

LEAF Mobile Inc **(Formerly Caprice Business Development Canada Inc.)**

AMENDED MANAGEMENT DISCUSSION AND ANALYSIS

For the Six Months Ended June 30, 2020

NOTICE TO READER

This management's discussion and analysis ("MD&A") amends and restates the MD&A previously filed on August 31, 2020 as well as the amended MD&A previously filed on November 8, 2020 for the six months ended June 30, 2020 to correct for an identified error in the accounting for the acquisition of LDRLY and the reverse take over transaction entered into with 1182533 B.C. Ltd. The correction of these errors resulted in a decrease to accounts receivable of \$120,000, an increase to the net book value of intangible assets of \$4,257,321, an increase to share capital of \$4,415,000 and a decrease in net comprehensive loss of \$277,679 for the six month period ending. This MD&A also includes adjustments to the disclosure in the sections entitled Summary of Financial Performance Highlights and Financial Results as a result of the foregoing correction.

This MD&A is amended and restated as of January 13, 2021, and does not purport to update or restate the information in the original MD&A or reflect any events that occurred after the date of the filing of the original MD&A other than changes to the sections entitled Summary of Financial Performance Highlights and Financial Results as expressly set forth above. It should be read in conjunction with the Company's condensed consolidated Interim financial statements (the "Interim Financial Statements") for the six months ended June 30, 2020, including the accompanying notes. This MD&A was prepared with reference to National Instrument 51-102 – Continuous Disclosure Obligations of the Canadian Securities Administrators. This MD&A provides information for six months ended June 30, 2020 and up to and including August 31, 2020 other than as expressly set forth above. The Interim Financial Statements and this MD&A have been reviewed by the Company's Audit Committee and were approved by the Company's Board of Directors on November 6, 2020.

Additional information including this MD&A, the Interim Financial Statements, and press releases have been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com .

This Management's Discussion and Analysis ("MD&A") provides a detailed analysis of the business of LEAF Mobile Inc. ("LEAF") and compares its financial results for the [six] month period ended June 30, 2020.

LEAF MOBILE Inc.
Management Discussion and Analysis
For the 6 months ended June 30th, 2020

The MD&A should be read in conjunction with the condensed consolidated interim financial statements of LEAF for the six month period ended June 30, 2020 and the related notes, which have been prepared in accordance with the International Financial Reporting Standards ("IFRS"). LEAF's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. This amended MD&A is dated January 13, 2021 and replaces the previous amended MD&A dated November 6, 2020. LEAF recently determined that its original condensed consolidated interim financial statements contained a misstatement with respect to its accounting for the acquisition of LDRLY and its reverse takeover transaction with 1182533 B.C. Ltd. The amended condensed consolidated interim financial statements have been prepared to correct this misstatement.

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

This MD&A reports on consolidated results for the three- and six-month period ended June 30, 2020. The interim financial statements of LEAF represents Caprice Business Development Canada Inc. (as LEAF was named prior to April 17, 2020) from January to April 17, 2020 and Leaf Mobile Inc. from April 17, 2020 (when LEAF changed its name to "Leaf Mobile Inc.") to June 30, 2020. It does NOT include LEAF's operating subsidiary, LDRLY (Technologies) Inc. ("LDRLY"), for the period January - Apr 17, 2020, as its acquisition of LDRLY, which formed a part of LEAF's qualifying transaction, did not complete until April 17, 2020. (Please refer to LDRLY's financial statements for the three month period ended March 31, 2020, available under LEAF's profile on SEDAR).

Prior to April 17, 2020, LEAF (then named "Caprice Business Development Canada Inc.") was a "capital pool company" (as such term is defined under TSX Venture Exchange policies), and did not have any active business operations. LDRLY represents the only active business unit of LEAF. As the financial performance of LDRLY, through which all of LEAF's operations occurs, is substantially (if not entirely) the financial performance of LEAF, discussion of LEAF's six month period ended June 30, 2020 will also take into consideration LDRLY's financial performance for the three month period ended March 31, 2020.

