Condensed Interim Consolidated Financial Statements of

POPREACH CORPORATION

(Unaudited)

For the three and six months ended June 30, 2021 and 2020

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2021 and December 31, 2020 (unaudited - in US dollars, unless otherwise stated)

		June 30 2021		December 31 2020
Assets				
Current Assets:				
Cash and cash equivalents	$	12,589,024	$	18,097,649
Trade and other receivables (note 4)		1,774,873		1,167,123
Investment tax credits receivable		361,541		466,619
Investment in lease receivable (note 10)		55,386		50,552
Prepaid assets		428,022		297,258
		15,208,846		20,079,201
Property and equipment (note 5)		162,483		184,220
Intangible assets (notes 6 and 7)		9,755,452		5,116,926
Goodwill (notes 6 and 7)		2,605,933		6,084
Investment tax credits receivable		400,425		242,015
Right-of-use asset (note 9)		377,489		138,581
Deferred cost of sales (note 2)		175,533		-
Investment in lease receivable (note 10)		74,311		100,164
Deferred tax asset		63,372		67,340
		28,823,844		25,934,531
Liabilities and Shareholders' Equity				
Current Liabilities:				
Trade and other payables		1,406,130		869,081
Income taxes payable		51,500		43,062
Deferred revenue		2,285,493		912,475
Lease liabilities (note 9)		251,819		208,302
Borrowings (note 11)		1,207,737		1,200,418
Provisions (note 12)		-		100,000
Derivative financial instruments (note 13)		928,120		4,546,471
		6,130,799		7,879,809
Non-current liabilities:				
Deferred revenue		128,450		-
Lease liabilities (note 9)		271,517		113,264
Borrowings (note 11)		4,446,969		4,832,445
Provisions (note 12)		1,379,000		-
Employee benefit obligations (note 15)		464,629		588,855
		12,821,364		13,414,373
Shareholders' equity:				
Share capital (note 17)		24,644,738		24,575,987
Warrant reserve (note 18)		47,585		50,176
Share-based payment reserve (note 19)		1,317,907		1,170,499
Accumulated other comprehensive loss		(26,594)		(53,759)
Deficit		(9,981,156)		(13,222,745)
		16,002,480		12,520,158
		28,823,844		25,934,531

See accompanying notes to the condensed interim consolidated financial statements.

On behalf of the Board:

/s/ Mike Vorhaus Director

/s/ Christopher Locke Director

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

	Three months ended		Six months ended	
	2021	2020	2021	2020
Revenue (notes 2 and 24):				
In-App purchases	$ 4,177,682	$ 4,706,106	$ 8,116,489	$ 9,157,734
Advertising and other	263,404	196,220	402,497	421,136
	4,441,086	4,902,326	8,518,986	9,578,870
Cost of sales (notes 2, 25 and 26)	1,542,479	2,010,464	3,091,819	4,406,813
Gross profit	2,898,607	2,891,862	5,427,167	5,172,057
Operating expenses:				
Research and development (note 25)	1,077,435	622,977	1,892,184	1,313,411
General and administrative (notes 25 and 26)	644,221	560,888	1,785,256	1,226,018
Marketing (note 26)	753,285	118,513	885,785	253,561
Interest and accretion expenses	145,734	354,426	283,874	731,124
Amortization	491,663	734,124	892,239	1,468,918
	3,112,338	2,390,928	5,739,338	4,993,032
Non-operating expenses (income):				
Fair value loss (gain) on financial liabilities (note 14)	(1,311,463)	1,402,034	(3,601,396)	1,640,054
Reverse takeover listing expense (note 27)	-	886,997	-	980,719
	(1,311,463)	2,289,031	(3,601,396)	2,620,773
Income (loss) before income taxes	1,097,732	(1,788,097)	3,289,225	(2,441,748)
Current tax expense (recovery)	21,937	34,092	53,329	58,183
Deferred tax recovery	(4,495)	-	(5,693)	-
Net income (loss)	1,080,290	(1,822,189)	3,241,589	(2,499,931)
Other comprehensive income (loss):				
Employee benefit obligations actuarial earnings (loss), net of income tax (note 15)	3,980	(26,373)	27,165	14,731
Comprehensive income (loss)	1,084,270	(1,848,562)	3,268,754	(2,485,200)
Basic earnings (loss) per share (note 17)	0.01	(0.05)	0.04	(0.06)
Diluted earnings (loss) per share (note 17)	0.01	(0.05)	0.04	(0.06)

See accompanying notes to the condensed interim consolidated financial statements.

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

	Number of shares	Share capital (note 17)	Warrant reserve (note 18)	Share-based payment reserve (note 19)	Accumulated other comprehensive income (loss)	Deficit	Total
January 1, 2021	73,048,686	24,575,987	50,176	1,170,499	(53,759)	(13,222,745)	12,520,158
Share-based compensation	-	-	-	147,408	-	-	147,408
Exercise of warrants – derivative liability	44,568	47,103	-	-	-	-	47,103
Exercise of warrants – equity	30,000	21,648	(2,591)	-	-	-	19,057
Comprehensive income	-	-	-	-	27,165	3,241,589	3,268,754
June 30, 2021	73,123,254	24,644,738	47,585	1,317,907	(26,594)	(9,981,156)	16,002,480

	Number of shares	Share capital (note 17)	Warrant reserve (note 18)	Share-based payment reserve (note 19)	Accumulated other comprehensive income (loss)	Deficit	Total
January 1, 2020	38,930,665	3,141,880	382,155	694,309	(30,404)	(6,921,521)	(2,733,581)
Share-based compensation	-	-	-	71,087	-	-	71,087
Warrants issued during the period	-	-	12,684	-	-	-	12,684
Conversion of convertible debentures	7,744,273	3,342,625	-	-	-	-	3,342,625
Exercise of warrants	1,558,999	360,440	(360,425)	-	-	-	15
Comprehensive income (loss)	-	-	-	-	14,731	(2,499,931)	(2,485,200)
Reverse takeover	3,750,000	1,981,215	34,303	75,915	-	-	2,091,433
June 30, 2020	51,983,937	8,826,160	68,717	841,311	(15,673)	(9,421,452)	299,063

See accompanying notes to the condensed interim consolidated financial statements.

