

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Index to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

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

	<i>September 30</i> 2020 <i>(three month)</i>	<i>September 30</i> 2019 <i>(three month)</i>	<i>September 30</i> 2020 <i>(nine month)</i>	<i>September 30</i> 2019 <i>(nine month)</i>
REVENUE				
In-App	\$ 8,481,723	-	\$ 14,829,302	-
Advertising	2,611,293	\$ -	4,408,566	\$ -
	11,093,016	-	19,237,868	-
COST OF SALES <i>(Note 15)</i>	10,376,193	-	17,239,128	-
GROSS PROFIT	716,823	-	1,998,740	-
EXPENSES				
Administrative expenses	472,835	125	642,023	5,318
Amortization	186,511	-	378,747	-
Other operating expenses	120,173	126,893	387,134	231,664
Selling and distribution expenses	638,618	5,424	826,268	5,424
Listing expense <i>(Note 5)</i>	-	-	670,941	-
	1,418,137	132,441	2,905,113	242,406
NET AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (701,314)	\$ (132,441)	\$ (906,373)	\$ (242,406)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	213,441,250	127,148,459	213,441,250	127,148,459

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Condensed Consolidated Interim Statements of Financial Position
(Unaudited - Presented in Canadian dollars)

	<i>September 30</i> 2020	<i>December 31</i> 2019
ASSETS		
CURRENT		
Cash	\$ 3,740,031	\$ 32,598
Trade and other receivables <i>(Note 10)</i>	4,459,046	20,511
Advance payment	-	1,250,000
Government assistance receivable	504,691	-
Prepaid expenses	397,603	-
	9,101,371	1,303,109
NON-CURRENT		
Equipment and right-of-use assets <i>(Note 8)</i>	595,200	-
Intangible assets <i>(Note 9)</i>	4,301,845	-
	\$ 13,998,416	\$ 1,303,109
LIABILITIES		
CURRENT		
Trade and other payables <i>(Note 11 and 15)</i>	\$ 4,409,085	\$ 108,947
Income taxes payable	99,766	-
Advances	-	124,850
Lease obligation	7,922	-
	4,516,773	233,797
EQUITY		
Share capital <i>(Note 12)</i>	10,338,985	1,588,323
Reserves <i>(Note 12)</i>	568,042	-
Deficit	(1,425,384)	(519,011)
	9,481,643	1,069,312
	\$ 13,998,416	\$ 1,303,109

DESCRIPTION OF OPERATIONS *(Note 1)*

These condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on November 27, 2020 and signed on its behalf by:

"Darcy Taylor" Director

"Ian Maclead" Director

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Condensed Consolidated Interim Statements of Changes in Equity
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

	Number of shares	Share capital	Reserves	Deficit	Total equity
As at January 1, 2019	105,200,000	\$ 40,168	-	\$ (47,297)	\$ (7,129)
Proceeds from common shares issued	24,562,500	1,615,000	-	-	1,615,000
Share issuance costs	-	(66,845)	-	-	(66,845)
Comprehensive loss for the period	-	-	-	(242,406)	(242,406)
As at September 30, 2019	129,762,500	\$ 1,588,323	-	\$ (289,703)	\$ 1,298,620
As at January 1, 2020	129,762,500	\$ 1,588,323	\$ -	\$ (519,011)	\$ 1,069,312
Adjustment to record the issued common shares of the legal parent at the time of the reverse takeover (Note 4,5)	60,687,500	4,415,000	-	-	4,415,000
Fair value of net assets of the parent at the time of the reverse takeover (Note 5)	-	939,770	-	-	939,770
Shares issued from private placement	21,856,250	3,497,000	-	-	3,497,000
Shares issued in relation to the finder's fees	1,000,000	160,000	-	-	160,000
Share issue costs	-	(160,000)	-	-	(160,000)
Finder's fees paid	-	(66,000)	-	-	(66,000)
Warrants exercised	25,000	3,819	(1,319)	-	2,500
Stock options exercised	110,000	20,843	(9,843)	-	11,000
Fair value of stock options from reverse takeover	-	(49,217)	49,217	-	-
Fair value of agent's warrants from reverse takeover	-	(10,553)	10,553	-	-
Warrants issued from private placement	-	-	24,773	-	24,773
Stock options issued	-	-	494,661	-	494,661
Comprehensive loss for the period	-	-	-	(906,373)	(906,373)
As at September 30, 2020	213,441,250	\$ 10,338,985	\$ 568,042	\$ (1,425,384)	\$ 9,481,643

See notes to condensed consolidated interim financial statements

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Condensed Consolidated Interim Statements of Cash Flow
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

