Condensed Interim Consolidated Financial Statements of

POPREACH CORPORATION
(Unaudited)

For the three and nine months ended September 30, 2020 and 2019

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2020 and December 31, 2019 (unaudited - in US dollars, unless otherwise stated)

	September 30 2020	December 31 2019
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,914,969	$ 1,126,160
Trade and other receivables (note 4)	1,389,338	1,444,428
Taxes receivable	1,933	-
Investment tax credits receivable	349,923	587,715
Investment in lease receivable (note 12)	46,723	43,567
Prepaid assets	372,730	330,407
	4,075,616	3,532,277
Property and equipment (note 6)	146,530	131,820
Intangible assets (note 5)	5,706,611	7,651,485
Goodwill	6,084	6,084
Investment tax credits receivable	538,037	360,812
Deferred financing costs (note 14)	277,847	371,467
Right-of-use asset (note 11)	207,872	415,745
Investment in lease receivable (note 12)	108,258	147,746
Deferred tax asset	21,715	-
	11,088,570	12,617,436
Liabilities and Shareholders' Deficit		
Current Liabilities:		
Trade and other payables	1,289,517	2,074,058
Game acquisition payable (note 15)	-	370,029
Taxes payable	-	72,439
Deferred revenue	981,136	1,231,512
Derivative financial instruments (note 16)	1,710,949	205,590
Lease liabilities (note 11)	278,531	327,408
Borrowings (note 14)	-	7,874,626
Provisions (note 15)	100,000	1,671,846
	4,360,133	13,827,508
Non-current liabilities:		
Borrowings (note 14)	6,134,832	663,366
Employee benefit obligations (note 18)	552,059	538,217
Lease liabilities (note 11)	118,977	321,926
	11,166,001	15,351,017
Shareholders' deficit:		
Share capital (note 7)	8,911,196	3,141,880
Warrant reserve (note 8)	68,717	382,155
Share-based payment reserve (note 9)	865,012	694,309
Accumulated other comprehensive income (loss)	17,555	(30,404)
Deficit	(9,939,911)	(6,921,521)
	(77,431)	(2,733,581)
	11,088,570	12,617,436

See accompanying notes to condensed interim consolidated financial statements.

On behalf of the Board:

/s/ Chris Schnarr Director

/s/ Christopher Locke Director

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

	Three months ended		Nine months ended	
	2020	2019	2020	2019
Revenue (note 23):				
In-App purchases	$ 4,185,045	$ 3,970,133	$ 13,342,779	$ 12,401,389
Advertising and other	151,184	241,374	572,320	744,432
	4,336,229	4,211,507	13,915,099	13,145,821
Cost of sales (note 24)	1,818,198	2,404,375	6,478,572	7,561,224
Gross profit	2,518,031	1,807,132	7,436,527	5,584,597
Operating expenses:				
Research and development (note 24)	741,280	844,439	2,054,691	2,806,283
General and administrative (notes 24 and 25)	852,717	552,380	2,078,735	1,994,647
Interest and accretion expenses	207,941	358,368	939,065	883,384
Amortization	743,314	954,637	2,212,232	2,733,441
	2,545,252	2,709,824	7,284,723	8,417,755
Non-operating expenses:				
Fair value loss on financial liabilities (note 17)	514,027	54,410	2,154,081	61,045
Reverse takeover listing expense (note 26)	28,115	-	1,008,834	-
	542,142	54,410	3,162,915	61,045
Loss before income taxes	(569,363)	(957,102)	(3,011,111)	(2,894,203)
Deferred tax recovery	(37,846)	–	(37,846)	–
Current taxes (recovery)	(13,058)	44,561	45,125	146,707
Net loss	(518,459)	(1,001,663)	(3,018,390)	(3,040,910)
Other comprehensive income:				
Employee benefit obligations actuarial earnings, net of income tax (note 18)	33,228	34,103	47,959	10,252
Comprehensive loss	(485,231)	(967,560)	(2,970,431)	(3,030,658)
Basic and diluted loss per share	$ (0.01)	$ (0.03)	$ (0.07)	$ (0.08)
Weighted average number of shares outstanding	52,065,469	37,041,292	43,445,111	37,041,292

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Qualifying Transaction (note 26) of 7.62 resulting issuer shares for every 1 share of PopReach Incorporated

See accompanying notes to condensed interim consolidated financial statements.

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficit

For the nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

	Number of shares	Share capital (note 7)	Share-based payment reserve (note 9)	Warrant reserve (note 8)	Accumulated other comprehensive income (loss)	Deficit	Total
January 1, 2020	38,930,665	$ 3,141,880	$ 694,309	$ 382,155	$ (30,404)	$ (6,921,521)	$ (2,733,581)
Share-based compensation	–	–	130,779	–	–	–	130,779
Warrants issued during the period	–	–	–	12,684	–	–	12,684
Conversion of convertible debentures (note 16)	7,744,273	3,342,625	–	–	–	–	3,342,625
Exercise of warrants	1,558,999	360,440	–	(360,425)	–	–	15
Exercise of share-based payments	250,031	85,036	(35,991)	–	–	–	49,045
Comprehensive income (loss)	–	–	–	–	47,959	(3,018,390)	(2,970,431)
Reverse takeover (note 26)	3,750,000	1,981,215	75,915	34,303	–	–	2,091,433
September 30, 2020	52,233,968	8,911,196	865,012	68,717	17,555	(9,939,911)	(77,431)

	Number of shares	Share capital (note 7)	Share-based payment reserve (note 9)	Warrant reserve (note 8)	Accumulated other comprehensive loss	Deficit	Total
January 1, 2019	37,041,292	$ 2,707,411	$ 493,125	$ 626,754	$ (43,854)	$ (2,485,736)	$ 1,297,700
Share-based compensation	–	–	116,503	–	–	–	116,503
Warrants issued during the period	–	(11,316)	–	11,316	–	–	–
Comprehensive income (loss)	–	–	–	–	10,252	(3,040,910)	(3,030,658)
September 30, 2019	37,041,292	2,696,095	609,628	638,070	(33,602)	(5,526,646)	(1,616,455)

Outstanding number of shares has been retroactively adjusted to reflect a share exchange in connection with the Qualifying Transaction (note 26) of 7.62 resulting issuer shares for every 1 share of PopReach Incorporated.

See accompanying notes to condensed interim consolidated financial statements.