POPREACH CORPORATION

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

	Six months ended 2021	2020
Cash flows from operating activities:		
Net income (loss)	$ 3,241,589	$ (2,499,931)
Items not affecting cash:		
Deferred tax recovery	(5,693)	-
Gain on disposal of assets	(4,212)	-
Amortization	892,239	1,468,918
Amortization of deferred financing fees	-	62,413
Fair value loss (gain) on financial liabilities (note 14)	(3,601,396)	1,640,054
Share-based compensation expense	147,408	71,087
Finance income on investment in lease receivable	(9,518)	(11,998)
Unrealized foreign exchange losses (gains)	(582)	(45,033)
Accretion expense	84,461	245,454
Employee benefit obligations expensed	28,415	71,943
Changes in working capital (note 20)	(124,705)	(983,547)
Reverse Takeover listing expense (note 27)	-	681,438
Employee benefit obligations paid	(115,842)	-
Interest expense paid in financing activities	221,068	363,853
Cash generated from operating activities	753,232	1,064,651
Cash flows used in investing activities:		
Additions to property and equipment	(15,328)	(61,960)
Payments for game acquisitions (note 7)	(273,781)	(824,361)
Additions to game acquisitions (note 7)	(55,187)	-
Payments for business acquisition (note 6)	(5,033,068)	-
Proceeds from lessee	34,161	31,474
Cash used in investing activities	(5,343,203)	(854,847)
Cash flows from (used in) financing activities:		
Repayments of borrowings	(435,212)	(814,794)
Payment for provisions (note 12)	(100,000)	(1,219,957)
Payments of interest on borrowings	(221,068)	(363,853)
Payments for lease liabilities	(212,320)	(194,754)
Cash proceeds received on Reverse Takeover (note 27)	-	1,484,114
Cash proceeds from exercise of warrants (note 18)	49,205	15
Cash proceeds from convertible debentures (note 13)	-	1,864,735
Cash generated from (used in) financing activities	(919,395)	755,506
Net cash inflow (outflow)	(5,509,366)	965,310
Cash and cash equivalents, beginning of the period	18,097,649	1,126,160
Effects of foreign currency exchange rate on cash	741	(19,918)
Cash and cash equivalents, end of the period	12,589,024	2,071,552
Income taxes paid	44,891	42,183
Acquisition of intangible asset by assumption of provision (note 7)	1,379,000	-

See accompanying notes to the condensed interim consolidated financial statements.

1. Nature of operations

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

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

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

The Qualifying Transaction was completed on June 30, 2020 by way of a three-corned amalgamation, pursuant to which Subco amalgamated with PopReach Incorporated ("**PopReach**") and the Company, which now holds the assets of PopReach Incorporated as a wholly-owned subsidiary, changed its name to PopReach Corporation. Immediately prior to the close of the Qualifying Transaction, the Company consolidated its common shares on an 8 to 1 basis (the "**Share Consolidation**"). The Share Consolidation has been applied retrospectively in the consolidated financial statements, including a share exchange in connection with the Qualifying transaction of 7.62 post-consolidation shares of the Company for every one share of PopReach, and as a result, the common shares (the "**Common Shares**"), broker warrants and option amounts of the Company presented herein are stated in an adjusted post-share consolidation basis. Upon the close of the Qualifying Transaction, the Company successfully became listed on Tier 1 of the TSX Venture Exchange (see note 27) under the symbol "POPR".

The Company is a free-to-play game publisher focused on acquiring and optimizing proven franchises, including to date Smurfs' Village (IP under license), PAYDAY Crime Way (IP under license), Peak – Brain Training, Kitchen Scramble, Gardens of Time, City Girl Life, War of Nations, and Kingdoms of Camelot. The Company drives growth through a combination of investment in existing franchises and new franchise acquisitions. The head office of the Company is located at 1 University Avenue, 3rd Floor, Toronto, ON, M5J 2P1.

The Company has a wholly owned subsidiary, PopReach, incorporated under the laws of the Province of Ontario, and PopReach's accounts are consolidated into the Company's condensed interim consolidated financial statements. As at June 30, 2021, PopReach employs 26 employees on a full-time basis between its offices in Toronto, Ontario and Vancouver, British Columbia. In addition, PopReach operates two wholly owned subsidiaries, PopReach Technologies Private Limited ("**PR Tech**"), in Bangalore, India, and PopReach UK Limited ("**PopReach UK**"), in London, UK. PR Tech is incorporated pursuant to the laws of India, and its accounts are consolidated into the Company's condensed interim consolidated financial statements. PR Tech is a management company in charge of operating the Company's developed technology, and employs 101 employees on a full-time basis. PopReach UK was incorporated on February 18, 2021, and its accounts are also consolidated into the Company's condensed interim consolidated financial statements. PopReach UK was established in order to fund operating costs and payroll for the acquisition of the "Peak – Brain Training" app from Brainbow Limited ("**Peak**") as discussed in Note 6, and employs 7 employees on a full-time basis.