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

Though this MD&A focuses on a discussion and analysis on a combined basis, please note that, for IFRS purposes, LEAF's interim financial statements for the period ended June 30, 2020 includes the results of LEAF on a non-combined basis for the period from January 1, 2020 to April 17, 2020 consisting only of LEAF (then "Caprice Business Development Canada Inc."), and then on a combined basis (i.e. including LDRLY) for the period from April 17, 2020 to June 30, 2020, reflecting completion of the qualifying transaction.

We further refer the reader to Note 6 of the interim financial statements, as well as Schedule 1 to such statements, which provides an income statement of LDRLY for the 74 day period from April 17, 2020, along with comparative information for LDRLY with respect to the same 74 day period in 2019, and Schedule 2, which provides an income

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statement on a combined basis for the three and six month period ended June 30, 2020 along with comparative information from the same period in 2019.

CAUTION ON FORWARD-LOOKING STATEMENTS

This MD&A contains certain statements that may constitute "forward looking statements". Forward looking statements include, but are not limited to, statements regarding future anticipated business developments and the timing thereof, and business and financing plans. No assurance can be given that such expectations will prove to be correct. Forward looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or which by their nature refer to future events. Forward looking statements are not guarantees of future performance, and actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, LEAF's ability to uncertainty of future revenues; competition; regulation; potential intellectual property issues; reliance on third party distributors; dependence on key executives; dependence on advertising revenue; potential requirement for further funding; IT security risks; potential conflicts of interest with proposed directors and officers; potential share price volatility; need to attract and retain qualified personnel; and ability to implement business strategies.

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

COVID-19 UPDATE

The human costs of the COVID-19 pandemic have been extraordinary, straining global capabilities and forcing massive societal change. We at LEAF remain focused on monitoring and assessing the COVID-19 pandemic and global response, and prioritizing the interests of our employees and players. The impact of the COVID-19 pandemic on our operations began to materialize towards the end of the first quarter of 2020. Specifically, beginning in late March, as more individuals throughout the world sheltered-in-place, we began experiencing higher levels of player engagement in our games from current, lapsed and new players, as well as a decline in advertising prices across the industry. Additionally, in mid-March, our workforce transitioned to remote working as we closed our offices, without any material disruption to our day-to-day operations. Currently, our offices remain closed and our safety of our employees is of utmost importance.

While we believe that we have been able to observe certain trends, we may not be able to determine the quantifiable impact primarily attributable to the COVID-19 pandemic on our results of operations and financial performance as of and for the 6 months ended June 30, 2020 and for future periods. "Risk Factors" included in this Quarterly Report for further discussion of the possible impact of the COVID-19 pandemic on our business.

SUMMARY OF FINANCIAL PERFORMANCE HIGHLIGHTS

For the combined three- and six-month period ending June 30th, 2020 the company reported the following highlights:

- Total Revenue was \$9.6 million in Q2, increasing by \$4.4 million (+84%) compared to the previous quarter of \$5.2M.

