

---

**East Side Games Group Inc.**  
Suite 3104, 1055 Dunsmuir Street,  
Vancouver, British Columbia V7X 1G4

---

**ANNUAL INFORMATION FORM**

**DATED AS OF MARCH 31, 2024**

## TABLE OF CONTENTS

ANNUAL INFORMATION FORM	2
GLOSSARY OF DEFINED TERMS	2
FORWARD-LOOKING INFORMATION	4
DOCUMENTS INCORPORATED BY REFERENCE	6
CORPORATE STRUCTURE	7
GENERAL DEVELOPMENT OF THE BUSINESS	7
DESCRIPTION OF THE BUSINESS	9
RISK FACTORS	22
DIVIDENDS	35
GENERAL DESCRIPTIONS OF CAPITAL STRUCTURE	35
MARKET FOR SECURITIES	36
ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER	37
DIRECTORS AND OFFICERS	39
LEGAL PROCEEDINGS AND REGULATORY ACTIONS	42
INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	42
TRANSFER AGENT AND REGISTRAR	43
MATERIAL CONTRACTS	43
INTERESTS OF EXPERTS	43
ADDITIONAL INFORMATION	44

## ANNUAL INFORMATION FORM

In this Annual Information Form (the “AIF”), unless otherwise noted or the context indicates otherwise, the “Company”, “we”, “us” and “our” refer to East Side Games Group Inc. All financial information in this AIF is reported in Canadian dollars. Certain defined terms used herein have the meanings given to them under “Glossary of Defined Terms”.

The information contained herein is dated as of March 31, 2024 unless otherwise stated.

## GLOSSARY OF TERMS

The following is a glossary of terms used in this AIF and the appendices attached hereto.

<b>Acquisition</b>	The acquisition by the Company of the ESG Securities from the ESG Securityholders in accordance with the Acquisition Agreement. See “The Company’s Business - Completion of Acquisition” for further discussion.
<b>Acquisition Agreement</b>	The agreement dated October 31, 2020 and amended effective November 26, 2020 among the Company, ESG and the ESG Securityholders with respect to the Acquisition.
<b>Agents</b>	The Company’s agents in respect of the Offering, and includes Eight Capital and Haywood Securities Inc. as co-lead agents.
<b>The Company or ESGG</b>	East Side Games Group Inc.
<b>East Side Games or ESG</b>	Eastside Games Inc., a subsidiary of the Company
<b>ESG Securityholders</b>	collectively, the former holders of the ESG Securities and the vendors under the Acquisition.
<b>ESG Securities</b>	the issued and outstanding securities of ESG acquired by the Company under the Acquisition.
<b>Filing Statement</b>	the amended and restated filing statement dated January 18, 2021 (amending and restating the filing statement dated December 22, 2020), prepared by the Company with respect to the Acquisition.
<b>LDRLY</b>	LDRLY (Technologies) Inc., a subsidiary of the Company
<b>Offering</b>	the public offering of subscription receipts by the Company, as qualified by the Prospectus. See “The Company’s Business - Completion of Public Offering” for further discussion.
<b>Prospectus</b>	The Company’s final short form prospectus dated January 22, 2021 with respect to the Offering.

<b>Qualifying Transaction</b>	the qualifying transaction (as such term is defined under TSXV policies) of the Company, including the acquisition of LDRLY
<b>SEDAR</b>	means the Canadian System for Electronic Document Analysis and Retrieval of the Canadian Securities Administrators available to the public online at <a href="http://www.sedar.com">www.sedar.com</a>
<b>Shares</b>	means the common shares in the capital of the Company
<b>Subscription Receipt Agreement</b>	means the subscription receipt agreement governing the subscription receipts offered under the Offering.
<b>TSX</b>	means the Toronto Stock Exchange
<b>TSXV</b>	means the TSX Venture Exchange Inc.
<b>1182533</b>	means 1182533 B.C. Ltd., a subsidiary of the Company

#### **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This AIF contains “forward-looking statements” (within the meaning of applicable securities legislation). Such forward-looking statements concern the anticipated results of the Company and developments in its operations in future periods, plans related to its business, and other matters that may occur in the future. In particular, all statements other than historical facts included in this AIF that address activities, events or developments that management of the Company expects or anticipates will or may occur in the future are forward-looking statements, including but not limited to statements with respect to financial and other projections as well as statements or information concerning future operating plans, objectives, performance, revenues, growth, profits or operating expenses; plans to develop, implement or adopt new products, including with respect to the Company’s products and services; statements regarding the industry in which the Company operates; requirements for additional capital and future financing options; expansion and acceptance of the Company’s brands and products to new markets; marketing plans; the availability of intellectual property protection for the Company’s products; ongoing litigation; and other expectations of the Company.

In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”.

These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, uncertainty of future revenues; competition; regulation; potential intellectual property issues; reliance on third party distributors; dependence on key executives; dependence on advertising revenue; potential requirement for further funding; IT security risks; potential conflicts of interest with proposed directors and officers; potential share price volatility; need to attract and retain qualified personnel; limited market for the

trading of its securities; uncertainty as to dividends; defects, bugs or errors with products or services; changes in technology; changes to mobile devices; “cheating” programs, scam offers or black markets with respect to the Company’s games; the unauthorized sale/purchase of virtual goods in the Company’s games; reputational harm; declines in mobile gaming generally; ongoing litigation risk; and risks with respect to the Company’s long term debt.

Although the Company has attempted to identify important factors that could affect the Company, unknown events may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this AIF only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward- looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unforeseen events other than as required by applicable law.

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this AIF from documents filed with the securities commissions or similar authorities in all of the provinces in Canada, excepting Quebec. Copies of documents incorporated herein by reference may be obtained upon request without charge from the Company at Suite 3104 - 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1G4 (telephone: 604 288-4418; email: IR@eastsidegamesgroup.com). Copies of documents incorporated by reference may also be accessed online at [www.sedar.com](http://www.sedar.com). ESGG's filings through the System for Electronic Documents Analysis and Retrieval ("**SEDAR**") are not incorporated by reference in this Filing Statement, except as specifically set out herein.

The following documents, filed by the Company with the securities commission or similar authority in all the provinces of Canada, excepting Quebec, are specifically incorporated by reference into, and form an integral part of, this AIF:

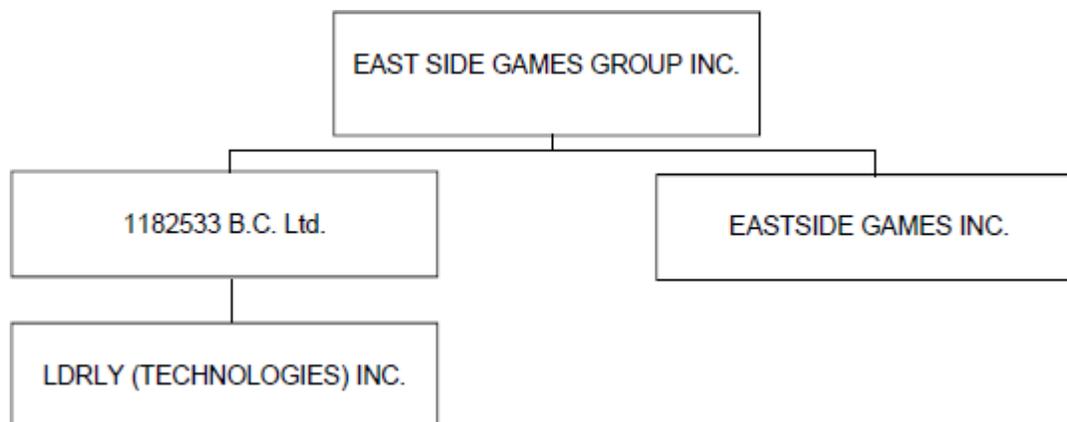
- audited financial statements of ESG, as reverse takeover acquirer with respect to the Acquisition, for the year ended December 31, 2020, and the auditor's report thereon; and
- audited financial statements of the Company for the year ended December 31, 2023, and the auditor's report thereon, and the corresponding management discussion and analysis dated March 31, 2024.

The foregoing documents are not incorporated by reference or deemed to be incorporated by reference to the extent their contents are modified or superseded by a statement contained in this AIF or in any other subsequently filed document that is incorporated by reference or deemed to be incorporated by reference in this AIF. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this AIF.