2. Significant accounting policies

Statements of compliance

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). These statements are condensed and prepared in accordance with IAS 34 – "Interim Financial Reporting" and should be read in conjunction with the annual audited financial statements.

These condensed interim consolidated financial statements were authorized for issue by the Company's Board of Directors on August 28, 2021.

All accounting policies are consistent with the annual audited financial statements for the years ended December 31, 2020 and December 31, 2019 except for the following accounting standards which were adopted as a result of transactional activities during the six months ended June 30, 2021.

In-app purchases

In-app purchases include both player purchases for items or services in the Company's games, and recurring periodic as well as lifetime subscriptions which provide periodic and perpetual rights to access features of certain of the Company's games and apps. For the six months ended June 30, 2021, the Company earned subscription-based in-app purchase revenue related to games on the digital platforms acquired in the business combination described in Note 6. For subscription periods with a definite expiration, the Company recognizes revenues evenly throughout the subscription period. Lifetime subscription revenues are recognized rateably over the estimated average playing period of payers for the applicable game.

Deferred cost of sales and cost of sales

For the six months ended June 30, 2021, the Company earned subscription-based in-app purchase revenue related to games on the digital platforms acquired in the business combination described in Note 6. As the related platform and payment processing fees are considered incremental costs in obtaining a contract, these fees are recognized as a contract cost on the condensed interim consolidated statements of financial position. For subscription periods with a definite expiration, the Company recognizes cost of sales evenly throughout the subscription period. Platform and processing fees related to incurring lifetime subscription revenues are recognized rateably over the estimated average playing period of payers for the applicable game. However, the Company has also chosen to elect to expense any contract costs if the amortization period is less than one year, and is recognized as cost of sales on the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

Research and development costs

The Company incurs costs associated with the design and development of new products. Expenditures during the research phase are expensed as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred. Costs associated with maintaining the game development software or related programs are recognized as an expense as incurred. Internally generated software development costs recognized as intangible assets are carried at cost. These assets are expected to be amortized over the remaining term of the license beginning when the game is complete and is published. These assets are subject to an impairment test as described below.

3. Use of estimates and judgments

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

Identification of CGUs

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

Impairment of goodwill and long-lived assets

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

Business combinations and asset acquisitions

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

The Company considers certain acquisition of games to be asset acquisitions, on the assumption that there are no identifiable businesses acquired in the transaction. There is judgment involved in the determination of whether the acquisition involves assets or entire businesses. Direct transaction costs incurred by the acquirer in the acquisition of an asset or a group of assets generally are a component of the consideration transferred and, as such, are capitalized as a component of the cost of the assets acquired and liabilities assumed. Transaction costs incurred in a business combination are expensed.

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

Amortization of property and equipment and intangible assets

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

Fair value of derivative financial instruments

The Company uses a Monte Carlo simulation to estimate the fair value of the conversion feature of the convertible debt and associated warrants both of which convert the instrument into one Common Share and one warrant. Upon completion of the reverse takeover transaction (note 27), the convertible debentures were converted into Common Shares. The Company subsequently switched to a Black-Scholes model in order to estimate the value of the warrant liabilities. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable companies), weighted average expected life of the instruments, expected dividends, the risk-free interest rate (based on government bonds) and probabilities of certain events occurring. The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of derivative liabilities.

Share-based payments and warrant reserves

The Company uses the Black-Scholes option pricing model to estimate the fair value of shared-based compensation and warrant reserves which require the use of several input variables. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information of a comparable companies), weighted average expected life of the instruments, expected dividends, and the risk-free interest rate (based on government bonds). The inputs to the model are subject to estimate and changes in these inputs can materially impact the estimated fair value of warrant liabilities.

Provisions

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

Deferred revenue and revenue

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

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

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

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

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

Going concern
Management has applied significant judgment in the assessment of the Company's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the three and six months ended June 30, 2021 and 2020. Management prepares the condensed interim consolidated financial statements on a going concern basis which assumes that the Company will be able to realize its assets, meet its obligations and continue its operations in the normal course of business.

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

Seasonality of interim operations
The operations of the Company are seasonal, and the results of operations for any interim period are not necessarily indicative of operations for the full fiscal year or any future period. Due to the COVID-19 pandemic, changes in player activity, quarter over quarter, may not be indicative of the financial and operating results in future periods. Given the

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

level of continued volatility and uncertainty around the COVID-19 pandemic, there is the potential for a wider range of outcomes – both positive and negative – as it relates to our 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. 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 is closely monitoring the COVID-19 pandemic in India and, in particular, its impact on its employees in Bangalore, India. Management continues to see disruptions and delays to the live operations of its games as a result of the situation in India, but it does not currently expect growth game development to suffer materially as the work associated with growth initiatives is being led from other jurisdictions. 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.

4. Trade and other receivables

		June 30 2021		December 31 2020
Trade receivables	$	1,668,535	$	1,086,617
Less expected credit losses		-		-
Trade receivables, net		1,668,535		1,086,617
Other receivables		88,712		52,649
Government remittances receivables		17,626		27,857
		1,774,873		1,167,123

Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional, unless they contain significant financing components, when they are recognized at fair value. The group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. The maximum credit risk exposure associated with the trade receivables is the carrying value of $1,774,873 (December 31, 2020 - $1,167,123).