	<i>September 30</i> 2020 <i>(nine month)</i>	<i>September 30</i> 2019 <i>(nine month)</i>
OPERATING ACTIVITIES		
Net and comprehensive loss	\$ (906,373)	\$ (242,406)
Items not affecting cash:		
Amortization of equipment and right-of-use asset	80,867	-
Amortization of intangible assets	333,113	-
Public company listing expense	670,941	-
Stock based compensation	519,434	-
Changes in non-cash working capital		
Trade and other receivables	(1,968,877)	-
Government assistance receivable	(321,008)	-
Prepaid expenses	(195,938)	-
Trade and other payables	665,167	-
Advances	(124,850)	-
Income taxes payable	99,766	-
Cash flow used in operating activities	(1,147,758)	(242,406)
INVESTING ACTIVITIES		
Advance payment	-	(1,250,000)
Purchase of equipment	(35,199)	-
Cash flow used in investing activities	(35,199)	(1,250,000)
FINANCING ACTIVITIES		
Loan from director	-	5,100
Common shares issued	3,497,000	1,502,750
Cash acquired from Caprice on Reverse Take Over	287,642	-
Cash acquired on acquisition of LDRLY	1,192,010	-
Finder's fees paid	(66,000)	-
Warrants exercised	2,500	-
Stock options exercised	11,000	-
Repayment of lease obligation	(33,762)	-
Cash flow from financing activities	4,890,390	1,507,850
INCREASE IN CASH	3,707,433	15,444
Cash - beginning of period	32,598	-
CASH - END OF PERIOD	\$ 3,740,031	\$ 15,444

Supplemental cash flow information (Note 14)

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

1. DESCRIPTION OF OPERATIONS

Leaf Mobile Inc. (the "Company", "Leaf") was incorporated provincially under the Business Corporations Act of British Columbia on November 29, 2018 as Caprice Business Development Canada Inc. (Caprice). The head office of the Company is Suite 909 - 510 Burrard Street, Vancouver, British Columbia, V6C 3A8.

LDRLY (Technologies) Inc. ("LDRLY"), a wholly-owned subsidiary of the Company, has been developing a brand in counter culture mobile gaming and is currently an industry leader in the development of cannabis related mobile games. None of LDRLY's games promotes the sale of cannabis, nor do they include any advertisements for cannabis producers, nor do they display any use of cannabis.

On April 17, 2020, the Company received approval from the TSX Venture Exchange ("TSX-V") to close its Qualifying Transaction. As a result, the Company is no longer considered a Capital Pool Company, and on April 21, 2020 the Company resumed trading on the TSX-V under the symbol "LEAF". Refer to Note 4 for details of the Qualifying Transaction.

On March 11, 2020, the World Health Organization characterized the outbreak of a disease caused by a strain of a novel coronavirus ("COVID-19"), as a pandemic. This has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Company in future periods.

These condensed consolidated interim financial statements have been prepared on a going-concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. The Company's ability to continue as a going concern is dependent upon its ability to generate profits and positive cash flows from operations from the launch of its online games under development, to obtain additional funding from financing arrangements, if and when needed by the Company and the continued support by its related parties. However, there can be no assurance that these activities will be successful.

These condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption determined to be inappropriate and these adjustments could be material.

LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

2. BASIS OF PRESENTATION

Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2019, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company’s consolidated financial statements for the year ended December 31, 2019. The disclosures which follow do not include all disclosures required for the annual financial statements.

Basis of Measurement

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for the revaluation of certain financial assets and financial liabilities to fair value. The condensed consolidated interim financial statements include the interim financial statements of the Company and its wholly-owned subsidiaries, 1182533 B.C. Ltd. (“118Co”), and LDRLY (Technologies) Inc. (“LDRLY”), both companies incorporated in British Columbia, Canada.

Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is also the functional currency of the Company and its subsidiaries.

Significant Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates, assumptions and judgments that affect the application of policies and reported amounts of assets and liabilities and disclosures of assets and liabilities at the date of the financial statements, along with reported amounts of expenses and net losses during the period. Actual results may differ from these estimates, and as such, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and in any future periods affected. Significant assumptions about the future and other sources of estimation uncertainty that management has made at the balance sheet reporting date that could result in a material adjustment to the carrying value of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Judgments:

- a) Financial assets and liabilities are designated upon inception to various classifications. The designation determines the method by which the financial instruments are carried on the balance sheet subsequent to inception and how changes in value are recorded. The designation may require the company to make certain judgment, taking into account management's intention of the use of the financial instruments.