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- First 6 months of 2020 (1H), total revenue was \$14.7 million, increasing by \$12.3 million (+517%) as compared to the results over same period last year of \$2.4M. This growth trend was dramatic across both key revenue streams of in-app purchase and advertising revenue.
- In-app purchases ("IAP") in Q2 2020 more than doubled vs. Q1 2020. IAP for Q2 was \$7.5M vs. Q1 of \$3.97M. This brought IAP First 6 months of 2020 (1H) revenue to \$11.5M, increasing by more than 470% when compared to same period last year of \$2.0M in 2019.
- Advertising Revenue ("Ad") also experienced substantial growth on both a quarter by quarter basis and year over year. Ad revenue was \$2.1M in Q2 2020 vs. \$1.2M in Q1 2020. For First 6 months of 2020 (1H), Ad revenue was \$3.3M, increasing by more than 763% when compared to same period last year of only \$0.4M.
- For game specific income from operations financial results, our newest game title, Cheech & Chong Bud Farm demonstrated strong revenue momentum of \$1.5M in its first 10 weeks post launch (April 20, 2020).
- Our growth game of Bud Farm Idle Tycoon had revenue of \$7.2M in Q2 2020 vs. \$4.5M in Q1 2020. This represents over 59% growth quarter over quarter.
- Legacy games, Bud Farm Grass Roots and Bud Farm 420 combined contributed \$0.9M in revenue for Q2 2020 exhibiting resilient player engagement, resulting in an increase of \$0.3M (+41%) over Q1 2020 results of \$0.6M.
- Combined net loss has seen improvement for the First 6 months of 2020 (1H) when compared to same period last year. We are experiencing a net loss of (\$104k) vs. a net loss of over (\$200k) for the First 6 months of 2019 (1H). In addition, this net income also includes significant one-time costs for going public as well as a new game launch. The public company listing expense and stock based compensation are considered non-cash items and if excluded, the company's earnings would increase to \$820k.
- Balance Sheet and Cash Flow perspective, we are seeing solid metrics. Specifically, cash flow from game operations is a healthy \$2.2M for Q2 YTD, increasing \$3.7M vs same period 2019 which delivers a strong Balance Sheet where cash and accounts receivable are able to meet short term obligations. Along with cash provided by financing, we have a significant cash balance of \$4.7M. This will serve us well in second half (2H) growth and strategic initiatives.

COMPANY BACKGROUND & DESCRIPTION OF BUSINESS

LEAF is a leading creator of counterculture mobile games, headquartered in Vancouver, with a premier development studio, LDRLY, based in Nanaimo, BC. The company develops, operates and publishes mobile games played on platforms Apple's iOS and Google's Android. All of our games are free to play, and we generate our revenue through the sale of in-app items ("In app revenue" or "IAP") and advertising revenue.

LEAF's culture is anchored in content, creativity, data insights and execution to create highly engaging games that produce enduring player enjoyment. Through its wholly owned operating subsidiary, LDRLY, LEAF has pioneered for over a decade counter-culture mobile games.

We operate our mobile games as free to play. We generate IAP revenue from in app purchases (the sale of in-game virtual items) and through in game advertising. Revenue growth will continue to depend on our ability to attract and retain players and effectively monetize our player base through the sale of in-game virtual items "IAP" and advertising. We intend to do this through the launch of new games, enhancements to current games and expansion into new markets and distribution platforms.

IAP. We provide our players with the opportunity to purchase virtual items that enhance their game-playing experience. We believe players choose to pay for virtual items for the same reasons they are willing to pay for other

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forms of entertainment: they enjoy the additional playing time or added convenience; the ability to personalize their own game environment; leveling up; and the opportunity for sharing creative expressions. We believe players are more likely to purchase virtual items when they are connected to and playing with their friends, whether those friends play for free or also purchase virtual items.

Advertising and Other. Advertising revenue primarily includes display advertisements, engagement advertisements, and offers and branded virtual items and sponsorships. Other revenue may consist of royalties received from the licensing of our brands with the recent outbound licensing agreement signed with Treimage.

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

In addition, we also incur licensing fees (\$4.5M in the six months ending June 30, 2020) related to the use of intellectual property within our games and our operating margins can be affected by the mix of player purchases from games in which we own the intellectual property as compared to games in which we license certain intellectual properties. For example, we use licensed intellectual property as creative assets in games such as *Cheech & Chong Bud Farm*, and for new games under development using licensed intellectual property for B-Real of Cypress Hill (the licensing agreement for which was entered into after June 30, 2020). While overall revenue within these games will benefit our revenue, a shift in the mix of our revenue towards such games using licensed intellectual property could decrease our operating margins.

Further, in cases such as *Bud Farm Idle Tycoon* in which we are the publisher, the developer operates the game and invoices us accordingly, plus receives royalties on income from game operations (\$4.2M in the six months ending June 30, 2020).

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

1. "New" -*Cheech & Chong Bud Farm* launched 4.20.20; (*Publisher & Developer*)
2. "Growth" -*Bud Farm Idle Tycoon*, launched Q2 2019; (*Publisher agreement with East Side Games*)
3. "Evergreen" – No games currently in this phase;
4. "Legacy" *Bud Farm Grass Roots*; and *Bud Farm 420*, launched in 2014 and 2018 respectively (*Publisher & Developer*).

