



**Pro-Forma Consolidated Statement of Financial  
Position of Resulting Issuer  
POPREACH CORPORATION  
(Unaudited)**

**As at March 31, 2020**

## Basis of Presentation

PopReach Incorporated ("PopReach") is incorporated under the laws of the Province of Ontario. PopReach is a privately owned mobile game publisher focused on consolidating, operating and growing proven, profitable games and game franchises. Headquartered in Toronto with a live operations studio in Bangalore, India, PopReach's current portfolio of games are played by approximately 1,200,000 monthly active users. PopReach's key game franchises include War of Nations, Kitchen Scramble, Gardens of Time, City Girl Life, and Smurfs' Village.

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

Mithrandir is 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 ("CPC Policy"). Mithrandir's principal purpose is the identification, evaluation and acquisition of assets, properties or businesses or participation therein subject, in certain cases, to shareholder approval and acceptance by the Exchange. Mithrandir's registered head office is located at 10 Kingsbridge Garden Circle, Suite 700, Mississauga, Ontario, Canada L5R 3K6.

On November 11, 2019, Mithrandir entered into a binding letter of intent with PopReach with respect to the combination of Mithrandir and PopReach resulting in a reverse takeover of Mithrandir by PopReach which if completed, is intended to constitute the Qualifying Transaction for Mithrandir pursuant to and in compliance with the CPC Policy (the "Transaction"). On June 26, 2020, Mithrandir and PopReach entered into the Definitive Agreement, which supersedes the prior binding letter of intent, pursuant to which the parties have agreed to complete the Transaction on the terms set out therein. The Transaction is subject to a number of conditions precedent, including receipt of all regular approvals with respect to the Transaction and the listing of the resulting issuer's common shares on the Exchange.

Pursuant to the terms of the Definitive Agreement, Mithrandir will acquire 100% of PopReach pursuant to a "three-cornered amalgamation" among Mithrandir, PopReach and a newly-incorporated wholly-owned subsidiary of Mithrandir.

Immediately prior to and as a condition to closing of the Transaction, Mithrandir shall complete a share consolidation on the basis of one new share for every eight outstanding Mithrandir Shares (the "**Consolidation**"). In addition, immediately prior to the Transaction and assuming a June 30, 2020 Transaction date, all unsecured convertible debentures of PopReach (including accrued and unpaid interest thereon) will be converted, in accordance with their respective terms, into an additional 1,016,313 PopReach shares and 1,016,313 PopReach warrants.

Pursuant to the Transaction:

- holders of issued and outstanding shares of PopReach will receive 7.62 Mithrandir Shares (post-Consolidation) for each PopReach share (the "**Exchange Ratio**") held;
- options, warrants and other securities convertible into PopReach shares shall be exchanged, based on the Exchange Ratio, for similar securities to purchase (post-Consolidation) Mithrandir shares on substantially similar terms and conditions.

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It is currently expected that, upon the Consolidation and completion of the Transaction, Mithrandir will issue 48,233,937 shares to PopReach shareholders (including the PopReach shares issuable upon the conversion of PopReach's unsecured convertible debentures). In addition, it is currently expected that Mithrandir will issue 5,808,314 options, 7,744,273 warrants and 127,358 broker warrants to the holders of the corresponding PopReach securities. As a result, immediately upon the Consolidation and completion of the Transaction, it is expected that Mithrandir's issued and outstanding capital will consist of 51,983,937 shares, 6,183,314 options, 7,994,273 warrants and 127,358 broker warrants.

The accompanying unaudited pro forma consolidated statement of financial position of Mithrandir has been prepared by management to reflect the "three cornered amalgamation" discussed above. Prior to the completion of the Transaction, Mithrandir is expected to change its name to "PopReach Corporation" (the "Resulting Issuer"), and following completion of the Qualifying Transaction, the Resulting Issuer will conduct its business under the new name.

The Resulting Issuer will operate as a mobile game publisher continuing the business of PopReach. The pro forma consolidated statement of financial position and related disclosures gives effect to the proposed transactions described above as if they occurred on March 31, 2020.

Upon completion of the Qualifying Transaction, the former shareholders of PopReach are expected to become the controlling shareholders of the Resulting Issuer. This type of share exchange, referred to as a reverse takeover ("RTO"), deems PopReach to be the acquirer for accounting purposes. Accordingly, PopReach's balances are accounted for at cost and Mithrandir's balances are accounted for at fair value.