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

For the nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

	Nine months ended 2020	2019
Cash flows from (used in) operating activities:		
Net loss	$ (3,018,390)	$ (3,040,910)
Items not affecting cash:		
Loss (gain) on disposal of fixed assets	6,750	(62,285)
Deferred tax recovery	(37,846)	–
Amortization	2,212,232	2,733,441
Amortization on deferred financing fees	93,620	94,222
Fair value loss (note 17)	2,154,081	61,045
Share-based compensation expense (note 9)	130,779	116,503
Finance income on investment in lease receivable	(17,102)	–
Unrealized foreign exchange gains	(79,681)	(25,337)
Accretion expense	269,812	222,190
Employee benefit obligations expensed (note 24)	100,527	174,292
Reverse Takeover listing expense (note 26)	681,438	–
Changes in working capital (note 19)	(1,014,923)	(2,292,389)
Employee benefit obligations paid	–	(59,070)
Interest expense paid in financing activities	516,229	424,605
Cash generated from (used in) operating activities	1,997,526	(1,653,693)
Cash flows used in investing activities:		
Additions to property and equipment	(80,992)	(34,688)
Payments for game acquisitions (note 15)	(824,361)	(2,097,752)
Proceeds from lessee	47,472	–
Changes in restricted cash	–	256,561
Payments for intangible asset acquisition (note 15)	–	(54,815)
Cash used in investing activities	(857,881)	(1,930,694)
Cash flows from (used in) financing activities:		
Proceeds from borrowings	–	4,622,607
Repayments of borrowings	(1,739,794)	(784,950)
Payments of interest on borrowings	(516,229)	(424,605)
Payments for lease liabilities	(291,647)	(156,249)
Payments for provisions	(1,219,957)	–
Cash proceeds received on Reverse Takeover (note 26)	1,484,114	–
Cash proceeds from exercise of warrants (note 8)	15	–
Cash proceeds from convertible debentures (note 16)	1,864,735	460,096
Cash proceeds from exercise of share options	49,045	–
Cash generated from (used in) financing activities	(369,718)	3,716,899
Net cash inflow	769,927	132,512
Cash and cash equivalents, beginning of the period	1,126,160	196,924
Effects of foreign currency exchange rate on cash	18,882	4,385
Cash and cash equivalents, end of the period	1,914,969	333,821
Income taxes paid	119,497	92,378

See accompanying notes to the condensed interim consolidated financial statements.

1. Nature of operations

PopReach Corporation (formerly Mithrandir Capital Corp.), was incorporated September 25, 2018 pursuant to the provisions of the *Business Corporations Act* (Ontario).

The Company was carrying on business as a Capital Pool Corporation ("**CPC**"), as such term is defined in TSX Venture Exchange Inc. (the "**Exchange**") Policy 2.4 – Capital Pool Companies. The Company's principal purpose was the identification and evaluation of assets, properties or businesses with a view to acquisition or participation (the "**Qualifying Transaction**") therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. The Company completed its initial public offering on October 11, 2019. Upon completion, the Company's shares were listed for trading on the Exchange under the symbol "GMER.P".

On June 30, 2020, the Company incorporated a wholly owned subsidiary under the *Business Corporations Act* (Ontario), 2759344 Ontario Inc. ("**Subco**"), for the sole purpose of completing the proposed Qualifying Transaction.

The Qualifying Transaction was completed on June 30, 2020 by way of a three-corned amalgamation, pursuant to which Subco amalgamated with PopReach Incorporated ("**PopReach**") and the Company, which now holds the assets of PopReach Incorporated as a wholly-owned subsidiary, changed its name to PopReach Corporation. Immediately prior to the close of the Qualifying Transaction, the Company consolidated its common shares on an 8 to 1 basis (the "**Share Consolidation**"). The Consolidation has been applied retrospectively in the Interim Financial Statements , including a share exchange in connection with the Qualifying transaction of 7.62 post-Consolidation shares of the Company for every one share of PopReach, and as a result, the common share (the "Common Shares"), broker warrants and option amounts of the Company presented herein are stated in an adjusted post-Share Consolidation basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on Tier 1 of the TSX Venture Exchange (Note 26 of the Interim Financial Statements) under the symbol "POPR".

The Company is a free-to-play mobile game publisher focused on acquiring and optimizing proven game franchises. With 12 franchises, the Company drives growth through a combination of investment in existing franchises and new acquisitions. The head office of the Company is located at 1 University Avenue, 3rd Floor, Toronto, ON, M5J 2P1.

The Company has a wholly owned subsidiary, PopReach, incorporated under the laws of the Province of Ontario, and PopReach's accounts are consolidated into the Company's Interim Financial Statements and Annual Financial Statements. PopReach employs 14 employees on a full time basis between office in Toronto, Ontario and Vancouver, British Columbia. In addition, PopReach operates a wholly owned subsidiary, PopReach Technologies Private Limited ("**PR Tech**"), in Bangalore, India. PR Tech is incorporated pursuant to the laws of India, and its accounts are also consolidated into the Company's Interim Financial Statements and Annual Financial Statements. PR Tech is a management company in charge of managing and operating the Company's developed technology, and employs 107 employees on a full-time basis.

2. Significant accounting policies

Statement of compliance

The interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). These statements are condensed and prepared in accordance with IAS 34 – "Interim Financial Reporting" and should be read in conjunction with the annual audited financial statements. There have been no changes to the significant accounting policies since the annual audited financial statements for the years ended December 31, 2019 and December 31, 2018.

These interim consolidated financial statements were authorized for issue by the Company's Board of Directors on November 28, 2020.

3. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the following:

Identification of CGUs
The Company has allocated its tangible assets, intangible assets and goodwill to the smallest identifiable group of assets that generate cash inflows and that are largely independent of the cash inflows from other assets. The determination of CGUs for the purpose of annual impairment testing requires judgment.

Impairment of goodwill and long-lived assets
Goodwill is tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of property and equipment and intangible assets is reviewed each reporting period to determine whether indicators of impairment exist. The recoverable amounts attributed to CGUs reflect the higher of fair value less costs to sell (FVLCS) or value in use. The Company's determination of a CGU's recoverable amount, which could include an estimate of FVLCS, uses market information to estimate the amount the Company could obtain from disposing of the asset in an arm's length transaction, less the estimated cost of disposal. The Company estimates value in use by discounted estimated future cash flows for the CGU or asset to its present value using a pre-tax discount rate reflecting a current market assessment of the time value of money and certain risks specific to the CGU or asset. Estimated cash flows are based on management's assumptions and business plans which are supported by internal strategies, plans and external information. The estimate of the recoverable amount for an asset or CGU requires significant estimates such as future cash flows, growth rates, and terminal and discount rates. The Company has concluded that goodwill is tested at the interim consolidated level, since that represents the smallest identifiable group of assets that can generate cash inflows.

Business combinations and asset acquisitions
The Company uses the acquisition method to account for business combinations. This requires an entity to measure each identifiable asset and liability at fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The purchase price allocation involves judgment with respect to the identification of intangible assets acquired and estimates of fair of fair value for assets acquired and liabilities assumed, including pre-acquisition contingencies and contingent consideration. Changes in any of the assumptions or estimates used to identify intangible assets acquired, determine the fair value of acquired assets and liabilities assumed, including pre-acquisition contingencies or contingent consideration, could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation.