Our title segmentation determines our investment and resource allocation parameters to optimize our game operations by monitoring the following segment parameters;

1) "New" games, which are titles that less than 12 months "live" since world-wide launch and generate less than \$1.0M per month in revenue on a rolling 6 month average basis. They are continually updated through live game operations ("live Ops") fine tuning, evolving content and features development, to grow DAU and MAU base through user acquisition marketing investment with aim to retain and monetize DAU through IAP and advertising revenue to advance the title to growth phase;

2) "Growth" games, are titles that are greater than 12 months "live" since world-wide launch and generate a minimum of \$2.0M per month in revenue on a rolling 6-month average basis. They have resource "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;

3) "Evergreen" games, which are similar to growth games in that they have surpassed 12 months "live" since world-wide launch, where revenue trends are stable or declining to less than \$2.0M per month in revenue on a rolling 6-month average basis with active "live Ops" and user acquisition investment. Our focus is primarily to continue sustainable revenue trends and improve profitability and ideally to return games to "growth" games status again; and

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4)"legacy" games, titles that are greater than 24 months "live" since world-wide launch and generate less than \$0.5M per month in revenue on a rolling 6 month average basis, have been assigned to a passive "live Ops" phase with minimal to no investment in terms of updates or enhancements prior to retiring or "sunset" of the game.

LEAF GROWTH STRATEGY

LEAF's vision is to become a worldwide leader in counterculture mobile games, by **efficiently creating** highly engaging games that produce enduring player **enjoyment and revenue**.

LEAF's business fundamentals remain strong and we continue to execute our growth strategy of:

- (1) "live Ops" excellence,
- (2) creating new growth franchises, and
- (3) investing in new IP, platforms, markets and technology that we believe will further grow.

We maintain a data driven approach to creating growth franchises, which includes a proprietary IP litmus test, rigorous testing in soft launch, active content iteration and targeted user acquisition with the goal of delivering long-term player engagement.

We also see opportunities to enhance each of these pillars through acquisitions to acquire talented teams and proven franchises to accelerate our growth.

Lastly, we believe that maintaining and growing our overall number of players (measured as "monthly active users" or "MAU"), including the number of players who may not purchase virtual items, is important to the success of our free to play casual game business. Knowing that the number of players who choose to purchase virtual items will continue to constitute a minority of our overall players, growing MAU will grow the number of potential users converting to paying users and increase our advertising revenue.

Though there is uncertainty around the full impact and duration of the COVID-19 pandemic, we believe in the continued long-term growth of mobile interactive entertainment as an industry.

Our business model around our games is designed so that, as more players play our games, more players convert to paying players and increase their monetisation interactions increase and the more valuable our games and our business become. All engaged players of our games help drive our game revenue and advertising revenue. Virtual "IAP" of items by players who are socializing with, competing against or collaborating with other players, most of whom do not buy virtual items. Accordingly, we primarily focus on the aforementioned monthly active user growth.

SIGNIFICANT EVENTS

Qualifying Transaction and Listing

On April 17, 2020, LEAF (formerly "Caprice Business Development Canada Inc.") completed its a qualifying transaction and changed its name to "Leaf Mobile Inc." Trading of LEAF's common shares commenced on the TSX Venture Exchange under the symbol "LEAF", effective at the opening on Tuesday, April 21, 2020.

As part of its qualifying transaction (the "Qualifying Transaction"), a wholly-owned subsidiary of LEAF was formed to amalgamate with 1182533 B.C. Ltd. Immediately prior to such amalgamation, 1182533 B.C. Ltd. completed an acquisition of LDRLY. Upon completion of such amalgamation, 1182533 B.C. Ltd. became a wholly-owned subsidiary of LEAF. As a result, LEAF is now the ultimate parent company of LDRLY.

