing and customer acquisition, customer adoption, and success of bookings growth;
- minimize and quickly resolve bugs or outages; and
- acquire and successfully integrate high quality mobile game assets, personnel or companies.

Further, it is difficult to predict if, or when, games will begin to decline, the decay rate for any particular game (i.e., the speed at which the popularity and player usage for a game declines) and the commercial

success of new games and features. The success of LEAF will depend on its ability to consistently and timely launch new games and features that achieve significant popularity and have the potential to become franchise games as bookings from older games decline. It is difficult to predict with certainty when new games will be launched, as games may require longer development schedules or soft launch periods to meet quality standards and player expectations. If decay rates are higher than expected in a particular quarterly period and/or delays occur in the launch of new games that are needed to offset decay rates of older games, or if new games do not monetize well, LEAF may not meet expectations or the expectations of securities analysts or investors for a given quarter.

These and other uncertainties make it difficult to know whether LEAF will succeed in continuing to develop successful live service games and launch new games and features in accordance with its objectives. If it does not succeed in doing so, the business, financial condition, or results of operations of LEAF will suffer.

Competition

The market in which LEAF will operate is vastly competitive and fast moving, and may even grow more competitive. The gaming industry is subject to rapid changes, including from evolving consumer preferences and emerging technologies. Many new games are introduced in each major industry segment (mobile, web, PC and console), but only a relatively small number of game titles account for a significant portion of total revenue in each segment. Game developers and distributors vary vastly in size and resources, and some have significant resources for developing or acquiring additional games, or have a more diversified set of revenue sources than LEAF, and may be less affected in consumer preferences, regulations or other developments that may impact the gaming industry. At the same time, management of LEAF considers its user base to be specific and niche, with fewer competitors targeting the same user base.

As there are relatively low barriers to entry to develop mobile games, it is expected new competitors will enter the market and existing competitors will allocate more resources to develop and market competing games and applications. The proliferation of titles may make it difficult for LEAF to differentiate itself from other developers or to compete for players without increasing its marketing expenses and development costs. There can be no guarantee that LEAF's competitors will not develop similar or superior products to those of LEAF, which may affect LEAF's ability to compete.

As a subset of a larger entertainment industry, LEAF also faces competition for leisure time, attention and discretionary spending of its game players from other non-gaming activities. Increasing competition could result in a loss of players, increasing player acquisition and retention costs, and loss of talent.

LEAF may also face competition as between its own games. It is possible that new games or features may reduce the amount of time that players spend with other games published by LEAF. In particular, LEAF plans to continue to leverage its existing games to cross-promote new games and features, which may encourage players of existing games to divert some of their playing time and discretionary spending away from those existing games. If new games or features do not increase LEAF's player base, increase the overall amount of time that players spend on its games, or generate sufficient new bookings to offset declines from existing games, LEAF's financial results could be adversely affected.

Historical Dependence on Franchise Games

LEAF and ESG each depend on a small number of games for a majority of their respective revenue and this dependency may continue for the foreseeable future. Bookings and revenue from many games may decline over time after reaching a peak of popularity and player usage. As a result, LEAF's success will depend on its ability to engage with players by consistently and timely launching new games and enhancing existing games with new content, features and events. Constant game enhancement requires the investment of significant resources, particularly with older games, and such costs on average have increased.

It is difficult to consistently anticipate player demand on a large scale, particularly as games are developed in new categories or new markets, including international markets and mobile platforms. If LEAF does not successfully launch games that attract and retain a significant number of players and extend the life of its existing games, its financial results will be harmed.

Further, in order to sustain and grow revenue levels, LEAF must attract, retain and increase the number of paying players or more effectively monetize players through advertising and other strategies. To retain players, LEAF will need to devote significant resources so that its games retain their interest; similarly, LEAF will need to devote significant resources to attract existing players to its other games. LEAF might not succeed in its efforts to increase the monetization rates of users, particularly if it is unable to retain paying players. If LEAF fails to grow or sustain the number of paying players, if the rates at which it attracts and retains paying players declines, or if the average amount each player pays declines, LEAF's business may not grow and its financial results will suffer.

Historical Dependence on Players for In-App Purchases

At present, both LEAF and ESG rely on a very small portion of its total players for nearly all of revenue derived from in-app purchases (as opposed to advertisements and incentivized offers). The percentage of unique paying players for their respective largest revenue-generating free-to-play games has typically been approximately 5%, when measured as the number of unique paying users on a given day divided by the number of unique users on that day, though this percentage may fluctuate for some games during specific, relatively short time periods, such as immediately following worldwide launch, during special events or following content updates or marketing campaigns.

To significantly increase its revenue, LEAF must increase the number of downloads of its games, increase the number of players who convert into paying players by making in-app purchases or enrolling in subscriptions, increase the amount that paying players spend in its games and/or increase the length of time players generally play its games. It might not succeed in these efforts to increase the monetization rates of its users, particularly if it does not increase the amount of social features in its games or otherwise improve its games through updates and live operations. In addition, if the current COVID-19 pandemic results in an economic downturn, LEAF's users may reduce their discretionary spending, negatively impacting LEAF's financial condition and revenues. If it is unable to convert non-paying players into paying players, or if it is unable to retain paying players or if the average amount of revenue generated from players does not increase or declines, LEAF's business may not grow and its financial results may suffer.

Virtual Items/Economies

Paying players purchase virtual items in LEAF's games because of the perceived value of these goods, which is dependent on the relative ease of obtaining an equivalent good by playing LEAF's games. The perceived value of these virtual items can be impacted by various actions that LEAF may take in these games, including offering discounts for virtual items, giving away virtual items in promotions or providing easier non-paid means to secure these goods. Managing game economies is difficult, and relies on management's assumptions and judgement. If LEAF fails to manage its virtual economies properly or fail to promptly and successfully respond to any such disruption, its reputation may suffer and players may be less likely to play its games and to purchase virtual items in the future, which would cause LEAF's business, financial condition and results of operations to suffer.