## CORPORATE STRUCTURE

The Company was incorporated under the name “Caprice Business Development Canada Inc.” on November 29, 2018 under the British Columbia *Business Corporations Act*, [SBC 2002] CHAPTER 57 (the “BCBCA”). It changed its name to “Leaf Mobile Inc.” on April 17, 2020 and to “East Side Games Group Inc.” on May 17, 2022. The Shares are listed for trading on the TSX and the Company is the parent company of ESG and LDRLY.

The intercorporate relationship of the Company and its material subsidiaries are as follows:



Each subsidiary was incorporated under the BCBCA and are wholly owned by the Company.

The registered office of LEAF is located at 700 - 401 West Georgia Street, Vancouver, British Columbia V6B 5A1. Its head office is located at Suite 3104 – 1055 Dunsmuir Street, Vancouver, British Columbia V7X 1G4.

## THE COMPANY’S BUSINESS

The Company, through its operating subsidiaries ESG and LDRLY, is a developer and publisher of mobile games. All of LEAF’s primary operations are conducted through ESG and LDRLY.

ESG is in the business of developing and producing mobile games, with such titles as *Archer: Danger Phone*, *Dragon Up: Idle Adventure*; *the Goldbergs: Back to the 80s*; *It’s Always Sunny: The Gang Goes Mobile*; *Trailer Park Boys Grea\$y Money*; *RuPaul’s Drag Race: Superstar*; *The Office: Somehow We Manage*; *Star Trek: Lower Decks – the Badgey Directive*, *Doctor Who: Lost in Time*; *AEW: Rise to the Top*, and *Milk Farm Tycoon*. ESG is also the developer of a proprietary game framework known as “IdleKit,” which allows the building of narrative-driven idle games quickly.

LDRLY, in turn, is in the business of developing and producing “counter culture” mobile games, with such titles as *Bud Farm Idle Tycoon*, *Bud Farm 420*, *Bud Farm Grass Roots*, *Bud Farm Quest for Buds*, *Potfarm Legacy* and *B- Real Monster Buds*, *Bud Farm Munchie Match*, and *Crime Boss Tycoon*. For further description of LDRLY’s operations, please see the joint information circular of the Company and 1182533 dated February 14, 2020 available on SEDAR.

The following is a summary of the general development of the Company’s business over the past three completed fiscal years, and includes a description of all major events through that period.

### Completion of Qualifying Transaction

On October 29, 2019, the Company entered into an amalgamation agreement with 1182533 with

respect to its Qualifying Transaction (the “**Amalgamation Agreement**”). Pursuant to the Amalgamation Agreement, the Company incorporated a subsidiary to amalgamate with the predecessor entity of 1182533 of same name (the “**Amalgamation**”). As an overall result of the Amalgamation, the Company beneficially acquired all of the outstanding shares in LDRLY from ESG in consideration of 55,187,500 shares of the predecessor and \$1.25 million in cash. The Amalgamation comprised the Company’s “qualifying transaction” under the policies of the TSXV.

Concurrently, the predecessor entity of 1182533 completed a private placement financing for gross proceeds of \$3.5 million. Proceeds from the private placement were ultimately acquired by the Company under the Amalgamation, and used to fund the Company’s operational items, including transaction expenses with respect to the Qualifying Transaction and payment of finder’s fees, with the remainder added to unallocated working capital.

The Amalgamation was completed on April 17, 2020. As a result, the Company became the parent company of LDRLY.

Concurrently with the completion of the Amalgamation, the Company changed its name to “LEAF Mobile Inc.”, and its Shares commenced trading on the TSXV under the new symbol “LEAF” on April 21, 2020.

### **Completion of Acquisition**

Pursuant to the Acquisition Agreement, as amended, among the Company, East Side Games and the ESG Securityholders, the Company and East Side Games completed a reverse takeover transaction, pursuant to which the Company all of the ESG’s issued and outstanding securities for the following consideration:

- \$10,000,000 in cash consideration plus a working capital adjustment of \$9,325,968;
- 44,444,444 Shares; and
- contingent consideration of \$40,000,000, of which only \$20,000,000 was earned, with the remaining \$20,000,000 no longer payable as at the date of this AIF. Of the \$20,000,000 paid, half was paid in cash, and the remainder was paid by way of 4,444,444 Shares issued at \$2.25 per share.

On February 5, 2021, the Company completed the Acquisition. As a result of the transaction, ESG became a wholly-owned subsidiary of the Company.

Completion of the Acquisition was concurrent with completion of the Company’s completion of the Offering, described further below.

As a further result of the transaction, the Shares were delisted from the TSXV and listed for trading on the TSX under the symbol “LEAF” on February 10, 2021. On December 8, 2021 the symbol was changed to “EAGR” on the TSX and “EAGRF” on the OTC.

## Completion of Public Offering

The Company completed its public offering of subscription receipts on February 4, 2021 for aggregate gross proceeds of \$23.0 million, including the full exercise of the over-allotment option by the Agents.

Each of the subscription receipts sold under the Offering were converted into the Shares on a 1:1 basis concurrent with the completion of the Acquisition, and pursuant to the Subscription Receipt Agreement. A total of 10,222,222 Shares were issued upon conversion of the subscription receipts. Proceeds of the Offering were used primarily to fund the cash payment due under the Acquisition.

As a condition of the Offering, the Shares issued under the Acquisition are subject to “lock up” agreements for a period of 36 months in favour of the Agents with respect to the Offering. The annual release of the “locked up” Shares began on February 4, 2022. As at the date of this AIF, only one-third of such Shares remain in “lock up”.

## New Directors and Officers

Concurrent with the completion of the Acquisition and the Offering, Jason Bailey was appointed as Chief Revenue Officer of the Company, and as a director to the Company’s board of directors on February 5, 2021. On December 6, 2021, Jason Bailey was appointed Executive Chair of the Company’s board of directors (the “**Board**”) and the CEO of the Company on April 13, 2022.

On April 13, 2023 the following Officers joined the Company in the following roles: Elin Jonsson, Chief Business Officer; Wally Nguyen, Chief Revenue Officer; Jim Wagner, Chief of Product; and Lisa Shek Chief Operating Officer.

Michael Edwards and Derek Lew have served on the Board since February 5, 2021. On August 8, 2023 Russell Ovans and Jeremy Pierce replaced Birgit Troy and Darcy Taylor.

On April 13, 2023, Jason Chan was appointed as the interim CFO of the Company replacing Jim MacCallum.

## Truly Social Games

Pursuant to an agreement dated June 16, 2021 (the “**MIPA**”), the Company was granted the option to acquire Truly Social Games LLC (“**TSG**”), a developer of mobile games incorporated in Oregon, USA. To date, the Company acquired a 20% membership interest in TSG. In consideration, the Company was required to fund up to USD \$3.0 million in development expenses in relation to four game titles, which the Company did. The Company also provided TSG with additional funding in excess of that amount.

In October 2022, the Company informed TSG that it did not intend to exercise its option to acquire TSG. TSG subsequently filed claims in Oregon and in British Columbia, which claim, among other things, that the Company is in breach of its obligations under the MIPA and publishing agreements related to aforementioned game titles, and that the Company has improperly used TSG’s intellectual property with respect to same. The Company believes these claims have no merit, intends to vigorously defend against all such claims, and has filed a response to TSG’s claims as well as a counterclaim against TSG in British Columbia. The United States District Court of Oregon subsequently dismissed TSG’s claim in its judgment dated December 11, 2023. The Company continues to pursue all legal and/or equitable remedies available to it with respect to the repayment of all excess amounts funded. See “Risk Factors” for further discussion.

## Share Consolidation

On August 17, 2021, the Shares were consolidated on the basis of ten pre-consolidation Shares for every one post-consolidation Share. As a result of the consolidation, 765,798,644 pre-consolidation Shares were consolidated to 76,579,821 post-consolidation Shares, and all convertible securities of the Company were similarly adjusted. The share consolidation has been reflected in all share amounts in this AIF.

## New Games

Through the year ended December 31, 2023, and in the subsequent period up to the date of this AIF, ESG and LDRLY announced and or launched new game titles as follows:

- *Milk Farm Tycoon*, launched February 2023
- *Doctor Who: Lost in Time*, launched March 2023
- *AEW: Rise to the Top*, (January 2024)

## DESCRIPTION OF THE BUSINESS

The Company's primary operations are conducted through ESG and LDRLY.