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Private placement of \$3.5 million

Immediately prior to completion of its acquisition of LDRLY, 1182533 B.C. Ltd. completed a private placement of 21,856,250 shares at \$0.16 per share, for aggregate proceeds of \$3.5 million. Haywood Securities Inc. received a cash finder's fee of \$66,000, and 412,500 brokers warrants. The shares issued by 1182533 B.C. Ltd. were exchanged for LEAF common shares on a 1:1 basis under the Qualifying Transaction, and aforementioned broker warrants are exercisable into LEAF common shares.

Subsequent to such acquisition, private placement financing and pursuant to the Qualifying Transaction, LEAF issued an aggregate total of 207,806,250 common shares, of which 122,387,500 shares will be subject to escrow on a Tier 2 surplus security release timeline, and 43,000,000 shares will be subject to escrow on a Tier 2 value security release timeline. 1,000,000 LEAF shares were also issued with respect to a finder's fee payable to an arm's length party.

As a result of the Qualifying Transaction, Eastside Games and Durban Holdings Ltd. are each "control persons" of LEAF, by reason of each holding over 20% of the outstanding LEAF common shares.

Additional information regarding LEAF's Qualifying Transaction can be found in its information circular dated February 14, 2020 and its news release dated April 17, 2020.

Management & Board of Directors

On April 21st, 2020 Darcy Taylor was appointed as CEO and a director of LEAF. Additionally, Brian Wideen has been appointed as VP Finance. Mark Tommasi has resigned as a director, and he is thanked for his service. Mark Leung remains as CFO, and Mark Rutledge and Ian Macleod both remain as directors.

New Game Title Launch - Cheech & Chong Bud Farm

On April 20, 2020, LEAF, through its subsidiary LDRLY, launched "Cheech & Chong BUD FARM" with cultural icons Cheech Marin and Tommy Chong. The new title quickly landed on multiple "Best New" mobile games lists in April including toucharcade.com's official "Best New iPhone Games List" and Game Central's "BEST New Mobile Games List - iOS And Android – May 2020 Round-Up" and a top 10 trending downloads in the Google Play store.

Licensing Partnerships and Agreements

On June 5th, 2020, LEAF signed an in-bound and out-bound representation agreement with Treimage LLC, Branding Licensing Consultants to support celebrity and urban artist partnership growth. On July 23, 2020, a partnership agreement signed with B-Real of Cypress Hill on new mobile game development. The respective terms of the Treimage LLC agreement and B-Real agreement are subject to confidentiality and non-disclosure obligations. Successful products begin with great intellectual property ("IP") as a foundation and LEAF is very focused on building a very strong IP pipeline for our studio team to create mobile gaming experiences we believe in.

East Side Games

On October 31, 2020, LEAF entered into an agreement (amended effective November 26, 2020) with ESG and its securityholders, pursuant to which LEAF will acquire (the "Acquisition") all of the outstanding securities of ESG on a "cash free, debt free" basis, subject to the terms and conditions thereunder. Completion of the Acquisition is subject to, among other things, LEAF completing a concurrent equity financing for gross proceeds up to \$20 million (discussed further below), receiving disinterested shareholder approval, and receiving all necessary prior approvals of the TSX Venture Exchange, and the conditional approval of the TSX to list the LEAF common shares for trading. There can be no assurance or guarantee that the Acquisition will complete. In consideration, the ESG securityholders will receive a cash payment of \$10 million at closing of the Acquisition, subject to adjustments, and 444,444,444 common shares of LEAF issued at a deemed price of \$0.225 per share.

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

As ESG is a "control person" of LEAF by reason of holding more than 20% of LEAF's common shares, the Acquisition is considered to be a related party transaction.