Regulation

LEAF is subject to general business regulations and laws, as well as regulations and laws governing the internet, gaming, ecommerce and electronic devices. Existing and future laws and regulations may impede LEAF's growth or strategy. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, mobile communications, consumer protection, web services, websites, the characteristics and quality of products and, though LEAF will not have any games that display cannabis or promote its use, the regulation of cannabis-related imagery and associated matters. Unfavourable changes in regulations and laws could decrease the ability of LEAF to distribute its games, decrease demand for its games or events, thereby increasing its cost of doing business, or causing a material adverse effect on the popularity or availability of LEAF's games, or its results of operations and financial condition.

Intellectual Property

Though LEAF's business model will not emphasize the value of its own intellectual property in its games, any infringement of LEAF's copyright in such games may affect the popularity of LEAF's games.

LEAF's games have been developed based, in part, on third-party open sourced software. The unavailability of such software will disrupt LEAF's ability to develop games on a timely basis, and may negatively affect LEAF's results of operations and financial condition.

LEAF may face allegations that it has infringed the trademarks, copyrights, patents or other intellectual property rights of third parties, including from its competitors and former employers of LEAF's personnel. Infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and the results are difficult to predict. LEAF may not have the financial or human resources to defend against any infringement suits that may be brought. As a result of any court judgement or settlement, LEAF may be obligated to cancel the launch of a new product offering, stop offering certain features or a game in its entirety, pay royalties or significant settlement costs, purchase licenses, or modify LEAF's games and features, or develop substitutes.

In addition, LEAF uses open source software and expects to continue such use on an ongoing basis. From time to time, LEAF may face claims from companies that incorporate open source software into their products, claiming ownership of, or demanding release of, the source code, the open source software and/or derivative works that were developed using such software, or otherwise seeking to enforce the terms of the applicable open source license. These claims could also result in litigation, require LEAF to purchase a costly license or require LEAF to devote additional research and development resources, any of which would have a negative effect on LEAF and its business.

Third Party Distributors

As with most providers of mobile device apps, LEAF will be heavily dependent, on the distribution of its games through third party distributors such as Apple App Store and Google Play app store. These third party distributors each charge a fee for the usage of their services. In the event that these third party distributors increase their fees, or cease to provide distribution services to LEAF, the ability of LEAF to distribute its games will decrease, which may cause a material adverse effect on the popularity or availability of LEAF's games, or the results of its operations and financial condition.

LEAF will also be subject to the standard policies and terms of service of these third-party distribution platforms, which govern the promotion, distribution, content and operation generally of games on the platform. Each platform provider has broad discretion to change and interpret its terms of service and other policies with respect to developers, and those changes may be unfavorable. A platform provider may also alter how LEAF is able to advertise on the platform, change how the personal information of its users is made available to application developers on the platform, limit the use of personal information for advertising purposes, or restrict how players can share information with their friends on the platform or across platforms. Any such changes may affect LEAF's business, operations and financial results.

In addition, third-party platforms impose certain file size limitations, which may limit the ability of players to download some of LEAF's games in "over-the-air" updates. Aside from these file size limitations, a larger game file size could cause players to delete games once the file size grows beyond the capacity of their devices' storage limitations or could reduce the number of downloads of these games.

Such terms of use changes may decrease the visibility or availability of LEAF's games, limit distribution capabilities, prevent access to existing games, reduce the amount of bookings and revenue from in-game purchases, increase costs to operate on these platforms or result in the exclusion or limitation of games on such platforms. Any such changes could adversely affect LEAF's business, financial condition or results of operations.

If LEAF violates, or a platform provider believes it has violated, the terms of service, or if there is any change

or deterioration in our relationship with these platform providers, that platform provider could limit or discontinue access to the platform. A platform provider could also limit or discontinue access to the platform if it establishes more favorable relationships with one or more of LEAF's competitors. Any limit or discontinuation of access to any platform could adversely affect LEAF's business, financial condition or results of operations.

LEAF will also rely on the continued popularity, customer adoption, and functionality of third-party platforms. In the past, some of these platform providers have been unavailable for short periods of time or experienced issues with their in-app purchasing functionality. If either of these events recurs on a prolonged, or even short-term, basis or other similar issues arise that impact accessibility to LEAF's games, access social features or purchase a license to virtual items, LEAF's business, financial condition, results of operations or reputation may be harmed.

Third-Party Hosting

LEAF's technology infrastructure is critical to the performance of its games and to player satisfaction. LEAF and ESG's current games and systems presently run on a distributed system, or what is commonly known as cloud computing. Significant elements of this system are operated by third-parties which would require significant time and expense to replace. This dependence is anticipated to continue. Any interruption of service that is significant and/or prolonged may adversely affect LEAF's business, financial condition, results of operations or reputation.

In particular, a significant portion, if not almost all, of LEAF and ESG's respective game traffic, data storage, data processing and other computing services and systems are presently hosted by Amazon Web Services (AWS). AWS provides computing and storage capacity pursuant to an agreement that continues until terminated by either party. The agreement requires AWS to provide standard computing and storage capacity and related support in exchange for timely payment. There may be disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. If a particular game is unavailable when players attempt to access it or navigation through a game is slower than they expect, players may stop playing the game and may be less likely to return to the game as often, if at all.

Any failure, disruption or interference with the use of hosted cloud computing services and systems provided by third-parties, like AWS, could adversely impact LEAF's business, financial condition or results of operations. If LEAF does not effectively respond to any such interruptions, upgrade its systems as needed or continually develop technology and network architecture to accommodate traffic, its business, financial condition or results of operations could be adversely affected. Additionally, the disaster recovery systems of LEAF and those of third-parties may not function as intended or may fail to adequately protect critical business information, which may cause interruption in service of LEAF's games, cause security breaches or the loss of data or functionality, leading to a negative effect on business, financial condition or results of operations.

Dependence on Key Executives

LEAF depends heavily on its ability to retain the services of management and specialized staff, and to recruit, motivate and retain other suitably skilled personnel. The loss of the services of key individuals may have an adverse effect on the business, operations, and results.