ESG is in the business of developing and publishing mobile games, with such titles as *Archer: Danger Phone*, *Dragon Up: Idle Adventure*; *the Goldbergs: Back to the 80s*; *It's Always Sunny: The Gang Goes Mobile*; *Trailer Park Boys Greasy Money*; *RuPaul's Drag Race: Superstar*; *The Office: Somehow We Manage*; *Star Trek: Lower Decks – the Badgey Directive*, *Doctor Who: Lost in Time*; *AEW: Rise to the Top*, and *Milk Farm Tycoon*. ESG is also the developer of a proprietary gametech framework known as "GameKit," which allows the building of narrative-driven idle games quickly. For further description of ESG, please see the Filing Statement.

LDRLY, in turn, is in the business of developing and publishing "counter culture" mobile games, with such titles as *Bud Farm Idle Tycoon*, *Bud Farm 420*, *Bud Farm Grass Roots*, *Bud Farm Quest for Buds*, *Potfarm Legacy* and *B- Real Monster Buds*, *Bud Farm Munchie Match*, and *Crime Boss Tycoon*. For further description of LDRLY's operations, please see Filing Statement.

The following discussion provides a general overview of ESG and LDRLY's respective operations.

### Developers and Publishers of Casual/Incremental Games

ESG and LDRLY have been developers and publishers of "free-to-play" or "F2P" casual or idle games on digital platforms since 2011 and 2013, respectively. These games typically include evolving narrative and strategies, are easy to learn, and can be played in a few minutes or run by itself for long periods of time. They are typically suitable for play on a wide range of devices, including mobile phones and tablets.

A casual or idle game is one by which step-by-step progression is a prominent feature of the gameplay. Often, casual or idle games have a series of upgrades to the game, each of which needs to be "unlocked" by the user. The upgrade can be in a variety of forms: for example, an upgrade can be a new method of generating in-game currency or other aspects of the game that

enhance or deepen gameplay. The act of “unlocking” each upgrade can be considered the game’s primary feedback loop. Typically, a casual or idle game will require less attention from the player, and may often be played while the player is doing other activities. These games do not penalize the player for inactivity.

To date, ESG’s games include *Archer: Danger Phone*, *Dragon Up: Idle Adventure*; *the Goldbergs: Back to the 80s*; *It’s Always Sunny: The Gang Goes Mobile*; *Trailer Park Boys Greasy Money*; *RuPaul’s Drag Race: Superstar*; *The Office: Somehow We Manage*; *Star Trek: Lower Decks – the Badger Directive*, *Doctor Who: Lost in Time*; *AEW: Rise to the Top*, and *Milk Farm Tycoon*. LDRLY’s counterculture games have a general cannabis theme, and targeted to mature audiences. Game titles include *Bud Farm Idle Tycoon*, *Bud Farm 420*, *Bud Farm Grass Roots*, *Bud Farm Quest for Buds*, *Potfarm Legacy* and *B- Real Monster Buds*, *Bud Farm Munchie Match*, and *Crime Boss Tycoon*. Each game follows the casual or idle game format. However, none of the games promotes the sale of cannabis, nor do they include any advertisements for cannabis producers, nor do they display any use of cannabis.

ESG and LDRLY’s games are generally easy to learn and can be played in a few minutes or run by itself for longer periods of time. While gameplay is simple, each game has a series of story “upgrades,” either in the form of a new method of generating in-game currency or another aspect of the game that enhances or deepens the gameplay. Each upgrade must be “unlocked” or otherwise earned by the player, thus creating a sense of achievement for the player, which further increases player retention for that game.

Various of these game titles are considered to be “growth” games, which are titles that are continually updated with additional content and features, with an aim to grow revenue derived from those games. Other game titles are considered to be “evergreen” games, which are similar to growth games in that additional content and features are also introduced, but are titles where revenue trends are stable, and the Company’s focus is primarily to continue ongoing revenue trends, or, where necessary, to reduce and ideally to reverse ongoing revenue declines from those titles, such that they become “growth” games again. Lastly, there are some game titles that the Company considers to be “legacy” or “sunset” games, which are titles that are still published by ESG or LDRLY and that earn revenue, but for which the Company expends little to no investment in terms of updates or enhancements.

### *Game Development*

Game development focuses on creating new narrative-based game concepts, first launched across mobile platforms and on ESG or LDRLY’s respective websites, as applicable, in a fluid beta format. This format allows for constant development to occur, based on systematic player feedback derived from real-time data as well as direct player feedback. Further improvements are then made to each game, and further systemic player feedback measured, thus creating a continuous feedback loop to improve player experience.

The internal architecture for each game is generated on a base source code shared centrally across all of the current franchise games, such that all of ESG or LDRLY’s game studios share a base development and game operation platform. This allows a faster “development to market” timespan for each new game originating from a standard base architecture, while also lowering overall development costs, and increasing game portfolio scalability.

Game development requires a team with specialized skill and knowledge requirements. As at the date of this AIF, ESG and LDRLY have, on a combined basis, 115 employees in a “steady state” basis. As ESG or LDRLY bring forward new game development projects, it can increase the number of employees or contractors by an average of six individuals. Specialized staff is needed for operations, in such key positions as unity engineers, software engineers, senior game

designers, senior game producers and senior artists. As at the date of this AIF, ESG and LDRLY have retained all the specialized staff that it requires.

### *Technology*

The key components of ESG and LDRLY's technology "stack" includes the following:

- the Company's "cloud", which is a decentralized data storage which hosts all of ESG and LDRLY's shared platform components. The server infrastructure is located at a primary server and a back-up third party data centre, located in Oregon, Virginia and Toronto;
- a social network abstraction layer, which allows ESG and LDRLY to easily support integration of its games with different social networks, using the same code base;
- a single source code base, which allows ESG and LDRLY to develop its games to function on both the Apple iOS and Google Android operating systems. This allows ESG and LDRLY to launch its games simultaneously on both platforms;
- a data "warehouse", which allows ESG and LDRLY to process large volumes of data related to game play and related activities. This data is also collated and structured in a variety of ways, allowing for ad-hoc analysis, real time in-line analysis, and in standardized reports with respect to each game;
- the "Live Ops" framework, which provides an active, flexible and ongoing shaping of each game's narrative aspects, increasing player engagement and thus potential monetization strategies. This framework also allows for continual player data analysis and direct player communications, which in turn informs further developments and updates to each game, again increasing player engagement and potential monetization strategies.

### *Distribution, Pricing & Marketing*

ESG and LDRLY each offers its games for free through various channels (eg. Apple App Store, Google Play app store), though players can make "in app purchases" of virtual items priced relative to the entertainment value that they provide.

Downloads of these games are promoted by ESG and LDRLY's "app store optimisation" ("**ASO**") strategies, focusing on keyword targeting in each app store's native search engine. Each studio also runs frequent discrete advertising campaigns, each with individual target metrics and subject to the same target return parameters, typically within a 24 hour cycle.

Advertising campaigns are also deployed across a wide mix of social and mobile channels, and cross-platform, particularly as each of ESG and LDRLY's games can be played on a cross-platform basis, allowing each player to switch seamlessly between devices and platforms to continue their game play wherever they have left off. Management of the Company believes that increasing awareness of its game "brands" across platforms will bring down the cost of "player acquisition".

Third party ad services are utilized by ESG and LDRLY with the following common functions: to upload advertisements and rich media; to traffic ads according to differing business rules; to target ads to different users, in order to optimize advertisements based on results; and to report

impressions, clicks, post-click and post-impression activities and interaction metrics. All of these functions are an integral part of running a mobile online advertising campaign, to ensure that advertising content is displayed where or on what feature and to whom it is intended. It also assists with analysis to gauge the effectiveness of ad campaigns, and whether the advertisement content is generating desired results. Third party ad services are provided by such parties as IronSource for ad mediation, and parties such as Pollfish (for surveys), IronSource (for 'offer wall' promotions), and various ad providers (Facebook, AdMob, IronSource, Unity Ads, Tapjoy).