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LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
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2. BASIS OF PRESENTATION *(continued)*

b) The assumption that the company is a going concern and will continue in operation for the foreseeable future and at least one year.

c) The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimate of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

d) Evaluation of whether costs incurred by the Company in developing its products meet the criteria for capitalization as intangible assets requires judgment in determining whether it is likely that the future economic benefits will flow to the Company, which are based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. If, after expenditures are capitalized, information becomes available suggesting that the recovery of expenditures is unlikely, the amount capitalized in excess of the recoverable value is written off to profit or loss in the period the new information becomes available.

e) Management is required to assess impairment in respect of equipment and intangible assets. The triggering events are defined in IAS 36. Management has determined that there were no triggering events present as at September 30, 2020, as defined in IAS 36, for equipment and intangible assets, and, as such, no impairment test was performed.

f) Management applies judgment when determining if a good or service that is promised to a customer is distinct based on whether the customer can benefit from the good or service on its own or together with other readily available resources and whether the good or service is separately identifiable. Based on these criteria, the Company determined the primary performance obligation relating to its sales contracts is purchase of the games by customers and serving of the advertisement to the customer.

g) Management uses judgment in estimating amounts receivable for various refundable and non-refundable tax credits earned from the federal and provincial governments and in assessing the eligibility of research and development and other expenses which give rise to these credits. Government assistance may be overstated if the underlying project is determined to be ineligible or if certain costs claimed are determined to be ineligible.

Estimates:

a) Useful lives of equipment

The estimated useful lives and residual value of equipment which are included in the statement of financial position and the related amortization included in the statement of comprehensive income (loss).

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LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
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2. BASIS OF PRESENTATION *(continued)*

b) Income Taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were originally recorded, such differences will affect the tax provisions in the period in which such determination is made.

c) Purchase price allocations

The acquired assets and assumed liabilities are recognized at fair value on the date the Company effectively obtains control. The measurement of each business combination is based on the information available on the acquisition date. The estimate of fair value of the acquired assets and the liabilities assumed are based on assumptions. The measurement is largely based on projected cash flows, discount rates and market conditions at the date of acquisition.

LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These condensed consolidated interim consolidated financial statements have been prepared following the same accounting policies used in the preparation of the audited consolidated financial statements of the Company for the year ended December 31, 2019 except as disclosed below.

Cash and cash equivalents

Cash includes cash equivalents. Cash equivalents are considered to be any term deposit with a maturity of three months or less that the Company may hold. As at the date of the financial statements, the Company did not hold any cash equivalents.

Equipment

Equipment is stated at cost less accumulated amortization and accumulated impairment losses, and is amortized over its estimated useful life at the following rates and methods:

Computer equipment	30%	declining balance method
Computer software	7 years	straight-line method
Furniture and fixtures	20%	declining balance method

The company regularly reviews its equipment to eliminate obsolete items.

Equipment acquired during the year but not placed into use are not amortized until they are placed into use.

Intangible assets

The intellectual property intangible assets are being amortized on a straight-line basis over their estimated useful lives of seven years.

Leases

The Company recognizes a right-of-use asset and a lease liability for its leases. The right-of-use asset is measured at cost and depreciated over its estimated useful life. At the commencement date, the lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease or if that rate cannot be readily determined, the Company's incremental borrowing rate. If the lease terms are subsequently changed, the present value of the lease liability is re-measured using the revised lease terms and applying the appropriate discount rate to the remaining lease payments. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the re-measurement in profit or loss. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets.

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LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Impairment of Long Lived Assets

The company's assets are assessed for impairment at each financial position date. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses are recognized in the statement of comprehensive income (loss) when incurred. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss with respect to goodwill is never reversed.

Trade and other payables

Payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers and contractors. Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as noncurrent liabilities.

Government assistance

Amounts receivable resulting from government assistance programs, including investment tax credits under the Scientific Research and Experimental Development (SR&ED) and Digital Media Tax Credit (DMTC) programs are recognized where there is reasonable assurance that the amount of government assistance will be received, and amounts can be reasonably estimated. When the government assistance relates to an expense item, it is recognized as a reduction of the corresponding expense on the statement of comprehensive income. Where government assistance relates to an asset, it is deducted from the cost of the related asset.

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LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
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For the Nine Month Period Ended September 30, 2020

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognizes revenues when it transfers control over a product or service to a customer. The following steps are considered when recognising revenues:

1. Identify the contract with customers.
2. Identify the performance obligation in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to performance obligations.
5. Recognize revenue when/as performance obligation(s) are satisfied.

Advertising services

Advertising revenue is generated from digital advertising when the players click on an advertisement or when players view the advertisement for a specified period or based on cost-per-impression, which is based on the number of times an advertisement is displayed. Revenue associated with advertising is recognized when a contractual exchange agreement has been entered into, the performance obligations have been performed, and the Company expects to receive consideration in exchange for the services provided.

Software games

Revenue from sales of interactive software games on PCs and mobile apps are recognized as revenue when the performance obligations are satisfied, which is when the games are purchased by a customer. Sales of the company's games are made by third party gaming platform companies pursuant to license agreements, and these gaming platform companies retain agreed upon portion of sales as fees. The company reports revenues related to these arrangements on a gross basis and the fees retained by the gaming platform companies are presented as part of cost of sales.