Subscription Receipt Financing

As a result of the November 26, 2020 amendment to the Acquisition, LEAF will file a final short form prospectus (the "Prospectus") which will amend the terms of the offering outlined in LEAF's preliminary short form prospectus filed on November 10, 2020 to reflect the revised offering (the "Offering") of 88,888,888 subscription receipts (the "Subscription Receipts") at a price of \$0.225 per Subscription Receipt for gross proceeds of \$20 million. Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action, and subject to adjustment, upon the satisfaction of certain release conditions (including the satisfaction or waiver of all conditions precedent to LEAF's acquisition of ESG, described above), one common share of LEAF. Eight Capital has been retained as lead agent of LEAF with respect to the Offering. Agents of the Offering will receive a cash commission equal to 6% of the gross proceeds received under the Offering, and that number of compensation warrants that will entitle the holders thereof to acquire one LEAF common share for \$0.225 per share for a period of 24 months from issuance. Agents will also be granted an over-allotment option to acquire, for a period of 30 days from the completion of the Offering, up to an additional 15% of the total Subscription Receipts sold under the Offering at a price of \$0.225 per Subscription Receipt.

Proceeds of the Offering will be used primarily to fund the cash payment due under the Acquisition.

Future Developments

LDRLY 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.

"Project GreenThumb" is a game currently in development in partnership with BReal of the hip hop group Cypress Hill, announced by LEAF in July 2020. The game will be developed and published by LDRLY. It is anticipated to launch in 2021.

"Project Girl Game" is a game currently in development, which will be developed and published by LDRLY. It is anticipated to launch in 2021.

FINANCIAL RESULTS

Amounts below are excerpts of LEAF's condensed consolidated interim financial statements for the six months ended June 30, 2020.

As described above, the condensed consolidated interim financial statements reflect the operations of Caprice Business Development Canada Inc. (as LEAF was then named) for the period from January 1, 2020 to April 17, 2020, prior to the completion of LEAF's Qualifying Transaction, and of "Leaf Mobile Inc." (as LEAF is now named) for the period from April 17, 2020 (when LEAF completed its Qualifying Transaction) to June 30, 2020. It does NOT include the results of LDRLY for the January 1, 2020 to April 17, 2020 period, when LEAF formally completed its Qualifying Transaction (including the acquisition of LDRLY).

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LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Presented in Canadian dollars)
For the Three and Six Month Period Ended June 30, 2020

	<i>June 30</i> 2020 <i>(three month)</i>	<i>June 30</i> 2019 <i>(three month)</i>	<i>June 30</i> 2020 <i>(six month)</i>	<i>June 30</i> 2019 <i>(six month)</i>
REVENUE				
In-App	\$ 6,283,851	-	\$ 6,347,518	-
Advertising	1,797,273	\$ -	1,797,273	\$ -
	8,081,124	-	8,144,791	-
COST OF SALES	6,006,753	-	6,006,753	-
GROSS PROFIT	2,074,371	-	2,138,038	-
EXPENSES				
Administrative expenses	352,549	125	352,549	5,318
Amortization	349,016	-	354,741	-
Other operating expenses	335,746	126,893	426,862	231,664
Selling and distribution expenses	695,684	5,424	695,684	5,424
Listing expenses	790,941	-	790,941	-
	2,523,936	132,441	2,620,777	242,406
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (449,564)	\$ (132,441)	\$ (482,739)	\$ (242,406)

- Majority of amounts above are for the period April 17 to June 30, 2020 which, per above, is not representative of the full 6 months, because they do not include the gross profit of LDRLY for the January to April 17, 2020 period. See below for further discussion.
- Losses include:
 - One-time costs associated with completing the acquisition of LDRLY and the Qualifying Transaction (Other Operating Expenses), as well as marketing of the new venture (Selling & Distribution Expenses), both non-recurring costs;
 - Significant marketing and user acquisition costs associated with launching a new title
- From a balance sheet perspective, management considers there to be a healthy cash and current asset balance to meet current and future obligations (see the "Liquidity" section below).

DISCUSSION OF OPERATIONS

The financials shown below are per the combined results of LEAF (including for the period from January 1, 2020 to April 17, 2020 prior to the completion of its Qualifying Transaction, when it was known as "Caprice Business Development Canada Inc.") and LDRLY for the six month period ended June 30, 2020 (see note 6 and Schedules 1 & 2 in the Financial Statements).