Advertising Revenue

LEAF is dependent, in part, on advertising revenue derived from its games. The inability of LEAF to secure advertising partners may have a material adverse effect on its business, operations and results.

Brand awareness is critical to maintaining and creating favorable relationships that LEAF will have with players, platform providers, advertisers and content licensors, as well as competing for key talent. Increasing brand awareness requires significant investment and extensive management time to execute successfully. Further, there can be no guarantee or assurance that such efforts will succeed in increasing brand awareness. Any failure may limit LEAF's financial results.

If any of LEAF's games contain content considered by others to be objectionable, LEAF may suffer damage to its reputation and brand. This risk is heightened as LEAF's games have historically had, and will continue to have, countercultural themes. Further, third party advertisements may contain content that others consider to be objectionable. If consumers believe that LEAF's games or third-party advertisement displayed in a game contains objectionable content, it could harm LEAF's brand and consumers could refuse to play it and could pressure the platform providers to remove the game from their platforms.

Further, LEAF relies on third parties to source and manage advertisements for its games. These third parties charge a fee for their services. In the event that these third parties increase their fees, or cease to provide their services to LEAF, LEAF may be required to source and manage advertisements internally, which may increase its operating expenses.

In addition, internet-connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of advertising on their devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. If users elect to utilize the opt-out mechanisms in greater numbers, LEAF's ability to deliver effective advertising campaigns on behalf of its advertisers would suffer, which could cause LEAF's business, financial condition, or results of operations to suffer. Finally, the revenues derived from advertisements and offers is subject to seasonality, as third party advertising budgets are generally highest during the calendar year end, and decline significantly in the first quarter of the following year, which may give rise to seasonality effects in LEAF's financial performance.

Requirement for Further Funds

Although LEAF does not anticipate an immediate need for funding for the 2021 fiscal year, it may require additional financial resources to fund its long term operations. LEAF may in the future raise any necessary additional funds through public or private financing. No assurance can be given that such additional funding will be available or, if available, that it will be on terms favourable to LEAF.

Security

LEAF cannot guarantee absolute protection against unauthorized attempts to access its IT systems, including malicious third party applications or denial of service attacks that may interfere with or exploit security flaws in its website. Viruses, worms and other malicious software programs could jeopardize the security of information stored in a user's computer, mobile device or in LEAF's systems, or attempt to change the experience of players by interfering with LEAF's ability to connect with them. If any compromise to LEAF's security measures were to occur and any efforts to combat such breach were unsuccessful, LEAF's reputation may be harmed, leading to an adverse effect on LEAF's financial condition and prospects.

Share Price Volatility

The market price of the LEAF Shares may be subject to wide price fluctuations in response to many factors, including variations in LEAF's operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects of LEAF, general economic conditions, legislative changes, and other events and factors outside of LEAF's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic political conditions, could adversely affect the market price for the LEAF Shares.

Need to attract and retain qualified personnel

LEAF's success depends to a significant extent on its ability to identify, attract, hire, train and retain qualified personnel. Competition for such personnel may be intense and there can be no assurance that LEAF will be successful in identifying, attracting, hiring and retaining such personnel in the future. If LEAF is unable to identify, attract, hire and retain qualified personnel in the future, such inability could have a material adverse effect on its business, operating results and financial condition.

Dividends

It is not anticipated that LEAF will pay dividends on its shares in the foreseeable future. Dividends paid by LEAF would be subject to tax and, potentially, withholdings.

IdleKit

LEAF's ability to attract and retain customers of the IdleKit technology and grow its related business will depend, in part, on its ability to maintain IdleKit at high levels of accessibility, reliability, scalability and performance. Interruptions in the performance of IdleKit and related services, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the accessibility and performance of IdleKit. Future disruptions, outages and other performance problems may arise due to a variety of factors including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints, denial of service attacks or other security-related incidents.

It may become increasingly difficult to maintain and improve the performance of IdleKit. If IdleKit is unavailable or accessibility becomes an issue, LEAF may experience a loss of clients, lost or delayed market acceptance of our platform, delays in payment by clients, injury to LEAF's reputation and brand, or other liabilities. In addition, to the extent that IdleKit is not upgraded as needed, or if IdleKit is not continually developed to accommodate actual and anticipated changes in technology, LEAF's operations may be adversely affected.

Further, the software technology underlying IdleKit is complex and may contain material defects or errors, particularly when new features are first introduced or released. There can be no assurance or guarantee that IdleKit will not contain defects. Any real or perceived errors, failures, vulnerabilities, or bugs in IdleKit could result in negative publicity or lead to data security, access, retention or other performance issues, all of which could harm LEAF's business.

Defects, Bugs, or Errors

The current products and services of LEAF and ESG, and those that will be offered by LEAF, are extremely complex software programs and are difficult to develop and distribute. Both LEAF and ESG have, and LEAF will have, quality controls in place to detect defects, bugs or other errors in our products and services before they are released. Nonetheless, these quality controls are subject to human error, overriding, and resource or technical constraints. In addition, the effectiveness of our quality controls and preventative measures may be negatively affected by the distribution of our workforce resulting from the COVID-19 pandemic. As such, these quality controls and preventative measures may not be effective in detecting all defects, bugs or errors in our products and services before they have been released into the marketplace. In such an event, the technological reliability and stability of LEAF's products and services could be below its standards and the standards of its players and its reputation, brand and sales could be adversely affected. In addition, LEAF could be required to, or may find it necessary to, offer a refund for the product or service, suspend the availability or sale of the product or service or expend significant resources to cure the defect, bug or error each of which could significantly harm our business and operating results.