Each game is also inherently social, and provide players with features that allow them to interact with other players, such as comparative relative progress, sharing milestones, sending gifts, or asking for help. These features enhance the "virality" of ESG and LDRLY's games, and can attract more players without incurring direct marketing expenses. Management has found that a large number of its players discover its games through such channels.

Revenue is generated through aforementioned "in app purchases," as well as "in-game" advertisements sold to third parties. LDRLY does not accept advertisements from cannabis producers, nor advertisements promoting the sale or use of cannabis. These ads can be in a variety of formats, including "rewarded video", "offer walls" or surveys, all of which reward the player for their active engagement with such advertisements with bonuses for use in the game.

From time to time, ESG and LDRLY also hosts game "events" on their respective websites. Such events typically involve self-contained, time-limited game content that players may opt to play in return for in-game rewards and at no cost to the player, and are common among many casual or idle games.

Revenue depends on ESG and LDRLY's continued ability to publish games on mobile platforms, primarily iOS and Android, and on social networking sites. Use of such platforms and sites are governed by the provider's respective standard terms of service. Of total revenues in the year ended December 31, 2023, approximately 75% was derived from "in app" purchases of virtual items, of which the facilitating app store (eg. Apple App Store, Google Play app store, etc.) charge a fee of approximately 30% on average of the after-tax payments collected. Approximately 25% of revenues was derived from the sale of "in-game" advertising to third parties.

Through the "Live Ops" framework described above, ESG and LDRLY are able to continuously measure the success of its games and advertisements, with ongoing monitoring of average revenue per daily active user and other metrics for each game.

### *Future Developments*

While ESG and LDRLY continue to improve upon and evolve its existing game titles, it also continues to produce new games on an ongoing basis. In this process, it continually develops potential new narrative themes for development, whether internally or externally. External development may include the incorporation of third-party licensed brands or properties.

### **GameKit - Proprietary Technology**

ESG's core software technology, known as "GameKit", is an internally developed proprietary game framework for building narrative driven idle games quickly, thereby increasing each game's likelihood of success.

The average time to build and launch a mobile game is six to eighteen months. The game industry is inherently “hit” driven and the likelihood of any individual game succeeding is moderately low. With GameKit, development teams can cut production time in half, decreasing the time-to-market.

GameKit is a software platform that ESG uses for all of its internal game builds. ESG also licenses GameKit to third party developers on a revenue share model. Such partnerships have resulted in several titles launching, with many more in development and more than a dozen in various negotiation phases as at the date of the Filing Statement.

GameKit includes the following features:

- A reusable game engine framework for casual or idle narrative driven game development;
- Automated monetization triggers;
- Ad management platform for managing ad network waterfalls to maximize revenue;
- Game asset pipelines for managing content and game updates;
- Greybox UI (user interface) builds where developers can quickly swap in their own art assets;
- Game and event balances optimized for engagement and monetization;
- Mini game frameworks to allow each game to feel unique;
- Event management and best practices for Live Ops once the game launches; and
- Analytics platform which allows developers to measure performance against others and know where to fix things and where they are excelling.

ESG continually improves and builds on Gamekit. Its current work in process is to extract the core components of the platform to reengineer to enter additional game genres. This additional version (or “MasterKit”) will provide users with an ability to enter game genre segments and compete with mobile hits, such as *Coin Master*, *Pet Master*, *Piggy Go Go*, *Board Kings* by dramatically improving upon production speed and effectiveness. In parallel, ESG is developing a beta prototype of “Match3Kit”, and is in early development of “EndlessRunnerKit”, “MergeKit”, “ShooterKit”, “ClashKit”, “CardKit”, with each platform specific to a game genre.

As most of these game genres do not currently have any celebrity IP lead games, ESG is of the opinion that most of the games in these genres are clones of one another, thus creating a “white space” opportunity for its platforms.

### *Strategies*

#### Broad Game Portfolio

The Company believes that the Free to Play casual mobile game segment will continue to be a strong part of the overall gaming industry, building on its consistent popularity over the last 10 years. In addition, ESG’s expertise in this space has been built across multiple franchise titles. This has reduced forecasting risk, due to experience derived from its existing franchises, and as

every new release adds new capability to its proprietary technology and a stronger understanding of its player base.

### Grow the Audience

To date, the Company has targeted four main methods by which it intends to grow its audience:

- adding innovative features, content and services to its existing franchises in order to attract more gamers;
- expanding its existing portfolio to other segments, based on market opportunity and consumer testing. The Company believes that its new games should broaden its existing audience, appealing to gamers who want different types of casual entertainment;
- leveraging celebrity IP across additional content theme verticals within North America and English-speaking countries;
- increasing penetration into existing major markets. Non-Western markets such as India and other Asian countries can be a significant contributor to the Company's growth, owing to penetration of mobile phones and gaming market size.

### Increase Average Revenue per Daily Active User (ARPDau)

The Company has identified the following as possible routes to enable it to increase its ARPDau:

- invest in additional post-launch content and services (LiveOps) to increase the engagement, retention and monetization of the Company's gamers. Securing additional predictable, recurring and profitable revenues, while improving gamers' experience and satiating their demand;
- identify and develop new business models and technologies (such as paid subscription models) that more platforms will follow.

### Lessen Competitive Barriers to Entry

In order to lessen competitive barriers to entry, the Company intends to:

- continue to invest in developing GameKit, in order to drive quality, further efficiencies and speed to market;
- grow the Company's community in order to enable a deeper understanding of consumer behaviours and therefore deliver better and more engaging gamer experiences.

### Expand GameKit Revenue

ESG offers its Game Kit platform primarily through a SAAS license model and related services primarily through revenue-share and usage-based models. This has allowed ESG to generate revenue from its customers as they develop games and also as they succeed and grow.

Licenses for ESG's GameKit platform drive adoption of related services offered by ESG. The Game Kit growth strategy consists of:

- *Investing in GameKit Product Innovation for Growth:* Continue to innovate with new products as described above, as well as new features and functionality, and continue the support of third parties to integrate their respective applications with the GameKit platform. In addition, if ongoing revenues permit, ESG intends to pursue potential acquisitions of products, teams and technologies that complement and expand the functionality of GameKit, add to its technology expertise and bolster ESG's leadership position by providing access to new customers or markets.
- *Growth within Existing GameKit Customers:* ESG believes that it has strong opportunities to broaden its relationships with existing customers, by expanding GameKit licenses and related services, growing usage and increasing the variety of services customers use.

ESG intends to increase the number of its licensing of GameKit by expanding within and across multiple studios within a single publisher. Some customers are publishers that have relations with multiple studios. When one studio achieves better quality content and improved efficiency, higher return on investment on customer acquisition, or better monetization of end-users through the use of GameKit, ESG believes that other studios within the publisher's portfolio or sphere of relations will also begin to adopt GameKit, and ideally to a level where a "tipping point" is achieved, such that GameKit becomes the standard for that customer. ESG intends to invest in targeted sales and account-based marketing efforts to identify, stimulate and communicate these opportunities to customers.

ESG also intends to grow the usage of its GameKit related services products primarily through the success of its customers' games and applications. Their usage of ESG's services will grow in line with their end-user adoption and engagement. The more their end-users are retained through ESG's event management and other tools, and the more that their end-users spend time in their respective games, the more revenue ESG expects to derive from such offered services.

- Grow New GameKit Customers: Gaming continues to be the fastest growing segment of the entertainment industry, and within this growing segment, customers of all sizes are increasingly looking to leverage third party tools to accelerate the development process. Large and small mobile publishers have indicated that they increasingly find using GameKit to be more efficient and productive than building proprietary technology in-house. Additionally, GameKit enables mid-sized, small and independent developers and freelance artists to create and operate games where they would not otherwise have the resources to do so independently.

Games made by large global publishers represent an attractive growth opportunity for GameKit. These studios have historically invested in their respective proprietary technology to create and operate content for the select platforms of their individual choice. Marketing efforts are focused on driving migration of such publishers from developing their own proprietary technology stacks to ESG's GameKit platform, which ESG considers to be more time efficient and cost effective for such publishers.

- Growth Across Major Global Markets outside of North America: ESG's GameKit solutions can drive game creation around the globe. ESG intends to expand its reach in markets outside of the US and Canada to facilitate further penetration of its platform and to grow with new customers to increase its global footprint, and has dedicated a sales person to focus on this.