As at June 30, 2021 and December 31, 2020, the Company concludes there to be nil credit losses. Historically, there have been no bad debts, and the majority of trade receivables are related to the platform partners that remit within 30 to 60 days.

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

5. Property and equipment

The following represents property and equipment, net by class:

	Computer Equipment	Furniture and Fixtures	Computer Software	Leasehold Improvements	Total Value
Cost					
Balance at January 1, 2021	$ 233,588	$ 74,232	$ 10,205	$ 19,321	$ 337,346
Additions	13,844	1,484	-	-	15,328
Additions due to business combination (note 6)	9,500	-	-	-	9,500
Disposals	(1,614)	(1,312)	(664)	-	(3,590)
Balance at June 30, 2021	255,318	74,404	9,541	19,321	358,584
Accumulated amortization and impairment					
Balance at January 1, 2021	$ 85,053	$ 56,676	$ 6,265	$ 5,132	$ 153,126
Amortization	38,569	5,743	1,287	966	46,565
Disposals	(1,614)	(1,312)	(664)	-	(3,590)
Balance at June 30, 2021	122,008	61,107	6,888	6,098	196,101
Carrying amounts					
Balance at December 31, 2020	148,535	17,556	3,940	14,189	184,220
Balance at June 30, 2021	133,310	13,297	2,653	13,223	162,483

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

	June 30 2021	December 31 2020
Canada	$ 92,849	$ 104,650
India	62,665	79,570
United Kingdom	6,969	-
Total property and equipment, net	162,483	184,220

For the three and six-month periods ending June 30, 2021 and 2020, there were no indicators of impairment noted for property and equipment.

6. Business combinations

Peak

On March 18, 2021, the Company acquired substantially all of the assets relating to 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 paid on May 18, 2021 upon successful completion of certain post-closing transitional matters. In connection with the acquisition, the Company incorporated PopReach UK Limited, a wholly-owned subsidiary of PopReach Incorporated.

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

The following table summarizes the preliminary purchase price allocation and estimated fair value of the assets acquired and liabilities assumed at the date of the acquisition:

Assets		
Prepaid expenses	$	49,407
Intangible assets – Subscriber base		344,000
Intangible assets – Technology		2,325,000
Intangible assets – Brand		959,000
Property and equipment		9,500
Goodwill		2,599,849
Total enterprise value		6,286,756
Less: Deferred revenue assumed		(1,237,349)
Less: Other liabilities assumed		(16,339)
Aggregate purchase price		5,033,068

The total consideration is broken down as follows:

Cash	$	3,033,068
Game acquisition payable		2,000,000
Aggregate purchase price		5,033,068

The useful lives of the intangible assets are listed below:

Subscriber base	4 years
Technology	6 years
Brand	7 years

The goodwill acquired is associated with the workforce and expected synergies associated with the acquisition and is expected to be deductible for tax purposes.

The allocation of the purchase price to the intangible assets and goodwill is preliminary and subject to adjustment. Management will finalize the accounting for the acquisition no later than one year from the date of the acquisition. Differences from these provisional estimates and the final accounting may be material.

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

7. Goodwill and intangible assets

Intangible assets

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

	Subscriber base	Technology Based	Brand/ License Based	Total Value
Cost				
Balance at January 1, 2021	$ -	$ 9,083,124	$ 3,069,902	$ 12,153,026
Additions due to business combination (note 6)	344,000	2,325,000	959,000	3,628,000
Additions arising from game acquisition	-	-	1,652,781	1,652,781
Capitalized research and development costs	-	55,187	-	55,187
Balance at June 30, 2021	344,000	11,463,311	5,681,683	17,488,994
Accumulated amortization				
Balance at January 1, 2021	-	5,580,947	1,455,153	7,036,100
Amortization		364,713	157,128	521,841
Amortization – business combination	24,737	111,458	39,406	175,601
Balance at June 30, 2021	24,737	6,057,118	1,651,687	7,733,542
Carrying amounts				
Balance at December 31, 2020	-	3,502,177	1,614,749	5,116,926
Balance at June 30, 2021	319,263	5,406,193	4,029,996	9,755,452

Goodwill

Goodwill includes costs to acquire certain portfolios of games and represents acquired workforce and other synergies. The movements of the Company's goodwill is summarized as follows:

Goodwill at January 1, 2021	$ 6,084
Goodwill arising from business combination (note 6)	2,599,849
Goodwill at June 30, 2021	2,605,933

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

For the three and six-month periods ending June 30, 2021 and 2020, there were no indicators of impairment noted for goodwill and intangible assets.

PAYDAY

On April 13, 2021, 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, the Company will pay Starbreeze $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. Starbreeze will receive tiered royalties on PAYDAY Crime War net sales, and retains all IP rights to the PAYDAY franchise. The transition of these assets was successfully completed in Q2 2021.

The costs that have been capitalized to intangible assets are as follows:

Purchase price	$	1,629,000
Legal fees attributable to the acquisition		23,781
		1,652,781

The consideration to acquire the above intangible assets consisted of the following:

Cash	$	273,781
Provisions (note 13)		1,379,000
		1,652,781

Subsequent to the asset acquisition on April 13, 2021, salaries and benefits have been capitalized to the intangible asset above as part of the development phase of the project, as such costs have met the criteria for capitalization in accordance with IAS 38.

