Management's Discussion and Analysis of Financial Condition and Results of Operations of

POPREACH CORPORATION

For the year ended December 31, 2020 and 2019

The following management's discussion and analysis of financial condition and results of operations (the "**MD&A**") has been prepared by management and provides a review of the activities, results of operations and financial condition of PopReach Corporation (the "**Company**") based upon International Financial Reporting Standards ("**IFRS**"). This MD&A, dated April 19, 2021 should be read in conjunction with the audited consolidated financial statements and notes thereto for the years ended December 31, 2020 and 2019 (the "**Annual Financial Statements**"). All amounts disclosed below are in US dollars unless otherwise noted.

Cautionary Note Regarding Forward-Looking Information

The following MD&A contains forward-looking information and forward-looking statements. All statements and information, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, but not limited to, statements related to the Company's prospects and future plans and goals of the Company) are considered forward-looking information or forward-looking statements. These statements and information reflect the current expectations of the Company based on all information currently available. These statements and information are subject to a number of risks and uncertainties that may cause the Company's actual results to differ materially.

Factors that could cause actual results or events to differ materially from current expectations include, but are not limited to:

- Limited history of operations
- Competition from other companies
- Risks related to the Company's growth strategy
- Ability to secure sufficient financing to acquire new games

Any forward-looking information and forward-looking statements given in the MD&A speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking information or forward-looking statement. Although the Company believes that the assumptions used in making or providing any forward-looking information or forward-looking statements are reasonable, they do not guarantee future performance of operations, and as such, undue reliance should not be put on such information or statements due to their inherent uncertainty.

Company Overview

PopReach Corporation (the "**Company**"), 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 Canada Business Corporations Act, 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 Share Consolidation was applied retrospectively, including a share exchange in connection with the Qualifying transaction of 7.62 issuer shares for every one share of PopReach, and as a result, the common share (the "**Common Shares**"), broker warrants and option amounts presented herein are stated in an adjusted post-Share Consolidation basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on the TSX Venture Exchange (Note 26 of the Annual Financial Statements) under the symbol "POPR".

The Company is a free-to-play 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.

As at December 31, 2020, the Company has a wholly owned subsidiary, PopReach Incorporated ("PopReach"), in Toronto, Canada, incorporated under the laws of the Province of Ontario, and its accounts are consolidated into the Company's Annual Financial Statements and Annual Financial Statements. PopReach employs 17 employees on a full-time basis between offices 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 consolidated into the Company's Annual Financial Statements and Annual Financial Statements. PR Tech manages the Company's portfolio of video game franchises and employs 106 employees on a full-time basis.

The Company's Annual Financial Statements and Annual Financial Statements are prepared in accordance with International Financial Reporting Standards ("**IFRS**") as disclosed in Note 2 of the Annual Financial Statements. However, the Company considers certain Non-GAAP (as hereinafter defined) financial measures as useful additional information to assess its financial performance. Please refer to the "Non-GAAP Measures" section of this MD&A for additional details regarding the use of Non-GAAP measures in this MD&A.

The MD&A has been authorized for issue by the Board of Directors on April 19, 2021.

Summary of Significant Developments

2020 performance highlights

- Revenue of $18.0 million compared to $18.0 million in 2019
- Gross profit margin increased to 57.5%, from 44.0% in 2019, driven by the successful execution of operating cost reductions
- Operating expenses of $10.6 million, compared to $12.1 million in 2019
- EBITDA[1] of $3.0 million (17.0% of revenue), an increase of 327% or $2.3 million from 2019 EBITDA of $0.7 million (4.0% of revenue)
- Adjusted EBITDA[1] of $3.9 million (21.8% of revenue), an increase of 30% or $0.9 million from 2019 Adjusted EBITDA of $3.0 million (16.9% of revenue)
- Net loss of $6.3 million, or ($0.13) per basic and diluted share, compared to 2019 net loss of $4.4 million, or ($0.11) per basic and diluted share
- Cash generated by operating activities (before changes in working capital) in 2020 improved to $3.6 million, an increase of $2 million from $1.6 million generated in 2019, representing growth of 125%
- Cash at the end 2020 was $18.1 million, an increase of $17.0 million from the end of 2019, and debt outstanding on the bank credit facility was $6.0 million, a decrease of $1.9 million from 2019
- On October 2, 2020, the Company refinanced its long-term debt on materially better terms by securing a $7.5 million bank credit facility with The Bank of Nova Scotia, positioning the company with a growth-oriented lender and materially reducing its projected annual interest expense[2]
- On November 5, 2020, the Company closed a C$5 million strategic investment by Alibaba Group's global investment arm, with Alibaba supporting the Company's global expansion by having its representatives serve as its Special Advisor to Asia[2]
- On November 9, 2020, the Company announced a C$10 million bought deal public offering, which was subsequently upsized to C$15 million; the oversubscribed bought deal public offering closed on November 27, 2020, including the full exercise of the underwriter's over-allotment option, for gross proceeds to the Company of C$17.25 million[2]
- On March 18, 2021, the Company acquired substantially all of the assets relating to the award winning "Peak – Brain Training" app for aggregate cash consideration of $5 million, increasing the number of monthly active users in its portfolio to over 1.9 million[2]
- On April 13, 2021, the Company acquired all right and title to the existing "PAYDAY Crime War" source code and game assets for cash consideration of $0.25 million, and entered into a five-year licensing agreement to commercialize the title worldwide[2]
- In Q4 of 2020, the Company undertook new investments in the improvement of its growth game franchises, including War of Nations, Kitchen Scramble, and Smurfs' Village, which are expected to begin launching in Q2 of 2021 and through the back half of 2021

[1] Please refer to "Non-GAAP Measures" below
[2] Please refer to "Summary of Significant Developments" below

EBITDA and Adjusted EBITDA[1]

EBITDA was $3,062,792 for the year ended December 31, 2020. Compared to the year ended December 31, 2019 of $717,523, the increase was $2,345,269 or 327%. Adjusted EBITDA was $3,932,790 for the year ended December 31, 2020. Compared to the year ended December 31, 2019 of $3,033,611, the increase was $899,179 or 30%. The increase in EBITDA and Adjusted EBITDA for 2020 compared to 2019 was largely related to the successful execution of operating cost reductions.

Operating cost reductions

As part of the acquisitions of the Company's portfolio of games, PopReach inherited numerous third-party server hosting and software service accounts, as well as considerable server and network hardware located in multiple datacentres. As part of the Company's business strategy, significant efforts were focused on the consolidation and, in some cases, depreciation of these services, re-engineering of game assets, elimination of unnecessary third-party services, and negotiation of lower cost third-party agreements, resulting in material operating cost reductions in 2020.

Reduction of debt

Concurrent with the completion of the reverse takeover transaction on June 30, 2020, the Company reduced debt through the mandatory conversion of all outstanding convertible debentures in the amount of $2,675,190.

Debt outstanding on the bank credit facility has been reduced to $6,032,863 at December 31, 2020, from $7,874,626 on December 31, 2019. In addition, as of June 30, 2020, the entire provision for the acquisition of the portfolio of games from RockYou Inc. which occurred on December 23, 2018 (the "**RockYou Acquisition")** of $1,219,957 was paid, as outlined in Note 11 of the Annual Financial Statements.

Seasonality

In 2020, the impact of seasonality was possibly amplified due to the COVID-19 pandemic in which players sheltering in-place or with curfew mandates in Q2 saw those restrictions eased in Q3. The impact attributable to the COVID-19 pandemic is not quantifiable, and the changes in player activity 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 impact of seasonality on our 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 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 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. See "Risk Factors - COVID-19 could have a significant adverse impact on the Company's business".

Operationally, the Company has faced significant COVID-19 related challenges in the remote hiring and onboarding of new employees, leading to delays in the launch of growth game features designed to increase engagement and monetization. Furthermore, PR Tech employees working from home in Bangalore, India are routinely subject to infrastructure outages, which has resulted in delayed content updates and bug fixes relating to the live operations of the Company's entire portfolio of games.

Apple Advertising (IDFA) policy change

In June of 2020, Apple announced a key change to their newest operating system, iOS 14, which will significantly alter the advertising ecosystem of mobile apps. Apple's IDFA (Identifier for Advertisers) will no longer be available to apps by default, instead requiring users to "opt in" on a per app basis; *we expect that only a minority of users will consent to apps accessing their IDFA*. The IDFA had become an integral part of performance marketing for apps, as large advertising networks like Facebook and Google had relied on this identifier, combined with data collected through their own apps and services, to optimize ad campaign targeting; the impact was expected to effectively eliminate their ability to use the extensive data they have collected on users across their eco-system to track and optimize performance marketing campaigns.

This change was initially expected to take effect in October of 2020. In September of 2020, recognizing the disruptive impact these changes will have on the app eco-system, Apple delayed the policy change. The result was that publishers decided to take advantage of this perceived window of opportunity, and a "mad rush" of paid user acquisition ensued, with the increased demand for users driving up the cost of each user significantly; despite the fact that this policy change is unique to Apple, user acquisition costs rose on all digital platforms as publishers expected that other platforms may follow suit and/or re-allocated budget to other platforms, driving costs up across the board. The Company saw user acquisition costs rise substantially in Q4 of 2020, and decided to prioritize EBITDA margins over revenue growth at any cost, as the Company believed that it could not spend profitably in the current context of its portfolio. Instead, the Company redeployed capital earmarked for paid user acquisition to the improvement of its growth franchises, and to its acquisitions of "Peak – Brain Training" and "PAYDAY Crime War"[2], which it believes will drive long term value for its stakeholders.

As such, the Company delayed most of its paid marketing efforts in Q4 rather than pay for new users at heavily inflated prices. The net result of this decision is that we acquired fewer new users, resulting in lower revenue for our growth game initiatives, but also incurred significantly lower marketing expenses than expected, helping the Company deliver a strong year of EBITDA growth.

Apple's policy change is now expected to begin in Q2 of this year. Management, having been involved in the free-to-play industry since its inception over a decade ago, has seen disruptive changes from the platform holders in the past, and believes that although inflated user acquisition costs will persist in the short term, that stakeholders across the app ecosystem will adjust and that paid user acquisition costs will come back down in due course. Our plan is to continue to monitor the evolving situation, with a goal of executing on performance marketing campaigns for growth game initiatives as soon as the economics become favourable.

Summary of Significant Developments

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 Annual Financial Statements.

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 were 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.

More information on the value of the assets and liabilities transferred can be found in Note 26 of the Annual Financial Statements.

Convertible debt raises and conversion

For the year ended December 31, 2020, the Company issued unsecured convertible debentures, for aggregate proceeds of $1,864,735 (year ended December 31, 2019 - $421,303 plus early proceeds received in 2018 of $256,561) to certain investors of the Company. These instruments, including both debenture rounds issued in 2020 and 2019, 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$0.325 - C$0.576 per share, and one warrant at a strike price of C$0.488 - 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.

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 2020 convertible debt issuance. Each warrant will be exercisable to purchase one additional Common Share at a price of C$0.576 per share, and expire on June 2, 2022.

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 bank credit facility, and also 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 high interest credit facility, issued by a New York based hedge fund, by paying down the entire outstanding principal balance of $6,134,832, plus applicable interest, premium and legal expenses. The Company expects to realize materially lower interest costs under the New Facility compared to the prior credit facility.

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. On November 9, 2020, New Insight acquired ownership and control over 5,798,611 common shares of the Company for C$0.72 per share. On December 4, 2020, the remaining portion was released from trust and New Insight acquired ownership and control over an additional 1,145,833 common shares for C$0.72 per share. Thereafter, New Insight held, directly or indirectly, an aggregate of 6,944,444 common shares. 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 Bought Deal, including the Over-Allotment Option, resulted in the issuance of 13,800,000 Common Shares of the Company at a price of C$1.25 per share, for aggregate gross proceeds of C$17,250,000. Underwriters' compensation was comprised of a 6% cash fee plus 6% compensation options exercisable into Common Shares at the issue price of C$1.25 until November 27, 2022. The Company intends to use the net proceeds from the Bought Deal to fund acquisitions and for other general corporate purposes.

Acquisition of Peak

On March 18, 2021, the Company acquired substantially all of the assets relating to the "Peak – Brain Training" app ("**Peak**") from Brainbow Limited. On March 18, 2021, the Company made a $3,000,000 cash payment to Brainbow Limited, with an additional $2,000,000 payable on completion of certain post-closing transitional matters, to be completed within two months of closing. As a result of the business combination, a subsidiary PopReach UK Limited ("**PopReach UK**"), which is wholly owned by PopReach, was established on February 18, 2021 in order to fund operating costs and payroll. All of the associated assets and liabilities were transferred to PopReach at closing.

Acquisition of PAYDAY Crime War assets, and associated licensing agreement

On April 13, 2020, the Company signed an asset purchase agreement and licensing agreement with Starbreeze Studios AB ("**Starbreeze**") for the re-launch of mobile title PAYDAY Crime War. Under the terms of the asset purchase agreement, Starbreeze received a payment of $250,000 in exchange for all rights and title to the existing PAYDAY Crime War source code and game assets. Concurrently, the parties entered into a five year licensing agreement granting the Company the right to publish PAYDAY Crime War worldwide, and access to assets from the

PAYDAY 2 PC game for use in PAYDAY Crime War. PopReach will be responsible for completing development, marketing, live operations and user acquisition for PAYDAY Crime War, which it expects to soft launch in Q4 2021. Starbreeze will receive tiered royalties on PAYDAY Crime War net sales, and retains all IP rights to the PAYDAY franchise.

Key Metrics

The Company regularly reviews a number of metrics, including the following key financial and operating metrics, to evaluate the business, measure performance, identify business trends, prepare financial projections and make strategic decisions.

Key Financial Metrics

Revenue and Bookings

Revenue is primarily derived from the sale of virtual items associated with our online games and the sale of advertising. For details on how revenue is calculated please see “Revenue recognition” under “Significant accounting policies” below.

Bookings is a non-GAAP financial measure that is equal to revenue recognized plus or minus the change in deferred revenue during the period. The Company records the sale of virtual items in our games as deferred revenue and then recognizes the revenue rateably over the estimated average playing period of payers for the applicable game.