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LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development

Costs associated with research activities are expensed as incurred. Costs that are directly attributable to development activities, are recognized as intangible assets when the Company can demonstrate that the technical feasibility of the project has been established; there is intention to complete the intangible asset and use or sell it, and the Company has the ability to do so; the intangible asset can generate probable future economic benefits through internal use or sale; sufficient technical, financial and other resources are available for completion; and the costs attributable to the intangible asset can be reliably measured.

After initial recognition, internally generated intangible assets are recorded at cost less accumulated amortization and accumulated impairment losses. The intangible asset is amortized on a straight-line basis over its useful life from the point that it is ready for use.

The costs of developing internally generated software include personnel costs of the Company's development group and consulting fees. Software development costs that meet capitalization criteria to date have been insignificant.

Stock-based compensation

The Company has a stock option plan that is described in Note 12. All goods and services received in exchange for the grant of any stock-based compensation are measured at their fair values. Where employees are rewarded using stock-based compensation, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date, using the Black-Scholes Option Pricing Model, and exclude the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All stock-based compensation is recognized as an expense in profit or loss with a corresponding credit to the equity reserve, over the period during which the related stock-based compensation vests. No amount is recognized for instruments which do not ultimately vest.

Consideration received on the exercise of share purchase options is recorded as share capital and the related amount originally recorded in options reserve is transferred to share capital.

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Notes to Condensed Consolidated Interim Financial Statements
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4. ACQUISITION OF LDRLY (TECHNOLOGIES) INC.

On April 17, 2020, LDRLY was acquired by 118Co pursuant to a share purchase agreement previously disclosed. The consideration paid to ESG was \$1.25 Million cash and the issuance of 55,187,500 common shares of 118Co at a market value of \$0.08 per share. The purchase price allocation for the transaction was determined as follows:

	<i>April 17</i> 2020
<u>Consideration</u>	
55,187,500 common shares of 118Co issued at \$0.08	4,415,000
Cash consideration	1,250,000
	\$ 5,665,000
 <u>Net Assets Acquired</u>	
Cash	\$ 1,192,010
Trade receivables	2,468,702
Government assistance receivable	183,683
Prepaid expense	79,665
Computer software	558,717
Equipment	42,817
Right-of-use-asset	39,334
Intangible assets - website development	11,450
Intangible assets - intellectual property	4,623,508
Trade and other payables	(1,317,602)
Due to related party	(2,175,600)
Lease liability	(41,684)
	\$ 5,665,000

LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
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For the Nine Month Period Ended September 30, 2020

5. REVERSE ACQUISITION - ACQUISITION OF LEAF MOBILE INC.

On April 17, 2020 immediately following the acquisition of LDRLY, 118Co amalgamated with 1220311 B.C. Ltd, a direct and wholly-owned subsidiary of Caprice to become a direct, wholly-owned subsidiary of Caprice. Caprice changed its name to Leaf Mobile Inc. and remains as the resulting issuer. The transaction constituted the qualifying transaction of Leaf under the policies of the TSX Venture Exchange.

The substance of the transaction was a reverse acquisition of a non-operating company. The transaction does not constitute a business combination since the non-operating Capital Pool Company does not meet the accounting definition of a business. As a result, the transaction has been accounted for as a capital transaction, with 118Co being identified as the accounting acquirer. The fair value of the consideration was measured at the per share price of Leaf's private placement.

118Co (legal subsidiary) has been treated as the accounting parent and Leaf (legal parent) has been treated as the accounting subsidiary in these condensed consolidated interim financial statements. As 118Co was deemed to be the acquirer for accounting purposes, its assets, liabilities, and operations since incorporation are included in the consolidated financial statements at their historical carrying values. Leaf's results of operations have been included from the date of the RTO. The legal capital continues to be that of Leaf, the legal parent.

IFRS 2, Share-based Payments, applies to transactions where an entity grants equity instruments and cannot identify specifically some or all of the goods or services received in return. Since 118Co shareholders have issued shares with a fair value in excess of the net assets received, IFRS 2 would indicate that the difference is recognized in comprehensive loss as a public company listing expense.

Caprice acquired all of the issued and outstanding shares of 118Co by issuing one share for each 118Co common share held. Each of the stock options and warrants to purchase common shares of Caprice is exercisable for one common share of Leaf Mobile Inc.

The Company has issued a total of 207,806,250 common shares. Leaf has also completed a private placement of 21,856,250 shares at a price of \$0.16 per share for aggregate proceeds of \$3.5 Million. The agent has received a cash finder's fee of \$66,000 and 412,500 brokers warrants which are exercisable into Leaf shares at \$0.16 per share for a total value of \$132,000.