8. Commitments

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

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

9. Leases

Short Term Leases

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

In December 2019, the Company signed a short-term lease for an office space in Toronto, Ontario, with the intention to utilize the office space for less than 12 months. This lease was renewed in August 2020, and again in January 2021, for additional periods of less than 12 months. In September 2020, the Company signed a short-term lease for an office space in Vancouver, British Columbia, with the intention to utilize the office space for less than 12 months. This lease was renewed in January 2021 for an additional period of 12 months. The amount of rent expensed during the three and six months ended June 30, 2021 was $19,522 and $37,115 (2020 – $20,824 and $62,032) and was recorded as a general and administrative expense in the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

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

		June 30 2021		December 31 2020
Right-of-use assets				
Buildings – Cost	$	411,806	$	554,327
Buildings – Accumulated Amortization		(34,317)		(415,746)
		377,489		138,581
Lease liabilities				
Current		251,819		208,302
Non-current		271,517		113,264
		523,336		321,566

In May 2021, PR Tech had signed a new lease for a period of 2 years ending in May 2023. The associated right-of-use asset and lease liabilities were capitalized to the condensed interim consolidated statements of financial position, and the prior lease was disposed of, with the gain on disposal being recorded in general and administrative expenses in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

During the three and six months ended June 30, 2021, the Company recognized $80,511 and $149,802 of depreciation expense related to right-of-use assets (three and six months ended June 30, 2020 - $69,291 and $138,582) and $17,681 and $27,406 of interest expense related to lease liabilities (three and six months ended June 30, 2020 - $19,538 and $43,756).

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

Below is a summary of the maturity of the lease liabilities as at June 30, 2021:

Year		Payments		Finance income		Total
2021	$	164,158	$	43,533	$	120,625
2022		316,022		42,121		273,901
2023		132,617		3,807		128,810
		612,797		89,461		523,336

The weighted average incremental borrowing rate for the lease liabilities was estimated to be 17% (2020 – 15%).

Right-of-use assets for PR Tech are amortized over the expected lease term of 2 years.

10. Investment in lease receivable

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

The following is a summary of lease receivable as recorded in the condensed interim consolidated statements of financial position:

		June 30 2021		December 31 2020
Current	$	55,386	$	50,552
Non-current		74,311		100,164
		129,697		150,716

Below is a summary of the maturity of the investment in lease receivable as at June 30, 2021:

Year		Payments		Finance income		Total
2021	$	40,232	$	13,431	$	26,801
2022		68,971		9,900		59,071
2023		45,980		2,155		43,825
		155,183		25,486		129,697

The incremental borrowing rate for the investment in lease receivable was estimated to be 13% (2020 – 13%)

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

11. Borrowings

Bank credit facility

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

On October 2, 2020, in conjunction with the closing of the New Facility, the Company retired its prior bank credit facility by paying down the entire outstanding principal of $6,134,832 plus applicable interest, premium and legal expenses, and all remaining deferred financing fees related to the prior bank credit facility were expensed to interest and accretion expenses.

The Company is in full compliance with the financial covenants at June 30, 2021.

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

		June 30 2021		December 31 2020
Bank credit facility	$	5,654,706	$	6,032,863
Total borrowings		5,654,706		6,032,863
Current		1,207,737		1,200,418
Non-current		4,446,969		4,832,445
Total borrowings		5,654,706		6,032,863

12. Provisions and game acquisition payable

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

Provisions

For the asset acquisition of the Smurfs portfolio of games, the discount rate used to estimate the fair value of the provision as at June 30, 2021 and December 31, 2020 was 25%.

For the asset acquisition of PAYDAY (note 7), Starbreeze will receive tiered royalties on net sales of PAYDAY Crime War, and retains all IP rights to the PAYDAY franchise. The Company has recorded the estimated consideration consisting of the expected royalty payments to Starbreeze as a provision using a discount rate of 19.3%. The Company will revaluate the provision in future periods and any adjustments to the provision will be recorded in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) during the periods in which the re-measurements occur.

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

		Total Value
Balance at January 1, 2021	$	100,000
Cash consideration paid		(100,000)
Contingent consideration arising from game acquisition (note 7)		1,379,000
Balance at June 30, 2021		1,379,000

13. Derivative financial instruments and convertible debentures

Derivative financial instruments consist of warrant liabilities arising from the conversion of convertible debentures and accrued interest to common shares and warrants during the six months ended June 30, 2021. During the six months ended June 30, 2020, derivative financial instruments consisted of the conversion feature of the convertible debentures before the reverse takeover transaction discussed on June 30, 2020 in Note 27.

The June 30, 2021 and December 31, 2020 derivative liability balances are related to the warrants which do not meet the fixed-for-fixed condition, and therefore are classified as a current liability on the statement of financial position until the exercise or expiration of the warrants. As at June 30, 2021, there are 7,699,705 warrants outstanding which are classified as a current liability. Changes in the inputs to the Black Scholes model can materially change the fair value of the warrants. A 10% increase in the volatility would increase the fair value of the liability by $143,758, while a 10% decrease in the volatility would decrease the fair value of the liability by $131,899.