The Qualifying Transaction has been accounted for in the unaudited pro forma consolidated statement of financial position as a continuation of the financial statements of PopReach, together with a deemed issuance of shares, equivalent to the shares held by the former shareholders of Mithrandir and a recapitalization of the equity of PopReach. The unaudited pro forma statement of financial position has been prepared from information derived from and should be read in conjunction with the following (including the notes thereto):

- Unaudited interim condensed consolidated financial statements of PopReach for the periods ended March 31, 2020 and 2019
- Unaudited interim condensed financial statements of Mithrandir for the periods ended March 31, 2020 and 2019

The unaudited pro forma consolidated statement of financial position, in the opinion of management, includes all adjustments necessary for fair presentation. No adjustments have been made to reflect additional costs or cost savings that could result from the combination of the operations of Mithrandir and PopReach. The unaudited pro forma consolidated statement of financial position has been prepared for illustration purposes only and may not be indicative of the financial position had the Qualifying Transaction been in effect at the date indicated. The pro forma consolidated statement of financial position has been prepared for inclusion in the filing statement of Mithrandir dated June 26, 2020.

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**Consolidated Statement of Financial Position (in US dollars)**

	PopReach Incorporated As at March 31, 2020	Mithrandir Capital Corp. As at March 31, 2020	Consolidated	Pro Forma adjustments	Note	Pro Forma
<b>Assets</b>						
Current Assets:						
Cash and cash equivalents	\$ 887,471	\$ 1,433,935	\$ 2,321,406	\$ 660,020	E	\$ 2,981,426
Trade and other receivables	1,678,360	–	1,678,380	–		1,678,380
Investment tax credits receivable	538,045	–	538,045	–		538,045
Investment in lease receivable	41,190	–	41,190	–		41,190
Prepaid assets	395,196	–	395,196	–		395,196
	3,540,282	1,433,935	4,974,217	–		5,634,237
Property and equipment	160,562	–	160,562	–		160,562
Intangible assets	7,003,194	–	7,003,194	–		7,003,194
Goodwill	6,084	–	6,084	–		6,084
Investment tax credits receivable	384,050	–	384,050	–		384,050
Deferred financing costs	340,260	–	340,260	–		340,260
Right-of-use asset	346,454	–	346,454	–		346,454
Investment in lease receivable	124,458	–	124,458	–		124,458
	11,905,344	1,433,935	13,339,279	660,020		13,999,299
<b>Liabilities and Shareholders' (Deficit) Equity</b>						
Current Liabilities:						
Trade and other payables	1,886,181	14,131	1,900,312	400,000 (74,037)	C D	2,226,275
Taxes payable	72,439	–	72,439	–		72,439
Deferred revenue	1,269,853	–	1,269,853	–		1,269,853
Derivative financial instruments	741,206	–	741,206	(741,206)	D	–
Lease liabilities	322,125	–	322,125	–		322,125
Provisions	1,361,181	–	1,361,181	–		1,361,181
	5,652,985	14,131	5,667,116	(415,243)		5,251,873
Non-current liabilities:						
Borrowings	8,858,642	–	8,858,642	(1,373,810)	D	7,484,832
Employee benefit obligations	511,441	–	511,441	–		511,441
Lease liabilities	213,888	–	213,888	–		213,888
	15,236,956	14,131	15,251,087	(1,789,053)		13,462,034

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	PopReach Incorporated As at March 31, 2020	Mithrandir Capital Corp. As at March 31, 2020	Consolidated	Pro Forma adjustments	Note	Pro Forma
<b>Shareholders' (deficit) equity:</b>						
Share capital	\$ 3,141,880	\$ 1,583,250	\$ 4,725,130	\$ 1,903,151 (1,583,250) 1,861,735 554,137 382,155	A A D E G	\$ 7,843,058
Warrant reserve	388,621	103,515	492,136	34,303 (103,515) 327,318 105,883 4,801 (382,155)	A A D E F G	478,771
Share-based payment reserve	726,450	206,843	933,293	75,915 (206,843)	A A	802,365
Accumulated other comprehensive income (loss)	10,700	(100,763)	(90,063)	373,041 100,763	A A	383,741
Deficit	(7,599,263)	(373,041)	(7,972,304)	(593,565) (400,000) (4,801)	B C F	(8,970,670)
	(3,331,612)	1,419,804	(1,911,808)	2,449,073		537,265
	11,905,344	1,433,935	13,339,279	660,020		13,999,299

**Pro Forma Assumptions and Adjustments**

The unaudited pro forma consolidated statement of financial position gives effect to the following assumptions and adjustments as if the transactions described under Basis of Presentation occurred on March 31, 2020:

- A) Represents adjustments to record the reverse takeover of Mithrandir by PopReach as described above and the deemed issuance of: (a) 3,750,000 Mithrandir shares, and (b) 375,000 options, and (c) 250,000 warrants to purchase Mithrandir shares, to the security holders of Mithrandir immediately before the closing of the Transaction.
- a. The fair value of the 30,000,000 Mithrandir shares were valued at \$1,903,151 representing the closing share price of Mithrandir shares of \$0.09 Canadian dollars per share on November 11, 2019 translated into US Dollars at the March 31 rate of 1.4187.
  - b. The fair value of the options were valued at \$75,915 using the Black-Scholes model and the following assumptions (in Canadian dollars): share price of \$0.10, expected life of 5 years, \$nil dividends, 38.22% volatility, exercise price of \$0.10, and a risk-free interest rate of 1.59%.