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LEAF MOBILE INC.
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For the Nine Month Period Ended September 30, 2020

5. REVERSE ACQUISITION - ACQUISITION OF LEAF MOBILE INC. *(continued)*

The purchase price allocation is summarized as follows:

Consideration	
5,500,000 Caprice shares at a price of \$0.16 per share	\$ 880,000
550,000 stock options	49,217
200,000 warrants	10,553
	<u>939,770</u>
Net Assets Acquired	
Cash	287,643
Prepaid expenses	122,000
Accounts payable and accrued liabilities	(140,815)
Public company listing expense	670,942
	<u>939,770</u>

6. BUSINESS COMBINATION DISCLOSURES

IFRS 3, Business combinations, applies to the acquisition of LDRLY (Technologies) Inc. by 1182533 B.C. Ltd. on April 17, 2020. In order to evaluate the nature and financial effect of this business combination, the following information has been provided.

LDRLY (Technologies) Inc. Statement of Income for the 166 Day Period Ended September 30, 2020 and 2019

The amount of revenue and profit of LDRLY (acquiree) subsequent to April 17, 2020 included in the condensed consolidated interim statement of comprehensive loss for the reporting period are as follows:

LDRLY revenue	\$ 19,237,868
LDRLY net income	\$ 1,998,740

The complete statement of income figures for the 166 day period ended September 30, 2020 and 2019 have been provided on Schedule 1.

Combined Statement of Income for the Three and Nine Month Period Ended September 30, 2020 and 2019

The amount of revenue and profit of the combined entity, Leaf Mobile, for the current reporting period as though the acquisition date for the business combination that occurred on April 17, 2020 had been as of the beginning of the annual reporting period January 1, 2020 are as follows:

Combined revenue	\$ 25,887,251
Combined net loss	\$ 527,290

The complete statement of income figures for the three and nine month period ended September 30, 2020 and 2019 have been provided on Schedule 2.

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Notes to Condensed Consolidated Interim Financial Statements
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For the Nine Month Period Ended September 30, 2020

7. FINANCIAL INSTRUMENTS

Categories of financial assets and financial liabilities

Financial instruments are classified into one of the following three categories: fair value through profit or loss ("FVTPL"); fair value through other comprehensive income ("FVOCI"); and amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

Financial Instrument	Category	September 30, 2020	December 31, 2019
Cash	FVTPL	3,740,031	32,598
Trade and other receivables	Amortized Cost	4,277,803	20,511
Advanced payment	Amortized Cost	-	1,250,000
Trade and other payables	Amortized Cost	4,409,085	108,947

Fair value

IFRS 13 establishes a fair value hierarchy for financial instruments measured at fair value that reflects the significance of inputs in making fair value measurements as follows:

Level 1 - applied to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - applies to assets or liabilities for which there are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly such as quoted prices for similar assets or liabilities in active markets or indirectly such as quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions.

Level 3 - applies to assets or liabilities for which there are unobservable market data.

The carrying values of trade receivables, advance payment and trade and other payables approximates their fair value due to their short-term nature. The Company's fair value of cash under fair value hierarchy are measured using Level 1 inputs.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The company's main exposure to credit risk relates to its trade receivables and cash. The credit risk is minimal since the balance of the company's receivables come from large corporations who pay the company advertising and software sales revenue. There is no bad debt expense in the current period and in the opinion of management, none of the amounts comprising this balance were considered impaired. As at September 30, 2020, 64% of the company's trade receivables was concentrated to three major customers. The company has not had any problems with payment from these customers and as such management is of the opinion that any concentration of credit risk is minimal. Cash is held with financial institutions that are believed to be creditworthy.

(continues)

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7. FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have the resources to meet its obligations as they fall due. The Company manages this risk by closely monitoring cash forecasts and managing resources to ensure that it will have sufficient liquidity to meet its obligations. All of the Company's financial liabilities are classified as current and are anticipated to mature within the next fiscal period. The following table is based on the contractual maturity dates of financial assets and the earliest date on which the Company can be required to settle financial liabilities.

	Contractual Maturity Analysis at September 30, 2020				
	Less than 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Cash	3,740,031	-	-	-	3,740,031
Trade and other receivables	4,277,803	-	-	-	4,277,803
Trade and other payables	(4,409,085)	-	-	-	(4,409,085)
	Contractual Maturity Analysis at December 31, 2019				
	Less than 3 months	3 - 12 months	1 - 5 years	over 5 years	Total
Cash	32,598	-	-	-	32,598
Trade and other receivables	20,511	-	-	-	20,511
Advance payment	-	1,250,000	-	-	1,250,000
Trade and other payables	(108,947)	-	-	-	(108,947)

(c) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The company is exposed to foreign currency exchange risk on cash, accounts receivable, and accounts payable held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

At September 30, 2020, 1 Canadian Dollar was equal to \$0.7497 US Dollar (2019 - \$0.7699).