The identified performance obligation for revenue recognition is to display the virtual items within the game over the estimated life of the paying player or until it is consumed in game play based upon the nature of the virtual item. Bookings is a fundamental top-line metric we use to manage our business, as we believe it is a useful indicator of the sales activity in a given period, and corresponds directly to actual cash receipts. We use revenue and bookings to evaluate the results of our operations, generate future operating plans and assess the performance of our company.

Non-GAAP Measures

The Company prepares its financial statements in accordance with IFRS. However, the Company considers certain non-GAAP financial measures as useful additional information to assess its financial performance. These measures, which it believes are widely used by investors, securities analysts and other interested parties to evaluate its performance, do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similarly titled measures presented by other publicly traded companies, nor should they be construed as an alternative to financial measures determined in accordance with IFRS. Non-GAAP measures include “Bookings”, “EBITDA” and “Adjusted EBITDA”.

Bookings

Bookings is a financial measure, commonly used in the mobile games industry, that is equal to revenue recognized plus or minus the change in deferred revenue during the period. As such, it is representative of the actual gross revenue paid by paying players in the Company’s games.

EBITDA and Adjusted EBITDA

Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") and consolidated adjusted earnings before interest, taxes, depreciation and amortization ("**Adjusted EBITDA**") are non-IFRS measures of financial performance. The presentation of these non-IFRS financial measures is not intended to be considered in isolation from, as a substitute for, or superior to, the financial information prepared and presented in accordance with IFRS, and may be different from non-IFRS financial measures used by other companies. Company management defines EBITDA as follows: IFRS Net income (loss) adding back accretion and interest expenses (including amortization of deferred financing fees), income taxes, amortization, gain/loss on disposal of assets, and fair value gain/loss on financial liabilities. Adjusted EBITDA is calculated as EBITDA and excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings, such as restructuring costs, legal expenses, and impairments where the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments, and changes in deferred revenues.

Management believes EBITDA and Adjusted EBITDA are useful financial metrics to assess its operating performance on a cash basis before the impact of non-cash items.

Key Operating Metrics

Monthly Active Users (MAU)

The Company manages the business by tracking several operating metrics including Monthly Active Users ("**MAU**") which measure monthly active users of our games, and revenue per average MAU ("**Revenue per Average MAU**") which is the total annual revenue divided by 12, and then divided by the average MAU being, for a particular period, the average of the MAUs at each month-end during that period ("**Average MAU**"). The following table shows the Average MAU and Revenue per Average MAU for each period:

		2020		2019
Revenues	$	18,010,285	$	17,953,874
Bookings		17,691,248		18,515,763
Average monthly revenues		1,500,857		1,496,156
Average MAU (in thousands)		1,028		1,110
Revenue per Average MAU		1.46		1.35

We use MAU as a measure of total game audience size and define MAU as the number of individuals who played one of our games in the 30-day period ending with the measurement date. The numbers for these MAU are calculated using information provided by the third-party platforms. Under this metric, an individual who plays two different games in the same 30-day period is counted as two MAUs, which is common and accepted practice in the mobile games industry.

Overall Performance and Selected Quarterly Information

Below is selected quarterly information from the Company's consolidated financial statements for each of the quarterly periods indicated. The Company's functional and presentation currency is US Dollars. Except where indicated, the following financial data is reported in accordance with IFRS.

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Revenues	$ 4,095,186	$ 4,336,229	$ 4,902,326	$ 4,676,544
Net Loss	(3,282,834)	(518,459)	(1,822,189)	(677,742)
Comprehensive Loss	(3,354,148)	(485,231)	(1,848,562)	(636,638)
Loss per share (basic and diluted)	(0.05)	(0.01)	(0.05)	(0.02)
Non-GAAP:				
Bookings	4,026,525	4,156,652	4,793,186	4,714,885
EBITDA	761,775	902,669	702,487	695,861
Adjusted EBITDA	742,536	810,899	1,519,290	860,065

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Revenues	$ 4,808,053	$ 4,211,507	$ 4,372,060	$ 4,562,254
Net Loss	(1,394,875)	(1,001,663)	(1,181,278)	(857,969)
Comprehensive Loss	(1,391,677)	(967,560)	(1,148,491)	(914,607)
Loss per share (basic and diluted)	(0.04)	(0.03)	(0.03)	(0.02)
Non-GAAP:				
Bookings	4,856,617	4,248,239	4,439,375	4,971,532
EBITDA	(3,859)	348,028	62,832	310,522
Adjusted EBITDA	1,383,956	575,490	263,283	810,882

		Year ended December 31 2020		Year ended December 31 2019
Revenues	$	18,010,285	$	17,953,874
Net Loss		(6,301,224)		(4,435,785)
Comprehensive Loss		(6,324,579)		(4,422,335)
Loss per share (basic and diluted)		(0.13)		(0.11)
Non-GAAP:				
Bookings		17,691,248		18,515,763
EBITDA		3,062,792		717,523
Adjusted EBITDA		3,932,790		3,033,611

		December 31 2020		December 31 2019
Cash and cash equivalents	$	18,097,649	$	1,126,160
Current assets		20,079,201		3,532,277
Total assets		25,934,531		12,617,436
Current liabilities excluding borrowings		6,679,391		5,952,882
Total non-current liabilities including borrowings		6,734,982		9,398,135

Discussion of Operations

Due to the complexity of the game operations required for the RockYou Acquisition, operational expenses increased substantially subsequent to December 23, 2018. Throughout 2019 and 2020, the Company focused on ongoing cost reductions through server consolidation and optimization, re-engineering of the game assets, elimination of unnecessary third-party services, and negotiation of lower cost third-party agreements.

In September 2019 the Company acquired a portfolio of 4 games, based on the “Smurfs” IP licensed from Lafig Belgium S.A., from Flashman Games LLC and Bongfish Gmbh (the “Smurfs Portfolio”). In contrast with the RockYou Acquisition, the Smurfs Portfolio acquisition only required the transfer of a single server hosting account and three vendor service accounts.

Below is the discussion of results and operations for the three months ended December 31, 2020 and 2019, and the year ended December 31, 2020 and 2019.

Revenue

Revenues for the year ended December 31, 2020 were slightly higher compared to the year ended December 31, 2019. The decrease in revenues for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was due to COVID-19 related delays in the launch of growth game features designed to increase engagement and monetization, delayed content updates and bug fixes relating to the live operations of the Company’s entire portfolio of games, and the delay of planned new user growth marketing initiatives due to inflated user acquisition costs resulting from Apple's IDFA policy change, as mentioned in the "Summary of Significant Developments".

Bookings

Bookings is a non-GAAP financial measure that is equal to revenue recognized plus or minus the change in deferred revenue during the period. The following table is the reconciliation from revenue to bookings for each period:

		Three months ended December 31 2020		Three months ended September 30 2020		Three months ended June 30 2020		Three months ended March 31 2020
Revenue	$	4,095,186	$	4,336,229	$	4,902,326	$	4,676,544
Add: Increase (decrease) in deferred revenue		(68,661)		(179,577)		(109,140)		38,341
Total bookings		4,026,525		4,156,652		4,793,186		4,714,885

		Three months ended December 31 2019		Three months ended September 30 2019		Three months ended June 30 2019		Three months ended March 31 2019
Revenue	$	4,808,053	$	4,211,507	$	4,372,060	$	4,562,254
Add: Increase in deferred revenue		48,564		36,732		67,315		409,278
Total bookings		4,856,617		4,248,239		4,439,375		4,971,532

The decrease in bookings for the three months ended December 31, 2020 compared to the three months ended December 31, 2019, are due to the same factors explained in the Revenue section above.

		Year ended December 31 2020		Year ended December 31 2019
Revenue	$	18,010,285	$	17,953,874
Add: Increase in deferred revenue		(319,037)		561,889
Total bookings		17,691,248		18,515,763

Bookings for the year ended December 31, 2020 compared to the year ended December 31, 2019 are lower as monthly average users were lower over the same comparative period along with the absence of revenues related to a revenue share agreement, which was terminated on July 31, 2019.

Revenue by geographic location

The following tables present the Company's revenue disaggregated based on the geographic location of the Company's paying players. All the geographic markets presented below represent at least 10% of total revenues for each period:

		Three months ended December 31 2020	%		Three months ended September 30 2020	%		Three months ended June 30 2020	%		Three months ended March 31 2020	%
North America	$	3,081,556	75%	$	3,208,961	74%	$	3,976,585	81%	$	3,589,371	77%
Europe		686,089	17%		628,238	14%		617,461	13%		599,213	13%
Other		327,541	8%		499,030	12%		308,280	6%		487,960	10%
Total revenue		4,095,186	100%		4,336,229	100%		4,902,326	100%		4,676,544	100%

		Three months ended December 31 2019	%		Three months ended September 30 2019	%		Three months ended June 30 2019	%		Three months ended March 31 2019	%
North America	$	3,628,847	75%	$	3,501,700	83%	$	3,384,332	77%	$	3,439,365	75%
Europe		658,092	14%		462,904	11%		564,202	13%		592,763	13%
Other		521,114	11%		246,903	6%		423,526	10%		530,126	12%
Total revenue		4,808,053	100%		4,211,507	100%		4,372,060	100%		4,562,254	100%

		Year ended December 31 2020	%		Year ended December 31 2019	%
North America	$	13,856,473	77%	$	13,952,244	78%
Europe		2,531,001	14%		2,277,961	13%
Other		1,622,811	9%		1,721,669	9%
Total revenue		18,010,285	100%		17,953,874	100%

Revenue by category

The following table presents the Company's revenue disaggregated based on the specific nature of revenues earned for each period:

		Three months ended December 31 2020	%		Three months ended September 30 2020	%		Three months ended June 30 2020	%		Three months ended March 31 2020	%
In-app purchases	$	3,957,439	97%	$	4,185,045	97%	$	4,706,106	96%	$	4,451,628	95%
Advertising		137,370	3%		150,936	3%		195,894	4%		224,674	5%
Other		377	0%		248	0%		326	0%		242	0%
Total revenue		4,095,186	100%		4,336,229	100%		4,902,326	100%		4,676,544	100%

		Three months ended December 31 2019	%		Three months ended September 30 2019	%		Three months ended June 30 2019	%		Three months ended March 31 2019	%
In-app purchases	$	4,568,771	95%	$	3,970,133	94%	$	4,138,811	95%	$	4,292,445	94%
Advertising		239,282	5%		160,530	4%		109,203	2%		210,747	5%
Other		-	0%		80,844	2%		124,046	3%		59,062	1%
Total revenue		4,808,053	100%		4,211,507	100%		4,372,060	100%		4,562,254	100%

		Year ended December 31 2020	%		Year ended December 31 2019	%
In-app purchases	$	17,300,218	96%	$	16,970,160	95%
Advertising		708,874	4%		719,762	4%
Other		1,193	0%		263,952	1%
Total revenue		18,010,285	100%		17,953,874	100%

In-app purchases by platform

The following table presents the Company's in-app purchases disaggregated based on the digital platform the games are published on for each period:

		Three months ended December 31 2020	%		Three months ended September 30 2020	%		Three months ended June 30 2020	%		Three months ended March 31 2020	%
Apple	$	1,639,606	41%	$	1,726,046	41%	$	2,022,115	43%	$	2,005,458	45%
Facebook		1,485,551	38%		1,571,540	38%		1,786,368	38%		1,517,493	34%
Google		781,622	20%		846,861	20%		822,833	17%		854,970	19%
Amazon		50,660	1%		40,598	1%		74,790	2%		73,707	2%
Total in-app purchases		3,957,439	100%		4,185,045	100%		4,706,106	100%		4,451,628	100%

		Three months ended December 31 2019	%		Three months ended September 30 2019	%		Three months ended June 30 2019	%		Three months ended March 31 2019	%
Apple	$	2,173,002	48%	$	1,444,439	36%	$	1,310,216	32%	$	1,477,014	34%
Facebook		1,697,203	37%		1,726,612	43%		2,030,661	49%		2,051,042	48%
Google		639,160	14%		732,392	18%		725,956	18%		681,785	16%
Amazon		59,406	1%		66,690	3%		71,978	1%		82,604	2%
Total in-app purchases		4,568,771	100%		3,970,133	100%		4,138,811	100%		4,292,445	100%

		Year ended December 31 2020	%		Year ended December 31 2019	%
Apple	$	7,393,225	43%	$	6,404,671	38%
Facebook		6,360,952	37%		7,505,518	44%
Google		3,306,286	19%		2,779,293	16%
Amazon		239,755	1%		280,678	2%
Total in-app purchases		17,300,218	100%		16,970,160	100%

Cost of sales

The following table presents the Company's cost of sales, broken down by nature for each period:

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Platform fees	$ 1,127,762	$ 1,175,919	$ 1,354,558	$ 1,309,498
Hosting and other	356,947	385,535	549,735	990,734
Licensor share	57,176	57,286	71,676	61,239
Salaries and benefits	44,753	35,898	34,495	34,878
Total cost of sales	1,586,638	1,654,638	2,010,464	2,396,349

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Platform fees	$ 1,340,581	$ 1,197,920	$ 1,230,127	$ 1,459,501
Hosting and other	1,069,714	1,116,107	1,223,149	1,127,111
Licensor share	60,460	45,459	11,430	16,241
Salaries and benefits	30,318	44,889	48,517	40,773
Total cost of sales	2,501,073	2,404,375	2,513,223	2,643,626

The decrease in cost of sales for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was mainly related to operating cost reductions as mentioned in the "Summary of Significant Developments". As a percentage of revenue, cost of sales decreased to 39% of revenue in Q4 2020 compared to 52% in Q4 of 2019.

	Year ended December 31 2020	Year ended December 31 2019
Platform fees	$ 4,967,737	$ 5,228,129
Hosting and other	2,282,951	4,536,081
Licensor share	247,377	133,590
Salaries and benefits	150,024	164,497
Total cost of sales	7,648,089	10,062,297

The decrease in cost of sales for the year ended December 31, 2020 compared to the year ended December 31, 2019 was related to operating cost reductions as mentioned in the "Summary of Significant Developments", as well as increases in licensor share expenses relating to the Smurfs Portfolio. As a percentage of revenue, cost of sales decreased to 42% of revenue in 2020 compared to 56% of revenue in 2019.