Inputs for measurement of issuance date fair values

As there is uncertainty in the dollar amount of conversion, these do not meet the fixed-for-fixed condition. The fair value of the warrants was estimated using the Black-Scholes option pricing model and the assumptions at the revaluation were as follows:

Revaluation date – June 30, 2021
Risk-free interest rate: 0.44%
Expected volatility: 41.41%
Stock price (expressed in Canadian $): $0.72
Expected life: 1.00 years
Expected dividends: $nil

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

The summary of the warrant liabilities are as follows:

		Total Value
Balance at January 1, 2021	$	4,546,471
Effect of foreign exchange rates		84,807
Change in fair value of warrants		(3,686,203)
Warrants exercised during the period		(16,955)
Balance at June 30, 2021		928,120

14. Fair value (gain) loss on financial liabilities

The summary of the fair value (gain) loss on financial liabilities is as follows:

	Three months ended		Six months ended	
	2021	2020	2021	2020
Change in fair value of contingent consideration (note 12)	$ -	$ (315)	$ -	$ 83,007
Change in fair value of conversion feature and warrant liability (note 13)	(1,339,809)	1,402,349	(3,686,203)	1,557,047
Foreign exchange (gains) losses on warrant liability (note 13)	28,346	-	84,807	-
Balance at June 30, 2021	(1,311,463)	1,402,034	(3,601,396)	1,640,054

15. Employee benefit obligations

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

The most recent actuarial valuation of the benefit plans for accounting purposes was as of June 30, 2021.

Below is a summary of the change in employee benefit obligations from January 1, 2021 to June 30, 2021, and the year ended December 31, 2020:

	Six months ended June 30 2021	Year ended December 31 2020 (annual)
Change in benefit obligations		
Beginning benefit obligation	$ 588,855	$ 538,217
Service cost	36,559	100,281
Interest cost	13,973	33,579
Actuarial losses (gains) to profit and loss	(13,084)	(33,127)
Actuarial losses (gains) to other comprehensive income	(36,198)	31,211
Benefits paid	(115,842)	(70,143)
Foreign currency translation adjustments	(9,634)	(11,163)
Ending benefit obligation	464,629	588,855

The actuarial losses to other comprehensive income during the six months ended June 30, 2021 were shown on the condensed interim consolidated statement of income (loss) and comprehensive income (loss) net of income taxes of $9,080 (year ended December 31, 2020 – income taxes of $7,856).

The key assumptions for the gratuity and leave encashment plans at June 30, 2021 are as follows:
Discount rate: 6.45%
Salary escalation: 10%
Attrition rate: 2-16%
Indian Assured Lives mortality rate (ages 20-60): 0.0698% – 2.4058%

16. Financial risks

Currency risk

The Company is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Company has revenue and purchases that are denominated in a currency other than the functional currency of the Company, being the US dollar. These transactions are primarily denominated in Canadian dollars (CAD), Indian rupees (INR), and British pound sterling (GBP). The Company does not currently enter into forward contracts to mitigate this risk. Other than transactions denominated in GBP due to the Peak acquisition discussed in Note 6, there have been no other changes in the risk exposure from the year ended December 31, 2020.

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

Liquidity risk

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

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

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

				June 30, 2021
		Payments due		
	Total	Less than 1 year	1-3 years	After 3 years
Trade payables and accrued liabilities	$ 1,406,130	$ 1,406,130	$ -	$ -
Provisions	2,593,069	-	1,098,361	1,494,708
Borrowings – principal	5,654,706	1,305,636	4,349,070	-
Borrowings – interest	630,615	362,637	267,978	-
Lease payments – principal	523,336	266,330	257,006	-
Lease payments – interest	89,461	76,028	13,433	-

Credit risk

Credit risk is that a counterparty will not meet its obligation under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from cash and trade and other receivables as amounts are owing primarily from three customers. As at June 30, 2021 and December 31, 2020, the trade and other receivables were within normal repayment terms and the Company had recorded no expected credit losses.

Interest rate risk

The Company's New Facility has a variable interest rate based on US Base Lending Rate plus 3.50% for the term loan, and US Base Lending Rate plus 2.00% for the operating line of credit. As a result, the Company is exposed to interest rate risk due to fluctuations in the US Base Lending Rate. Interest expense has been recorded in the condensed interim consolidated statement of income (loss) and comprehensive income (loss).

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

17. Share capital

Authorized and issued

The Company's authorized share capital consists of an unlimited number of common shares with no par value.

Below is a summary of the movement in share capital during the six months ended June 30, 2021:

	Number of Shares		Total Value
Balance at January 1, 2021	73,048,686	$	24,575,987
Exercise of warrants (note 18)	74,568		68,751
Balance at June 30, 2021	73,123,254		24,644,738

Below is the calculation of the diluted earnings per share and diluted weighted average number of shares for the three and six months ended June 30, 2021:

		Six months ended June 30 2021		Three months ended June 30 2021
Weighted average number of ordinary shares outstanding		73,097,684		73,120,947
Dilutive effect of share-based payments		4,181,792		3,784,211
Dilutive effect of warrants – equity		83,932		36,342
Fully diluted weighted average number of shares outstanding		77,363,408		76,941,500
Diluted earnings per share	$	0.04	$	0.01

For the three and six months ended June 30, 2021, the warrants classified as a liability were determined to be anti-dilutive owing to the numerator adjustment required to remove the fair value gain on those securities which would then result in the net earnings for the period to be a loss. As such, they were excluded from the calculation above. For the six months ended June 30, 2020, the Company incurred a net loss, with anti-dilutive securities including convertible debentures and associated derivatives described in Note 13, warrants in Note 18 and share-based payments in Note 19.

18. Warrant reserve

No warrants expired during the six months ended June 30, 2021. Below is a summary of the outstanding warrants classified as equity instruments.