The Company makes estimates, assumptions, and judgments when valuing goodwill and other intangible assets in connection with the initial purchase price allocation of an acquired entity, in addition to evaluating the recoverability of goodwill and other intangible assets on an ongoing basis. These estimates are based on a number of factors, including historical experience, market conditions, and information obtained from the management of acquired portfolios of games. Critical estimates in valuing certain intangible assets include, but are not limited to, historical and projected attrition rates, discount rates, anticipated revenue growth/decline from acquired customers, acquired technology, and the expected use of the acquired assets. These factors are also considered in determining the useful life of acquired intangible assets. The amounts and useful lives assigned to identified intangible assets also impacts the amount and timing of future amortization expense. Unanticipated events and circumstances may affect the accuracy or validity of such assumptions, estimates or actual results.

The Company considers certain acquisition of games to be asset acquisitions, on the assumption that there are no identifiable businesses acquired in the transaction. There is judgment involved in the determination of whether the acquisition involves assets or entire businesses.

Amortization of property and equipment and intangible assets
Judgment is applied to determine an asset's useful life, and where applicable, estimated residual value, used in the computation of amortization. Accordingly, an asset's actual useful life and estimated residual value may differ significantly from these estimates.

Fair value of derivative financial instruments
The Company uses a Monte Carlo simulation to estimate the fair value of derivative financial instruments, which consists of a conversion feature to convert the instrument into one Common Share and one warrant. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, the risk-free interest rate (based on government bonds) and probabilities of certain events occurring. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of derivative liabilities. The fair value reported may not represent the transaction value if these instruments were exchanged at any point in time.

Share-based payments and warrant reserves
The Company uses the Black-Scholes option pricing model to estimate the fair value of shared-based compensation and warrant reserves which require the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable peer group), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrant liabilities. The fair value reported may not represent the transaction value if these options/warrants were exercised/exchanged at any point in time.

Provisions
Due to the nature of these provisions related to contingent consideration payable for the acquisition of certain games or businesses, there is a degree of uncertainty inherent in their measurement. Inputs used to arrive at the fair value of these provisions, such as discount rates and future revenues, are subject to estimate and changes in these inputs can materially impact the estimated fair value of the contingent consideration.

Deferred revenue and revenue
The Company uses judgment and estimates to determine the amount of revenue to defer for each reporting period. The Company expects that in future periods, there will be changes in estimates of the average playing period of payers and/or changes in the ability to make such estimates. In particular, if the estimated average playing period of payers increases on average, the amount of revenue recognized in a current or future period may be reduced, perhaps materially. Conversely, if the estimated average playing period of payers decreases on average, the amount of revenue that is recognized in a future or future period may be accelerated, perhaps materially.

Leases and investment in lease receivable

The Company uses judgment to determine whether the expected period would be the contract term or a longer period such as the estimated life of the relationship, where renewal periods would be considered. The Company also uses judgment in estimating the incremental borrowing rate based on borrowing rates of similar companies. Changes in these inputs can materially impact the estimated fair value of the lease liability and the investment in lease receivable.

Employee benefit obligations

The Company uses judgment to determine the fair value of employee benefit obligations at the end of each reporting period, including regulatory requirements, an evaluation of relevant discount rates, expected long-term returns on plan liabilities, mortality, expected changes in wages and retirement benefits, analysis of current market conditions, and input from actuaries and other consultants. Changes in these inputs can materially impact the estimated fair value of the employee benefit obligations.

Deferred taxes

Significant estimates are required in determining the Company's income tax provision. Some estimates are based on interpretations of existing laws or regulations. Various internal and external factors may have favourable or unfavourable effects on the Company's future effective tax rate. These include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, results of tax audits by tax authorities, changes in estimates of prior years' items and changes in overall levels of pre-tax earnings.

Going concern

Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the three and nine months ended September 30, 2020 and 2019. Management prepares the interim consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

Expected Credit Losses

The Company employs judgment and estimates include the determination of expected credit loss as described in Note 4.

Seasonality of interim operations

The operations of the Company are seasonal, and the results of operations for any interim period are not necessarily indicative of operations for the full fiscal year or any future period. Due to the COVID-19 pandemic, changes in player activity, quarter over quarter, may not be indicative of the financial and operating results in future periods. Given the level of continued volatility and uncertainty around the COVID-19 pandemic, there is the potential for a wider range of outcomes – both positive and negative – as it relates to our ultimate business results.

COVID-19 pandemic

Following the outbreak of the COVID-19 pandemic, the Company has modified its business practices to help minimize the risk of the virus to employees, business partners, and the communities in which the Company participates, which could negatively impact the business of the Company. To date, the COVID-19 crisis has not materially impacted the Company's operations, financial condition, cash flows and financial performance. In response to the outbreak, the Company has instituted operational and monitoring protocols to ensure the health and safety of its employees and stakeholders, which follow the advice of local governments and health authorities where it operates. The Company has adopted a work from home policy where possible. The Company continues to operate effectively whilst working remotely. The Company will continue to monitor developments of the COVID-19 pandemic and continuously assess the COVID-19 pandemic's potential further impact on the Company's operations and business.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

4. Trade and other receivables

		September 30 2020		December 31 2019
Trade receivables	$	1,346,238	$	1,381,898
Less expected credit losses		–		–
Trade receivables, net		1,346,238		1,381,898
Other receivables		33,518		46,302
Government remittances receivables		9,582		16,228
		1,389,338		1,444,428

Classification as trade receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The Company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The maximum credit risk exposure associated with trade and other receivables is the carrying value of $1,389,338 (December 31, 2019 - $1,444,428).

As at September 30, 2020 and December 31, 2019, the Company concludes there to be nil credit losses. Historically, there have been no bad debts, and the majority of trade receivables are related to the platform partners that remit within 30 to 60 days.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

5. Goodwill and intangible assets

Intangible assets

Intangible assets include costs to acquire certain portfolios of games. The movements of the Company's intangibles are summarized as follows:

	Technology Based	Brand/ License Based	Total Value
Cost			
Balance at December 31, 2019	$ 9,083,124	$ 3,069,902	$ 12,153,026
Additions	–	–	–
Balance at September 30, 2020	9,083,124	3,069,902	12,153,026
Accumulated amortization and impairment			
Balance at December 31, 2019	3,733,665	767,876	4,501,541
Amortization	1,420,473	524,401	1,944,874
Balance at September 30, 2020	5,154,138	1,292,277	6,446,415
Carrying amounts			
Balance at December 31, 2019	5,349,459	2,302,026	7,651,485
Balance at September 30, 2020	3,928,986	1,777,625	5,706,611

For the three and nine-month periods ended September 30, 2020 and 2019, there were no indicators of impairment noted for goodwill and intangible assets.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

6. Property and equipment

The following represents property and equipment by class:

	Computer Equipment	Furniture and Fixtures	Computer Software	Leasehold Improvements	Total Value
Cost					
Balance at December 31, 2019	$ 118,741	$ 71,160	$ 10,205	$ 24,290	$ 224,396
Additions	78,792	2,200	–	–	80,992
Disposals	(20,405)	(1,994)	–	(4,969)	(27,368)
Balance at September 30, 2020	177,128	71,366	10,205	19,321	278,020
Accumulated amortization and impairment					
Balance at December 31, 2019	$ 43,950	$ 37,476	$ 4,558	$ 6,592	$ 92,576
Amortization	45,140	16,398	1,718	3,026	66,282
Disposals	(20,405)	(1,994)	–	(4,969)	(27,368)
Balance at September 30, 2020	68,685	51,880	6,276	4,649	131,490
Carrying amounts					
Balance at December 31, 2019	74,791	33,684	5,647	17,698	131,820
Balance at September 30, 2020	108,443	19,486	3,929	14,672	146,530

The property and equipment broken down by geographic location is as follows:

	September 30 2020	December 31 2019
Canada	$ 95,592	$ 75,939
India	50,938	55,881
Total property and equipment	146,530	131,820

For the three and nine-month periods ended September 30, 2020 and 2019, there were no indicators of impairment noted for property and equipment.

7. Share capital

Authorized and issued
The Company's authorized share capital consists of an unlimited number of Common Shares with no par value.

	Number of Shares	Total Value
Balance at December 31, 2019	38,930,665	$ 3,141,880
Exercise of warrants	1,558,999	360,440
Exercise of share-based payments	250,031	85,036
Conversion of convertible debt (note 16)	7,744,273	3,342,625
Shares issued on reverse takeover (note 26)	3,750,000	1,981,215
Balance at September 30, 2020	52,233,968	8,911,196

In the three and nine-months ended September 30, 2020 and 2019, the Company incurred a net loss, with anti-dilutive securities including broker warrants as described in Note 8 and share-based payments in Note 9.

8. Warrant reserve

During the nine-months ended September 30, 2020, the Company issued 36,454 broker warrants as consideration for services provided in connection with the issuance of convertible debt as disclosed in Note 16, which are exercisable into 36,454 Common Shares for a period of 24 months following the closing of the convertible debentures.

The Company also paid $14,775 in cash and issued non-transferable share purchase warrants to acquire up to 35,356 Common Shares to certain entities in reference to finder's fee agreements associated with the convertible debt issuance described in Note 16. Each warrant will be exercisable to purchase one additional Common Share at a price of C$0.576 per share, and expires on June 2, 2022.

The value of the broker warrants issued during 2020 was calculated using the Black-Scholes option pricing model and the assumptions at grant dates were as follows:

Grant dates – for the nine months ended September 30, 2020
Risk-free interest rate: 0.32-1.15%
Expected volatility: 39.50-42.88%
Expected life: 2.00 years
Expected dividends: $nil
Exercise price (expressed in Canadian $): 0.576
Share price (expressed in Canadian $): 0.720
Fair value, per warrant (expressed in Canadian $): 0.232-0.244

More information on the assumptions used in valuing the warrants issued on conversion of the convertible debentures can be found in Note 16.

The Company observed similar public companies in order to estimate volatility over the estimated life of the warrants. Changes in these variables can materially impact the estimated fair value of the warrants.

77,152 warrants expired during the nine months ended September 30, 2020 (2019 – nil).

On June 9, 2020, the Company's creditor exercised all of its broker warrants associated with the financing of the acquisition of the RockYou portfolio of games discussed in Note 14.

Below is a summary of the outstanding warrants and their respective financial statement classification.

	Number of Warrants		Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)		Total Value (equity)
Balance at December 31, 2019	1,636,151	$	0.008	0.01-4.00	$	382,155
Broker warrants issued	99,584		0.58	0.32-1.67		12,684
Warrants expired during the period	(77,152)		0.16	–		–
Warrants exercised during the period	(1,558,999)		0.00001	–		(360,425)
Warrants issued on reverse takeover (note 26)	250,000		0.80	1.03		34,303
Balance at September 30, 2020	349,584		0.74	1.08		68,717

	Number of Warrants		Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)		Total Value (liability)
Balance at December 31, 2019	–	$	–	–	$	–
Conversion of convertible debentures (note 16)	7,744,273		0.49-0.86	1.75		1,710,949
Balance at September 30, 2020	7,744,273		0.71	1.75		1,710,949

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

The total number of warrants issued are as follows:

	Number of warrants
Warrants – equity	349,584
Warrants – liability (note 16)	7,744,273
Balance at September 30, 2020	8,093,857

9. Share-based payments

Description of the share-based payment arrangements with employees

The Company has a share option plan with the objective of attracting, retaining and motivating key employees, officers and directors in long-term success of the Company. In accordance with this plan, options are exercisable at the exercise price of each option, as determined on the grant date. Each share option expires on the date that is the earlier of 5 years from the date of grant or such earlier date as may be set out in the participant's award agreement.

In April 2020, the Company awarded key employees 457,200 share options. 25% of the options granted to each employee vest after 12 months, and 6.25% vest each quarter thereafter. All options expire on the 5th anniversary from the date of grant.

In July and August 2020, the Company awarded key employees 275,000 share options. 25% of the options granted to each employee vest after 12 months, and 6.25% vest each quarter thereafter. All options expire on the 5th anniversary from the date of grant.

In August 2020, the Company awarded independent directors 650,000 share options, all vesting on the first anniversary of the grant. All options expire on the 5th anniversary from the date of the grant.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

The following is a summary of the share options for nine months ended September 30, 2020 and 2019:

		Nine months ended September 30 2020
	Average exercise price per share option	Number of options
As at January 1	C$0.22	5,351,114
Granted during the period	C$0.72-$1.00	1,382,200
Share options issued on reverse takeover (note 26)	C$0.80	375,000
Share options forfeited	C$0.32	(92,869)
Share options exercised	C$0.16-$0.31	(250,031)
As at September 30	C$0.38	6,765,414
Vested and exercisable at September 30	C$0.28	3,433,455

		Nine months ended September 30 2019
	Average exercise price per share option	Number of options
As at January 1	C$0.19	4,093,814
Granted during the period	C$0.31	1,462,369
Forfeited during the period	C$0.28	(190,500)
As at September 30	C$0.22	5,365,683
Vested and exercisable at September 30	C$0.18	2,143,348

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

No options expired during the periods covered by the above tables. Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options September 30 2020
Jan 2017 – Oct 2017	Jan 2022 – Oct 2022	C$0.16	3,369,914
Jan 2018	Jan 2023	C$0.31	190,500
Jan 2019 – Oct 2019	Jan 2024 – Oct 2024	C$0.31	1,447,800
Apr 2020	Apr 2025	C$0.72	457,200
From Qualifying Transaction	Oct 2024	C$0.80	375,000
Jul 2020 – Aug 2020	Jul 2025 – Aug 2025	C$0.85 – C$1.00	925,000
Total			6,765,414
Weighted average remaining contractual life of options outstanding at end of period (in years)			2.33

Grant date	Expiry date	Exercise price	Share options September 30 2019
Jan 2017 – Oct 2017	Jan 2022 – Oct 2022	C$0.16	3,465,164
Jan 2018	Jan 2023	C$0.31	438,150
Jan 2019 – Sep 2019	Jan 2024 – Sep 2024	C$0.31	1,462,369
Total			5,365,683
Weighted average remaining contractual life of options outstanding at end of period (in years)			3.36

During the three and nine months ended September 30, 2020, the Company incurred share-based payment expenses to employees and directors of the Company in the amount of $59,692 and $130,779 (three and nine months ended September 30, 2019 - $27,211 and $116,503) in relation to its share option programs. These costs are included in general and administrative expenses in the condensed interim consolidated statements of loss and comprehensive loss.