Operating Expenses

The following table presents the Company's operating expenses for each period:

		Three months ended December 31 2020		Three months ended September 30 2020		Three months ended June 30 2020		Three months ended March 31 2020
Operating expenses:								
Research and development	$	758,455	$	741,280	$	622,977	$	690,434
General and administrative		795,866		852,717		560,888		665,130
Marketing		192,452		163,560		118,513		135,048
Interest and accretion expenses		477,959		207,941		354,426		376,698
Amortization		682,556		743,314		734,124		734,794
		2,907,288		2,708,812		2,390,928		2,602,104

		Three months ended December 31 2019		Three months ended September 30 2019		Three months ended June 30 2019		Three months ended March 31 2019
Operating expenses:								
Research and development	$	439,681	$	844,439	$	1,067,817	$	894,027
General and administrative		807,159		552,380		728,188		714,079
Marketing		47,059		-		-		-
Interest and accretion expenses		382,710		358,368		304,228		220,788
Amortization		986,736		954,637		889,611		889,193
Impairment of intangible assets		994,525		-		-		-
		3,657,870		2,709,824		2,989,844		2,718,087

The increase in operating expenses for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was due to higher research and development expenses (explained below), higher marketing, and higher interest and accretion expenses due to the expensing of deferred financing fees on the repayment of the prior credit facility, offset by lower amortization (explained below).

		Year ended December 31 2020		Year ended December 31 2019
Operating expenses:				
Research and development	$	2,813,146	$	3,245,964
General and administrative		2,874,601		2,801,806
Marketing		609,573		47,059
Interest and accretion expenses		1,417,024		1,266,094
Amortization		2,894,788		3,720,177
Impairment of intangible assets		-		994,525
		10,609,132		12,075,625

The decrease in operating expenses for the year ended December 31, 2020 compared to the year ended December 31, 2019 was due to lower research and development expenses due to a restructuring at PR Tech in Q4 of 2019, and lower amortization, offset by higher general and administrative expenses, higher marketing expenses to quantify and prepare for potential new investments in key game franchises, and higher interest and accretion expenses due to the increase in convertible debt during the first half of 2020 and expensing of deferred financing fees on the repayment of the prior credit facility. During 2019 there was also an impairment recorded against intangible assets related to the RockYou Acquisition (see Note 6 in the Annual Financial Statements).

Research and development

The following tables presents the Company's research and development expenses, broken down by nature by period:

		Three months ended December 31 2020		Three months ended September 30 2020		Three months ended June 30 2020		Three months ended March 31 2020
Salaries and benefits	$	628,271	$	624,783	$	578,064	$	641,208
Employee benefits expenses		207		28,584		28,837		43,106
Share-based compensation expense		14,539		12,913		16,076		6,120
Outsourced development		115,438		75,000		–		–
Total research and development expenses		758,455		741,280		622,977		690,434

		Three months ended December 31 2019		Three months ended September 30 2019		Three months ended June 30 2019		Three months ended March 31 2019
Salaries and benefits	$	469,422	$	827,713	$	940,737	$	851,548
Employee benefits expenses		(39,128)		23,310		117,279		33,703
Share-based compensation expense		9,387		(6,584)		9,801		8,776
Total research and development expenses		439,681		844,439		1,067,817		894,027

The increase in research and development expenses for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was largely due to increased salaries and benefits and outsourced development in Q4 2020.

		Year ended December 31 2020		Year ended December 31 2019
Salaries and benefits	$	2,472,326	$	3,089,420
Employee benefits expenses		100,734		135,164
Share-based compensation expense		49,648		21,380
Outsourced development		190,438		–
Total research and development expenses		2,813,146		3,245,964

The decrease in research and development expenses for the year ended December 31, 2020 compared to the year ended December 31, 2019 was due to a restructuring at PR Tech in Q4 of 2019, offset by outsourced development in Q3 and Q4 2020.

General and administrative

The following tables presents the Company's general and administrative expenses, broken down by nature by period:

		Three months ended December 31 2020		Three months ended September 30 2020		Three months ended June 30 2020		Three months ended March 31 2020
Salaries and benefits	$	359,093	$	438,444	$	277,425	$	256,014
Professional fees		320,987		324,225		187,218		260,485
Share-based compensation expense		34,883		46,779		22,870		26,021
Other expenses		80,903		43,269		73,375		122,610
Total general and administrative expenses		795,866		852,717		560,888		665,130

		Three months ended December 31 2019		Three months ended September 30 2019		Three months ended June 30 2019		Three months ended March 31 2019
Salaries and benefits	$	245,625	$	240,673	$	246,871	$	211,109
Professional fees		409,716		272,143		307,469		282,102
Share-based compensation expense		75,294		33,795		35,357		35,358
Other expenses		76,524		5,769		138,491		185,510
Total general and administrative expenses		807,159		552,380		728,188		714,079

The increase in general and administrative expenses for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was related to increases in headcount and higher salaries and benefits costs, offset by lower professional fees.

		Year ended December 31 2020		Year ended December 31 2019
Salaries and benefits	$	1,330,976	$	944,278
Professional fees		1,092,915		1,271,430
Share-based compensation expense		130,553		179,804
Other expenses		320,157		406,294
Total general and administrative expenses		2,874,601		2,801,806

The increase in general and administrative expenses for the year ended December 31, 2020 compared to the year ended December 31, 2019 was due to increases in headcount and higher salaries and benefits, offset by decreases in professional fees relating to the RockYou Acquisition during the first three quarters of 2019.

Amortization

Amortization decreased for the three and twelve months ended December 31, 2020 compared to the three and twelve months ended December 31, 2019 due to an impairment charge recorded during Q4 2019 relating to certain advertising engines that the RockYou Acquisition seller was operating that were shut down due to the seller's bankruptcy, resulting in lower actual revenues compared to forecasted revenues during the year. As a result of this impairment charge, the carrying values of intangible assets were reduced, resulting in lower amortization per period moving forward. The Company's intangible assets are amortized over their expected useful lives, which ranges from 2 – 7 years.

Adjusted EBITDA

The following table presents the Company's calculation of EBITDA and Adjusted EBITDA for each period:

	Three months ended December 31 2020	Three months ended September 30 2020	Three months ended June 30 2020	Three months ended March 31 2020
Net loss	$ (3,282,834)	$ (518,459)	$ (1,822,189)	$ (677,742)
Add:				
Interest and accretion expenses	477,959	207,941	354,426	376,698
Loss on disposal of assets	–	6,750	–	–
Current taxes (recovery)	81,951	(13,058)	34,092	24,091
Deferred tax recovery	(21,638)	(37,846)	–	–
Amortization	682,556	743,314	734,124	734,794
Fair value loss on financial liabilities	2,823,781	514,027	1,402,034	238,020
EBITDA	761,755	902,669	702,487	695,861
Add:				
Share-based compensation expense	49,422	59,692	38,946	32,141
Change in deferred revenue	(68,661)	(179,577)	(109,140)	38,341
Reverse takeover listing expense	–	28,115	886,997	93,722
Acquisition legal expenses	–	–	–	–
Adjusted EBITDA	742,536	810,899	1,519,290	860,065
Adjusted EBITDA/Revenue %	18%	19%	31%	18%

	Three months ended December 31 2019	Three months ended September 30 2019	Three months ended June 30 2019	Three months ended March 31 2019
Net loss	$ (1,394,875)	$ (1,001,663)	$ (1,181,278)	$ (857,969)
Add:				
Interest and accretion expenses	382,710	358,368	304,228	220,788
Gain on disposal of assets	(22,415)	(62,285)	–	–
Current taxes	44,562	44,561	47,817	54,329
Amortization	986,736	954,637	889,611	889,193
Fair value loss on financial liabilities	(577)	54,410	2,454	4,181
EBITDA	(3,859)	348,028	62,832	310,522
Add:				
Impairment of goodwill and other	994,525	–	–	–
Share-based compensation expense	84,681	27,211	45,158	44,134
Change in deferred revenue	48,564	36,732	67,315	409,278
Acquisition legal expenses	78,764	163,519	87,978	46,948
Restructuring costs	181,281	–	–	–
Adjusted EBITDA	1,383,956	575,490	263,283	810,882
Adjusted EBITDA/Revenue %	28%	14%	6%	18%

Adjusted EBITDA was $742,536 for the three months ended December 31, 2020 compared to $1,383,956 for the three months ended December 31, 2019, which represents a decrease of $641,420 or 46%. The decrease in Adjusted EBITDA for the three months ended December 31, 2020 compared to the three months ended December 31, 2019 was due to lower revenues in Q4 2020 along with increase in headcount and salaries and benefits.

		Year ended December 31 2020		Year ended December 31 2019
Net loss	$	(6,301,224)	$	(4,435,785)
Add:				
Interest and accretion expenses		1,417,024		1,266,094
Loss (gain) on disposal of assets		6,750		(84,700)
Current taxes		127,076		191,269
Deferred tax recovery		(59,484)		–
Amortization		2,894,788		3,720,177
Fair value loss on financial liabilities		4,977,862		60,468
EBITDA		3,062,792		717,523
Add:				
Share-based compensation expense		180,201		201,184
Change in deferred revenue		(319,037)		561,889
Reverse takeover listing expense		1,008,834		–
Acquisition legal expenses		–		377,209
Impairment of goodwill and other		–		994,525
Restructuring costs		–		181,281
Adjusted EBITDA		3,932,790		3,033,611
Adjusted EBITDA/Revenue %		22%		17%

Adjusted EBITDA was $3,932,790 for the year ended December 31, 2020. Compared to the year ended December 31, 2019 of $3,033,611, the increase was $899,179 or 30%.

The increase in Adjusted EBITDA for the year ended December 31, 2020 compared to the year ended December 31, 2019 was largely related to the successful execution of operating cost reductions, as mentioned in the “Summary of Significant Developments”, as well as lower research and development salaries and benefits expenses as a result of a restructuring at PR Tech in Q4 of 2019.

Decreases in amortization was due to the impairment charge recorded in Q4 2019, relating to certain advertising engines that the RockYou Acquisition seller was operating that were shut down due to the seller’s bankruptcy, resulting in lower actual revenues compared to forecasted revenues during the year. As a result of the impairment charge, the carrying values of the intangible assets were decreased, resulting in a lower amortization per period moving forward. Increases in interest and accretion expenses were due to the increase in convertible debt during the first half of 2020.

Non-operating items

Fair value loss on financial liabilities was $2,823,781 for the three months ended December 31, 2020 compared to a fair value gain of $577 for the three months ended December 31, 2019, and a fair value loss of $4,977,862 for the year ended December 31, 2020 compared to a fair value loss of $60,468 for the year ended December 31, 2019. The full amount of the fair value loss of $2,823,781 for the three months ended December 31, 2020 related to the change in fair value of the warrant liability. As the share price of the Company increases, the fair value of the warrant liability increases. Of the $4,977,862 loss for the year ended December 31, 2020, $4,994,855 related to the fair value loss of the conversion feature and warrant liability. As the probability of the Transaction mentioned in the “Summary of Significant Developments" increased, along with the valuation of the Company, the fair value of the conversion feature and warrants also increased. The offsetting $16,993 of the fair value gain for the year ended December 31, 2020 related to the change in fair value of contingent consideration. Further details are in Note 13 of the Annual Financial Statements.

Reverse takeover listing expenses were $1,008,834 for the year ended December 31, 2020. These expenses were as a result of the Transaction, and of the $1,008,834 of total listing expenses $681,438 represents the difference between the fair value of consideration of $2,091,433 and net assets of the Company before closing the Transaction. The remaining $327,396 represents professional fees associated with the completion of the Transaction. Further details are in Note 26 of the Annual Financial Statements.

Off-balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements.

Liquidity and Capital Resources

As at December 31, 2020, the Company had cash and cash equivalents of $18,097,649 (December 31, 2019 - $1,126,160) and net working capital of $12,199,392 (December 31, 2019 – deficit of $10,295,231). This is due to improved liquidity through the New Facility refinancing of borrowings at a lower interest rate, the Private Placement, and the Bought Deal. The Company believes, based on its current financial position and liquidity profile, that it will be able to satisfy its current and long-term obligations.

The Company has consistently generated positive cash flow from operations which have exceeded current working capital requirements since Q2 2019. Excess funds from operating cash flow are used for bank credit facility debt repayments as well as to fund future game acquisitions.

Balance sheet obligations

The Company's contractual obligations as at December 31, 2020, at their undiscounted value, are described in the following table:

				December 31, 2020
				Payments due
	Total	Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	$ 869,081	$ 869,081	$ –	$ –
Provisions	100,000	100,000	–	–
Borrowings – principal	6,201,772	1,305,636	4,896,136	–
Borrowings – interest	709,940	402,299	307,641	–
Lease payments – principal	321,566	211,178	110,388	–
Lease payments – interest	37,589	25,690	11,899	–
Total	8,239,948	2,913,884	5,326,064	–

Cash Flows

The following table summarizes the Company's Consolidated Statements of Cash Flows for each period:

	2020	2019
Cash generated from operating activities	$ 2,685,032	$ 628,020
Cash used in investing activities	(900,999)	(2,912,501)
Cash generated from financing activities	15,199,233	3,201,480
Net cash inflow	16,983,266	916,999

Cash generated by operating activities during 2020 was positively influenced by operating cost reductions as mentioned in the "Summary of Significant Developments". Cash generated by operating activities during 2020 included an increase in working capital (decrease in cash generated) of $942,862, mainly through a reduction in payables and accrued liabilities, compared to an increase in working capital (decrease in cash generated) during 2019 of $965,796. Net of working capital changes, cash generated by operating activities improved from $1,593,816 in 2019 to $3,627,894 in 2020.

Cash used in investing activities were mainly related to payments for the Smurfs Portfolio and RockYou Acquisition, being lower during 2020 compared 2019 as the game acquisition payables related to the acquisitions were fully paid (see Note 11 in the Annual Financial Statements).

Cash used in financing activities during 2020 relate to cash generated from issuance of convertible debenture, the Private Placement, and Bought Deal as mentioned in "Summary of Significant Developments", as well as net cash proceeds from the reverse takeover transaction, less payments for provisions of $1,219,958 representing the final RockYou Acquisition payment, as well as interest and repayments of borrowings reducing the bank credit facility to a balance of $6,032,863 as at December 31, 2020. During 2019, the net increase in cash generated were from net proceeds from borrowings in order to fund the RockYou Acquisition, and cash proceeds from convertible debentures.