Changes in Technology

The mobile games market could be disrupted by new technologies that could impact LEAF's business. For example, it is anticipated that the introduction of 5G wireless networking will offer technological advancements like faster download speeds and lower latency. While these technological advancements will provide opportunities for LEAF's business, it may also create risks if LEAF does not adapt to these new technologies in a quick and timely manner. For example, 5G technology may result in the proliferation of game streaming services. Multiple instances of new cloud gaming services are already commercially available and new entrants like Google and Microsoft have or will announce their ability to stream games to mobile devices. Some of these new streaming entrants will also choose to publish first-party content on their platforms. Streaming technology could potentially disrupt the mobile gaming industry by enabling companies to publish cross-platform games that users can play across multiple platforms and devices. This could result in consumers choosing to play these cross-platform games rather than LEAF's games, which are primarily available on mobile devices. If LEAF does not appropriately adapt its business to new technologies, its business may suffer.

Changes to Mobile Devices

LEAF's games are played on mobile devices manufactured by third parties, and it has no influence on the hardware or software of these devices. Any changes to them might negatively impact LEAF's business. Mobile devices contain identifiers for advertisers ("**IDFAs**") which currently are shared with the publishers of applications on a mobile device. Publishers use these IDFAs for a variety of business purposes, among others for measuring advertising, generating advertising revenue, performing application user level analytics, and targeting users in marketing campaigns.

In November 2020, Apple released its new iOS 14 operating system. As a result, the IDFAs of Apple's mobile devices will no longer be available by default to mobile application publishers. Instead, the IDFA will only be accessible to the application publisher if a user gives the publisher permission to access his or her IDFA by expressly consenting to this access. It is anticipated that only a minority of users who upgrade their Apple devices to iOS 14 will consent to LEAF accessing their IDFA. This may lead to a number of challenges including:

- difficulty measuring the effectiveness of user acquisition campaigns;
- difficulty optimizing user acquisition campaigns to deliver return on investment;
- difficulty projecting the potential return of user acquisition campaigns;
- a negative impact to advertising revenue;
- challenges migrating from IDFA to other identifiers for the purposes of analytics thereby introducing risk to our core data infrastructure;
- difficulties formulating new marketing strategies that are as effective as the IDFA-driven marketing strategies LEAF and ESG currently employ; and
- challenges updating a wide variety of software development kits utilized across LEAF's portfolio of games to be in compliance with iOS14.

These challenges may negatively impact LEAF's operations, including its financial performance. To date, LEAF has not experienced any significant challenges arising from the launch of iOS 14."

"Cheating" programs, scam offers, black-markets

Unrelated third parties have developed, and may continue to develop, "cheating" programs, scam offers, black-markets and other offerings that may decrease LEAF's revenue generated from its virtual "in game" economies, divert players from LEAF's games or otherwise harm LEAF. Cheating programs enable players to exploit vulnerabilities in games to obtain virtual currency or other items that would otherwise generate in-app purchases for LEAF, or allow players to play games in automated ways or obtain unfair advantages over other players who do play fairly. Unrelated third parties may attempt to scam players of LEAF's games with fake offers for virtual goods or other game benefits. LEAF will devote resources to discover and disable these programs and activities, but if it is unable to do so in a prompt and timely manner, its operations may be disrupted, its reputation damaged and players may play LEAF's games less frequently or stop playing them altogether. This may lead to lost revenue from paying players, increased cost of developing technological measures to combat these programs and activities, legal claims, and increased customer service costs needed to respond to disgruntled players.

Unauthorized Sales/Purchases of Virtual Goods

Virtual goods in LEAF's games are not expected to have monetary value outside of its games. Nonetheless, some players may make sales and/or purchases of such virtual goods through unauthorized third-party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on third-party websites and the virtual goods offered may have been obtained through unauthorized means such as exploiting vulnerabilities in the applicable game, from scamming players with fake offers for virtual

goods or other game benefits, or from credit card fraud. LEAF will not generate any revenue from these transactions. These unauthorized purchases and sales from third-party sellers could negatively impact LEAF's financial performance by, among other things:

- decreasing revenue from authorized transactions;
- creating downward pressure on the prices that LEAF can charge for its virtual currencies or other items;
- increasing chargebacks from unauthorized credit card transactions;
- causing dissatisfied players to stop playing LEAF's games;
- increasing costs incurred to develop technological measures to curtail such authorized transactions;
- causing negative publicity or harm to LEAF's reputation;
- increasing customer support costs to respond to dissatisfied players.

To discourage unauthorized purchases and sales of LEAF's virtual goods, it will be stated in LEAF's terms of service that the buying or selling of virtual currency and virtual goods from unauthorized third party sellers may result in bans from its games or legal action. However, there can be no assurance that such efforts to prevent or minimize these unauthorized or fraudulent transactions will be successful.

Reputational Harm

Expectations regarding the quality, performance and integrity of LEAF and ESG's respective products and services are high, and it is anticipated that such expectations will continue with respect to LEAF's products and services. Players may sometimes be critical of LEAF and ESG's respective brands, products, services, online communities, business models and/or business practices for a wide variety of reasons, including perceptions about gameplay fun, fairness, game content, features or services, or objections to certain business practices. These negative responses may not always be foreseeable. LEAF also may not effectively manage these responses because of reasons within or outside of its control. For example, if the future implementation of new game features creates a negative perception of gameplay fairness or other negative perceptions, LEAF's reputation and brand could be harmed and revenue could be negatively impacted. In addition, LEAF may take actions, including delaying the release of games and delaying or discontinuing features and services for games, after taking into consideration, among other things, feedback from its community, even if such decisions negatively impact operating results in the short term. LEAF will take any actions it may consider appropriate to address future concerns, including actions that may result in additional expenditures and the loss of revenue.

It is also intended that LEAF will offer players safe, inclusive and fulfilling online communities. It may not be able to maintain healthy, long-term online communities within its games and services as a result of the use of those communities as forums for harassment or bullying, its inability to successfully discourage overuse of its games and services or overspending within its games and services, or due to the successful implementation of cheating programs. Although LEAF may expend resources to maintain healthy online communities, its efforts may or may not be successful due to scale, limitations of existing technologies or other factors.