Inputs for measurement of grant date fair values

The grant date fair value of stock options was estimated using the Black-Scholes option pricing model and the assumptions at grant dates were as follows:

Grant dates – for the nine months ended September 30, 2020

Risk-free interest rate: 0.26-0.53%

Expected volatility: 37.66-38.84%

Expected life: 5.00 years
Expected dividends: $nil
Exercise price (expressed in Canadian $): 0.72-1.00
Share price (expressed in Canadian $): 0.72-1.01
Fair value, per option (expressed in Canadian $): 0.24-0.34

Grant dates – for the nine months ended September 30, 2019
Risk-free interest rate: 1.56-1.88%
Expected volatility: 38.27-40.62%
Expected life: 5.00 years
Expected dividends: $nil
Exercise price (expressed in Canadian $): 0.31
Share price (expressed in Canadian $): 0.31
Fair value, per option (expressed in Canadian $): 0.12

The Company observed similar public companies in order to estimate volatility over the estimated life of the option. Changes in these variables can materially impact the estimated fair value of share-based compensation and consequently, the related amount recognized to general and administrative expenses in the Interim consolidated statements of loss and comprehensive loss.

10. Commitments

The Company and its subsidiaries are subject to routine legal proceedings and tax audits. The Company does not believe that the outcome of any of these matters, individually or in aggregate, would have a material adverse effect on its interim consolidated losses, cash flow or financial position.

11. Leases

Short Term Leases
The Company and its subsidiaries are parties to various rent and software license costs. For leases in which the lease has a term less than 12 months on the commencement date, all commitments are on a month-to-month basis and can be cancelled at any time within a 30 to 60 day notice period.

In December 2019, the Company signed a short-term lease for an office space in Toronto, Ontario, with the intention to utilize the office space for less than 12 months. This lease was renewed In August 2020 for an additional period of less than 12 months. In September 2020, the Company signed a short-term lease for an office space in Vancouver, British Columbia, with the intention to utilize the office space for less than 12 months. The amount of rent expensed during the three and nine months ended September 30, 2020 was $12,420 and $59,910 (2019 – nil) and was recorded as a general and administrative expense in the statement of loss and comprehensive loss.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

The following is a summary of the right-of-use asset and lease liabilities as reported on the statement of financial position:

	September 30 2020	December 31 2019
Right-of-use assets		
Buildings – Cost	$ 554,327	$ 554,327
Buildings – Accumulated Amortization	(346,455)	(138,582)
	207,872	415,745
Lease liabilities		
Current	278,531	327,408
Non-current	118,977	321,926
	397,508	649,334

During the three and nine months ended September 30, 2020, the Company recognized $69,291 and $207,873 of depreciation expense related to right-of-use assets (three and nine months ended September 30, 2019 - $84,451 and $131,524) and $16,358 and $60,114 of interest expense related to lease liabilities (three and nine months ended September 30, 2019 - $34,966 and $73,831).

Below is a summary of the maturity of the lease liabilities as at September 30, 2020:

Year	Payments	Interest	Total
2020	$ 130,491	$ 22,326	$ 108,165
2021	206,494	22,515	183,979
2022	68,535	9,482	59,053
2023	48,188	1,877	46,311
	453,708	56,200	397,508

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 16%.

Right-of-use assets are amortized over the expected lease term of 2-9.5 years.

12. Investment in lease receivable

On December 1, 2019, the Company entered into a sublease agreement for its previous Toronto office with a lessee, expiring on August 1, 2023.

The following is a summary of lease receivable as recorded in the statement of financial position:

		September 30 2020		December 31 2019
Current	$	46,723	$	43,567
Non-current		108,258		147,746
		154,981		191,313

Below is a summary of the maturity of the investment in lease receivable as at September 30, 2020:

Year		Payments		Finance income		Total
2020	$	21,361	$	10,239	$	11,122
2021		64,084		19,620		44,464
2022		64,084		13,508		50,576
2023		50,819		2,000		48,819
		200,348		45,367		154,981

The incremental borrowing rate for the investment in lease receivable was estimated to be 13%.

13. Financial risks

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars and Indian rupees (INR). The Company does not currently enter into forward contracts to mitigate this risk. There have been no significant changes in the risk exposure from fiscal 2019.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through ongoing review of accounts receivable balances; following up on amounts past due; and management of cash including the ability to raise additional debt and equity capital as and when required.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

The Company takes advantage of government assistance programs which promote interactive digital media development in the Canadian economy as investment tax credits available from qualifying research and development expenditures.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business. The following tables outline the Company's remaining contractual maturities for its non-derivative financial liabilities, at their undiscounted value, based on the earliest date the Company is required to make payment on these amounts:

								September 30, 2020
					Payments due			
		Total		Less than 1 year		1-3 years		After 3 years
Trade payables and accrued liabilities	$	1,289,517	$	1,289,517	$	–	$	–
Provisions		100,000		100,000		–		–
Borrowings – principal		6,134,832		1,700,000		3,400,000		1,034,832
Borrowings – interest		1,074,337		475,635		322,635		276,067

The remaining contractual maturities for the Company's leases are disclosed in Note 11 above.

Credit risk

Credit risk is that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from cash and trade and other receivables as amounts are owing primarily from three customers. As at September 30, 2020 and December 31, 2019, the trade and other receivables were within normal repayment terms and the Company had recorded no expected credit losses.

Interest rate risk

The Company's bank loan has a variable interest rate based on the LIBOR plus 7.00%. As a result, the Company is exposed to interest rate risk due to fluctuations in the prime rate – however LIBOR has a floor of 2%. Interest expense has been recorded in the statement of loss and comprehensive loss.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

14. Borrowings

Bank credit facility

To fund the RockYou acquisition, on December 23, 2018, the Company entered into a senior secured credit agreement of $10,000,000 with a maturity date of December 23, 2022, where the Company has agreed to secure all of its obligations by granting the lender a first priority security interest on all of its assets. The credit facility is available on a delayed draw loan basis used to fund milestone payments of the RockYou acquisition. The interest rate charged on the credit facility is equal to the LIBOR plus 7.00% per annum, where LIBOR floor is 2.00%. The amount drawn under the credit facility as at September 30, 2020 is $6,134,832 (December 31, 2019 - $7,874,626). In the event of default, the Company is obligated to pay an additional 2.00% per annum for the period in which the Company has defaulted.