Leases

Please see Note 8 in the Annual Financial Statements for full discussion of short-term leases and lease liabilities.

Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of Common Shares. As at December 31, 2020, the Company had outstanding 73,048,686 Common Shares, 8,051,357 Common Share purchase warrants and 6,845,414 employee incentive stock options. Please refer to the Company's Annual Financial Statements for the year ended December 31, 2020 and 2019 for detail on the conversion features.

Related Party Transactions

Convertible debentures

During 2020, of the C$2,536,870 of convertible debentures issued (US$1,847,889), C$660,000 (US$480,753) was issued to key management personnel and Directors of the Company.

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 December 31 2020		Three months ended September 30 2020		Three months ended June 30 2020		Three months ended March 31 2020
Management salaries, bonuses and other benefits	$	234,904	$	209,879	$	178,354	$	166,705
Director fees		28,961		24,600		–		–
Share-based payments - management		12,843		18,722		21,477		24,348
Share-based payments – directors		42,605		17,280		1,392		1,673
Total key management compensation		319,313		270,481		201,223		192,726

		Three months ended December 31 2019		Three months ended September 30 2019		Three months ended June 30 2019		Three months ended March 31 2019
Management salaries, bonuses and other benefits	$	163,075	$	153,116	$	164,988	$	128,712
Share-based payments - management		73,311		31,344		32,385		31,715
Share-based payments – directors		1,983		2,439		2,949		3,607
Total key management compensation		238,369		186,899		200,322		164,034

		Year ended December 31 2020		Year ended December 31 2019
Management salaries, bonuses and other benefits	$	789,842	$	609,891
Director fees		53,561		–
Share-based payments - management		77,390		168,755
Share-based payments – directors		62,950		10,978
Total key management compensation		983,743		789,624

Significant accounting policies

The Company uses information from the financial statements, prepared in accordance with IFRS and expressed in US dollars, to prepare the MD&A. The significant accounting policies used are outlined below.

Statement of compliance
The Annual Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). There have been no other changes to the significant accounting policies since the Annual Financial Statements for the years ended December 31, 2019 and December 31, 2018.

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. The summary of the reclassification during the prior reporting periods is discussed in Note 25 of the Annual Financial Statements. The reclassification changes had no impact to the consolidated statement of financial position, net loss and comprehensive loss, loss per share and the consolidated statement of cash flows.

Use of estimates and judgments

Please see Note 3 in the Annual Financial Statements for full discussion of use of estimates and judgments.

Financial Instruments and Other Instruments

Please see Notes 10, 11, 12, 15 and 22 in the Annual Financial Statements for full discussion of financial instruments and other instruments.

Risk Factors

The following risk factors should be carefully considered in evaluating the Company. The risks presented below may not be all of the risks that the Company may face. It is believed that these are the factors that could cause actual results to be different from expected and historical results. Other sections of the MD&A include additional factors that could have an effect on the business and financial performance of the business. The market in which PopReach currently competes is very competitive and changes rapidly. Sometimes new risks emerge and management may not be able to predict all of them, or be able to predict how they may cause actual results to be different from those contained in any forward-looking statements. You should not rely upon forward-looking statements as a prediction of future results. In addition to the risks described elsewhere in the MD&A, the Interim Financial Statements, and the Annual Financial Statements, each of, and the cumulative effect of all of the following risks for the Company should be considered:

Risks Related to Our Business and Industry

The Company's business will suffer if it is unable to entertain its players, acquire new games, improve the experience of its existing games, and successfully monetize its games.

The Company's business will depend on acquiring, consolidating, operating, publishing, enhancing and continuing to service Free-to-Play ("**FTP**") games that consumers will download and spend time and money playing. The

Company will be primarily focused on mobile gaming, offering its games on mobile devices, including smartphones and tablets on Apple's iOS and Google's Android operating systems, and on social networking platforms such as Facebook. The Company expects to devote substantial resources to the research, development, analytics and marketing of its existing and acquired games. The Company's development and marketing efforts are focused on both improving the experience of its existing games (frequently through new content and feature releases for its live services) and acquiring and consolidating new games. The Company will generate revenue primarily through the sale of in-game virtual items and advertising. For games distributed through third-party platforms, the Company is required to share a portion of its revenues from in-game sales with the platform providers. These costs are expected to remain a significant operating expense. In order to remain profitable, the Company needs to generate sufficient bookings and revenues from its existing and new game offerings to offset its ongoing development, marketing and operating costs.

Successfully monetizing FTP games is difficult, and requires that the Company deliver valuable and entertaining player experiences that a sufficient number of players will pay for or the Company is able to otherwise sufficiently monetize its games (for example, by serving in-game advertising). The most successful FTP games tend to include socio-competitive gameplay, deep meta game features, player versus player activities, regularly updated content and other complex technological and creative attributes. While the Company will work to include such features in its games, it may not successfully update its games to include these features or they may not be well received by its players. The success of the Company's games depends, in part, on unpredictable and volatile factors beyond the Company's control including consumer preferences, competing games, new mobile platforms and the availability of other entertainment experiences. If the Company's games do not meet consumer expectations, or if they are not brought to market in a timely and effective manner, the Company's ability to grow revenue and the Company's financial performance will be negatively affected.

In addition to the market factors noted above, the Company's ability to successfully acquire, consolidate, operate, publish and enhance FTP games and enhance its existing games and their ability to achieve commercial success will depend on the Company's ability to:

- continually anticipate and respond to changes in the applications industry, particularly in the mobile and social platforms;
- effectively market its games to existing and new players;
- achieve benefits from its player acquisition costs;
- successfully navigate and adapt to changes in digital platform and OS policies, such as Apple's change to iOS 14 in relation to IDFA (Identifier for Advertisers), and Facebook's closure of Gameroom;
- achieve viral organic growth and gain customer interest in its games through free or more efficient channels;
- adapt to changing player preferences;
- adapt to new technologies and feature sets for mobile and other devices;
- expand and enhance games;
- attract, retain and motivate talented and experienced game designers, product managers and engineers;
- achieve a positive return on its advertising investments;
- partner with mobile platforms and obtain featuring opportunities;

- continue to adapt game feature sets for an increasingly diverse set of devices, including various operating systems and specifications, limited bandwidth, and varying processing power and screen sizes;
- minimize cost overruns on the development of acquired games and new features;
- achieve and maintain successful customer engagement and effectively monetize its games;
- maintain a quality social game experience and retain its players;
- acquire games that can build upon or become franchise games;
- compete successfully against a large and growing number of existing market participants;
- accurately forecast the timing and expense of its operations, including game and feature development, marketing and customer acquisition, customer adoption, and success of bookings growth;
- minimize and quickly resolve bugs or outages; and
- acquire and successfully integrate high quality FTP game assets, personnel or companies.

The Company's efforts to acquire, consolidate, operate, publish, and enhance games may prove unsuccessful or, even if successful, it may take more time than the Company anticipates to achieve significant revenue because, among other reasons:

- players may not widely download its games for a variety of reasons, including:
    - competition for downloads not only with other games but also with social media and other non-gaming related applications;
    - limits on the number of applications players are willing to download to and maintain on their devices;
    - poor consumer reviews or other negative publicity;
    - ineffective or insufficient marketing efforts;
    - lack of sufficient social and community features; and
    - lack of prominent storefront featuring.
- even if its games are widely downloaded, the Company may fail to retain users or optimize the monetization of these games; this may occur for a variety of reasons, including poor game design or quality, lack of social and community features, gameplay issues such as game unavailability, long load times or an unexpected termination of the game due to data server or other technical issues, lack of differentiation from predecessor games or other competitive games, lack of innovative features that surprise and delight the Company's players, differences in user demographics and purchasing power or its failure to effectively respond and adapt to changing user preferences through game updates;
- the Company may encounter difficulties in generating sufficient consumer interest in and downloads of its original intellectual property games;
- well-funded public and private companies have or may plan to release games in the same genres as its games or games incorporating the same licensed brands that the Company intends to use in its games, and this competition may make it more difficult for the Company to differentiate its games and derive significant revenue from them;
- the Company may have difficulty hiring the experienced monetization, live operations, server technology, user experience and product management personnel that it requires to develop and support its games, and may, as a result, face difficulties in developing unique gameplay; and

- the Company depends on the proper and continued functioning of servers and third-party infrastructure to operate its connected games that are delivered as a service.

If the Company does not achieve a sufficient return on its investment with respect to its FTP business model, it will negatively affect its operating results and may require the Company to formulate a new business strategy.

These and other uncertainties make it difficult to know whether the Company will succeed in continuing to acquire, consolidate, operate, publish and enhance successful games and features in accordance with its strategic and operating plans. If the Company does not succeed in doing so, its business, financial condition, results of operations or reputation will suffer.

The Company's industry is intensely competitive and subject to rapid changes. If consumers prefer its competitors' products or services over the Company's, the Company's operating results could suffer.

Competition in the gaming industry, especially the mobile gaming segment, is intense and subject to rapid changes, including changes from evolving consumer preferences and emerging technologies. Many new games are introduced in each major industry segment (mobile, web, PC, and console), but only a relatively small number of titles account for a significant portion of total revenue in each segment. Furthermore, the Company may face competition in the form of competitive bidding situations when attempting to acquire additional FTP games and/or associated businesses. The Company's competitors include those that develop, acquire and operate mobile and web games in varying sizes and include companies such as Activision Blizzard Inc.; Electronic Arts Inc.; Gameloft SA.; Glu Mobile Inc.; Kuuhubb Inc.; Leaf Mobile Inc.; Kabam Inc.; King Digital Entertainment plc.; Rovio Entertainment Ltd.; Zynga Inc.; Embracer Group AB; Stillfront Group AB; Modern Times Group MTG AB, and numerous other publicly and privately-held companies. In addition, online game developers and distributors who are primarily focused on specific international markets, such as Giant Interactive and Tencent in Asia, and high-profile companies with significant online presences that to date have not actively focused on social games, such as Facebook, Apple, Google, Amazon and Microsoft, may decide to develop social games. Some of these current and potential competitors have one or more advantages over the Company, either globally or in particular geographic markets, which include:

- significantly greater financial resources;
- greater experience with FTP games, building and maintaining growth or evergreen games, and building social and community features into games, as well as more effective game monetization;
- stronger brand and consumer recognition regionally or worldwide;
- the capacity to leverage their marketing expenditures across a broader portfolio of mobile and non-mobile products;
- larger installed user bases from their existing games;
- larger installed user bases from related platforms, such as console gaming or social networking websites, to which they can market and sell games;
- more substantial intellectual property of their own from which they can develop games;
- lower labor and development costs and better overall economies of scale;
- greater platform-specific focus, experience and expertise;
- broader global distribution and presence; and

- greater talent, both in overall headcount and in terms of experience in creating successful titles.

As there are relatively low barriers to entry to develop a mobile or online game, the Company expects new game competitors to enter the market and existing competitors to allocate more resources to develop and market competing games and applications. The Company will also compete with a vast number of small companies and individuals who are able to create and launch games and other content for devices and platforms using relatively limited resources and with relatively limited start-up time or expertise. The proliferation of titles in these open developer channels makes it difficult for the Company to differentiate itself from competitors and to compete for players without substantially increasing its marketing expenses and development costs.

If the Company is unable to compete effectively or the Company is not as successful as its competitors in its target markets, its sales could decline, its margins could decline and it could lose market share, any of which would materially harm the Company's business, operating results and financial condition.

Players may decide to select competing forms of entertainment instead of playing the Company's games.

As an entertainment company, the Company also faces competition for the leisure time, attention and discretionary spending of its players from other non-gaming activities, such as social media and messaging applications, personal computer and console games, video streaming services, television, movies, sports and the Internet. Increasing competition could result in loss of players, increasing player acquisition and retention costs, and loss of talent, all of which could harm the Company's business, financial condition or results of operations.

If players do not find the formats of the Company's games compelling and engaging, the Company could lose players and its revenue could decline.

Consumer tastes and preferences are subject to frequent changes, and it is possible that players could lose interest in the format of the Company's games or the mobile game genre over time due to a variety of reasons, including the emergence of new formats that players find more engaging, increased popularity of other game titles, or lack of sustained interest or loss of interest in particular games or the genre of the games. If large numbers of players were to lose interest in the mobile game genre or in the format of the games the Company offers, or if the Company is not able to anticipate and develop games in new genres or formats, the Company could lose players and its revenue and business could be harmed.

The Company relies on third-party platforms such as the Apple App Store, the Google Play Store and Facebook to distribute its games and collect revenue. If the Company is unable to maintain a good relationship with such platform providers, if their terms and conditions or pricing changed to the Company's detriment, if the Company violates, or if a platform provider believes that the Company has violated, the terms and conditions of its platform, or if any of these platforms loses market share or falls out of favor or is unavailable for a prolonged period of time, the Company's business will suffer.

The Company will derive a significant portion of its bookings from distribution of its games on the Apple App Store, the Google Play Store, and Facebook and the virtual items the Company sells in its games are purchased using the payment processing systems of these platform providers.

The Company is subject to the standard policies and terms of service of third-party platforms, which govern the promotion, distribution, content and operation generally of games on the platform. Each platform provider has broad discretion to change and interpret its terms of service and other policies with respect to the Company and other developers, and those changes may be unfavorable to the Company. A platform provider may also change its fee structure, add fees associated with access to and use of its platform, alter how the Company is able to advertise on the platform, change how the personal information of its users is made available to application developers on the platform, limit the use of personal information for advertising purposes, or restrict how players can share information with their friends on the platform or across platforms.

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

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

If the Company violates, or a platform provider believes the Company has violated, its terms of service (or if there is any change or deterioration in the Company's relationship with these platform providers), that platform provider could limit or discontinue the Company's access to the platform. A platform provider could also limit or discontinue the Company's access to the platform if it establishes more favorable relationships with one or more of the Company's competitors or it determines that the Company is a competitor. Any limit or discontinuation of the Company's access to any platform could adversely affect the Company's business, financial condition or results of operations.

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

The Company relies on third-party hosting and cloud computing providers to operate certain aspects of its business. Any failure, disruption or significant interruption in its network or hosting and cloud services could adversely impact the Company's operations and harm its business.