Negative sentiment about gameplay fairness, online communities, business practices, business models or game content also can lead to investigations or increased scrutiny from governmental bodies and consumer groups, as well as litigation, which, regardless of their outcome, may be costly, damaging to LEAF's reputation and harmful to its business.

Declines in Mobile Gaming

LEAF's future success is substantially dependent upon the continued growth of the mobile gaming market. The mobile gaming market has experienced significant revenue growth during the last several years despite

an overall flattening of downloads of games on the app stores. The mobile gaming industry may not continue to grow at historical rates which could negatively impact LEAF's business. In addition, new and emerging technologies could make the mobile devices on which LEAF's games are currently released obsolete, requiring it to transition its business model to develop games for other next-generation platforms.

COVID-19

The ongoing COVID-19 pandemic and resulting social distancing and shelter-in-place orders put in place around the world have caused widespread disruption in global economies, productivity and financial markets and have materially altered the way in which many businesses conduct their day-to-day business.

As a result of the COVID-19 pandemic, both LEAF and ESG have temporarily closed their respective offices and implemented remote working programs.

The full extent to which the COVID-19 pandemic and the various responses to it impact LEAF or ESG's respective business, operations and financial results, and LEAF's business, operations and financial results, will depend on numerous evolving factors that we may not be able to accurately predict, including: the duration and scope of the pandemic, including any potential future waves of the pandemic; governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic; the availability and cost to access the capital markets; the effect on players and their willingness and ability to pay for games and services; disruptions or restrictions on employees with respect to their ability to work and travel; and interruptions related to our cloud networking and gaming infrastructure and partners, including impacts on Amazon Web Services, mobile application platform providers, advertising partners and customer service and support providers.

If the COVID-19 crisis continues, LEAF may not be able to provide the same level of product features and customer support that LEAF and ESG's respective players currently expect, which could negatively impact LEAF's business and operations. While substantially all of LEAF's business operations can be performed remotely, many of its employees are likely to juggle additional work-related and personal challenges, including preparing for a prolonged duration of remote working environments, adjusting communication and work practices to collaborate remotely with work colleagues and business partners, managing technical and communication challenges of working from home on a daily basis, looking after children as a result of remote-learning and school closures, making plans for childcare during the summer and as children prepare to return to schools, and caring for themselves, family members or other dependents who are or may become ill.

If LEAF seeks to access the capital markets or to seek credit facilities or other debt financing, there can be no assurance that financing and credit may be available on attractive terms, if at all. LEAF will actively monitor the issues raised by the COVID-19 pandemic and may take actions that alter LEAF and ESG's current business operations, including as may be required by federal, provincial, local or foreign authorities or that it determines are in the best interests of its employees, players, partners and shareholders.

The COVID-19 pandemic and resulting social distancing, shelter-in-place and similar restrictions led to increased player engagement from current, lapsed and new players in LEAF and ESG's respective games relative to our quarterly forecast and historic trends. These increases in player activity may not be indicative of LEAF's financial and operating results in future periods. The long-term effects of the COVID-19 pandemic on society and player behavior are highly uncertain, and there is no assurance that player behavior will not decrease, including below historic levels, as the full impacts of the pandemic on society and the global economy become more clear.

In addition to the potential direct impacts to our business, the global economy has been, and is likely to continue to be, significantly weakened as a result of the actions taken in response to COVID-19, and future government intervention remains uncertain. A weakened global economy may impact players and their purchasing decisions within games, consumer buying decisions across the globe and their impact on the allocation of advertising investments, and the ability of our business partners to navigate this complex social health and economic environment, any of which could result in disruption to our business and results of our operations. LEAF may experience heightened levels of variability in the pricing of advertising both in terms of user acquisition and as it relates to advertising revenues. If these conditions result in insignificant decreased pricing of advertising, the revenue derived from advertisers may be negatively impacted, particularly if the levels of player engagement are not sufficient to offset these declines, and LEAF may experience increased pressure on its overall margins, as revenue may consist of higher contributions of sales of in-game virtual items.

The duration and extent of the impact from the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the severity and transmission rate of the virus, the existence of any additional waves of the pandemic, the extent and effectiveness of containment actions, progress towards widespread rapid testing, effective treatment alternatives and a vaccine, and the impact of these and other factors on LEAF's employees, players and business partners. If LEAF is not able to respond to and manage the impact of such events effectively, our business may be harmed.

Debt

Concurrent with the completion of the Acquisition, LEAF was granted an unsecured and subordinated debt facility for up to \$10 million from Jason Bailey or his nominee. As at the date of this AIF, LEAF does not have any additional long term debt outstanding and has not drawn down on the unsecured facility.

Any debt burden of LEAF could have important consequences, including: increasing its vulnerability to general adverse economic and industry conditions; limiting flexibility in planning for, or reacting to, changes in its business and the gaming industry; requiring the dedication of a substantial portion of any cash flows from operations for the payment of principal and interest on our indebtedness, thereby reducing the availability of cash flow to fund operations, growth strategy, working capital, capital expenditures, future business opportunities, and other general corporate purposes; restricting LEAF from making strategic acquisitions or causing it to make non-strategic divestitures; limiting its ability to obtain additional financing for working capital, capital expenditures, research and development, acquisitions and general corporate or other purposes; limiting its ability to adjust to changing market conditions; and placing it at a competitive disadvantage relative to competitors who have lower levels of debt. Further, though it is anticipated that aforementioned debt facility will have a fixed interest rate, if and when LEAF has borrowings at floating rates of interest, it could expose us to the risk of increased interest rates with respect to those borrowings.

DIVIDENDS

LEAF and its subsidiaries have not paid dividends and LEAF does not expect to pay dividends in the near future. LEAF has no restrictions on paying dividends. LEAF's board of directors will determine if and when dividends should be declared and paid in the future based upon the Company's financial position at the relevant time. If LEAF generates earnings in the foreseeable future, it expects that they will be retained to finance operations and growth.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of LEAF consists of an unlimited number of common shares (the "LEAF Shares"). As of December 31, 2020, the Company had 213,441,250 common shares outstanding.