## *Product Pipeline*

The Company has many other titles in various stages of negotiation, early development and pitches to intellectual property right holders. Some of which involve signed NDAs, GameKit license agreements and other preliminary documents which are included in diligence documents. However, the Company does not expect these games to be material in the near term. They are all still subject to finalized IP, partnership and publishing agreements.

## **Intellectual Property**

ESG and LDRLY's respective businesses are significantly based on the creation, acquisition, use and protection of intellectual property. Some of this intellectual property is in the form of software code and trade secrets used to develop IdleKit, and the respective games of ESG and LDRLY, and to enable them to run properly on multiple platforms. Other intellectual property that both ESG and LDRLY creates includes product and feature names and audio-visual elements, including graphics, music, story lines and interface design.

While most of the intellectual property that ESG and LDRLY uses is created by or on their behalf, ESG may also acquire rights to proprietary intellectual property from third parties, primarily through licenses and service agreements. These licenses may limit usage of such third party intellectual property to specific uses and for specific time periods. Existing licenses agreements are used to develop and publish such titles as, with respect to ESG, *Archer: Danger Phone*, *Dragon Up: Idle Adventure*, *The Goldbergs: Back to the 80s*, *It's Always Sunny: The Gang Goes Mobile*, *Trailer Park Boys Grea\$y Money*, *RuPaul's Drag Race Superstar*, *the Office: Somehow We Manage*, *Star Trek: Lower Decks – the Badgley Directive*, *Doctor Who: Lost in Time*, *AEW: Rise to the Top*, and with respect to LDRLY, *Cheech & Chong Bud Farm*, all as described above.

ESG and LDRLY protect their intellectual property rights by relying on legislative and common law protections, as well as contractual restrictions. It controls access to proprietary technology by entering into confidentiality and invention assignment agreements with employees and contractors, and confidentiality agreements with third parties.

## **Competitive Conditions**

ESG and LDRLY face significant competition in all aspects of its business. As the nature of its games is entertainment, both compete with business in a spectrum of industries that compete for the leisure time, attention and discretionary spending of its users, on the basis of multiple factors such as quality of experience, access and value.

Their competitors include:

- existing game developers who develop products for social networks, mobile, PC and video game consoles, some of which include features that compete with the casual or idle games that ESG and LDRLY produces and that have similar community functions that allow such developers to engage with their players. Examples include LBC Studios Inc., Metamoki, Kongregate, Kolibri, and Hyper Hypo Games;
- emerging and potential game developers who may enter into the gaming market, which may include larger companies with a significant online presence who may choose to enter into game development or otherwise increase their presence in game development; and
- other forms of media and entertainment, which broadly compete for user's time and attention.

## **Government Regulation**

ESG and LDRLY are subject to various laws and regulations that affect companies conducting business on the Internet and mobile platforms, including those relating to privacy, use and protection of player and employee personal information and data (including the collection of data from minors), the Internet, behavioral tracking, mobile applications, content, advertising and marketing activities (including sweepstakes, contests and giveaways), and anti-corruption. Additional laws in all of these areas are likely to be passed in the future, which could result in significant limitations on or changes to the ways in which ESG and LDRLY can collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with game players, and deliver products and services, and may significantly increase our compliance costs. As business expands to include new uses or collection of data that are subject to privacy or security regulations, the compliance requirements and costs of ESG and LDRLY will increase and it may be subject to increased regulatory scrutiny.

## **Seasonality**

Many new mobile phones and tablets are released in, or shortly before, the fourth calendar quarter to coincide with the holiday shopping season. Because many players download games soon after they purchase or receive their new devices, ESG and LDRLY may experience seasonal sales increases based on the holiday selling period. Some of this seasonality may also result in lags in the first calendar quarter, due to a lag between device purchases and game purchases. In addition, the advertising budgets of third parties that advertise in ESG and LDRLY's games are generally assumed to be highest during the fourth quarter and decline significantly in the first quarter of the following year, which may affect revenue derived from advertisements and offers in ESG and LDRLY's games.

## **RISK FACTORS**

The Company's business, operating results and financial condition could be adversely affected by any of the risks outlined below. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not currently known to the Company, or that the Company currently deems immaterial, may also impair the operations of the Company. If any such risks actually occur, the financial condition, liquidity and results of operations of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

### *Uncertainty of Future Revenues*

The Company's future growth and prospects will depend on its ability to expand ESG and LDRLY's current operations and gain additional revenue streams, while maintaining effective cost controls. Any failure to do so will likely have a material adverse effect on the Company's business, financial condition and results.

The Company's business depends on developing, publishing and continuing to service games that consumers will download and spend time and money playing. It is primarily focused on mobile gaming, offering games on mobile devices, including smartphones and tablets on Apple's iOS and Google's Android operating systems, and on social networking platforms such as Facebook. Substantial resources have been and will be devoted to the research, development, analytics and marketing of its games. Development and marketing efforts are focused on both improving the

experience of existing games (frequently through new content and feature releases for our live services) and developing new games. Revenue is primarily generated through the sale of in-game virtual items and advertising. For games distributed through third-party platforms, a portion of revenues are shared from in-game sales with the platform providers. Due to its focus on mobile gaming, these costs are expected to remain a significant operating expense. In order to remain profitable, the Company will need to generate sufficient bookings and revenues from existing and new game offerings to offset ongoing development, marketing and operating costs.

Successfully monetizing games is difficult and requires that the Company deliver valuable and entertaining player experiences that a sufficient number of players will pay for or that the Company is able to otherwise sufficiently monetize its games (for example, by serving in-game advertising). The success of its games depends, in part, on unpredictable and volatile factors beyond the Company's control, including consumer preferences, competing games, new mobile platforms and the availability of other entertainment experiences. If its games do not meet consumer expectations, or if they are not brought to market in a timely and effective manner, the Company's ability to grow revenue and our financial performance will be negatively affected.

In addition to the market factors noted above, the Company's ability to successfully develop games for mobile platforms and its ability to achieve commercial success will depend on its ability to:

- effectively market its games to existing and new players;
- achieve benefits from player acquisition costs;
- achieve organic growth and gain customer interest in its games through free or more efficient channels;
- adapt to changing player preferences;
- adapt to new technologies and feature sets for mobile and other devices;
- expand and enhance games after their initial release;
- attract, retain and motivate talented and experienced game designers, product managers and engineers;
- partner with mobile platforms and obtain featuring opportunities;
- continue to adapt game feature sets for an increasingly diverse set of mobile devices, including various operating systems and specifications, limited bandwidth, and varying processing power and screen sizes;
- minimize launch delays and cost overruns on the development of new games and features;
- achieve and maintain successful customer engagement and effectively monetize our games;
- maintain a quality social game experience so as to retain players;
- develop games that can be built upon or become franchise games;

- compete successfully against a large and growing number of existing market participants;
- accurately forecast the timing and expense of operations, including game and feature development, marketing and customer acquisition, customer adoption, and success of bookings growth;
- minimize and quickly resolve bugs or outages; and
- acquire and successfully integrate high quality mobile game assets, personnel or companies.

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

These and other uncertainties make it difficult to know whether the Company will succeed in continuing to develop successful live service games and launch new games and features in accordance with its objectives. If it does not succeed in doing so, the business, financial condition, or results of operations of the Company will suffer.

### *Competition*

The market in which the Company operates is vastly competitive and fast moving and may even grow more competitive. The gaming industry is subject to rapid changes, including from evolving consumer preferences and emerging technologies. Many new games are introduced in each major industry segment (mobile, web, PC and console), but only a relatively small number of game titles account for a significant portion of total revenue in each segment. Game developers and distributors vary vastly in size and resources, and some have significant resources for developing or acquiring additional games, or have a more diversified set of revenue sources than the Company, and may be less affected in consumer preferences, regulations or other developments that may impact the gaming industry. At the same time, management of the Company considers its user base to be specific and niche, with fewer competitors targeting the same user base.

As there are relatively low barriers to entry to develop mobile games, it is expected new competitors will enter the market and existing competitors will allocate more resources to develop and market competing games and applications. The proliferation of titles may make it difficult for the Company to differentiate itself from other developers or to compete for players without increasing its marketing expenses and development costs. There can be no guarantee that the Company's competitors will not develop similar or superior products to those of the Company, which may affect the Company's ability to compete.