The Company's technology infrastructure is critical to the performance of its games and to player satisfaction, as well as its corporate functions. The Company's games and company systems run on a complex distributed system, or what is commonly known as cloud computing. Significant elements of this system are operated by third-parties that it does not control and which would require significant time and expense to replace. The Company expects this dependence on third-parties to continue. The Company may suffer interruptions in service, including when releasing new software versions or bug fixes, and if any such interruption were significant and/or prolonged it could adversely affect the Company's business, financial condition, results of operations or reputation.

Any failure, disruption or interference with the Company's use of hosted cloud computing services and systems provided by third-parties could adversely impact the Company's business, financial condition or results of operations. To the extent the Company does not effectively respond to any such interruptions, upgrade its systems as needed and continually develop its technology and network architecture to accommodate traffic, the Company's business, financial condition or results of operations could be adversely affected. Furthermore, the Company's disaster recovery systems and those of third-parties with which it does business may not function as intended or may fail to adequately protect its critical business information in the event of a significant business interruption, which may cause interruption in service of its games, security breaches or the loss of data or functionality, leading to a negative effect on the Company's business, financial condition or results of operations. If users are unable to access and play the Company's games for any period of time, if virtual assets are lost, or if users do not receive their purchased virtual currency, the Company may receive negative publicity and game ratings, the Company may lose players of its games, the Company may be required to issue refunds, and the Company may become subject to regulatory investigation or class action litigation, any of which would negatively affect the Company's business. Any of these problems could require the Company to incur substantial repair costs, distract management from operating its business and result in a loss of revenue.

The Company's operating results may be volatile and difficult to predict, and the Company's stock price may decline if it fails to meet the expectations of securities analysts or investors.

The Company's bookings, revenue, player metrics and operating results may fluctuate and could vary significantly from quarter-to-quarter and year-to-year, and may fail to match the expectations of securities analysts or investors because of a variety of factors, some of which are outside of the Company's control.

In addition to other factors discussed in this section, factors that may contribute to the variability of the Company's quarterly and annual results and the volatility in its stock price include:

- its ability to increase the number of its paying players and the amount that each paying player spends in its games;
- the popularity and monetization rates of its games and the ability of games to sustain their popularity and monetization rates;
- the number and timing of games acquired and released by the Company and its competitors, which timing can be impacted by internal delays, longer than anticipated testing periods, shifts in product, acquisition and growth strategy and how quickly digital storefront operators review and approve its games for commercial release;
- changes in the prominence of storefront featuring for its games and those of its competitors;
- the loss of, or changes to, one of its distribution platforms;
- changes to the Apple iOS platform or the Google Android platform to which it is not able to adapt its game offerings;
- fluctuations in the size and rate of growth of overall consumer demand for smartphones, tablets, games and related content;
- the amount and timing of charges related to any future impairments of goodwill, intangible assets, prepaid royalties and guarantees;
- changes in the mix of revenue derived from games based on original intellectual property versus licensed intellectual property;
- changes in the mix of revenue derived from in-app purchases, advertisements and offers;

- changes in the amount of money it spends marketing its titles in a particular period, including the average amount it pays to acquire each new user, as well as changes in the timing of these marketing expenses within the period;
- decisions by the Company to incur additional expenses, such as increases in research and development, restructuring expenses, or unanticipated increases in vendor-related costs, such as hosting fees;
- the timing of successful mobile device launches;
- the seasonality of the Company's industry;
- changes in accounting rules, such as those governing recognition of revenue, including the period of time over which the Company recognizes revenue for in-app purchases of virtual currency and goods within some of its games, as well as estimates of average playing periods and player life;
- the activities, announcements and performance of its commercial partners: and
- macro-economic fluctuations in Canadian and global economies, including those that impact discretionary consumer spending.

In particular, it is difficult to predict if, or when, bookings from one of the Company's games will begin to decline, the decay rate for any particular game (i.e., the speed at which the popularity and player usage for a game declines) and the commercial success of its games and features. The success of its business depends on its ability to consistently and timely acquire games and launch features that achieve significant popularity and have the potential to become franchise games as bookings from its older games decline. It is difficult for the Company to predict with certainty when it will acquire, consolidate, publish or launch a new game or game features as games and features may require longer acquisition, consolidation, publishing or development schedules or soft launch periods to meet its quality standards and its players' expectations. If decay rates are higher than expected in a particular quarterly period and/or the Company experiences delays in the acquisition, consolidation, publishing or launch of new games or game features that it expects to offset decay rates of other games or game features, and/or new games or game features do not monetize well, the Company may not meet its expectations or the expectations of securities analysts or investors for a given quarter.

Given the rapidly evolving social game industry in which the Company operates, metrics the Company develops or those available from third parties regarding its industry and the performance of its games may not be indicative of its future financial performance.

If the Company is unable to maintain effective internal control over financial reporting, the accuracy and timeliness of its financial reporting may be adversely affected.

Maintaining effective internal control over financial reporting is necessary for the Company to produce reliable financial statements. If the Company is unable to maintain such internal controls, or if its independent registered public accounting firm is unable to express an opinion as to the effectiveness of its internal controls, it could result in a material misstatement of the Company's financial statements that would require a restatement, and investor confidence in the accuracy and timeliness of its financial reports and the market price of its common stock could be negatively impacted.

The Company's business will suffer if it is unable to successfully acquire or integrate acquired games into its business or otherwise manage the growth associated with multiple acquisitions.

The Company intends to evaluate and pursue acquisitions and strategic investments. Each of these acquisitions require unique approaches to integration due to, among other reasons, the structure of the acquisitions, their locations and cultural differences among their teams and the Company's, and will require, attention from the Company's management team. If the Company is unable to obtain the anticipated benefits from these acquisitions and strategic investments, or the Company encounters difficulties in integrating their operations with the Company's, the Company's financial condition and results of operations could be materially harmed.

Challenges and risks from such investments and acquisitions include:

- negative effects on products and product pipeline from the changes and potential disruption that may follow the acquisition;
- diversion of the Company's management's attention;
- declining employee morale and retention issues resulting from changes in compensation, or changes in management, reporting relationships, or future prospects;
- the need to integrate the operations, systems, technologies, products and personnel of each acquired company or asset, the inefficiencies and lack of control that may result if such integration is delayed or not implemented, and unforeseen difficulties and expenditures that may arise in connection with integration;
- the difficulty in determining the appropriate purchase price of acquired companies or assets may lead to the overpayment for certain acquisitions and the potential impairment of intangible assets and goodwill acquired in the acquisitions;
- the difficulty in successfully evaluating and utilizing the acquired products, technology or personnel;
- the potential incurrence of debt, contingent liabilities, amortization expenses or restructuring charges in connection with any acquisition;
- the need to implement controls, procedures and policies appropriate for a larger public company at companies that prior to acquisition may not have as robust controls, procedures and policies;
- the difficulty in accurately forecasting and accounting for the financial impact of an acquisition transaction, including accounting charges and integrating and reporting results for acquired companies that follow different accounting methods;
- the fact that the Company may be required to pay contingent consideration in excess of the initial fair value, and contingent consideration may become payable at a time when the Company does not have sufficient cash available to pay such consideration;
- under purchase accounting, the Company may be required to write off deferred revenue which may impair its ability to recognize revenue that would have otherwise been recognizable which may impact its financial performance or that of the acquired company;
- risks associated with the Company's expansion into new international markets and doing business internationally, including those described under the risk factor caption "The Company's international operations are subject to increased challenges and risks";

- in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries;
- the need to transition operations and players onto the Company's existing or new platforms and the potential loss of, or harm to, its relationships with employees, players and other suppliers as a result of integration of new games;
- the implications of the Company's management team balancing levels of oversight over acquired games which continue their operations under earnout provisions in acquisition agreements;
- the Company's dependence on the accuracy and completeness of statements and disclosures made or actions taken by the companies it acquires (or from which it acquires games) or their representatives, when conducting due diligence and evaluating the results of such due diligence; and
- liability for activities of an acquired company before an acquisition, including intellectual property and other litigation claims or disputes, information security vulnerabilities, violations of laws, rules and regulations, commercial disputes, tax liabilities and other known and unknown liabilities.

The benefits of an acquisition or investment may also take considerable time to develop, and the Company cannot be certain that any particular acquisition or investment will produce the intended benefits, which could adversely affect the Company's business, financial condition or results of operations. The Company's ability to grow through future acquisitions will depend on the availability of suitable acquisition and investment candidates at an acceptable cost, its ability to compete effectively to attract these candidates and the availability of financing to complete larger acquisitions. Acquisitions could result in potential dilutive issuances of equity securities, use of significant cash balances or incurrence of debt (and increased interest expense), contingent liabilities or amortization expenses related to intangible assets or write-offs of goodwill and/or intangible assets, which could adversely affect the Company's results of operations and dilute the economic and voting rights of its stockholders.

The FTP business model of the Company's games depends on purchases of virtual items within the games, and the Company's business, financial condition and results of operations will be materially and adversely affected if it does not continue to successfully implement this model.

The games are available to players for free, and the Company generates revenue from them if the players purchase in-game virtual items that enhance their skills to help players progress further in the game. If the Company fails to offer popular virtual items, make unpopular changes to existing virtual items or offer games that do not attract purchases of virtual items, or if the Company's distribution partners make it more difficult or expensive for players to purchase in-game virtual items, the Company's business, financial condition and results of operations will be materially and adversely affected.

A small number of games may generate a majority of the Company's revenue, and it must continue to acquire, consolidate, operate, publish and enhance games that players like and attract and retain a significant number of players in order to grow its revenue and sustain its competitive position.

The Company may depend on a small number of games for a majority of its revenue. Bookings and revenue from many of its games, including games it may in the future acquire and consolidate pursuant to its business strategy, may decline over time after reaching a peak of popularity and player usage. If the Company is unable to continue to acquire, consolidate, enhance or otherwise offer games that encourage these players to purchase virtual items, if these players do not continue to play the Company's games, or if the Company cannot encourage significant additional players to purchase virtual items in the games, the Company will not be able to sustain its revenue growth rate, and its business would be harmed. As a result, its business depends on its ability to engage with players by consistently and timely acquiring, consolidating, growing and otherwise offering new games and enhancing existing games with new content, features and events. Constant game enhancement requires the investment of significant resources, particularly with older games, and such costs on average have increased.

It is difficult to consistently anticipate player demand on a large scale, particularly as the Company acquires, consolidates, operates, enhances and otherwise offers games in new categories or new markets, including international markets and mobile platforms. If the Company does not successfully acquire, consolidate, operate, enhance and otherwise offer games that attract and retain a significant number of players and extend the life of its existing games, its market share, brand and financial results will be harmed.

The Company may fail to attract new customers, and the number of customers will fluctuate, any of which will materially and adversely affect its results of operations and financial condition.

In order to acquire new players, the Company uses a variety of marketing channels, including advertising and online through mobile and social networks. Acquiring players can be costly and the effectiveness of such efforts can vary widely by game, geography and platform. Furthermore, the Company's success of the business will depend in large part on its ability to initially and continually attract players of its games and, on an ongoing basis, to generate revenue from existing players and migrate them to new games and new platforms. As the Company's player network will continue to evolve, it is possible that the composition of its player network may change in a manner that makes it more difficult to generate sufficient revenue to offset the costs associated with acquiring new players and retaining existing players. Additionally, the cross-promotions may be ineffective or could be restricted by platforms thereby reducing retention of the existing players. If the cost to acquire players is greater than the revenue the Company generates over time from those players and the Company cannot successfully migrate its existing players to new games and new platforms, its business and operating results will be harmed.

The Company may rely on a small portion of its total players for nearly all of its revenue and if it fails to grow its player base, or if player engagement declines, bookings, revenue and operating results will be harmed.

The Company may rely on a small portion of its total players for the majority of its revenue derived from in-app purchases (as opposed to advertisements). To significantly increase its revenue, the Company must increase the number of downloads of its games, increase the number of players who convert into paying players by making in-app purchases or enrolling in subscriptions, increase the amount that paying players spend in its games and/or increase the length of time players generally play its games. The Company might not succeed in its efforts to increase the monetization rates of its users, particularly if the Company does not increase the number of social features in its games or otherwise improve its games though updates and live operations. If the Company is unable to convert non-paying players into paying players, or if it is unable to retain paying players or if the average amount of revenue generated from players does not increase or declines, the Company's business may not grow, its financial results will suffer, and its stock price may decline.

The value of the Company's virtual items is highly dependent on how it manages the economies in its games. If the Company fails to manage its game economies properly, its business may suffer.

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

The Company's revenue may be harmed by the proliferation of "cheating" programs and scam offers that seek to exploit its games and players, which may negatively affect game-playing experience and its ability to reliably validate its audience metric reporting and may lead players to stop playing its games.

Unrelated third parties have developed, and may continue to develop, "cheating" programs that enable players to exploit vulnerabilities in the Company's games, play them in an automated way, collude to alter the intended game play or obtain unfair advantages over other players who do play fairly. These programs harm the experience of players who play fairly, may disrupt the virtual economies of the Company's games and reduce the demand for virtual items, disrupting the Company's in-game economy. In addition, unrelated third parties have attempted to scam its players with fake offers for virtual items or other game benefits. If the Company is unable to discover, discourage and disable these cheating and scam programs and activities quickly, its operations may be disrupted, its reputation may be damaged, players may stop playing its games and its ability to reliably validate its audience metrics may be negatively affected. These cheating programs and scam offers result in lost revenue from paying players, disrupt the Company's in-game economies, divert time from its personnel, increase costs of developing technological measures to combat these programs and activities, increase its customer service costs needed to respond to dissatisfied players, and may lead to legal claims.

Some of the Company's players may make sales or purchases of virtual items used in its games through unauthorized or fraudulent third-party websites, which may reduce the Company's revenue.