	Number of Warrants		Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)		Total Value (equity)
Balance at January 1, 2021	307,084	$	0.74	0.84	$	50,176
Warrants exercised during the period	(30,000)		0.80	-		(2,591)
Balance at June 30, 2021	277,084		0.72	0.35		47,585

Below is a summary of the outstanding warrants classified as current liabilities:

	Number of Warrants		Weighted average exercise price (in Canadian dollars)	Remaining contractual life (years)		Total Value (liability)
Balance at January 1, 2021	7,744,273	$	0.71	1.50	$	4,546,471
Effect of foreign exchange rates	-		-	-		84,807
Change in fair value of warrant liability	-		-	-		(3,686,203)
Warrants exercised during the period (note 13)	(44,568)		0.86	-		(16,955)
Balance at June 30, 2021	7,699,705		0.71	1.00		928,120

During the three months ended March 31, 2021, certain warrants classified as current liabilities were exercised by investors for aggregate cash proceeds of $30,148.

During the three months ended June 30, 2021, certain warrants classified as equity instruments were exercised by investors for aggregate cash proceeds of $19,057.

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

The total number of warrants issued and their classification are as follows:

	Number of warrants
Warrants – equity	277,084
Warrants – liability (note 13)	7,699,705
	7,976,789

19. Share-based payments

Description of the share-based payment arrangements with employees

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

The following is a summary of the share options for six months ended June 30, 2021 and 2020:

	Six months ended 2021		2020	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at January 1	C$0.39	6,845,414	C$0.22	5,351,115
Granted during the period	C$0.85	45,000	C$0.72	457,200
Share options issued on reverse takeover	-	-	C$0.80	375,000
Share options forfeited	C$0.85	(100,000)	C$0.32	(92,869)
Share options expired	C$0.80	(165,000)	-	-
As at June 30	C$0.38	6,625,414	C$0.29	6,090,445
Vested and exercisable at June 30	C$0.25	4,472,526	C$0.26	3,434,766

165,000 options expired during the six months ended June 30, 2021 (2020 – nil), and 100,000 share options were forfeited due to employee departures during the six months ended June 30, 2021 (2020 – 92,869).

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

Share options outstanding at the end of the period have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price	Share options June 30, 2021	Share options June 30, 2020
Jan 2017 – Oct 2017	Jan 2022 – Oct 2022	C$0.16	3,369,914	3,465,164
Jan 2018	Jan 2023	C$0.31	190,500	345,281
Jan 2019 – Oct 2019	Jan 2024 – Oct 2024	C$0.31	1,447,800	1,447,800
Apr 2020	Apr 2025	C$0.72	457,200	457,200
From Qualifying Transaction	Oct 2024	C$0.80	210,000	375,000
Jul 2020 – Aug 2020	Jul 2025 – Aug 2025	C$0.85 – C$1.00	825,000	-
Nov 2020	Nov 2022 – Nov 2025	C$1.40	80,000	-
Apr 2021	Apr 2026	C$0.85	45,000	-
Total			6,625,414	6,090,445
Weighted average remaining contractual life of options outstanding at end of period (in years)			2.23	2.84

During the three and six months ended June 30, 2021, the Company incurred share-based payment expenses to employees and directors of the Company in the amount of $73,469 and $147,408 (three and six months ended June 30, 2020 - $38,945 and $71,087) in relation to its share option programs. These costs are included in research and development and general and administrative expenses in the condensed interim consolidated statements of income (loss) and comprehensive income (loss).

Inputs for measurement of grant date fair values

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

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

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

20. Supplementary cash flow information

Change in working capital

		Six months ended		
		2021		2020
Trade and other receivables	$	(607,750)	$	(190,878)
Prepaid assets		(81,357)		(100,438)
Investment tax credits receivable		(53,332)		(136,699)
Deferred cost of sales		(175,533)		-
Trade payables and accrued liabilities		520,710		(500,733)
Taxes payable		8,438		16,000
Deferred revenue		264,119		(70,799)
Total change in working capital		(124,705)		(983,547)

21. Related party transactions

Convertible debentures

There were no related party transactions identified in the first half of 2021. In the first half of 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.

22. 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				Six months ended		
		2021		2020		2021		2020
Management salaries, bonuses and other benefits	$	237,898	$	178,354	$	498,544	$	345,059
Director fees		33,248		-		59,548		-
Share-based payments - management		7,424		21,477		17,444		45,825
Share-based payments - directors		46,740		1,392		91,285		3,065
Total key management compensation		325,310		201,223		666,821		393,949

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

23. Management of capital

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

In the management of capital, the Company's definition of capital includes shareholders' (deficit) equity and interest bearing debt, which as at June 30, 2021, totalled $21,657,186 (December 31, 2020 - $18,553,021), which was comprised of shareholders' equity of $16,002,480 (December 31, 2020 - $12,520,158) and interest-bearing debt of $5,654,706 (December 31, 2020 - $6,032,863).

24. Revenue from contracts with customers

The following table presents our revenue disaggregated based on the geographic location of our paying players. All of the geographic locations presented below represent at least 10% of total revenues in either the three and six months ended June 30, 2021 or June 30, 2020:

	Three months ended		Six months ended	
	2021	2020	2021	2020
North America	$ 2,907,939	$ 3,976,585	$ 5,838,326	$ 7,565,956
Europe	1,013,264	617,461	1,776,718	1,216,674
Other	519,883	308,280	903,942	796,240
Total revenue	4,441,086	4,902,326	8,518,986	9,578,870

The following table presents our in-app purchases disaggregated based on each platform partner:

	Three months ended		Six months ended	
	2021	2020	2021	2020
Apple	$ 2,240,569	$ 2,022,115	$ 4,020,451	$ 4,027,573
Facebook	961,767	1,786,368	2,072,220	3,303,861
Google	864,454	822,833	1,834,455	1,677,803
Amazon	53,498	74,790	119,153	148,497
Other mobile	57,394	-	70,210	-
Total in-app purchases	4,177,682	4,706,106	8,116,489	9,157,734

During the three and six months ended June 30, 2021 and June 30, 2020, there was no significant impact from discontinued games or from changes in our estimated average playing period of payers that required adjusting the recognition period of deferred revenue generated in prior periods.