As a subset of a larger entertainment industry, the Company also faces competition for leisure time, attention and discretionary spending of its game players from other non-gaming activities. Increasing competition could result in a loss of players, increasing player acquisition and retention costs, and loss of talent.

The Company may also face competition as between its own games. It is possible that new games or features may reduce the amount of time that players spend with other games published by the Company. In particular, the Company plans to continue to leverage its existing games to cross-promote new games and features, which may encourage players of existing games to divert some of their playing time and discretionary spending away from those existing games. If new games or features do not increase the Company's player base, increase the overall amount of time that players spend on its games, or generate sufficient new bookings to offset declines from existing games, the Company's financial results could be adversely affected.

#### *Historical Dependence on Franchise Games*

The Company depends on a small number of games for a majority of its revenue and this dependency may continue for the foreseeable future. Bookings and revenue from many games may decline over time after reaching a peak of popularity and player usage. As a result, the Company's success will depend on its ability to engage with players by consistently and timely launching new games and enhancing existing games with new content, features and events. Constant game enhancement requires the investment of significant resources, particularly with older games, and such costs on average have increased.

It is difficult to consistently anticipate player demand on a large scale, particularly as games are developed in new categories or new markets, including international markets and mobile platforms. If the Company does not successfully launch games that attract and retain a significant number of players and extend the life of its existing games, its financial results will be harmed.

Further, in order to sustain and grow revenue levels, the Company must attract, retain and increase the number of paying players or more effectively monetize players through advertising and other strategies. To retain players, the Company will need to devote significant resources so that its games retain their interest; similarly, the Company will need to devote significant resources to attract existing players to its other games. The Company might not succeed in its efforts to increase the monetization rates of users, particularly if it is unable to retain paying players. If the Company fails to grow or sustain the number of paying players, if the rates at which it attracts and retains paying players declines, or if the average amount each player pays declines, the Company's business may not grow and its financial results will suffer.

#### *Historical Dependence on Players for In-App Purchases*

At present, both the Company relies on a very small portion of its total players for nearly all of revenue derived from in-app purchases (as opposed to advertisements and incentivized offers). The percentage of unique paying players for their respective largest revenue-generating free-to-play games has typically been approximately 5%, when measured as the number of unique paying users on a given day divided by the number of unique users on that day, though this percentage may fluctuate for some games during specific, relatively short time periods, such as immediately following worldwide launch, during special events or following content updates or marketing campaigns.

To significantly increase its revenue, the Company must increase the number of downloads of its games, increase the number of players who convert into paying players by making in-app purchases or enrolling in subscriptions, increase the amount that paying players spend in its games and/or increase the length of time players generally play its games. It might not succeed in these efforts to increase the monetization rates of its users, particularly if it does not increase the amount of social features in its games or otherwise improve its games through updates and live operations. In addition, if the current inflationary conditions persist and cause an economic downturn, the Company's users may reduce their discretionary spending, negatively impacting the Company's financial condition and revenues. If it is unable to convert non-paying players into paying players, or if it is unable to retain paying players or if the average amount of revenue generated from players does not increase or declines, the Company's business may not grow and its financial results may suffer.

### *Virtual Items/Economies*

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

### *Regulation*

The Company is subject to general business regulations and laws, as well as regulations and laws governing the internet, gaming, ecommerce and electronic devices. Existing and future laws and regulations may impede the Company's growth or strategy. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, mobile communications, consumer protection, web services, websites, the characteristics and quality of products and, though the Company will not have any games that display cannabis or promote its use, the regulation of cannabis-related imagery and associated matters, unfavourable changes in regulations and laws could decrease the ability of the Company to distribute its games, decrease demand for its games or events, thereby increasing its cost of doing business, or causing a material adverse effect on the popularity or availability of the Company's games, or its results of operations and financial condition.

As of March 7, 2024 the European Union (EU) will require large tech companies including Google, Amazon, Meta and Microsoft to comply with the *Digital Markets Act (DMA)* which will result in additional fees being passed on to developers by these companies.

### *Intellectual Property*

Though the Company's business model will not emphasize the value of its own intellectual property in its games, any infringement of the Company's copyright in such games may affect the popularity of the Company's games.

The Company's games have been developed based, in part, on third-party open sourced software. The unavailability of such software will disrupt the Company's ability to develop games on a timely basis, and may negatively affect the Company's results of operations and financial condition.

The Company may face allegations that it has infringed the trademarks, copyrights, patents or other intellectual property rights of third parties, including from its competitors and former employers of the Company's personnel. Infringement and other intellectual property claims, with or without merit, can be expensive and time-consuming to litigate, and the results are difficult to predict. The Company may not have the financial or human resources to defend against any infringement suits that may be brought. As a result of any court judgement or settlement, the Company may be obligated to cancel the launch of a new product offering, stop offering certain features or a game in its entirety, pay royalties or significant settlement costs, purchase licenses, or modify the Company's games and features, or develop substitutes.

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

#### *Third Party Distributors*

As with most providers of mobile device apps, the Company will be heavily dependent, on the distribution of its games through third party distributors such as Apple App Store and Google Play app store. These third party distributors each charge a fee for the usage of their services. In the event that these third party distributors increase their fees, or cease to provide distribution services to the Company, the ability of the Company to distribute its games will decrease, which may cause a material adverse effect on the popularity or availability of the Company's games, or the results of its operations and financial condition.

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

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

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

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

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

### *Third-Party Hosting*

The Company's technology infrastructure is critical to the performance of its games and to player satisfaction. The Company's current games and systems presently run on a distributed system, or what is commonly known as cloud computing. Significant elements of this system are operated by third-parties which would require significant time and expense to replace. This dependence is anticipated to continue. Any interruption of service that is significant and/or prolonged may adversely affect LEAF's business, financial condition, results of operations or reputation.

In particular, a significant portion, if not almost all, of the Company's respective game traffic, data storage, data processing and other computing services and systems are presently hosted by Amazon Web Services (AWS). AWS provides computing and storage capacity pursuant to an agreement that continues until terminated by either party. The agreement requires AWS to provide standard computing and storage capacity and related support in exchange for timely payment. There may be disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. If a particular game is unavailable when players attempt to access it or navigation through a game is slower than they expect, players may stop playing the game and may be less likely to return to the game as often, if at all.

Any failure, disruption or interference with the use of hosted cloud computing services and systems provided by third-parties, like AWS, could adversely impact the Company's business, financial condition or results of operations. If the Company does not effectively respond to any such interruptions, upgrade its systems as needed or continually develop technology and network architecture to accommodate traffic, its business, financial condition or results of operations could be adversely affected. Additionally, the disaster recovery systems of the Company and those of third-parties may not function as intended or may fail to adequately protect critical business information, which may cause interruption in service of the Company's games, cause security breaches or the loss of data or functionality, leading to a negative effect on business, financial condition or results of operations.

### *Dependence on Key Executives*

The Company depends heavily on its ability to retain the services of management and specialized staff, and to recruit, motivate and retain other suitably skilled personnel. The loss of the services of key individuals may have an adverse effect on the business, operations, and results.

### *Advertising Revenue*

The Company is dependent, in part, on advertising revenue derived from its games. The inability of the Company to secure advertising partners may have a material adverse effect on its business, operations and results.

Brand awareness is critical to maintaining and creating favorable relationships that the Company will have with players, platform providers, advertisers and content licensors, as well as competing for key talent. Increasing brand awareness requires significant investment and extensive management time to execute successfully. Further, there can be no guarantee or assurance that such efforts will succeed in increasing brand awareness. Any failure may limit the Company's financial results.

If any of the Company's games contain content considered by others to be objectionable, the Company may suffer damage to its reputation and brand. This risk is heightened as the Company's games have historically had, and will continue to have, countercultural themes. Further, third party advertisements may contain content that others consider to be objectionable. If consumers believe that the Company's games or third-party advertisement displayed in a game contains objectionable content, it could harm the Company's brand and consumers could refuse to play it and could pressure the platform providers to remove the game from their platforms.

Further, the Company relies on third parties to source and manage advertisements for its games. These third parties charge a fee for their services. In the event that these third parties increase their fees, or cease to provide their services to the Company, the Company may be required to source and manage advertisements internally, which may increase its operating expenses.