Virtual items in the Company's games have no monetary value outside of its games. Nonetheless, some of its players may make sales and/or purchases of its virtual items through unauthorized third-party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on third-party websites and the virtual items offered may have been obtained through unauthorized means such as exploiting vulnerabilities in its games, from scamming its players with fake offers for virtual items or other game benefits, or from credit card fraud. The Company does not generate any revenue from these transactions. These unauthorized purchases and sales from third-party sellers could in the future impede the Company's revenue and profit growth by, among other things:

- decreasing revenue from authorized transactions;
- creating downward pressure on the prices the Company charges players for its virtual currency and virtual items;
- increasing chargebacks from unauthorized credit card transactions;
- causing the Company to lose revenue from dissatisfied players who stop playing a particular game;
- causing the Company to lose revenue from players who the Company takes disciplinary action against, including banning certain players who may have previously made purchases within its games;
- increasing costs the Company incurs to develop technological measures to curtail unauthorized transactions;

- resulting in negative publicity or harm the Company's reputation with players and partners; and
- increasing customer support costs to respond to dissatisfied players.

The Company will employ technological measures to help detect unauthorized transactions and continue to develop additional methods and processes by which the Company can identify unauthorized transactions and block such transactions. However, there can be no assurance that the Company's efforts to prevent or minimize these unauthorized or fraudulent transactions will be successful and that these actions will not increase over time.

The Company is subject to laws and regulations concerning privacy, information security, data protection, consumer protection and protection of minors, and these laws and regulations are continually evolving. The Company's actual or perceived failure to comply with these laws and regulations could harm its business.

The Company receives, stores and processes personal information and other player data, and the Company enables its players to share their personal information with each other and with third parties, including on the Internet and mobile platforms. There are numerous federal, state, provincial and local laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other player data on the Internet and mobile platforms, the scope of which are changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. In addition, in some cases, the Company will be dependent upon its platform providers to solicit, collect and provide information regarding its players that is necessary for compliance with these various types of regulations.

Various government and consumer agencies have called for new regulation and changes in industry practices and are continuing to review the need for greater regulation for the collection of information concerning consumer behavior on the Internet, including regulation aimed at restricting certain targeted advertising practices. For example, the European Union's General Data Protection Regulation ("**GDPR**"), which became effective in May 2018, created new individual privacy rights and imposes worldwide obligations on companies processing personal data of European Union users, which may create a greater compliance burden for the Company and other companies with European users, and subjects violators to substantial monetary penalties. Another example is the State of California's passage of the California Consumer Protection Act of 2018 ("**CCPA**"), which became effective in 2020 and created new privacy rights for consumers residing in the state. There is also increased attention being given to the collection of data from minors. For instance, the Children's Online Privacy Protection Act ("**COPPA**") requires companies to obtain parental consent before collecting personal information from children under the age of 13. Compliance with GDPR, CCPA, COPPA and similar legal requirements may require the Company to devote significant operational resources and incur significant expenses.

All of the Company's games are subject to its privacy policy and terms of service located in application storefronts, within its games and on its corporate website. The Company generally complies with industry standards and is subject to the terms of its privacy-related obligations to players and third parties. The Company strives to comply with all applicable laws, policies, legal obligations and certain industry codes of conduct relating to privacy and data protection, to the extent reasonably attainable. However, it is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or the Company's practices. It is also possible that new laws, policies, legal obligations or industry codes of conduct may be passed, or existing laws, policies, legal obligations or industry codes of conduct may be interpreted in such a way that could prevent the Company from being able to offer services to citizens of a certain jurisdiction or may make it costlier or more difficult for it to do so. Any failure or perceived failure by the Company to comply with its privacy policy and terms of service, its privacy-related obligations to players or other third parties, or its privacy-related legal obligations, or any compromise of security that results in the unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against the Company by consumer advocacy groups or others and could cause players to lose trust in the Company, which could have an adverse effect on the business, financial condition or results of operations of the Company. Additionally, if third parties it works with, such as players, vendors or developers violate applicable laws or its policies, such violations may also put players' information at risk and could in turn have an adverse effect on the business, financial condition or results of operations of the Company.

Cybersecurity attacks, including breaches, computer viruses and computer hacking attacks could harm the Company's business, financial condition, results of operations or reputation.

Cybersecurity attacks, including breaches, computer malware and computer hacking have become more prevalent in the Company's industry. Any cybersecurity breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, or the inadvertent transmission of computer viruses could adversely affect the business, financial condition, results of operations or reputation of the Company. The Company believes that it is taken reasonable steps to protect the security, integrity and confidentiality of the information collected, used, stored and disclosed, but there is no guarantee that in the future inadvertent (e.g., software bugs or other technical malfunctions, employee error or malfeasance, or other factors) or unauthorized data access or use will not occur despite its efforts in the past and in the future. The Company will experience hacking attacks of varying degrees from time to time, including denial-of-service attacks. Techniques used to obtain unauthorized access to personal information, confidential information and/or the systems on which such information are stored and/or to sabotage systems change frequently and generally are not recognized until launched against a target. As a result, the Company may be unable to anticipate these techniques or to implement adequate preventative measures.

In addition, the Company stores sensitive information, including personal information about its employees, and its games involve the storage and transmission of players' personal information on equipment, networks and corporate systems run by the Company or managed by third-parties including Facebook, Apple, Microsoft, Amazon, and Google. The Company is subject to a number of laws, rules and regulations requiring it to provide notification to players, investors, regulators and other affected parties in the event of a security breach of certain personal data, or requiring the adoption of minimum information security standards that are often vaguely defined and difficult to practically implement. The costs of compliance with these laws have increased and may increase in the future. The Company's corporate systems, third-party systems and security measures may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise, and, as a result, an unauthorized party may obtain access to its data, its employees' data, its players' data or any third-party data it may possess. Any such security breach could require the Company to comply with various breach notification laws and may expose the Company to litigation, remediation and investigation costs, increased costs for security measures, loss of revenue, damage to the Company's reputation and potential liability.

If an actual or perceived security breach occurs, the market perception of the Company's security measures could be harmed and it could lose sales and customers and/or suffer other negative consequences to its business. A security breach could adversely affect the game playing experience and cause the loss or corruption of data, which could harm the Company's business, financial condition and operating results. Any failure to maintain the security of the Company's infrastructure could result in loss of personal information and/or other confidential information, damage to its reputation and customer relationships, early termination of its contracts and other business losses, indemnification of its customers, financial penalties, litigation, regulatory investigations and other significant liabilities.

In the event of a major third-party security incident, the Company may incur losses in excess of its insurance coverage. Further, certain incidents that Company can experience may not be covered by the insurance coverage in place at the time.

Moreover, if a high profile security breach occurs with respect to the Company or another digital entertainment company, the Company's customers and potential customers may lose trust in the security of its business model generally, which could adversely impact its ability to retain existing customers or attract new ones.

Catastrophic events may disrupt the Company's business.

The Company's systems and operations are vulnerable to damage or interruption from fires, floods, power losses, telecommunications failures, cyber-attacks, terrorist attacks, acts of war, human errors, break-ins and similar events. Additionally, the Company will rely on data centers and third-party infrastructure and enterprise applications, internal technology systems and its website for development, marketing and operational support activities. In the event of a catastrophic event, the Company may be unable to continue its operations and may endure system interruptions, reputational harm, delays in application development, lengthy interruptions in services, breaches of data security and loss of critical data, all of which could have an adverse effect on the Company's future operating results.

If the Company does not successfully invest in, establish and maintain awareness of its brand and games, if it incurs excessive expenses promoting and maintaining its brand, or its games or if its games contain defects or objectionable content, the business, financial condition, results of operations or reputation of the Company could be harmed.

The Company believes that establishing and maintaining its brand is critical to maintaining and creating favorable relationships with players, platform providers, advertisers and content licensors, as well as competing for key talent. In addition, globalizing and extending its brand and recognition of its games requires significant investment and extensive management time to execute successfully. Although the Company will make significant sales and marketing expenditures in connection with the launch of its games, these efforts may not succeed in increasing awareness of its brand or newly acquired games. Brand promotion activities may not generate consumer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses the Company will incur in building its brand. In addition, the Company's brand can be harmed if it experiences adverse publicity for its games for any reason, including due to "bugs", outages, security breaches or violations of laws. If the Company fails to increase and maintain brand awareness and consumer recognition of its games, its potential revenues could be limited, its costs could increase and its business, financial condition, results of operations or reputation could suffer.

In addition, if a game contains objectionable content or the messaging functionality of the Company's games is abused, it could experience damage to its reputation and brand. Despite reasonable precautions, some consumers may be offended by certain of its game content, the third-party advertisements displayed in certain of its games, or by treatment of other users. If consumers believe that a game the Company published or third-party advertisement displayed in a game contains objectionable content, it could harm its brand and consumers could refuse to play it and could pressure the platform providers to remove the game from their platforms. For example, the Company relies on third-party advertising partners to display ads within its games, the Company may experience instances where offensive or objectionable content has been displayed in its games through its advertising partners. While this may violate the terms of the Company's agreements with these advertising partners, its reputation and player experience may suffer. Furthermore, steps that the Company may take in response to such instances, such as temporarily or permanently shutting off access of such advertising partner to its network, may negatively impact the Company's revenue in such period.

Similarly, the Company's games may contain errors, bugs, flaws, corrupted data, defects and other vulnerabilities, some of which may only become apparent after their launch, particularly as the Company releases new features to existing games under tight time constraints. Any such errors, flaws, defects and vulnerabilities may be exploited by cheating programs and other forms of misappropriation, which may disrupt the Company's operations, adversely affect the game experience of the Company's players, harm its reputation, cause its players to stop playing its games, divert its resources and delay market acceptance of its games, any of which could result in legal liability to the Company or harm its business, financial condition or results of operations.

If the Company is able to acquire, consolidate, operate, publish and enhance games and features that achieve success, it is possible that these games and features could divert players of its other games without growing the Company's overall user base, which could harm operating results.

Although it is important to the Company's future success that it operate, enhance and develop acquired games and new game features that are popular with players, it is possible that these games and features may reduce the amount of time players spend with its other games. In particular, the Company plans to continue leveraging its existing games to cross-promote acquired games and new features, which may encourage players of existing games to divert some of their playing time and discretionary spending away from its existing games. If these games and game features do not grow its player base, increase the overall amount of time players spend with its games, or generate sufficient new bookings to offset any declines from its other games, the Company's bookings and revenue could be adversely affected.

The Company derives a significant portion of its revenues from advertisements and offers that are incorporated into its FTP games through relationships with third parties. If the Company is unable to continue to compete for these advertisements and offers, or if any events occur that negatively impact its relationships with advertisers, its advertising revenues and operating results would be negatively impacted.

The Company derives a significant portion of its revenues though advertisements and offers it serves to players. The Company needs to maintain good relationships with advertisers to provide a sufficient inventory of advertisements and offers. Online advertising, including through mobile games and other applications, is an intensely competitive industry. Many large companies, such as Amazon, Facebook and Google, invest significantly in data analytics to make their websites and platforms more attractive to advertisers. In order for the Company's advertising business to continue to succeed, it needs to continue to demonstrate the reach of its player network and success of its advertising partners. If the Company's relationship with any advertising partners terminates for any reason, or if the commercial terms of its relationships are changed or do not continue to be renewed on favorable terms, the Company would need to qualify new advertising partners, which could negatively impact its revenues, at least in the short term.

In addition, internet-connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of advertising on their devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. For example, when Apple announced that UDID, a standard device identifier used in some applications, was being superseded and would no longer be supported, application developers were required to update their apps to utilize alternative device identifiers such as universally unique identifier, or, more recently, identifier-for-advertising, which simplify the process for Apple users to opt out of behavioral targeting. If users elect to utilize the opt-out mechanisms in greater numbers, the Company's ability to deliver effective advertising campaigns on behalf of its advertisers would suffer, which could cause the Company's business, financial condition, or results of operations to suffer. Finally, the revenues that the Company derives from advertisements and offers is subject to seasonality, as companies' advertising budgets are generally highest during the fourth quarter and decline significantly in the first quarter of the following year, which negatively impacts the Company's revenues in the first quarter.

The Company's revenue, bookings and operating margins may decline. The Company also may incur substantial net losses in the future and may not achieve or sustain profitability.

The industry in which the Company operates is highly competitive and rapidly changing, and relies heavily on successful new product launches and continually introducing compelling content, products and services. As such, if the Company fails to acquire, consolidate, operate, publish, enhance or otherwise deliver such content, products and services, does not execute its strategy successfully or if its new content launches are delayed, the Company's revenue, bookings and audience numbers may decline, and its operating results will suffer.

In addition, the Company's operating margin may experience downward pressure as a result of increasing competition and the other risks discussed in this report. The Company expects to continue to expend substantial financial and other resources on game acquisition and consolidation as well as game and feature development and marketing. The Company's operating costs will increase and its operating margins may decline if it does not effectively manage costs, launch new products and features on schedule that monetize successfully and enhance its franchise games so that these games continue to monetize successfully. In addition, weak economic conditions or other factors could cause the Company's business to further contract, requiring it to implement significant additional cost cutting measures, including a decrease in research and development and sales and marketing, which could harm the Company's long-term prospects.

In addition, following the Qualifying Transaction, as a public company, the Company incurs significant accounting, legal and other expenses that, as a private company, it did not incur. As a result of these increased expenditures, the Company's profitability may take longer than anticipated to achieve. While the Company's revenue is expected to grow after the closing Qualifying Transaction, this growth may take longer than anticipated to realize and it may not be sustainable, and the Company may not achieve sufficient revenue growth in future periods to achieve or maintain profitability. In future periods, the Company's revenue could decline or grow more slowly than expected. The Company may also incur significant losses in the future for a number of reasons, including due to the other risks described herein, and it may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors. Accordingly, the Company may not be able to maintain profitability, and it may incur losses in the future.

If the Company's revenues do not increase to offset any additional expenses, if it fails to manage or experience unexpected increases in operating expenses or if it is required to take additional charges related to impairments or restructurings, the Company's financial results and results of operations may suffer.

The Company rely on assumptions and estimates to calculate certain of its key metrics, and real or perceived inaccuracies in such metrics may harm the Company's reputation and negatively affect its business.

Certain of the Company's key metrics are calculated using internal company data from multiple analytics systems that have not been independently verified. While these numbers are based on what the Company believes to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring usage and user engagement across its user base and its recently acquired operations, and factors relating to user activity and systems may impact these numbers.