The holders of LEAF Shares are entitled to dividends, if, as and when declared by the Company's Board, are entitled to one vote per share at meetings of the shareholders and, upon dissolution, are entitled to share equally in such assets of LEAF as are distributable to the holders of LEAF Shares.

In addition, the Company has the following convertible securities issued and outstanding as of December 31, 2020:

Security	Number or Amount	Exercise or Conversion Price	Expiry/Maturity Date
Incentive stock options	6,805,680 ⁽²⁾	\$0.10 and \$0.25	May 2025 and July 2029
Agents options	175,000	\$0.10	July 2021
Brokers warrants	412,500	\$0.16	April 2022

MARKET FOR SECURITIES

Trading Price and Volume

The outstanding LEAF Shares began trading on the TSX under the trading symbol “LEAF” on April 17, 2020. Upon completion of the Qualifying Transaction on April 22, 2020 and prior to February 9, 2021, LEAF Shares were traded on the TSXV under the same symbol.

The following table sets out the price range (monthly high and low prices) and monthly trading volumes of the LEAF Shares on the TSX or the TSXV for the period beginning January 1, 2020 to the close of the financial year ended December 31, 2020.

Period	High (\$)	Low (\$)	Volume
January 2020	N/A	N/A	-
February 2020	N/A	N/A	-
March 2020	N/A	N/A	-
April 2020	0.26	0.24	668,120 (Note 1)
May 2020	0.455	0.23	5,610,242
June 2020	0.48	0.33	4,085,289
July 2020	0.34	0.265	1,884,281
August 2020	0.28	0.22	1,515,493
September 2020	0.28	0.20	879,491
October 2020	0.235	0.22	95,200 (Note 2)
November 2020	0.225	0.225	-
December 2020	0.225	0.225	-

Note 1 – Trading of the LEAF Shares was halted from August 2, 2019, when it announced its Qualifying Transaction, until April 21, 2020, when it completed its Qualifying Transaction.

Note 2 – Trading of the LEAF shares was halted on October 6, 2020 as a result of the Acquisition. Trading of the LEAF Shares re-commenced on the Toronto Stock Exchange on February 10, 2021.

Prior Sales

During the most recently completed financial year and on February 5, 2021, the Company issued the following securities that were not listed on an exchange or marketplace:

Security	Number of Securities Issued	Exercise Price	Date of Issue	Expiry Date
Stock Options	550,000	\$0.10	April 17, 2020	July 15, 2029

Agents options	200,000	\$0.10	April 17, 2020	July 2021
Brokers warrants	412,500	\$0.16	April 17, 2020	April 2022
Stock Options	6,185,189	\$0.25	May 19, 2020	May 19, 2025
Stock Options	500,000	\$0.40	May 26, 2020	May 26, 2025
Stock Options	24,000,000	\$0.225	February 5, 2021	February 5, 2031

ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

The following table sets out the number of LEAF Shares which are held in escrow as of December 31, 2020, pursuant to an escrow agreement dated May 31, 2019 (the "**IPO Escrow Agreement**"), with Odyssey Trust Company acting as escrow agent. Pursuant to the IPO Escrow Agreement, the escrowed securities will be released within a three year period commencing from completion of LEAF's qualifying transaction. LEAF's qualifying transaction was completed on April 17, 2020. 15% of the escrowed securities will be released every 6 months commencing October 17, 2020, until all of the escrowed securities have been released.

Name of Securityholder & Municipality of Residence	Prior to giving effect to the Acquisition and Offering		After giving effect to the Acquisition and Offering	
	Number of shares	Percentage	Number of shares	Percentage
Derek Lew ⁽¹⁾ (British Columbia)	750,000	0.35%	750,000	0.10%
Inclination Earth Sciences Inc. ⁽²⁾ (British Columbia)	375,000	0.18%	375,000	0.05%
Oak Mason Investments Inc. ⁽³⁾ (British Columbia)	375,000	0.18%	375,000	0.05%
Pallasite Ventures Inc. ⁽⁴⁾ (British Columbia)	375,000	0.18%	375,000	0.05%
Tenuous Holdings Ltd. ⁽⁵⁾ (British Columbia)	300,000	0.14%	300,000	0.04%
Carroway Capital Corp. ⁽⁶⁾ (British Columbia)	300,000	0.14%	300,000	0.04%

Mark Leung (British Columbia)	75,000	0.04%	75,000	0.01%
0622738 B.C. Ltd. ⁽⁷⁾ (British Columbia)	75,000	0.04%	75,000	0.01%

Notes:

- (1) A portion of these securities are held through Growthworks Blockchain Innovation Fund I LP, of which Mr. Lew, a director of LEAF, has a controlling interest.
- (2) Controlled by Michael Moore, an arm's length party to LEAF and ESG.
- (3) Controlled by Messrs. Bixby and Edwards, directors of LEAF.
- (4) Controlled by Christopher Bissonette, an arm's length party to LEAF and ESG.
- (5) Controlled by Mr. MacLeod, a former director of LEAF.
- (6) Controlled by Mr. Rutledge, a former director of LEAF.
- (7) Controlled by Mark Tommasi, an arm's length party to LEAF and ESG.

Qualifying Transaction - Value Escrow

The following table sets out the number of LEAF Shares which are held in escrow as of December 31, 2020 pursuant to a "value" escrow agreement dated April 17, 2020, with Odyssey Trust Company acting as escrow agent. The LEAF Shares disclosed in the table below will be released within a three year period, with 15% of the escrowed shares released every six months commencing from October 17, 2020.