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(Schedule 2)

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Combined Income Statement
(Unaudited - Presented in Canadian dollars)
For the Three and Six Month Period Ended June 30, 2020 and 2019

	<i>March 31</i> 2020 <i>(three month)</i>	<i>June 30</i> 2020 <i>(three month)</i>	<i>June 30</i> 2020 <i>(six month)</i>	<i>June 30</i> 2019 <i>(six month)</i>
REVENUE				
In-App	\$ 3,967,070	\$ 7,501,010	\$ 11,468,080	\$ 2,000,780
Advertising	1,211,257	2,114,898	3,326,155	385,229
	5,178,327	9,615,908	14,794,235	2,386,009
COST OF SALES	4,495,845	7,368,072	11,863,916	1,501,717
GROSS PROFIT	682,482	2,247,837	2,930,319	884,292
EXPENSES				
Administrative expenses	339,449	186,152	525,601	697,314
Amortization	20,401	338,287	358,688	4,171
Other operating expenses	110,340	537,011	647,351	338,638
Selling and distribution expenses	15,000	696,392	711,392	45,716
Listing expenses	-	790,941	790,941	-
	485,190	2,548,783	3,033,973	1,085,839
NET INCOME (LOSS) FOR THE PERIOD	\$ 197,292	\$ (300,947)	\$ (103,655)	\$ (201,547)

Combined Financial Results for Three and Six month period ending June 30, 2020 and 2019

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

Total Revenue was \$9.6 million in the three months ended June 30, 2020, increasing by \$4.4 million (+84%) compared to the previous quarter ended March 31, 2020 of \$5.2M. For the six month period ended June 30, 2020, total revenue was \$14.7 million, increasing by \$12.3 million (+517%) as compared to the same period of the prior year of \$2.4M. This growth trend was dramatic across both key revenue streams of IAP and advertising revenue.

"In-app purchase" or "IAP" revenue was \$7.5M in the three months ended June 30, 2020, an increase of \$3.5M (+87%) as compared to the same period of the previous quarter ended March 31, 2020 of \$4.0M, For the six month period ended June 30, 2020, IAP revenue was \$11.5 million, increasing by \$9.5 million (+470%) as compared to the same period of the prior year of \$2.0M.

Advertising Revenue or "Ad" revenue was \$2.1M in the three months ended June 30, 2020, increasing by \$0.9 million (+75%) compared to the previous quarter ended March 31, 2020 of \$1.2M. For the six month period ended June 30, 2020, Ad revenue was \$3.3 million, increasing by \$2.9 million (+763%) as compared to the same period of the prior year of \$0.4M.

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The increase in total revenue of \$4.4M referenced above was primarily attributable to significant increases in key audience operating metrics across the portfolio related to continued investment in user acquisition (“UA”), “live Ops” player engagement supporting growth games, the successful launch of new title *Cheech & Chong Bud Farm*, and beneficial operating environment dynamics associated with the COVID 19 shelter-in-place measures. Combined, these factors resulted in significant revenue gains from our growth and new game titles.

Bud Farm Idle Tycoon revenue for the three months ended June 30, 2020 increased by \$2.7M (+59%) to \$7.2M from \$4.5M over the previous period, and for the six month period ended June 30, 2020, game revenue was \$11.7M, doubling the \$5.9M annual revenue of *Bud Farm Idle Tycoon* in its launch year (launch date 4.20.19).

Cheech & Chong Bud Farm demonstrated strong revenue momentum of \$1.5M in its first 10 weeks post launch (April 20, 2020).

These strong revenues gain from our new and growth game titles were further supplemented by improved revenue delivery from our legacy game titles ***Bud Farm GrassRoots*** and ***Bud Farm 420***. Combined they contributed \$0.9M in revenue for the 3month period ending June 30, 2020, an increase of \$0.3M (+41%) over the ended March 31, 2020 of \$0.6M. These increases offset the 2019 combined revenue of \$0.2M from discontinued (“sunset”) titles ***Potfarm Legacy*** and ***Quest for Buds***.

Cash Flow from Game Operations, representing income from operating and developing the games themselves, for the six months ended June 30, 2020 was \$2.2M, increasing by \$1.9M compared to the previous period ended March 31, 2020 of \$0.3M. This was also an increase of \$3.7M compared to the same time prior year.