The Company relies on the accuracy and transparency of data provided by individuals and reported by third parties to calculate its metrics and eliminate duplication of data. The Company's advertisers and investors rely on its key metrics as a representation of its performance. The Company regularly reviews and may adjust its processes for calculating its internal metrics to improve their accuracy, but these efforts may not prove successful and the Company may discover material inaccuracies. In addition, its methodology for calculating these metrics may differ from the methodology used by other companies to calculate similar metrics. If the Company determines that it can no longer calculate any of its key metrics with a sufficient degree of accuracy, and it cannot find an adequate replacement for the metric, the Company's business, financial condition or results of operations may be harmed. In addition, if advertisers, platform partners or investors do not perceive the Company's user metrics to be accurate representations of its user base or user engagement, or if the Company discovers material inaccuracies in its user metrics, the Company's reputation may be harmed and advertisers and platform partners may be less willing to allocate their budgets or resources to its products and services, which could negatively affect the Company's business, financial condition or results of operations.

Any restructuring actions and cost reduction initiatives that the Company undertakes may not deliver the expected results and these actions may adversely affect the Company's business.

The Company may implement a number of restructurings in which it implement certain restructuring actions and cost reduction initiatives to streamline operations and improve cost efficiencies to better align its operating expenses with its revenue. The Company plans to continue to manage costs to better and more efficiently manage its business. Any restructuring plans and other such efforts could result in disruptions to the Company operations and adversely affect its business, financial condition or results of operations.

The Company actively monitors its costs, however, if it does not fully realize or maintain the anticipated benefits of any restructuring actions and cost reduction initiatives, the Company's business, financial condition or results of operations could be adversely affected, and additional restructuring initiatives may be necessary. In addition, the Company cannot be sure that any cost reduction initiatives will be as successful in reducing its overall expenses as expected or that additional costs will not offset any such reductions. If its operating costs are higher than it expects or if it does not maintain adequate control of its costs and expenses, the Company's operating results will suffer.

In addition, any cost cutting measures by the Company could negatively impact its business, financial condition or results of operations including but not limited to, delaying the introduction of new games, features or events, interrupting live services, impairing its control environment, delaying introduction of new technology, impacting its ability to react nimbly to game or technology issues, or impacting employee retention and morale.

The Company's business and growth may suffer if it fails to attract, retain and motivate key personnel.

The Company's ability to compete and grow depends in large part on the efforts and talents of its employees and executives. Its success depends in a large part upon the continued service of its senior management team. The Company's management team is critical to the Company's vision, strategic direction, culture, products and technology, and the continued retention of its entire senior management team is important to the success of its operating plan. The loss of any member of its senior management team could cause disruption and harm the business, financial condition, results of operations or reputation of the Company.

In addition, the Company's ability to execute its strategy depends on its continued ability to identify, hire, develop, motivate and retain highly skilled employees, particularly in the competitive fields of game and feature design, product management and engineering. These employees are in high demand, and the Company devotes significant resources to identifying, recruiting, hiring, training, successfully integrating and retaining them. Any significant turnover in the Company's headcount may place significant demands on its management and its operational, financial and technological infrastructure.

As the Company operates as a public company, volatility of its stock price, changes in its compensation structure for its executive officers that significantly relies on performance linked stock awards, and any headcount reductions may make it more difficult for the Company to attract and retain top talent. In particular, should the Company's stock price decline it might be difficult for it to attract and retain qualified personnel, since individuals may elect to seek employment with other companies that they believe have better long-term prospects or that present better opportunities for earning equity-based compensation. If the Company is unable to identify, hire and retain its senior management team and its key employees, the Company's business, financial condition or results of operations could be harmed. Moreover, if the Company's team fails to work together effectively to execute its plans and strategies on a timely basis, the Company's business, financial condition or results of operations could be harmed.

The Company may hire a number of key personnel through acquisitions, and as competition with other game companies for attractive target companies with a skilled employee base persists and increases, the Company may incur significant expenses and difficulty in continuing this practice. In addition, volatility in the Company's operating results and the trading price of its common stock may negatively impact its perceived reputation and make it more difficult and more expensive to successfully retain employees through acquisitions. The loss of talented employees with experience in the assets it acquires could result in significant disruptions to the Company's business and the integration of acquired assets and businesses. If it does not succeed in recruiting, retaining, and motivating these key employees, the Company may not achieve the anticipated results of acquisitions.

The Company's core values of focusing on its players and acting for the long-term may conflict with the short-term expectations of analysts.

The Company believes surprising and delighting its players is essential to its success and serves the best, long-term interests of the Company and its shareholders. Therefore, the Company may make in the future, significant investments or changes in strategy that it thinks will benefit the Company in the long-term, even if its decision has the potential to negatively impact its operating results in the short term. In addition, the Company's decisions may not result in the long-term benefits that it expects, in which case the success of its games, business, financial condition or results of operations could be harmed.

If the use of mobile devices as game platforms and the proliferation of mobile devices generally do not increase, the Company's business could be adversely affected.

The number of people using mobile Internet-enabled devices has increased dramatically over time and the Company expects that this trend will continue. However, the mobile market, particularly the market for mobile games, may not grow in the way it anticipates. The Company's future success is substantially dependent upon the continued growth of the market for mobile games. The proliferation of mobile devices may not continue to develop at historical rates and consumers may not continue to use mobile Internet-enabled devices as a platform for games. In addition, the Company does not currently offer its games on all mobile devices. If the mobile devices on which its games are available decline in popularity or become obsolete faster than anticipated, the Company could experience a decline in bookings and revenue and may not achieve the anticipated return on its development efforts. Any such declines in the growth of the mobile market or in the use of mobile devices for games could harm the Company's business, financial condition or results of operations.

If the Company fails to deliver its games at the same time as new mobile devices are commercially introduced, its revenue may suffer.

The Company's business depends, in part, on the commercial introduction of new mobile devices with enhanced features, including larger, higher resolution color screens, improved audio quality, and greater processing power, memory, battery life and storage. For example, the introduction of new and more powerful versions of Apple's iPhone and iPad and devices based on Google's Android operating system, have helped drive the growth of the mobile games market. In addition, consumers generally purchase the majority of content, such as its games, for a new device within a few months of purchasing it. The Company does not control the timing of these device launches. The mobile games market could also be disrupted by new technologies, such as the introduction of next generation virtual reality devices. Some manufacturers give the Company access to their new devices prior to commercial release. If one or more major manufacturers were to stop providing the Company access to new device models prior to commercial release, the Company might be unable to operate and introduce games and features that are compatible with the new device when the device is first commercially released, and the Company might be unable to acquire, publish or operate compatible games for a substantial period following the device release. If the Company does not adequately build into its title plan the demand for games for a particular mobile device or experiences game and feature availability delays, it misses the opportunity to publish and operate games when new mobile devices are shipped or its end users upgrade to a new mobile device, the Company's revenue would likely decline and its business, operating results and financial condition would likely suffer.

The Company's ability to acquire and maintain licenses to intellectual property may affect its revenue and profitability. Competition for these licenses may make them more expensive and increase the Company's costs.

Competition for proprietary licenses is intense, and may result in increased advances, minimum payment guarantees and royalties that the Company must pay to the licensor. If the Company is unable to obtain and remain in compliance with the terms of these licenses or obtain additional licenses on reasonable economic terms, its revenue and profitability may be adversely impacted. In addition, use of these intellectual properties may require that it pay a royalty to the licensor, which decreases its profitability. If the mix of player purchases shifts towards games in which the Company uses licensed intellectual properties increases, its overall margins may be reduced.

In addition, many of the Company's games are built on proprietary source code of third parties. If the Company is unable to renew licenses to proprietary source code underlying its games, or the terms and conditions of these licenses change at the time of renewal its business, financial condition or results of operations could be negatively impacted. If a third party from whom the Company licenses source code discontinues support for one or more of these platforms, the Company's business, financial condition or results of operations could be negatively impacted.

Failure to protect or enforce the Company's intellectual property rights or the costs involved in such enforcement could harm the Company's business, financial condition or results of operations.

The Company regards the protection of its trade secrets, copyrights, trademarks, service marks, trade dress, domain names, patents, and other product rights as critical to its success. The Company strives to protect its intellectual property rights by relying on federal, provincial and common law rights, as well as contractual restrictions and business practices. The Company enters into confidentiality and invention assignment agreements with its employees and contractors and confidentiality agreements with parties with whom it conducts business in order to limit access to, and disclosure and use of, its proprietary information. However, these contractual arrangements and business practices may not prevent the misappropriation of the Company's proprietary information or deter independent development of similar technologies by others. Further, in some instances the Company may be required to obtain licenses to intellectual property in lieu of ownership. Such licenses may be limited in scope and require the Company to renegotiate on a frequent basis for additional use rights. Moreover, to the extent that the Company may only have a license to any intellectual property used in any of its games, there may be no guarantee of continued access to such intellectual property, including on commercially reasonable terms.

The Company pursues the registration of its copyrights, trademarks, service marks, domain names, and patents in Canada and in certain locations outside Canada. This process can be expensive and time-consuming, may not always be successful depending on local laws or other circumstances, and the Company also may choose not to pursue registrations in every location depending on the nature of the project to which the intellectual property rights pertain. The Company may, over time, increase its investments in protecting its creative works and innovations through patent filings that are expensive and time-consuming and may not result in issued patents that can be effectively enforced.

Despite such efforts to protect intellectual property rights, unauthorized parties may attempt to copy or otherwise to obtain and use technology and games used or offered by the Company. For example, some companies have released games that are very similar to other successful games in an effort to confuse the market and divert players from their competitor's games to their copycat games. To the extent that these tactics are employed with respect to any of the games offered the Company, it could reduce the revenue that the Company generates from such games. Monitoring unauthorized use of the games is difficult and costly, and the Company cannot be certain that the steps it has taken in the past or the future will prevent piracy and other unauthorized distribution and use of the technology and applications or games used or offered by the Company. To the extent the Company expands its activities worldwide, exposure to unauthorized copying and use of its games and proprietary information may increase. In the future, litigation may be necessary to enforce intellectual property rights, protect trade secrets to determine the validity and scope of proprietary rights claimed by others or to defend against claims of infringement or invalidity. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs, adverse publicity or diversion of management and technical resources, any of which could adversely affect the Company's business and operating results. If the Company fails to maintain, protect and enhance its intellectual property rights, its business and operating results may be harmed.

There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that its competitors will not independently develop similar technology or games. Furthermore, the Company's efforts to enforce its intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of its intellectual property rights. These steps may be inadequate to protect its intellectual property. The Company will not be able to protect its intellectual property if it is unable to enforce its rights or if it does not detect unauthorized use of its intellectual property.

The Company may be subject to intellectual property disputes, which are costly to defend and could require the Company to pay significant damages and could limit its ability to use certain technologies in the future.

From time to time, the Company may face allegations that it has infringed the trademarks, copyrights, patents and other intellectual property rights of third parties, including from its competitors, non-practicing entities and former employers of its personnel. Intellectual property litigation may be protracted and expensive, and the results are difficult to predict. As the Company faces increasing competition and as litigation becomes a more common way to resolve disputes, the Company faces a higher risk of being the subject of intellectual property infringement claims. The Company cannot make any assurances that it will not become, in the future, subject to claims that it has misappropriated or misused other parties' intellectual property rights. If the Company is sued by a third-party that claims that the Company's technology infringes its rights, the litigation (with or without merit) could be expensive and could divert management resources.

As the result of any court judgment or settlement, the Company may be obligated to do one or more of the following:

- cease making, selling, offering for sale or using technologies that incorporate the challenged intellectual property;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms, to sell or use the relevant technology; or
- redesign technology to avoid infringement.

If the Company is required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement claims against the Company, such payments or costs could have a material adverse effect upon the Company's business and financial results.

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

The Company may be involved in legal proceedings that may result in adverse outcomes.

The Company may be involved in claims, suits, government investigations, and proceedings arising in the ordinary course of its business, including actions with respect to intellectual property claims, privacy, data protection or law enforcement matters, tax matters, labor and employment claims, commercial and acquisition-related claims, as well as shareholder derivative actions, class action lawsuits, and other matters. Such claims, suits, government investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of their outcomes, such legal proceedings can have an adverse impact on the Company because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing the Company from offering certain features, functionalities, products, or services, or requiring a change in its business practices, products or technologies, which could in the future materially and adversely affect the Company's business, financial condition or results of operations.

The Company's business is subject to a variety of Canadian and foreign laws, many of which are unsettled and still developing and which could subject the Company to claims or otherwise harm its business.

The Company is subject to a variety of laws in different jurisdictions that affect its business, including provincial and federal laws regarding consumer protection, electronic marketing, protection of minors, data protection, competition, taxation, intellectual property, export and national security, which are continuously evolving and developing. The scope and interpretation of the laws that are or may be applicable to the Company are often uncertain and may be conflicting, particularly laws outside Canada. There is a risk that these laws may be interpreted in a manner that is not consistent with the Company's current practices, and could have an adverse effect on the Company's business. It is also likely that as the Company's business grows and evolves and its games are played in a greater number of countries, it will become subject to laws and regulations in additional jurisdictions or other jurisdictions may claim that it is required to comply with their laws and regulations. This may require the Company to expend substantial resources or to modify its games, which would harm its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Company's reputation or otherwise impact the growth of its business. Any costs incurred as a result of this potential liability could harm the Company's business and operating results.

The Company is potentially subject to a number of foreign and domestic laws and regulations that affect the offering of certain types of content, such as that which depicts violence, many of which are ambiguous, still evolving and could be interpreted in ways that could harm the Company's business or expose it to liability. Additionally, "loot box" game mechanics have been the subject of increased public discussion. Mechanics in certain of the Company's games could be deemed as "loot boxes". New regulation, which may vary significantly across jurisdictions and which the Company may be required to comply with, could require that these game mechanics be modified or removed from games, increase the costs of operating its games, impact player engagement and monetization, prevent the Company from acquiring games that include such features in the future, or otherwise harm the Company's business performance. If the Company is not able to comply with new or existing laws or regulations or if it becomes liable under these laws or regulations, the Company could be directly harmed, and it may be forced to implement new measures to reduce its exposure to this liability. This may require the Company to expend substantial resources or to modify its games, which would harm its business, financial condition and results of operations. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm the Company's reputation or otherwise impact the growth of its business. Any costs incurred as a result of this potential liability could harm the Company's business, financial condition or results of operations.