Name of Securityholder & Municipality of Residence	After giving effect to the Acquisition and Offering	
	Number of shares	Percentage
White Umbrella Consulting Inc. ⁽¹⁾ (British Columbia)	15,000,000	2.00%
Inclination Earth Sciences Inc. ⁽²⁾ (British Columbia)	3,000,000	0.40%
Andrea Eby (British Columbia)	1,125,000	0.15%
Lucas McHugh (United Kingdom)	2,250,000	0.30%
Pallasite Ventures Inc. ⁽³⁾ (British Columbia)	3,750,000	0.50%
Andrew Graham ⁽⁴⁾ (British Columbia)	3,750,000	0.50%
Suma Men ⁽⁵⁾ (British Columbia)	375,000	0.05%
Jeff Sundar (British Columbia)	3,000,000	0.40%

Notes:

- (1) Controlled by Bradley Roark, an arm's length party to LEAF and ESG.
- (2) Controlled by Michael Moore, an arm's length party to LEAF and ESG.
- (3) Controlled by Christopher Bissonette, an arm's length party to LEAF and ESG.
- (4) Held as trustee for Pioneer Media Holdings Inc., a company of which Mike Edwards, a director of LEAF, is a director.
- (5) Held through Haywood Securities Inc.

Qualifying Transaction - Surplus Shares

The following table sets out the number of LEAF Shares which are held in escrow as of December 31, 2020 pursuant to a "surplus" escrow agreement dated April 17, 2020, with Odyssey Trust Company acting as escrow agent.

	After giving effect to the Acquisition and Offering

Name of Securityholder & Municipality of Residence	Number of shares	Percentage
Derek Lew. ⁽¹⁾ (British Columbia)	10,080,000	1.34%
Darcy Taylor ⁽²⁾ (British Columbia)	5,400,000	.72%
Durban Holdings Ltd. ⁽³⁾ (British Columbia)	45,000,000	5.99%
EastSide Games Inc. ⁽⁴⁾ (British Columbia)	49,668,750	6.61%

Notes:

- (1) A portion of these securities are held through Growthworks Blockchain Innovation Fund I LP, of which Mr. Lew, a director of LEAF, has a controlling interest.
- (2) A portion of these securities are held through Letter 4 Consulting Ltd., of which Mr. Taylor, CEO and director of LEAF has a controlling interest.
- (3) Controlled by Julie Hamilton, an arm's length party to LEAF and ESG.
- (4) It is anticipated that the LEAF Shares currently held by ESG will be distributed to the ESG Securityholders prior to completion of the Acquisition.

The LEAF Shares disclosed in the table above will be released within a three year period in accordance with the following release schedule:

Release Date	Percentage released
April 17, 2021	10%
October 17, 2021	10%
April 17, 2022	15%
October 17, 2022	15%
April 17, 2023	40%

As LEAF has now “graduated” its listing from the TSX Venture Exchange to the TSX, for the purposes of the above-described escrow agreements, it has applied to be considered a “Tier 1” issuer under such agreements for an expedited escrow release schedule. If approved, all of the escrowed shares described above will be released on October 17, 2021.

DIRECTORS AND OFFICERS

The following table sets out information regarding our directors and executive officers as at the date hereof. The Company’s directors are elected annually and all of them are expected to hold office until the next annual meeting of holders of LEAF Shares, at which time they may be re-elected or replaced.

As a group, the directors and officers of LEAF beneficially own or control, directly or indirectly, 532.8 million LEAF Shares, which constitutes approximately 69.7% of the issued and outstanding LEAF Shares as at the date of this AIF, calculated on a non-diluted basis.

Name & Municipality of Residence	Position(s) to be held	Principal Occupation during past 5 years	Director Since	Shares Owned and % of Outstanding Shares Held ⁽¹⁾
Galan Akin	Creative	Chief Creative Officer of EST from	N/A	35,805,072

Vancouver, BC	Director of ESG	incorporation to present.		(4.8%)
Jason Bailey ⁽²⁾ Vancouver, BC	Chief Revenue Officer and Director	Founder and Chairperson of ESG from incorporation to present	February 2021	375,419,035 (49.1%)
Jonathan Bixby ⁽³⁾⁽⁴⁾⁽⁵⁾ Victoria, BC	Director	Co-founder of Koho Financial from March 2014 to present. Co-founder of Guild Esports PLC Co-founder of Blue Mesa Health. Director of CTO.AI Chairman of Argo Blockchain PLC from June 2017 to August 2019 Chairman of Darkvision Technologies from August 2014 to May 2020	February 2021	7,358,139 (1.0%)
Mike Edwards ⁽³⁾⁽⁵⁾⁽⁶⁾ Whistler, BC	Chairperson and Director of	Co-founder of LX Ventures. Co-founder of Wyley Interactive Inc. Co-founder of Growlab. Co-founder of Creative Labs. Co-founder of Argo Blockchain PLC.	February 2021	48,446,464 (6.3%)
Derek Lew ⁽⁴⁾⁽⁷⁾ Vancouver, BC	Corporate Secretary and Director	Director of LEAF from November 2018 to present. CEO of LEAF from March 2019 to April 2020. President & CEO of GrowthWorksCapital since August 2015 Self-employed lawyer since January 2001	November 2018	16,644,444 ⁽⁴⁾ (2.2%)
Jim MacCallum West Vancouver, BC	CFO	CFO of LEAF from March 2021 to present. SVP, Finance and Treasurer, Westport Fuel Systems Inc.	N/A	40,000 (0.0%)
Joshua Nilson Vancouver, BC	General Manager of ESG	CEO of ESG from incorporation to present.	N/A	40,386,804 (5.3%)
Jean-Guy Niquet Nanaimo, BC	Head of Studio & Mobile, LDRLY	Head of Studio & Mobile, LDRLY, from July 2018 to present. Vice President, Digital Marble Media, from Sept 2014 to July 2018	N/A	107,222 (0.0%)