Certain deferred financing fees were incurred with the facility, in addition to broker warrants, and are amortized over the life of the debt facility. As at September 30, 2020, the net carrying value of the deferred financing fees is $277,847 (December 31, 2019 - $371,467). The amortization of deferred financing fees is recorded as interest and accretion expenses in the Interim consolidated statements of loss and comprehensive loss.

During 2019, the Company did not meet certain financial covenants in the credit agreement and was in default. A signed waiver was obtained from the creditor on February 3, 2020, with revised financial covenants, a revised repayment schedule requiring quarterly principal payments of $425,000, and waiving the right for the creditor to call the facility as a result of the covenant violation. The waiver also required that the Company issue equity interests or debentures in an amount not less than $3,000,000 on or before June 30, 2020, which includes the amounts raised in the reverse takeover transaction as described in Note 26. The Company also made a mandatory prepayment of $500,000 in July 2020 as a condition of completion of the Qualifying Transaction (note 26).

The Company is in full compliance with the revised financial covenants at September 30, 2020, and subsequent to quarter-end on October 2, 2020, PopReach retired the credit facility by paying down the entire outstanding principal of $6,134,832 in conjunction with refinancing under a new bank credit facility as discussed in Note 27. In addition, as of September 30, 2020, the entire provision for the acquisition of the RockYou portfolio of games has been paid (note 15).

Below is a summary of the borrowings owing by the Company:

		September 30 2020		December 31 2019
Bank credit facility	$	6,134,832	$	7,874,626
Convertible debentures (note 16)		–		663,366
Total borrowings		6,134,832		8,537,992
Current		–		7,874,626
Non-current		6,134,832		663,366
Total borrowings		6,134,832		8,537,992

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

15. Provisions and game acquisition payable

Provisions are related to the present value of contingent consideration payable to entities for the purchase of certain portfolios of games or businesses. As there is judgment involved in estimating the discount rate of the contingent consideration and the future cash flows of which the consideration is calculated, it is separated out from the fixed portion of consideration classified as “Game acquisition payable” in the statements of financial position.

Game acquisition payable – Smurfs portfolio of games

		Total Value
Game acquisition payable at December 31, 2019	$	370,029
Accretion expense		5,571
Cash consideration paid		(375,600)
Game acquisition payable at September 30, 2020		–

Provisions

For the asset acquisition of the Smurfs portfolio of games, the discount rate used to estimate the fair value of the provision as at September 30, 2020 and December 31, 2019 was 25%.

For the acquisition of the RockYou portfolio of games recorded as a business combination, the discount rate used to estimate the fair value of the provision as at September 30, 2020 and December 31, 2019 was 24%.

Below is a summary of the contingent consideration provisions as at the end of each period:

		Total Value
Balance at December 31, 2019	$	1,671,846
Cash consideration paid		(1,668,719)
Accretion expense		113,866
Change in fair value of contingent consideration		(16,993)
Balance at September 30, 2020		100,000

As of September 30, 2020, the entire provision for the acquisition of the RockYou portfolio of games has been paid. The remaining balance is related to the acquisition of the Smurfs portfolio of games, which is expected to be paid during the year.

Changes in these variables can materially impact the estimated fair value of contingent consideration and consequently, the related amount recognized to general and administrative expenses with respect to the contingent consideration recorded for the acquisition of the RockYou portfolio of games/business and intangible assets with respect to the contingent consideration recorded for the acquisition of the Smurfs portfolio of games recorded as an asset acquisition.

16. Derivative financial instruments and convertible debentures

For the nine months ended September 30, 2020, the Company issued unsecured convertible debentures, for aggregate proceeds of $1,864,735 (year ended December 31, 2019 - $716,657) to certain investors of the Company. These instruments, along with interest accrued at an annual interest rate bearing 8%, were converted automatically and immediately upon completion of the reverse takeover transaction on June 30, 2020 (note 26) into fully paid and non-assessable units of the Company, consisting of one Common Share at the conversion price C$0.576 per share, and one warrant at a strike price of C$0.864 per share representing a strike price 50% higher than the conversion price. These warrants expire on June 30, 2022.

The Company also paid $7,818 in cash, issued $7,818 in convertible debentures, and issued non-transferable share purchase warrants to acquire up to 36,454 Common Shares to certain entities in reference to finder's fee agreements associated with the aforementioned convertible debt issuance. Each warrant will be exercisable to purchase one additional Common Share at a strike price of C$0.576 per share, and expire on June 30, 2022.

Inputs for measurement of issuance date fair values
As the convertible debt instruments are in Canadian dollars, these do not meet the fixed-for-fixed condition. The fair value of the conversion feature and warrants were estimated using the Monte Carlo simulation method and the assumptions at the issuance date were as follows:

Issuance dates – nine months ended September 30, 2020
Risk-free interest rate: 0.32-1.13%
Expected volatility: 38.8-40.0%
Stock price (expressed in Canadian $): $0.72
Expected life: 2.08-2.43 years
Expected dividends: $nil
Liquidity event: June 30, 2020
Discount to Liquidity event share price: 20%
Probability of liquidity event: 75-90%

The remainder of the value was allocated towards the debt feature, with the effective interest rate being 25%. At the end of each reporting period, the conversion feature and warrant liabilities are measured at fair value, with any gains or losses recorded in the Interim consolidated statements of loss and comprehensive loss. The fair value of the conversion feature and warrants were revalued on the conversion date using the assumptions as follows:

Conversion date – June 30, 2020
Risk-free interest rate: 0.32%
Expected volatility: 42.56%
Stock price (expressed in Canadian $): $0.72
Expected life: 2.00 years
Expected dividends: $nil
Liquidity event: June 30, 2020
Discount to Liquidity event share price: 20-55%
Probability of liquidity event: 100%

As the warrant liabilities are measured at fair value, the fair value of the warrants were revalued on September 30, 2020, with the assumptions as follows:

Revaluation date – September 30, 2020
Risk-free interest rate: 0.31%
Expected volatility: 41.36%
Stock price (expressed in Canadian $): $0.89
Expected life: 1.75 years
Expected dividends: $nil

The summary of the convertible debt liability and related conversion features is as follows:

	Debt host value (note 14)	Conversion/ Warrant value (liability)	Total Value
Balance at December 31, 2019	$ 663,366	$ 205,590	$ 868,956
Debentures issued during the year	1,153,588	711,147	1,864,735
Debt issuance cost	(12,684)	–	(12,684)
Accretion expense	90,262	–	90,262
Effect of foreign exchange rates	(34,558)	(11,741)	(46,299)
Change in fair value of conversion feature and warrant liability	–	2,171,074	2,171,074
Conversion to Common Shares	(1,859,974)	(1,365,121)	(3,225,095)
Balance at September 30, 2020	–	1,710,949	1,710,949

The September 30, 2020 balance is related to the warrants which do not meet the fixed-for-fixed condition, and therefore are classified as a current liability on the statement of financial position until the exercise or expiration of the warrants. As at September 30, 2020, there are 7,744,273 warrants outstanding which are classified as a current liability. Changes in the inputs to the Black Scholes model can materially change the fair value of the warrants. A 10% increase in the volatility would increase the fair value of the liability by $111,886, while a 10% decrease in the volatility would decrease the fair value of the liability by $102,239. More information on the warrants issued can be found in Note 26.