MILESTONES PROGRESS UPDATE

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

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

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

Event/Milestone	Status
Completion of Qualifying Transaction	Completed April 17, 2020.
Add two third party intellectual property-driven growth games to LDRLY's development pipelines.	In progress. See the "Subsequent Events - Future Developments" discussion above.
Launch one third party intellectual property-driven growth game.	Completed with the launch of <i>Cheech & Chong Bud Farm</i> in April 2020.
<i>Bud Farm Idle Tycoon</i> to reach key performance indicator of 40,000 daily active users (DAU)	Completed January 31, 2020.

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

LIQUIDITY & CAPITAL RESOURCES

As of June 30, 2020, LEAF had net working capital of \$4,635,426 (December 31, 2019: \$1,069,312; as at December 31, 2019, and for all of 2019, LEAF, then known as "Caprice Business Development Canada Inc." was a "capital pool company" (as such term is defined under TSX Venture Exchange policies) and did not have any active operations) including cash and cash equivalents of \$4,740,927 (December 31, 2019: \$32,598).

The chart below highlights LEAF's cash flows during the six month period ended June 30, 2020 and during the six month period ended June 30, 2019 (please note that the 2019 figures do not include cash flows of LDRLY, as LEAF had not yet completed its qualifying transaction, per above).

	<i>June 30</i> 2020 <i>(six month)</i>	<i>June 30</i> 2019 <i>(six month)</i>
CASH FLOW		
Used in operating activities	\$ (253,117)	\$ (242,406)
Used in investing activities	(15,207)	(1,250,000)
Provided by financing activities	4,976,652	1,507,850
Increase during the period	\$ 4,708,329	\$ 15,444
CASH - BEGINNING OF PERIOD	32,598	-
CASH - END OF PERIOD	\$ 4,740,927	\$ 15,444

The net cash outflows from operating activities was \$253,117 (June 30, 2019, \$242,406) driven primarily from the marketing expenditures for the new venture when compared to same time prior year, when LEAF did not have active operations and had not yet completed its qualifying transaction (including its acquisition of LDRLY).

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LEAF had cash available of \$4,740,927 for the period ended June 30, 2020 (June 30, 2019 was \$15,444). The increase in cash balance is mainly attributed to financing activity in relation to its Qualifying Transaction (see the description above of the private placement financing) and the dramatic growth in revenue following the completion of LEAF's Qualifying Transaction.

Cash used by investing activities through the period was \$15,207 (June 30, 2019: \$1,250,000) due to the purchase of furniture and computers, when compared to same time prior year, a deposit was made in relation to the acquisition of LDRLY.

Cash provided by financing activities for period ended June 30, 2020 increased to \$4,976,652 when compare to \$1,507,850 same time prior year. The increase in cash was primary due to common shares issued and cash obtained as a result of LEAF's Qualifying Transaction.

RELATED PARTY TRANSACTIONS

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

"In the six months ended June 30, 2020, Eastside Games received \$8.4 million From LDRLY, through a combination of the following:

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

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

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

FINANCIAL INSTRUMENT RISKS & EXPOSURES

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

Credit risk

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

Liquidity risk

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

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taking into account LEAF's holdings of cash.

As at June 30, 2020, LEAF had cash of \$4,740,927 and Trade Receivables of \$3,828,552 to settle the total current liabilities of \$4,918,775.

Currency risk

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

OFF-BALANCE SHEET ARRANGEMENTS

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

RISK FACTORS AFFECTING OUR PERFORMANCE

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

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

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

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

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

Player acquisition costs. We utilize advertising and other forms of player acquisition and retention to grow and retain our player audience. These expenditures generally relate to the promotion of new game launches and ongoing

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performance-based programs to drive new player acquisition and lapsed player reactivation. Over time, these acquisition and retention-related programs may become either less effective or costlier, negatively impacting our operating results. Additionally, the ability to drive traffic to our games through unpaid channels may become diminished, and the overall cost of marketing our games may increase.

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

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

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

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