Darcy Taylor West Vancouver, BC	CEO	Vice President of Marketing & Sales of JTI Korea from Dec 2013 to Nov 2015 Vice President of Brand & Product Marketing of Logic Technology Development LLC, from Nov 2015 to Dec 2017 President of Letter 4 Consulting Ltd. since Oct 2018 to present Director of Leaf Studios PLC since Oct 2018	April 2020	6,514,444 ⁽⁸⁾ (0.9%)
Birgit Troy Port Moody, BC	Director	CFO for Volaris Group, operation company of Constellation Software Inc., from 2016 to present CFO for Incognito Software systems from 2015 to 2016 VP Finance for TSO Logic from 2013 to 2015	March 2021	Nil
James Wagner Vancouver, BC	Director of Product, ESG	Director of Product, ESG, from May 2020 to present Producer, ESG, from November 2012 to May 2020	N/A	2,050,738 (0.3%)
Brian Wideen Burnaby, BC	VP Finance	COO for Overinteractive Media Inc. from 2011 Founder & COO for The Coup Company Ltd. from 2012 VP Finance for GrowthWorks Capital from 2019	CFO of 1182533, September 2019 to April 2020 VP Finance of LEAF, April 2020 to present	Nil

Notes:

- (1) Does not include stock options or other securities convertible into LEAF Shares.
- (2) Held through a family trust of which Mr. Bailey is a trustee.
- (3) Member of the LEAF's audit committee.
- (4) Member of the LEAF's compensation committee.
- (5) A portion of these shares are held through Oak Mason Investments Inc. and Haymarket Investments Inc., both of which are controlled equally by Messrs. Bixby and Edwards.
- (6) A portion of these shares are held through Pioneer Media Holdings Inc., in which Mr. Edwards is a controlling shareholder.
- (7) A portion of these shares are held through Growthworks Blockchain Innovation I LP, in which Mr. Lew holds a controlling interest.
- (8) Held through Letter 4 Consulting Ltd., in which Mr. Taylor holds a controlling interest.

Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of LEAF is, or has been, within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

- was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or
- became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of LEAF is, or has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director or executive officer.

Penalties or Sanctions

No proposed director or executive officer of LEAF, as constituted upon the Completion of the Acquisition, is, or has been:

- been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making a decision about the Acquisition or an investment decision.

Conflicts of Interest

There are no known conflicts of interest involving the proposed directors or officers of the Company.

There are potential conflicts of interest to which the directors, officers and promoters of the Company will be subject with respect to the operations of the Company. Certain of the directors and/or officers serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Company will be engaged in direct competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' conflicts of interest, including the procedures established by the British Columbia *Business Corporations Act*. The British Columbia *Business Corporations Act* requires that directors and officers of a party which enters into a material contract with the Company or otherwise have a material interest in a material contract entered into by the Company, must disclose their interest and, in certain circumstances, refrain from voting on any resolution of the Company's directors to approve that contract.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not aware of: (a) any legal proceedings to which the Company or its subsidiaries is a party, or by which any of the Company's property or its subsidiaries' property is subject, which would be material to the Company or its subsidiaries, during the Company's financial year, and the Company is not aware of any such proceedings being contemplated; (b) any penalties or sanctions imposed by a court relating to securities legislation, or other penalties or sanctions imposed by a court or regulatory body against the Company or its subsidiaries during the most recently completed financial year or that would otherwise likely be considered important to a reasonable investor making an investment decision; or (c) any settlement agreements that the Company or its subsidiaries has entered into before a court relating to securities legislation or with a securities regulatory authority during the most recently completed financial year.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this AIF, in the financial statements of the Company for the financial year ended December 31, 2020, or in the documents incorporated by reference into this AIF, none of the directors or executive officers of the Company, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three years prior to the date of this AIF that has materially affected or is reasonably expected to materially affect the Company or its subsidiaries.

TRANSFER AGENT AND REGISTRAR

LEAF's registrar and transfer agent is Odyssey Trust Company, located at 323 – 409 Granville Street, Vancouver, British Columbia V6C 1T2.

MATERIAL CONTRACTS

The Company and/or its subsidiaries, as applicable, have entered into the following material contracts since the beginning of the Company's most recently completed financial year or before the Company's most recently completed financial year if any such contract is still in effect, and which are outside of the ordinary course of the Company's business. A description and summary for each material contract is provided below or has been cross-referenced in this Annual Information Form.

The following are the material contracts of LEAF entered into in the financial year ended December 31, 2020:

- the transfer agent and registrar agreement dated March 20, 2019 between LEAF and Odyssey Trust Company, as transfer agent. See "Registrar & Transfer Agent" above;
- the Acquisition Agreement. See the Filing Statement for details;
- the Subscription Receipt Agreement relating to the Offering. See the Prospectus for details; and
- the Agency Agreement relating to the Offering. See the Prospectus for details.

Copies of the material contracts described above may be inspected at the registered office of LEAF located at Suite 909 - 510 Burrard Street, Vancouver, British Columbia, V6C 3A8, during normal business hours, and are available under the Company's SEDAR profile online.

INTEREST OF EXPERTS

The legal counsel of LEAF is Richards Buell Sutton LLP, 700 - 401 West Georgia Street, Vancouver, British Columbia V6B 5A1. Tax counsel of LEAF with respect to the Offering was Thorsteinssons LLP, 595 Burrard Street, Vancouver, British Columbia V7X 1L2.

The respective partners and associates of Richards Buell Sutton LLP and Thorsteinssons LLP do not own any of the issued and outstanding LEAF Shares as at the date of this Filing Statement, and, unless they participate in the Offering, are not anticipated to own any of the issued and outstanding LEAF shares upon completion of the Acquisition.

KPMG LLP, the current auditor of LEAF and ESG, have confirmed it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

The former auditor of the Company was D&H Group LLP ("D&H"). D&H was independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountant of British Columbia.

Vohora LLP, the former auditor of ESG, have confirmed that they are independent with respect to ESG within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to LEAF is available at www.sedar.com under the Company's profile.

LEAF shareholders may contact LEAF at its office by mail at 909 – 510 Burrard Street, Vancouver, BC, V6C 3A8 to request copies of LEAF's financial statements and related MD&A. Financial information of LEAF is provided in the audited financial statements and MS&A for LEAF for its year ended December 31, 2020. Additional information, including information about directors and officers remuneration and indebtedness, principal holders of Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its more recent annual meeting of security holders that involved the election of directors, which is at www.sedar.com.