The summary of the conversion of the convertible debt liability and accrued interest to Common Shares is as follows:

	Value of shares
Conversion to Common Shares - convertible debt	$ 3,225,095
Conversion to Common Shares – accrued interest	117,530
	3,342,625

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17. Fair value loss on financial liabilities

The summary of the fair value loss on financial liabilities as follows:

		Three months ended September 30				Nine months ended September 30		
		2020		2019		2020		2019
Change in fair value of contingent consideration (note 15)	$	(100,000)	$	–	$	(16,993)	$	–
Change in fair value of conversion feature and warrant liability (note 16)		614,027		54,410		2,171,074		61,045
		514,027		54,410		2,154,081		61,045

18. Employee benefit obligations

The Company has a statutory defined benefit obligation related to payment of gratuity and leave encashment pursuant to regulations in India. This obligation covers only the employees based in India. The liability recognized in the statement of financial position in respect of the defined benefit gratuity plan and the leave encashment plan is the present value of defined benefit obligations at the end of the reporting period. The defined benefit obligation is calculated through an actuarial valuation using the projected unit credit method. The benefits are based on years of service and last drawn salary.

The most recent actuarial valuation of the benefit plans for accounting purposes was as of September 30, 2020.

Below is a summary of the change in employee benefit obligations from December 31, 2019 to September 30, 2020:

		Nine months ended September 30 2020		Year ended December 31 2019 (annual)
Beginning benefit obligation	$	538,217	$	475,573
Service cost		59,487		112,602
Interest cost		41,040		34,599
Actuarial gains		(64,090)		(13,450)
Benefits paid		–		(59,070)
Foreign currency translation adjustments		(22,595)		(12,037)
Ending benefit obligation		552,059		538,217

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The actuarial gains during the nine months ended September 30, 2020 were shown on the statement of loss and comprehensive loss net of income tax of $16,131 (year ended December 31, 2019 – nil).

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

The key assumptions for the gratuity and leave encashment plans at September 30, 2020 are as follows:
Discount rate: 6.47%
Salary escalation: 10%
Attrition rate: 16%
Indian Assured Lives mortality rate (ages 20-60): 0.0924% – 1.1162%

19. Supplementary cash flow information

Change in working capital

				Nine months ended
		September 30 2020		September 30 2019
Trade and other receivables	$	55,090	$	(2,450,412)
Prepaid assets		(42,323)		(239,866)
Investment tax credits receivable		38,187		(318,685)
Trade payables and accrued liabilities		(741,129)		132,590
Taxes payable		(72,439)		70,659
Taxes receivable		(1,933)		-
Deferred revenue		(250,376)		513,325
Total change in working capital		(1,014,923)		(2,292,389)

20. Related party transactions

Convertible debentures
During the nine-months ended September 30, 2020, of the C$2,536,870 of convertible debentures issued (US$1,847,889), C$660,000 (US$480,753) was issued to existing shareholders and key management personnel of the Company.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

21. Key management compensation

Compensation for key management personnel, including the Company's officers and Board of Directors, and private companies controlled by the Company's Officers and Board of Directors, was as follows:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Management salaries, bonuses and other benefits	$ 209,879	$ 153,116	$ 554,938	$ 446,816
Director fees	24,600	–	24,600	–
Share-based payments - management	18,722	31,344	64,547	95,444
Share-based payments - directors	17,280	2,439	20,345	8,995
Total key management compensation	270,481	186,899	664,430	551,255

22. Management of capital

The Company's capital management objectives are to safeguard its ability to continue as a going concern and to preserve its capital through adapting its strategic efforts and working to optimize revenues from its game production and operations. The Company also attempts to raise additional funds through the issuance of debt or equity.

In the management of capital, the Company's definition of capital includes shareholders' (deficit) equity and borrowings. As at September 30, 2020, the Company's managed capital was $6,057,401 (December 31, 2019 - $5,804,411), which was comprised of shareholders' deficit of $77,431 (December 31, 2019 - $2,733,581) and interest bearing debt of $6,134,832 (December 31, 2019 - $8,537,992). Included in interest bearing debt is the debt component of the convertible debentures of nil (December 31, 2019 - $663,366), where the associated accreted interest expenses is a non-cash charge.

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

23. Revenue from contracts with customers

The following table presents our revenue disaggregated based on the geographic location of our paying players. All of the geographic locations presented below represent at least 10% of total revenues in either the nine-months ended September 30, 2020 or September 30, 2019:

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
North America	$ 3,208,961	$ 3,501,700	$ 10,774,917	$ 10,325,397
Europe	628,238	462,904	1,844,912	1,619,869
Other	499,020	246,903	1,295,260	1,200,555
Total revenue	4,336,229	4,211,507	13,915,099	13,145,821

During the three and nine-months ended September 30, 2020 and 2019, there was no significant impact from discontinued games or from changes in our estimated average playing period of payers that required adjusting the recognition period of deferred revenue generated in prior periods.

24. Breakdown of employee compensation

	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Salaries and benefits	$ 1,099,125	$ 1,113,275	$ 2,921,209	$ 3,452,830
Employee benefits expenses	28,584	23,310	100,527	174,292
Share-based compensation expense	59,692	27,211	130,779	116,503
	1,187,401	1,163,796	3,152,515	3,743,625
Presented as follows:				
Cost of sales	$ 35,898	$ 44,889	$ 105,271	$ 134,179
Research and development	666,280	844,439	1,979,691	2,806,283
General and administrative	485,223	274,468	1,067,553	803,163
	1,187,401	1,163,796	3,152,515	3,743,625

For the three and nine months ended September 30, 2020 and 2019 (unaudited - in US dollars, unless otherwise stated)

25. Change in comparative information

Certain figures in the statements of loss and comprehensive loss have been reclassified from general and administrative expenses to separate line items. Below is the summary of the reclassification during the prior reporting periods:

For the year ended December 31 2019		As previously reported		Reclassification		As adjusted
Interest and accretion expenses	$	–	$	1,266,094	$	1,266,094
Fair value loss on financial liabilities		–		60,468		60,468
General and administrative expenses		4,128,368		(1,326,562)		2,801,806
		4,128,368		–		4,128,368

For the year ended December 31 2018		As previously reported		Reclassification		As adjusted
Interest and accretion expenses	$	–	$	94,288	$	94,288
General and administrative expenses		1,514,448		(94,288)		1,420,160
		1,514,448		–		1,514,448

The reclassification changes had no impact to the consolidated statement of financial position, net loss, loss per share and the consolidated statement of cash flows.