In addition, internet-connected devices and operating systems controlled by third parties increasingly contain features that allow device users to disable functionality that allows for the delivery of advertising on their devices. Device and browser manufacturers may include or expand these features as part of their standard device specifications. If users elect to utilize the opt-out mechanisms in greater numbers, the Company's ability to deliver effective advertising campaigns on behalf of its advertisers would suffer, which could cause the Company's business, financial condition, or results of operations to suffer. Finally, the revenues derived from advertisements and offers is subject to seasonality, as third party advertising budgets are generally highest during the calendar year end, and decline significantly in the first quarter of the following year, which may give rise to seasonality effects in the Company's financial performance.

### *Requirement for Further Funds*

Although the Company does not anticipate an immediate need for funding for the 2024 fiscal year, it may require additional financial resources to fund its long term operations. the Company may in the future raise any necessary additional funds through public or private financing. No assurance can be given that such additional funding will be available or, if available, that it will be on terms favourable to the Company.

### *Security*

The Company cannot guarantee absolute protection against unauthorized attempts to access its IT systems, including malicious third party applications or denial of service attacks that may interfere with or exploit security flaws in its website. Viruses, worms and other malicious software

programs could jeopardize the security of information stored in a user's computer, mobile device or in the Company's systems, or attempt to change the experience of players by interfering with the Company's ability to connect with them. If any compromise to the Company's security measures were to occur and any efforts to combat such breach were unsuccessful, the Company's reputation may be harmed, leading to an adverse effect on the Company's financial condition and prospects.

#### *Share Price Volatility*

The market price of the Company's Shares may be subject to wide price fluctuations in response to many factors, including variations in the Company's operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects of the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic political conditions, could adversely affect the market price for the Company's Shares.

#### *Need to attract and retain qualified personnel*

The Company's success depends to a significant extent on its ability to identify, attract, hire, train and retain qualified personnel. Competition for such personnel may be intense and there can be no assurance that the Company will be successful in identifying, attracting, hiring and retaining such personnel in the future. If the Company is unable to identify, attract, hire and retain qualified personnel in the future, such inability could have a material adverse effect on its business, operating results and financial condition.

#### *Dividends*

It is not anticipated that the Company will pay dividends on its shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

#### *GameKit*

The Company's ability to attract and retain customers of the GameKit technology and grow its related business will depend, in part, on its ability to maintain GameKit at high levels of accessibility, reliability, scalability and performance. Interruptions in the performance of GameKit and related services, whether due to system failures, computer viruses or physical or electronic break-ins, could affect the accessibility and performance of GameKit. Future disruptions, outages and other performance problems may arise due to a variety of factors including infrastructure changes, introductions of new functionality, human or software errors, capacity constraints, denial of service attacks or other security-related incidents.

It may become increasingly difficult to maintain and improve the performance of GameKit. If GameKit is unavailable or accessibility becomes an issue, the Company may experience a loss of clients, lost or delayed market acceptance of our platform, delays in payment by clients, injury to the Company's reputation and brand, or other liabilities. In addition, to the extent that GameKit is not upgraded as needed, or if GameKit is not continually developed to accommodate actual and anticipated changes in technology, the Company's operations may be adversely affected.

Further, the software technology underlying GameKit is complex and may contain material defects or errors, particularly when new features are first introduced or released. There can be no assurance or guarantee that GameKit will not contain defects. Any real or perceived errors, failures, vulnerabilities, or bugs in IdleKit could result in negative publicity or lead to data security, access, retention or other performance issues, all of which could harm the Company's business.

#### *Defects, Bugs, or Errors*

The current products and services of the Company are extremely complex software programs and are difficult to develop and distribute. The Company has quality controls in place to detect defects, bugs or other errors in our products and services before they are released. Nonetheless, these quality controls are subject to human error, overriding, and resource or technical constraints. In addition, the effectiveness of our quality controls and preventative measures may be negatively affected by the distribution of our workforce resulting from the COVID-19 pandemic. As such, these quality controls and preventative measures may not be effective in detecting all defects, bugs or errors in our products and services before they have been released into the marketplace. In such an event, the technological reliability and stability of the Company's products and services could be below its standards and the standards of its players and its reputation, brand and sales could be adversely affected. In addition, the Company could be required to, or may find it necessary to, offer a refund for the product or service, suspend the availability or sale of the product or service or expend significant resources to cure the defect, bug or error each of which could significantly harm our business and operating results.

#### *Changes in Technology*

The mobile games market could be disrupted by new technologies that could impact the Company's business. For example, it is anticipated that the introduction of 5G wireless networking will offer technological advancements like faster download speeds and lower latency. While these technological advancements will provide opportunities for the Company's business, it may also create risks if the Company does not adapt to these new technologies in a quick and timely manner. For example, 5G technology may result in the proliferation of game streaming services. Multiple instances of new cloud gaming services are already commercially available and new entrants like Google and Microsoft have or will announce their ability to stream games to mobile devices. Some of these new streaming entrants will also choose to publish first-party content on their platforms. Streaming technology could potentially disrupt the mobile gaming industry by enabling companies to publish cross- platform games that users can play across multiple platforms and devices. This could result in consumers choosing to play these cross-platform games rather than the Company's games, which are primarily available on mobile devices. If the Company does not appropriately adapt its business to new technologies, its business may suffer.

#### *Changes to Mobile Devices*

The Company's games are played on mobile devices manufactured by third parties, and it has no influence on the hardware or software of these devices. Any changes to them might negatively impact the Company's business. Mobile devices contain identifiers for advertisers ("IDFAs") which currently are shared with the publishers of applications on a mobile device. Publishers use these IDFAs for a variety of business purposes, among others for measuring advertising, generating advertising revenue, performing application user level analytics, and targeting users in marketing campaigns.

The IDFA of Apple's mobile devices are no longer be available by default to mobile application publishers. Instead, the IDFA will only be accessible to the application publisher if a user gives the publisher permission to access his or her IDFA by expressly consenting to this access. To date, the Company has adapted well to Apple's IDFA changes and has not experienced any significant challenges arising from the launch of iOS 14.

*"Cheating" programs, scam offers, black-markets*

Unrelated third parties have developed, and may continue to develop, "cheating" programs, scam offers, black-markets and other offerings that may decrease the Company's revenue generated from its virtual "in game" economies, divert players from the Company's games or otherwise harm the Company. Cheating programs enable players to exploit vulnerabilities in games to obtain virtual currency or other items that would otherwise generate in-app purchases for the Company, or allow players to play games in automated ways or obtain unfair advantages over other players who do play fairly. Unrelated third parties may attempt to scam players of the Company's games with fake offers for virtual goods or other game benefits. The Company will devote resources to discover and disable these programs and activities, but if it is unable to do so in a prompt and timely manner, its operations may be disrupted, its reputation damaged and players may play the Company's games less frequently or stop playing them altogether. This may lead to lost revenue from paying players, increased cost of developing technological measures to combat these programs and activities, legal claims, and increased customer service costs needed to respond to disgruntled players.

*Unauthorized Sales/Purchases of Virtual Goods*

Virtual goods in the Company's games are not expected to have monetary value outside of its games. Nonetheless, some players may make sales and/or purchases of such virtual goods through unauthorized third-party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on third-party websites and the virtual goods offered may have been obtained through unauthorized means such as exploiting vulnerabilities in the applicable game, from scamming players with fake offers for virtual goods or other game benefits, or from credit card fraud. the Company will not generate any revenue from these transactions. These unauthorized purchases and sales from third-party sellers could negatively impact the Company's financial performance by, among other things:

- decreasing revenue from authorized transactions;
- creating downward pressure on the prices that the Company can charge for its virtual currencies or other items;
- increasing chargebacks from unauthorized credit card transactions;
- causing dissatisfied players to stop playing the Company's games;
- increasing costs incurred to develop technological measures to curtail such authorized transactions;
- causing negative publicity or harm to the Company's reputation;
- increasing customer support costs to respond to dissatisfied players.

To discourage unauthorized purchases and sales of the Company's virtual goods, it will be stated in the Company's terms of service that the buying or selling of virtual currency and virtual goods from unauthorized third party sellers may result in bans from its games or legal action. However, there can be no assurance that such efforts to prevent or minimize these unauthorized or fraudulent transactions will be successful.