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- c. The fair value of the warrants were valued at \$34,303 using the Black-Scholes model and the following assumptions (in Canadian dollars): share price of \$0.10, expected life of 2 years, \$nil dividends, 40.00% volatility, exercise price of \$0.10, and a risk-free interest rate of 0.45%.
- d. Mithrandir's share capital, warrant reserve, share-based payment reserve, accumulated other comprehensive income, and deficit as at March 31, 2020 of \$1,583,250, \$103,515, \$206,843, \$(100,763) and (\$373,041), respectively, were eliminated in pro forma consolidation.

B) The non-cash cost of the Transaction is \$593,565, after deducting net assets of Mithrandir of \$1,419,804, which will be expensed in the post acquisition period as a cost associated with obtaining a public stock listing.

Based on Mithrandir's statement of financial position as of March 31, 2020, the net assets at fair value that were acquired by PopReach are as follows:

Purchase Consideration	
Shares	\$ 1,903,151
Options	75,915
Warrants	34,303
<b>Fair value of consideration</b>	<b>\$ 2,013,369</b>
Identifiable assets acquired	
Cash	\$ 1,433,935
Accounts Payable	(14,131)
<b>Net Assets acquired</b>	<b>\$ 1,419,804</b>
<b>Reverse takeover transaction cost</b>	<b>\$ 593,565</b>

The financial statements of Mithrandir were converted from Canadian Dollars into US Dollars at period end exchange rates for current assets and liabilities, actual daily exchange rate for equity transactions, and the average period exchange rates for accumulated deficit. The difference was charged to other comprehensive income in equity.

- C) Estimated costs of the Transaction are \$400,000.
- D) Represents adjustments to record the conversion of issued convertible debentures by PopReach into common shares and warrants. PopReach has issued convertible debentures on January 25, 2019, with an aggregate amount of \$950,000 Canadian dollars. The conversion price on issuance was calculated to be the lesser of a 25% discount to the liquidity event price, and the price determined based on a pre-money valuation of \$18,000,000 Canadian. The maturity of the convertible debentures is 2 years after the date of issuance, with an annual interest rate bearing 8%. The conversion price on the date of the Transaction is \$2.4799 Canadian dollars per share. In addition, during the first quarter of 2020, the PopReach issued unsecured convertible debentures for aggregate proceeds of \$1,600,500 Canadian dollars. The conversion price on issuance was calculated to be at a 20% discount to the liquidity event price. The maturity of these convertible debentures is

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June 30, 2023 with an annual interest rate bearing 8%. The conversion price on the date of the Transaction is \$4.3891 Canadian dollars per share.

- E) Represents adjustments on the issuance of convertible debentures by PopReach during Q2 2020, which immediately prior to the Transaction convert into common shares and warrants. PopReach has issued convertible debentures during Q2 2020 with an aggregate amount of \$936,370 Canadian dollars (US\$ 660,020). The conversion price on issuance was calculated to be at a 20% discount to the liquidity event price. The maturity of these convertible debentures is June 30, 2023 with an annual interest rate bearing 8%. The conversion price on the date of the Transaction is \$4.3891 Canadian dollars per share.
- F) Represents adjustments on the issuance of broker warrants in conjunction with the convertible debentures issuance by PopReach during Q2 2020. PopReach has issued 4,640 broker warrants during Q2 2020 with an estimated fair value of \$4,801. Each warrant will be exercisable to purchase one additional common share at a 20% discount to the liquidity event price mentioned, and have a maturity of 2 years after the date of issuance of the convertible debentures. The exercise price on the date of the Transaction is \$4.3891 Canadian dollars per share.
- G) Represents adjustments on the exercise of warrants into common shares in June 2020.