26. Reverse Takeover Transaction

On November 11, 2019, the Company signed a letter of intent with PopReach, where the Company would acquire PopReach, by way of a three-corner amalgamation, share exchange, plan of arrangement or other similar form of transaction as agreed by the parties. On June 26, 2020, the Company and PopReach entered into the Definitive Agreement, which supersedes the prior binding letter of intent, pursuant to which the parties agreed to complete the Qualifying Transaction (the "Transaction") on the terms set out therein. The Transaction was completed on June 30, 2020 and resulted in a reverse take-over of the Company by PopReach and constitutes the Qualifying Transaction of the Company in compliance with the CPC Policy. Pursuant to the terms of the Definitive Agreement, the Company acquired 100% of PopReach and the Company changed its name to "PopReach Corporation".

Pursuant to the Transaction, each PopReach shareholder received 7.62 post-Consolidation Common Shares in the capital of the Company for each PopReach common share held by them, for a total issuance by the Company from treasury of 48,233,937 post-Share Consolidation Common Shares. In addition, each convertible, exchangeable, or exercisable security of PopReach was exchanged for a convertible, exchangeable or exercisable security, as applicable, of the Company on substantially the same economic terms and conditions as the original convertible, exchangeable, or exercisable security of PopReach (with their exercise prices being divided by 7.62) resulting in the issuance of 7,744,273 warrants in respect of outstanding PopReach warrants, 5,808,314 options in respect of outstanding PopReach options and 99,584 broker warrants in respect of outstanding PopReach broker warrants, all of which have been retroactively adjusted in the Interim Financial Statements (See also Note 1).

Following completion of the Transaction, the Company had 51,983,937 Common Shares issued and outstanding. Assuming the conversion of all outstanding options, warrants and stock options, 66,288,882 Common Shares will be outstanding on a fully diluted basis. Common shares of the Company began trading on the TSX Venture Exchange under the symbol "POPR" on July 8, 2020.

The fair value of consideration for the Transaction is $2,091,433. After deducting net assets of the Company before the closing of the Transaction of $1,409,995, the non-cash listing expense of $681,438 was expensed in the post acquisition period as a cost associated with obtaining a public stock listing. Based on the Company's statement of financial position immediately prior to the closing of the Transaction as of June 30, 2020, the net assets at fair value that were acquired by PopReach are as follows:

	Total Value
Purchase Consideration	
Share capital	$ 1,981,215
Share-based payment reserve	75,915
Warrant reserve	34,303
Fair value of consideration	2,091,433

	Total Value
Identifiable assets acquired	
Cash and cash equivalents	$ 1,484,114
Accounts payable and accrued liabilities	74,119
Net Assets Acquired	1,409,995
Non-cash listing expense	681,438
Add: Professional fees associated with reverse takeover	327,396
Reverse takeover listing expense	1,008,834

The value of the share-based payment reserve was calculated using the Black-Scholes option pricing model and the assumptions were as follows:

Risk-free interest rate: 0.45%
Expected volatility: 37.66%
Expected life: 5.00 years
Expected dividends: $nil
Exercise price (expressed in Canadian $): $0.80
Share price (expressed in Canadian $): $0.80

Fair value, per option (expressed in Canadian $): $0.03

The value of the warrant reserve was calculated using the Black-Scholes option pricing model and the assumptions were as follows:

Risk-free interest rate: 0.45%
Expected volatility: 40.00%
Expected life: 2.00 years
Expected dividends: $nil
Exercise price (expressed in Canadian $): $0.80
Share price (expressed in Canadian $): $0.80
Fair value, per warrant (expressed in Canadian $): $0.02

27. Subsequent events

New bank credit facility

On October 2, 2020, PopReach entered into a new non-revolving term facility of $6,500,000 with the Bank of Nova Scotia in order to refinance its prior credit facility and entered into an operating line of credit of $1,000,000 with the same lender (collectively, the "**New Facility**"). The interest rate charged on the non-revolving term facility is equal to the US Base Lending Rate plus 3.50% per annum, and the interest rate charged on the operating line of credit is equal to the US Base Lending Rate plus 2.00% per annum. The New Facility matures 24 months from the closing date. PopReach, as borrower, and the Company, as guarantor, have agreed to secure all of PopReach's obligations under the New Facility by granting the lender a first ranking security interest on all of their respective assets. On October 2, 2020, in conjunction with the closing of the New Facility, the Company retired its prior bank credit facility by paying down the entire outstanding principal of $6,134,832 plus applicable interest, premium and legal expenses.

Non-brokered private placement

On November 5, 2020, the Company closed a non-brokered private placement (the "**Private Placement**") of C$5,000,000 with New Insight Incentive Plan Company ("**New Insight**"), a 100% owned subsidiary of eWTP Tech Innovation Fund LP, the global investment arm of Alibaba Group. As permitted by the rules of the TSX Venture Exchange, on closing of the Private Placement on November 5, the Corporation received C$4.175 million of gross proceeds and has issued to New Insight 5,798,611 Common Shares at a price of C$0.72 per Common Share. The remaining C$825,000 of gross proceeds has closed in trust and promptly upon completion of the TSX Venture Exchange's customary background checks and clearance process, the funds will be released to the Company and an additional 1,145,833 Common Shares will be issued to New Insight. The Company intends to use the net proceeds from the Private Placement to fund acquisitions and for other general corporate purposes.

Bought deal public offering

On November 27, 2020, the Company completed a public offering with Beacon Securities Limited, on behalf of a syndicate of underwriters, for the purchase on a bought deal basis (the "**Bought Deal**") of 12,000,000 Common Shares of the Company at a price of C$1.25 per share for gross proceeds to the Company of C$15,000,000. The Company also granted the underwriters an option (the "**Over-Allotment Option**") to purchase an additional number of Common Shares equal to 15% of the number of Common Shares sold pursuant to the Bought Deal, which was fully exercised for an additional 1,800,000 Common Shares at C$1.25 per share for gross proceeds to the Company of C$2,250,000. The total Bought Deal, including the Over-Allotment, resulted in 13,800,000 Common Shares of the

Company at a price of C$1.25 per share for aggregate total gross proceeds to the Company of C$17,250,000. Underwriters' compensation is comprised of a 6% cash fee plus 6% compensation options exercisable into Common Shares at the issue price of C$1.25 for 24 months from November 27, 2020. The Company intends to use the net proceeds from the Bought Deal to fund acquisitions and for other general corporate purposes.