	September 30, 2020		December 31, 2019	
	US Dollar	CDN Equivalent	US Dollar	CDN Equivalent
Cash	221,245	295,111	-	-
Trade and other receivables	1,898,122	2,531,842	-	-
Trade and other receivables	(1,603)	(2,138)	-	-

Based on the net exposures as of September 30, 2020 and assuming that all other variables remain constant, a 10% fluctuation on the Canadian Dollar against the US Dollar would result in a change to the Company's net income by approximately \$282,482 (2019 - Nil).

(c) Additional risk

Unless otherwise noted, it is management's opinion that the company is not exposed to significant other price risks arising from these financial instruments.

LEAF MOBILE INC.
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8. EQUIPMENT

	Computer equipment	Computer software	Furniture and fixture	Right-of- use asset	Total
Cost					
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Additions	82,505	558,717	30,324	82,245	753,791
Disposals	-	-	-	-	-
Balance at September 30, 2020	\$ 82,505	\$ 558,717	\$ 30,324	\$ 82,245	\$ 753,791
Accumulated amortization					
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization for the year	-	-	-	-	-
Disposals	-	-	-	-	-
Balance at December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization for the period	33,787	39,908	9,803	75,093	158,591
Disposals	-	-	-	-	-
Balance at September 30, 2020	\$ 33,787	\$ 39,908	\$ 9,803	\$ 75,093	\$ 158,591
Carrying value					
At December 31, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
At September 30, 2020	\$ 48,718	\$ 518,809	\$ 20,521	\$ 7,152	\$ 595,200

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9. INTANGIBLE ASSETS

	Website development	Intellectual property	Total
Cost			
Balance at January 1, 2019	\$ -	\$ -	\$ -
Additions	-	-	-
Disposals	-	-	-
Balance at December 31, 2019	\$ -	\$ -	\$ -
Additions	11,450	4,623,508	4,634,958
Disposals	-	-	-
Balance at September 30, 2020	\$ 11,450	\$ 4,623,508	\$ 4,634,958
Accumulated amortization			
Balance at January 1, 2019	\$ -	\$ -	\$ -
Amortization for the year	-	-	-
Disposals	-	-	-
Balance at December 31, 2019	\$ -	\$ -	\$ -
Amortization for the period	2,862	330,251	333,113
Disposals	-	-	-
Balance at September 30, 2020	\$ 2,862	\$ 330,251	\$ 333,113
Carrying value			
At December 31, 2019	\$ -	\$ -	\$ -
At September 30, 2020	\$ 8,588	\$ 4,293,257	\$ 4,301,845

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10. TRADE AND OTHER RECEIVABLE

	<i>September 30</i> 2020	<i>December 31</i> 2019
Trade receivable	\$ 4,277,803	\$ -
Security / tender deposits	8,315	-
GST receivable	172,928	20,511
	\$ 4,459,046	\$ 20,511

There is no bad debt expense for the period. There are no trade receivables owing from related parties, and all trade and other receivables are current.

11. TRADE AND OTHER PAYABLES

	<i>September 30</i> 2020	<i>December 31</i> 2019
Trade payable	\$ 4,355,726	\$ 108,947
Wages payable	53,359	-
	\$ 4,409,085	\$ 108,947

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12. SHARE CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares without par value.

Reconciliation of changes in share capital

For the nine month period ended September 30, 2020, the Company had the following transactions:

1. On April 17, 2020, pursuant to the share purchase agreement, 118Co issued 55,187,500 common shares at the price of \$0.08 per share as part of the consideration for the purchase of LDRLY. As part of the amalgamation agreement, all shares of 118Co were exchanged for Leaf shares on a one to one basis.
2. The Company has also completed a private placement of 21,856,250 shares at a price of \$0.16 per share as part of the amalgamation agreement.
3. As part of the amalgamation transaction, an increase of \$880,000 to share capital and \$670,942 to transaction cost expense has been recorded as consideration for the 5,500,000 Caprice shares transferred to Leaf.
4. Also as part of the amalgamation transaction, an issuance of 1,000,000 shares has been made for the finder's fees.
5. During the period, 25,000 warrants and 110,000 stock options have been exercised.

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LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
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12.. SHARE CAPITAL *(continued)*

Stock Options

The Company has adopted an incentive stock option plan (the “Option Plan”) which provides that the board of directors of the Company may from time to time, in its discretion, grant to directors, officers, employees and consultants non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed 10% of the issued and outstanding common shares at the time of the grant. Under the Option Plan, options are required to have an exercise price not less than the closing market price of the Company’s shares prevailing on the day that the option is granted less applicable discount, if any, permitted by the policies of the Exchange. Pursuant to the Option Plan, the board of directors of the Company may from time to time authorize the issue of options to directors, officers, employees and consultants of the Company and its subsidiaries or employees of companies providing management or consulting services to the Company or its subsidiaries. The number of shares which may be reserved for issuance to any one individual may not exceed 5% of the issued shares on a yearly basis or an aggregate maximum of 2% if the optionee is engaged in investor relations activities or if the optionee is a consultant, no more than 2% per consultant.