Giving effect to the above, the summary below describes the pro forma capitalization of the Resulting Issuer

	Note	Number	Value
<b>Common shares</b>			
Mithrandir shares issued and outstanding at March 31, 2020	A	30,000,000	\$ 1,903,151
Consolidation of Mithrandir shares on a 8 to 1 basis	A	(26,250,000)	
Total Mithrandir shares		3,750,000	1,903,151
PopReach shares issued and outstanding to shareholders of PopReach at March 31, 2020		5,109,012	3,141,880
Post-Consolidation Mithrandir shares issued to shareholders of PopReach at March 31, 2020		33,821,654	1,861,735
PopReach shares issuable upon conversion of PopReach convertible debentures as at March 31, 2020	D	786,328	
Post-Consolidation Mithrandir shares issued to shareholders of PopReach from conversion of PopReach 2019 and Q1 2020 convertible debentures as at March 31, 2020		5,205,478	
Total PopReach shares		44,922,472	5,003,615
<b>Pro Forma shares as at March 31, 2020</b>		<b>48,672,472</b>	<b>6,906,766</b>

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	Note	Number	Value
<b>Shares reserves for issuance as at March 31, 2020</b>			
<b>Options</b>			
Mithrandir options as at March 31, 2020	A	3,000,000	\$ 75,915
Consolidation of Mithrandir options on a 8 to 1 basis	A	(2,625,000)	
Total Mithrandir options		375,000	75,915
PopReach options as at March 31, 2020		702,246	726,450
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach options as at March 31, 2020		4,648,868	
Total PopReach options		5,351,114	726,450
Total Options		5,726,114	802,365
<b>Warrants</b>			
Mithrandir warrants as at March 31, 2020	A	2,000,000	34,303
Consolidation of Mithrandir warrants on a 8 to 1 basis	A	(1,750,000)	
Total Mithrandir warrants		250,000	34,303
PopReach warrants at March 31, 2020		204,593	382,155
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach warrants as at March 31, 2020		1,354,405	
PopReach warrants upon conversion of PopReach 2019 and Q1 2020 convertible debentures as at March 31, 2020	D	786,328	327,318
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach warrants from conversion of PopReach 2019 and Q1 2020 convertible debentures as at March 31, 2020		5,205,478	
Total PopReach warrants		7,550,804	709,473
Total Warrants		7,800,804	743,776
<b>Broker Warrants</b>			
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach broker warrants as at March 31, 2020		64,228	6,466
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach broker units as at March 31, 2020		27,774	
Total PopReach broker warrants		92,002	6,466
Total Broker Warrants		92,002	6,466
<b>Pro-forma shares reserved shares for issuance as at March 31, 2020</b>		13,618,920	1,552,607
<b>Pro-forma fully diluted shares as at March 31, 2020</b>		62,291,392	8,459,373



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	Note	Number	Value
<b>Subsequent Adjustments during Q2 2020</b>			
<b>Common shares</b>			
Post-Consolidation Mithrandir shares issued to holders of PopReach shares upon conversion of PopReach Q2 2020 convertible debentures and accrued interest as at June 30, 2020	E	1,638,914	\$ 554,137
Post-Consolidation Mithrandir shares upon conversion of accrued interest of PopReach 2019 and Q1 2020 convertible debentures for the three months ending June 30, 2020		113,553	
Conversion of warrants as of March 31, 2020 into common shares on exercise during Q2 2020	G	1,558,998	382,155
Total PopReach shares		3,311,465	936,292
<b>Options</b>			
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach options issued during Q2 2020		457,200	
Total PopReach options		457,200	
<b>Warrants</b>			
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach warrants upon conversion of PopReach Q2 2020 convertible debentures and accrued interest as at June 30, 2020	E	1,638,914	105,883
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach warrants upon conversion of accrued interest of PopReach 2019 and Q1 2020 convertible debentures for the three months ending June 30, 2020		113,553	
Conversion of warrants as of March 31, 2020 into common shares on exercise during Q2 2020		(1,558,998)	(382,155)
Total PopReach warrants		193,469	(276,272)
<b>Broker Warrants</b>			
Post-Consolidation Mithrandir shares reserved for issuance to holders of PopReach broker warrants issued during Q2 2020	F	35,356	4,801
Total PopReach broker warrants		35,356	4,801
<b>Pro-forma shares reserved shares for issuance during Q2 2020</b>		3,997,490	664,821
<b>Pro-forma fully diluted shares as at June 30, 2020</b>		66,288,882	9,124,194

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The following table outlines in aggregate the number of securities of each of Mithrandir, PopReach and in total in number and recorded value post-RTO.

	<b>Mithrandir</b>	<b>PopReach</b>	<b>Total</b>		<b>Value</b>
Common shares	3,750,000	48,233,937	51,983,937	\$	7,843,058
Options	375,000	5,808,314	6,183,314		802,365
Warrants	250,000	7,744,273	7,994,273		467,504
Broker warrants	–	127,358	127,358		11,267
	<b>4,375,000</b>	<b>61,913,882</b>	<b>66,288,882</b>	<b>\$</b>	<b>9,124,194</b>

The effective tax rate for the three months ended March 31, 2020 is (3.43%)