It is possible that a number of laws and regulations may be adopted or construed to apply to the Company in Canada and elsewhere that could restrict the online and mobile industries, including player privacy, advertising, taxation, content suitability, copyright, distribution and antitrust. Furthermore, the growth and development of electronic commerce and virtual items may prompt calls for more stringent consumer protection laws that may impose additional burdens on companies such as the Company conducting business through the Internet and mobile devices. The Company anticipates that scrutiny and regulation of its industry will increase and it will be required to devote legal and other resources to addressing such regulation. For example, existing laws or new laws regarding the marketing of in-app purchases, labeling of FTP games, regulation of currency and banking institutions unclaimed property and money transmission may be interpreted to cover its games and the virtual currency, goods or payments that it receives. If that were to occur the Company may be required to seek licenses, authorizations or approvals from relevant regulators, the granting of which may be dependent on the Company meeting certain capital and other requirements and the Company may be subject to additional regulation and oversight, all of which could significantly increase its operating costs. Changes in current laws or regulations or the imposition of new laws and regulations in Canada or elsewhere regarding these activities may lessen the growth of social game services and impair the Company's business, financial condition or results of operations.

In addition, the Company's support operations in Bangalore, India through its subsidiary PopReach India may expose the Company to risks of political uncertainty and challenges with respect to remaining compliant with developing and changing local laws. Changes in laws and regulations in the region may negatively affect the business operations of PopReach India and its viability and could potentially harm the Company's business, financial condition or results of operations.

The Company's international operations are subject to increased challenges and risks.

Continuing to expand the Company's business to attract players in countries other than Canada is a critical element of its business strategy. An important part of targeting international markets is acquiring, consolidating, operating, publishing and enhancing offerings that are localized and customized for the players in those markets. The Company expects to continue to expand its international operations in the future by expanding its offerings in new languages. The Company's ability to expand its business and to attract talented employees and players in an increasing number of international markets will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. Expanding its international focus may subject the Company to risks that it has not faced before or increase risks that it currently faces, including risks associated with:

- inability to offer certain games in certain foreign countries;
- burdens of complying with a variety of foreign laws in multiple jurisdictions;
- potential damage to its brand and reputation due to compliance with local laws, including requirements to provide player information to local authorities;
- recruiting and retaining talented and capable management and employees in foreign countries;
- recruiting and working through local partners;
- challenges caused by distance, language and cultural differences;
- acquiring, consolidating, operating, publishing, enhancing and customizing games and other offerings that appeal to the tastes and preferences of players in international markets;
- competition from local game makers with intellectual property rights and significant market share in those markets and with a better understanding of player preferences;
- utilizing, protecting, defending and enforcing its intellectual property rights;
- negotiating agreements with local distribution platforms that are sufficiently economically beneficial to the Company and protective of its rights;
- the inability to extend proprietary rights in its brand, content or technology into new jurisdictions;

- implementing alternative payment methods for virtual items in a manner that complies with local laws and practices and protects the Company from fraud;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content and consumer protection (for example, the United Kingdom's Office of Fair Trading's 2014 principles relating to in-app purchases in FTP games that are directed toward children 16 and under);
- compliance with anti-bribery laws;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- exposure to local banking, currency control and other financial-related risks;
- protectionist laws and business practices that favor local businesses in some countries;
- double taxation of its international earnings and potentially adverse tax consequences due to changes in the tax laws of the jurisdictions in which the Company operates;
- political, economic and social instability;
- natural disasters, including earthquakes, tsunamis and floods;
- inadequate local infrastructure;
- higher costs associated with doing business internationally;
- export or import regulations; and
- trade and tariff restrictions.

If the Company is unable to manage the complexity of its global operations successfully, its business, financial condition and operating results could be adversely affected. Additionally, the Company's ability to successfully gain market acceptance in any particular market is uncertain, and the distraction of its senior management team could harm the Company's business, financial condition or results of operations.

Changes in foreign exchange rates and limitations on the convertibility of foreign currencies could adversely affect the Company's business and operating results.

The Company currently transacts business in several countries and in different currencies. Conducting business in different currencies subjects the Company to fluctuations in currency exchange rates that could have a negative impact on its reported operating results. To date, the Company has not engaged in exchange rate hedging activities, and it does not expect to do so in the foreseeable future.

Companies and governmental agencies may restrict access to platforms, the Company's website, mobile applications or the Internet generally, which could lead to the loss or slower growth of the Company's player base.

The Company's players generally need to access the Internet and in particular platforms such as Facebook, Apple, Google and the Company's website to play its games. Companies and governmental agencies could block access to Facebook, the Company's website, mobile applications or the Internet generally for a number of reasons such as security or confidentiality concerns or regulatory reasons, or they may adopt policies that prohibit employees from accessing Facebook, Apple, Google and the Company's website or other social platforms. If companies or governmental entities block or limit such or otherwise adopt policies restricting players from playing the Company's games, its business could be negatively impacted and could lead to the loss or slower growth of its player base.

Changes in the tax treatment of companies engaged in Internet commerce may adversely affect the commercial use of the Company's services and its financial results.

Due to the global nature of the Internet, it is possible that various countries might attempt to regulate transmissions or levy sales, income, consumption, use or other taxes relating to its activities, or impose obligations on the Company to collect such taxes. Tax authorities in various jurisdictions are reviewing the appropriate treatment of companies engaged in Internet commerce such as the sale of virtual items and the provision of online services. The imposition of new or revised tax laws or regulations may subject the Company or the players of its applications or games to additional sales, income, consumption, use or other taxes. The Company cannot predict the effect of current attempts to impose such taxes on commerce over the Internet. New or revised taxes and, in particular, sales, use or consumption taxes, the Value Added Tax and similar taxes would likely increase the cost of doing business online and decrease the attractiveness of selling virtual items over the Internet. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Any of these events could have an adverse effect on the business and results of operations of the Company.

The Company may have exposure to greater than anticipated tax liabilities.

The Company's income tax obligations are based in part on its corporate operating structure and intercompany arrangements, including the manner in which the Company develops, values, manages, and uses its intellectual property and the valuation of its intercompany transactions. The tax laws applicable to its business, including the laws of Canada and other jurisdictions, are subject to interpretation and certain jurisdictions are aggressively interpreting their laws in new ways in an effort to raise additional tax revenue. The Company's existing corporate structure and intercompany arrangements have been implemented in a manner that the Company believes is in compliance with current prevailing tax laws. However, the taxing authorities of the jurisdictions in which the Company operate may challenge its methodologies for valuing developed technology or intercompany arrangements, which could impact the Company's worldwide effective tax rate and harm its financial position and results of operations. In addition, changes to the Company's corporate structure and intercompany agreements, including through acquisitions, could impact its worldwide effective tax rate and harm its financial position and results of operation.

The Company must charge, collect and/or pay taxes other than income taxes, such as payroll, value-added, sales and use, net worth, property and goods and services taxes, in both Canadian and foreign jurisdictions. If tax authorities assert that the Company has a taxable nexus in a jurisdiction, they may seek to impose past as well as future tax liability and/or penalties. Any such impositions could also cause significant administrative burdens and decrease the Company's future sales.

The Company may require additional capital to meet its financial obligations and support business growth, and this capital might not be available on acceptable terms or at all.

The Company intends to make significant investments to support its business growth and may require additional funds to respond to business challenges. Accordingly, the Company may need to engage in equity or debt financings to secure additional funds. If the Company raises additional funds through future issuances of equity or convertible debt securities, its existing shareholders could suffer significant dilution, and any new equity securities the Company issues could have rights, preferences and privileges superior to those of holders of its common shares. Any debt financing that the Company secures in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may not be able to obtain additional financing on terms favorable to it, if at all. If the Company is unable to obtain adequate financing or financing on terms satisfactory to the Company when the Company requires it, the Company's ability to support its business growth and to respond to business challenges could be significantly impaired, and the Company's business, financial condition or results of operations may be harmed.

If securities or industry analysts do not publish research about the Company's business, or publish negative or misinformed reports about the Company's business, its share price and trading volume could decline and/or become more volatile.

The trading market for the Company's common stock will be affected by the research and reports that securities or industry analysts publish about its business. The Company does not have any control over these analysts. If one or more of the analysts who cover the Company downgrade its shares or lower their opinion of its shares, the Company's share price would likely decline. If one or more of these analysts cease coverage of the Company or fail to regularly publish reports on the Company, it could lose visibility in the financial markets, which in turn could cause its share price or trading volume to decline. In addition, the Company's share price and the volatility of its shares can be affected by misinformed or mistaken research reports on its business.

Novel Coronavirus ("COVID-19") and the potential global outbreak of a contagious disease.

The Company's operations could be significantly adversely affected by the effects of a widespread global outbreak of a contagious disease, including the recent outbreak of respiratory illness caused by COVID-19. The Company cannot accurately predict the impact COVID-19 will have on its operations and the ability of others to meet their obligations with the Company, including uncertainties relating to the ultimate geographic spread of the virus, the severity of the disease, the duration of the outbreak, and the length of travel and quarantine restrictions imposed by governments of affected countries. Depending on the duration and severity of the current COVID-19 pandemic, it may also have the effect of heightening many of the other risks described herein and in any other disclosure documents of the Company including, but not limited to, those risks relating to the successful completion of growth and expansion projects, the ability to obtain any required regulatory approvals in the future, the ability to raise additional capital to meet financial obligations and support business growth, the ability to service obligations under any debt securities and other debt obligations; and complying with the covenants contained in the agreements that govern indebtedness. In addition, a significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could further affect the Company's operations and ability to finance its operations.

Risks Related to Our Common Shares

The price of our common shares may be volatile and may decline regardless of our operating performance.

The price of our common shares has fluctuated in the past and we expect it to fluctuate in the future, and it may decline. The trading prices of gaming companies' securities may be highly volatile. The market price of our common shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including, among others:

- actual or anticipated fluctuations in our revenue and other results of operations, including as a result of the addition or loss of any number of customers;

- announcements by us or our competitors of significant technical innovations, acquisitions, strategic partnerships, joint ventures, or capital commitments;

- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;

- failure of securities analysts to initiate or maintain coverage of us, changes in ratings and financial estimates and the publication of other news by any securities analysts who follow the Company, or our failure to meet these estimates or the expectations of investors;

- changes in operating performance and stock market valuations of other technology companies, or those in our industry in particular;

- the size of our public float;

- price and volume fluctuations in the trading of our common shares and in the overall stock market, including as a result of trends in the economy as a whole;

- new laws or regulations or new interpretations of existing laws or regulations applicable to our business or industry, including data privacy, data protection, and information security;

- lawsuits threatened or filed against us for claims relating to intellectual property, employment issues, or otherwise;

- changes in our board of directors or management;

- short sales, hedging, and other derivative transactions involving our common shares;

- sales of large blocks of our common shares including sales by our executive officers, directors, and significant shareholders; and

- other events or factors, including changes in general economic, industry, and market conditions, and trends, as well as any natural disasters, which may affect our operations.

Share price volatility and limited market for securities

Our common shares are listed on the TSX Venture Exchange (the "**TSXV**"). However, in recent years, the securities markets in Canada have experienced a high level of price and volume volatility, and the market prices of securities of many companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continuing fluctuations in price will not occur. It may be anticipated that any quoted market for our common shares will be subject to market trends generally, notwithstanding the Company's potential success in creating revenues, cash flows or earnings. The value of our common shares will be affected by such volatility. An active public market for our common shares might not develop or be sustained. If an active public market for our common shares does not develop, the liquidity of a shareholder's investment may be limited and the share price may decline.

In addition, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many gaming companies. Share prices of many gaming companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management, and harm our business.

Future sales of common shares by existing shareholders could cause the price of our common shares to decline.

Sales of a substantial number of our common shares by our existing shareholders in the public market could occur at any time. If our shareholders sell, or the market perceives that our shareholders intend to sell, substantial amounts of our common shares in the public market, the market price of our common shares could decline. The magnitude of this risk will be inversely proportional to the size of the public float.

If securities or industry analysts do not publish research or reports about our business, or if they downgrade our common shares, the price of our common shares could decline.

The trading market for our common shares depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, the price of our common shares would likely decline. In addition, if our results of operations fail to meet the forecast of analysts, the price of our common shares would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our common shares could decrease, which might cause the price and trading volume of our common shares to decline.

Our issuance of additional common shares in connection with financings, acquisitions, investments, our equity incentive plans, or otherwise will dilute all other shareholders.

We expect to issue additional common shares in the future that will result in dilution to all other shareholders. We expect to grant equity awards to employees, directors, and consultants under our equity incentive plans. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies, and issue equity securities to pay for any such acquisition or investment. Any such issuances of additional common shares may cause shareholders to experience significant dilution of their ownership interests and the per share value of our common shares to decline.

We may also raise capital through equity financings in the future. Any additional capital raised through the sale of equity may dilute existing shareholders' percentage ownership of our common shares and shareholders could be asked in the future to approve the creation of new equity securities which could have rights, preferences and privileges superior to those of holders of our common shares. Capital raised through debt financing would require us to make periodic interest payments and may impose restrictive covenants on the conduct of our business. Furthermore, additional financings may not be available on terms favourable to us, or at all. A failure to obtain additional funding could prevent us from making expenditures that may be required to implement our growth strategy and grow or maintain our operations.

We do not currently intend to pay dividends for the foreseeable future.

We generally do not intend to pay dividends to the holders of our common shares for the foreseeable future. Our ability to pay dividends on our common shares is limited by our existing indebtedness, and may be further restricted by the terms of any future debt incurred or preferred securities issued by us or our subsidiaries or law. Payments of future dividends, if any, will be at the discretion of our board of directors after taking into account various factors, including our business, financial condition, and results of operations, current and anticipated cash needs, plans for expansion and any legal or contractual limitation on our ability to pay dividends. As a result, any capital appreciation in the price of our common shares may be your only source of gain on your investment in our common shares. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

Shareholders have limited control over our Company's operations.

Shareholders have limited control over changes in our policies and operations, which increases the uncertainty and risks of an investment in our Company. The board of directors (the "**Board**") determines major policies, including policies regarding financing, growth, debt capitalization and any future dividends to shareholders. Generally, the Board may amend or revise these and other policies without a vote of the shareholders. The Board's broad discretion in setting policies and the limited ability of shareholders to exert control over those policies increases the uncertainty and risks of an investment in our Company.