A summary of the stock options issued are as follows:

- 1 550,000 stock options issued and granted on July 15, 2019 as part of the Caprice stock option plan. All these stock options have been converted to Leaf stock options upon reverse acquisition of Caprice. These options are exercisable at \$0.10 per security for a period of up to 10 years and have vested immediately.
- 1 6,185,189 stock options have been issued and granted on May 19, 2020. These options are exercisable at \$0.25 per share and have an exercise period of five years, with 10% of the options vesting immediately and 15% of the options vesting every six months. 4,266,128 of these options were granted to directors and officers of the Company.
- 1 500,000 stock options have been issued and granted on May 26, 2020. These options are exercisable at \$0.40 per share and have an exercise period of five years from the time of issuance, and vest over twelve months, with 25% per quarter commencing on three month anniversary of issuance.

During the three month period ended September 30, 2020, \$519,434 in share-based compensation expense was recorded.

Option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the company’s share options.

The fair value of the stock options granted was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

1 Risk free rate	0.36% - 0.42%
1 Dividend yield	0%
1 Estimated volatility	67.50%
1 Expected life	5 - 10 years
1 Estimated forfeiture rate	0%

(continues)

LEAF MOBILE INC.
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Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

12.. SHARE CAPITAL *(continued)*

As at September 30, 2020, the Company had outstanding stock options as follows:

Number outstanding	Number exercisable	Exercise price \$	Expiry date
5,865,680	618,519	\$0.25	May 19, 2025
500,000	125,000	\$0.40	May 26, 2025
<u>440,000</u>	<u>440,000</u>	\$0.10	July 15, 2029
<u>6,805,680</u>	<u>1,183,519</u>		

A summary of the Company's stock option and the changes for the period are as follows:

	September 30, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of the period	-	\$ -	-	\$ -
Granted / converted	7,235,189	\$ 0.25	-	\$ -
Exercised	(110,000)	\$ 0.10	-	\$ -
Forfeited	(319,509)	\$ 0.25	-	\$ -
Outstanding, end of the period	<u>6,805,680</u>	<u>\$ 0.25</u>	<u>-</u>	<u>\$ -</u>

The weighted average grant-date fair value of stock options granted/converted during the period was \$0.17 per option (2019 - \$Nil). The weighted average share price at the date of exercise was \$0.10 (2019 - \$Nil). The weighted average remaining contractual life of outstanding share options at September 30, 2020 was 4.91 (2019 - Nil) years.

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LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

12.. SHARE CAPITAL *(continued)*

Warrants

On April 17, 2020, as part of the amalgamation agreement, 200,000 non-transferable agent's warrants issued by Caprice has been exchanged to 200,000 warrants of the Company. The warrants are exercisable at a price of \$0.10 per share for a period of two years from the issuance date of July 15, 2019.

On April 17, 2020, as part of the agent finder's fee, 412,500 broker warrants exercisable at a price of \$0.16 per share has been issued for a period of two years from issuance date.

The fair value of the warrants granted was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

┆ Risk free rate	1.34%
┆ Dividend yield	0%
┆ Estimated volatility	67.50%
┆ Expected life	2 years
┆ Estimated forfeiture rate	0%

A summary of the Company's warrants and the changes for the period are as follows:

	September 30, 2020		December 31, 2019	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of the period	-	\$ -	-	\$ -
Granted / exchanged	612,500	\$ 0.14	-	\$ -
Exercised	(25,000)	\$ 0.10	-	\$ -
Outstanding, end of the period	587,500	\$ 0.14	-	\$ -

The weighted average grant-date fair value of warrants granted/exchanged during the period was \$0.16 per warrant (2019 - \$Nil). The weighted average share price at the date of exercise was \$0.10 (2019 - \$Nil). The weighted average remaining contractual life of outstanding warrants at September 30, 2020 was 1.32 (2019 - Nil) years.

(continues)

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

12.. SHARE CAPITAL *(continued)*

Escrow shares

Pursuant to the IPO Escrow Agreement from Caprice, 3,500,000 common shares issued are held in escrow pursuant to an escrow agreement dated May 31, 2019. Under the escrow agreement, 10% of the escrowed common shares has been released from escrow on the date of the issuance of the final exchange bulletin (the “Initial Release”) upon completion of a Qualifying Transaction, and an additional 15% will be released every six months following the Initial Release over a period of thirty-six months.

Of the 207,806,250 common shares issued by the Company, 122,387,500 shares will be subject to escrow on a Tier 2 surplus security release timeline every six months over a three year period.