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

25. Breakdown of employee compensation

	Three months ended 2021	Three months ended 2020	Six months ended 2021	Six months ended 2020
Salaries and benefits	$ 1,484,953	$ 889,984	$ 2,749,687	$ 1,822,084
Employee benefits expenses	13,722	28,837	25,701	71,943
Share-based compensation expense	73,469	38,946	147,408	71,087
	1,572,144	957,767	2,922,796	1,965,114
Presented as follows:				
Cost of sales	61,019	34,495	115,817	69,373
Research and development	1,073,096	622,977	1,885,028	1,313,411
General and administrative	438,029	300,295	921,951	582,330
	1,572,144	957,767	2,922,796	1,965,114

26. Change in comparative information

Certain figures in the condensed interim consolidated statements of income (loss) and comprehensive income (loss) have been reclassified from cost of sales and general and administrative expenses to marketing expenses. Below is the summary of the reclassification during the prior reporting periods:

For the six months ended June 30, 2020	As previously reported	Reclassification	As adjusted
Marketing	$ -	$ 118,513	$ 118,513
Cost of sales	2,128,977	(118,513)	2,010,464
	2,128,977	-	2,128,977

For the year ended December 31, 2020	As previously reported	Reclassification	As adjusted
Marketing	$ 609,573	$ 101,164	$ 710,737
General and administrative	2,874,601	(101,164)	2,773,437
	3,484,174	-	3,484,174

The reclassification changes had no impact to the condensed interim consolidated statements of financial position, net income and comprehensive income (loss), earnings per share and the condensed interim consolidated statements of cash flows.

27. 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 Consolidated Financial Statements (see Note 1).

Following completion of the Transaction as at June 30, 2020, 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 would be outstanding on a fully diluted basis. Common shares of the Company began trading on the TSX Venture Exchange under the symbol "POPR" on July 8, 2020. The fair value of consideration for the Transaction is $2,091,433. After deducting net assets of the Company before the closing of the Transaction of $1,409,995, the non-cash listing expense of $681,438 was expensed in the post acquisition year as a cost associated with obtaining a public stock listing. Based on the Company's consolidated statements of financial position immediately prior to the closing of the Transaction as at June 30, 2020, the net assets at fair value that were acquired by PopReach are as follows:

For the three and six months ended June 30, 2021 and 2020 (unaudited - in US dollars, unless otherwise stated)

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

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

28. Subsequent events

On August 16, 2021, as announced in a press release dated August 17, 2021, the Company entered into a LOI with 2810735 Ontario Inc. d/b/a Federated Foundry, an acquirer and operator of digital technology companies, pursuant to which the Company and Federated (together with the Company, the "**Parties**", and each, a "**Party**") will combine to form a leading, publicly-listed Canadian technology and media enterprise (the "**Transaction**") through a reverse takeover of the Company by Federated and its shareholders.

In connection with the announcement of the LOI, which constitutes an RTO Agreement (as such term is defined in the policies of the TSX Venture Exchange (the "**TSXV**")) for the Transaction, trading in the common shares of the Company ("**PopReach Shares**") has been halted pursuant to the policies of the TSXV. Trading will remain halted until, among other things, the Company completes certain regulatory filings in connection with the Transaction with the TSXV and the TSXV has completed certain matters it considers necessary or advisable, potentially until the completion of the proposed Transaction.

It is currently anticipated that the Transaction will be a cashless transaction, effected by way of a three-way amalgamation amongst Federated, the Company and a newly-incorporated, wholly-owned subsidiary of the Company.

It is proposed that the Company will acquire all of the issued and outstanding shares of Federated ("**Federated Shares**") on a fully-diluted basis (including all common shares issued or issuable on any exercise of the outstanding options, warrants and other securities convertible, exercisable or exchangeable for Federated Shares, collectively, the "**Purchased Shares**") for an indicative aggregate purchase price of C$160 million, subject to adjustments for assumed debt, working capital and other customary terms and conditions to be set out in the Definitive Agreement (as defined below), payable by the issuance by the Company of such aggregate number of PopReach Shares to the shareholders of Federated (including those from the exercise, exchange or conversion of options, warrants and other securities convertible, exercisable or exchangeable for Federated Shares) pro rata based on the number of Purchased Shares held by each such shareholder of Federated, at the deemed price per PopReach Share of C$0.80. The aggregate purchase price is subject to due diligence and the assumptions, terms and conditions of the LOI.

Upon completion of the Transaction, it is anticipated that current shareholders of Federated will own more than 50% of the shares of the resulting issuer (the "Resulting Issuer") on a non-diluted basis.

Additionally, it is anticipated that (i) the Resulting Issuer will change its name to a name determined by the Parties in connection with completion of the Transaction and (ii) a new equity incentive plan will be established for the Resulting Issuer, comprised of a 10% rolling stock option plan, and a restricted stock unit plan. The Company shall seek all requisite approval to effect same upon completion of the Transaction.