An additional 43,000,000 shares will also be subject to a separate escrow agreement. Under this agreement, 10% has been released upon completion of the Qualifying Transaction and an additional 15% will be released every six months over a period of thirty-six months.

As at September 30, 2020, total of 158,118,125 shares remain in escrow.

13. CAPITAL MANAGEMENT

The Company manages, as capital, the components of shareholders’ equity and its cash. The Company’s objectives, when managing capital, are to safeguard its ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure, and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue common shares, borrow or adjust the amount of cash. The Company does not anticipate the payment of dividends in the foreseeable future.

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
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(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

14. SUPPLEMENTAL CASH FLOW INFORMATION

	<i>September 30</i> 2020	<i>December 31</i> 2019
Operating activities not affecting cash		
Accounts receivable acquired (Note 4)	\$ (2,469,658)	\$ -
Deposit applied to acquisition (Note 4)	57,990	-
Government assistance acquired (Note 4)	(183,683)	-
Prepaid expenses acquired (Note 4 and 5)	(201,665)	-
Trade and other payables assumed (Note 4 and 5)	3,634,974	-
	837,958	-
Investing activities not affecting cash		
Intangible assets acquired (Note 4)	(4,634,958)	-
Right-of-use assets acquired (Note 4)	(39,334)	-
Equipment and computer software acquired (Note 4)	(601,534)	-
	(5,275,826)	-
Financing activities not affecting cash		
Shares issued on acquisition of LDRLY (Note 4)	4,415,000	-
Assumption of lease obligation (Note 4)	41,684	-
Net equity impact of non-cash working capital acquired on RTO	(18,816)	-
	4,437,868	-
	\$ -	\$ -

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Notes to Condensed Consolidated Interim Financial Statements
(Unaudited - Presented in Canadian dollars)
For the Nine Month Period Ended September 30, 2020

15. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, officers, and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

	<i>September 30</i> 2020	<i>December 31</i> 2019
<u>Related party transactions</u>		
Eastside Games Inc. <i>Entity with significant influence</i> Game support services	\$ 10,320,211	\$ -
Key Management Personnel <i>Management</i> Compensation	\$ 253,500	\$ -

As at September 30, 2020, \$37,500 (2019 - \$Nil) remained unpaid and is included in trade and other payables.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	<i>September 30</i> 2020	<i>December 31</i> 2019
Trade payable to related party Eastside Games Inc.	\$ 4,084,618	\$ -

16. COMPARATIVE FIGURES

Some of the comparative figures, including prior quarterly results, have been reclassified to conform to the current period's presentation.

During the current period, the company reclassified a total of \$856,182 of expenses to cost of sales to better represent the company's cost of sales. Details of the reclassified expenses are as follows:

Administrative expenses	\$183,362
Amortization expenses	\$ 4,826
Other operating expenses	\$159,961
Selling and distribution expenses	\$508,033

(Schedule 1)

LEAF MOBILE INC.
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LDRLY (Technologies) Inc. Statement of Income
For the 166 Day Period Ended September 30, 2020 and 2019

	<i>April 17 - September 30</i> 2020	<i>April 17 - September 30</i> 2019
REVENUE		
In-App	\$ 14,829,302	\$ 3,228,970
Advertising	4,408,566	1,032,139
	19,237,868	4,261,109
COST OF SALES	17,239,128	4,199,942
GROSS PROFIT AND NET INCOME FOR THE PERIOD	1,998,740	61,167

LEAF MOBILE INC.
(Formerly Caprice Business Development Canada Inc.)
Combined Statement of Loss
For the Three and Nine Month Period Ended September 30, 2020 and 2019

	<i>September 30</i> 2020 <i>(three month)</i>	<i>September 30</i> 2019 <i>(three month)</i>	<i>September 30</i> 2020 <i>(nine month)</i>	<i>September 30</i> 2019 <i>(nine month)</i>
REVENUE				
In-App	\$ 8,481,723	\$ 1,949,459	\$ 19,949,803	\$ 3,951,815
Advertising	2,611,293	707,690	5,937,448	1,092,919
	11,093,016	2,657,149	25,887,251	5,044,735
COST OF SALES	10,376,193	2,655,369	23,096,291	4,973,442
GROSS PROFIT	716,823	1,780	2,790,960	71,293
EXPENSES				
Administrative expenses	472,835	5,369	815,074	112,694
Amortization	186,511	1,554	382,694	5,725
Other operating expenses	120,173	-	607,563	-
Selling and distribution expenses	638,618	-	841,978	-
Listing expense	-	-	670,941	-
	1,418,137	6,923	3,318,250	118,419
NET LOSS FOR THE PERIOD	\$ (701,314)	\$ (5,143)	\$ (527,290)	\$ (47,126)