### *Reputational Harm*

Expectations regarding the quality, performance and integrity of the Company's respective products and services are high, and it is anticipated that such expectations will continue with respect to the Company's products and services. Players may sometimes be critical of the Company's brands, products, services, online communities, business models and/or business practices for a wide variety of reasons, including perceptions about gameplay fun, fairness, game content, features or services, or objections to certain business practices. These negative responses may not always be foreseeable. The Company also may not effectively manage these responses because of reasons within or outside of its control. For example, if the future implementation of new game features creates a negative perception of gameplay fairness or other negative perceptions, the Company's reputation and brand could be harmed and revenue could be negatively impacted. In addition, the Company may take actions, including delaying the release of games and delaying or discontinuing features and services for games, after taking into consideration, among other things, feedback from its community, even if such decisions negatively impact operating results in the short term. The Company will take any actions it may consider appropriate to address future concerns, including actions that may result in additional expenditures and the loss of revenue.

It is also intended that the Company will offer players safe, inclusive and fulfilling online communities. It may not be able to maintain healthy, long-term online communities within its games and services as a result of the use of those communities as forums for harassment or bullying, its inability to successfully discourage overuse of its games and services or overspending within its games and services, or due to the successful implementation of cheating programs. Although the Company may expend resources to maintain healthy online communities, its efforts may or may not be successful due to scale, limitations of existing technologies or other factors.

Negative sentiment about gameplay fairness, online communities, business practices, business models or game content also can lead to investigations or increased scrutiny from governmental bodies and consumer groups, as well as litigation, which, regardless of their outcome, may be costly, damaging to the Company's reputation and harmful to its business.

### *Declines in Mobile Gaming*

The Company's future success is substantially dependent upon the continued growth of the mobile gaming market. The mobile gaming market has experienced significant revenue growth during the last several years despite an overall flattening of downloads of games on the app stores. The mobile gaming industry may not continue to grow at historical rates which could negatively impact the Company's business. In addition, new and emerging technologies could make the mobile devices on which the Company's games are currently released obsolete, requiring it to transition its business model to develop games for other next-generation platforms.

### *Ongoing Litigation Risk*

In October 2022, TSG filed claims in Oregon and in British Columbia, which claim, among other things, that the Company is in breach of its obligations under the MIPA and publishing agreements between TSG and the Company, and that the Company has improperly used TSG's intellectual property with respect to same (see "The Company's Business - Truly Social Games" for further discussion). The Company believes these claims have no merit, intends to vigorously defend against all such claims, and has filed a response to TSG's claims as well as a counterclaim against TSG in British Columbia. The United States District Court of Oregon subsequently dismissed TSG's claim in its judgment dated December 11, 2023. The Company continues to pursue all legal and/or equitable remedies available to it with respect to the repayment of all excess amounts funded.

Although the Company believes that TSG's claims are without merit, if TSG does succeed with its claims, the Company may be required to pay damages to TSG, which may have material consequences on the Company's financial condition. The Company may also be ordered to cease to use intellectual property pertaining to game titles that were subject to aforementioned publishing agreements, and to account for any profits from such game titles for a specified time period. While the Company does not anticipate any material injury if the latter order is granted, the Company, it may sustain reputational harm.

### *Debt*

The Company has bank credit facilities in the amount of \$27.1 million in the aggregate, limited to approximately 85% of its outstanding accounts receivables. The facilities can be used to partially fund acquisitions and, with limits, stock repurchases.

Any debt burden of the Company could have important consequences, including: increasing its vulnerability to general adverse economic and industry conditions; limiting flexibility in planning for, or reacting to, changes in its business and the gaming industry; requiring the dedication of a substantial portion of any cash flows from operations for the payment of principal and interest on our indebtedness, thereby reducing the availability of cash flow to fund operations, growth strategy, working capital, capital expenditures, future business opportunities, and other general corporate purposes; restricting the Company from making strategic acquisitions or causing it to make non-strategic divestitures; limiting its ability to obtain additional financing for working capital, capital expenditures, research and development, acquisitions and general corporate or other purposes; limiting its ability to adjust to changing market conditions; and placing it at a competitive disadvantage relative to competitors who have lower levels of debt. Further, though it is anticipated that aforementioned debt facility will have a fixed interest rate, if and when the Company has borrowings at floating rates of interest, it could expose us to the risk of increased interest rates with respect to those borrowings.

## **DIVIDENDS**

The Company has not paid dividends and does not expect to pay dividends in the near future. The Company has no restrictions on paying dividends. The Company's board of directors will determine if and when dividends should be declared and paid in the future based upon the Company's financial position at the relevant time. If the Company generates earnings in the foreseeable future, it expects that they will be retained to finance operations and growth.

## GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of Shares. As of December 31, 2023, the Company had 81,536,394 common shares outstanding.

The holders of Shares are entitled to dividends, if, as and when declared by the Company's board of directors, are entitled to one vote per share at meetings of the shareholders and, upon dissolution, are entitled to share equally in such assets of the Company as are distributable to the holders of Shares.

In addition, the Company has the following convertible securities issued and outstanding as of December 31, 2023:

Security	Number or Amount	Exercise or Conversion Price	Expiry/Maturity Date
Incentive stock options	6,416,061	\$1.61	May 2025 – Feb 2031

## MARKET FOR SECURITIES

### Trading Price and Volume

The outstanding Shares traded on the TSXV from April 22, 2020 to February 9, 2021, and traded on the TSX under the trading symbol "LEAF" from February 10, 2021 to December 7, 2021, and on the TSX under the symbol "EAGR" since December 8, 2021.

The following table sets out the price range (monthly high and low prices) and monthly trading volumes of the Shares on the TSX for the period beginning January 1, 2023 to the close of the financial year ended December 31, 2023.

Period	High (\$)	Low (\$)	Volume
January 2023	\$1.01	\$0.68	464,208
February 2023	\$0.91	\$0.75	301,331
March 2023	\$0.88	\$0.75	499,134
April 2023	\$0.85	\$0.66	760,079
May 2023	\$0.76	\$0.62	192,843
June 2023	\$0.68	\$0.65	138,034
July 2023	\$0.68	\$0.45	214,497
August 2023	\$0.57	\$0.45	372,318
September 2023	\$0.50	\$0.46	193,186
October 2023	\$0.47	\$0.28	762,851
November 2023	\$0.65	\$0.30	203,262
December 2023	\$0.485	\$0.345	510,801

### Prior Sales

During the most recently completed financial year, the Company issued the following securities that were not listed on an exchange or marketplace:

Security	Number of Securities Issued	Exercise Price	Date of Issue	Expiry Date
Stock Options	760,000	\$3.39	January 19, 2022	January 19, 2026
Stock Options	1,114,800	\$2.85	March 17, 2022	March 17, 2026
Stock Options	235,000	\$2.00	August 16, 2022	August 16, 2026
Stock Options	2,750,000	\$0.39	December 12, 2023	December 12, 2028

## ESCROWED SECURITIES AND SECURITIES SUBJECT TO RESTRICTION ON TRANSFER

As at the date of this AIF, the Company does not have any escrowed securities or securities subject to restrictions on transfer.

The restrictions on the former ESG Securityholders holding an aggregate of 17,809,953 Shares issued pursuant to the Acquisition are subject to lock-up agreements in favour of the Agents (see “the Company’s Business - Completion of Public Offering”), pursuant to which such ESG Securityholders have agreed that they will not, directly or indirectly, without the prior written consent of the Agents, issue, offer or sell or grant any option, warrant or other right to purchase or agree to issue or sell or otherwise lend, transfer, assign or dispose of any of the Shares issued in connection with the Acquisition, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such equity securities, or agree or publicly announce any intention to take such action expired on February 4, 2024.

## DIRECTORS AND OFFICERS

The following table sets out information regarding our directors and executive officers as at the date hereof. The Company’s directors are elected annually and all of them are expected to hold office until the next annual meeting of holders of Shares, at which time they may be re-elected or replaced.

As a group, the directors and officers of the Company beneficially own or control, directly or indirectly, 55.1 million Shares, which constitutes approximately 68% of the issued and outstanding Shares as at the date of this AIF, calculated on a non-diluted basis.

Name & Municipality of Residence	Position(s) held	Principal Occupation during past 5 years	Director Since	Shares Owned and % of Outstanding Shares Held <sup>(1)</sup>
Galan Akin Vancouver, BC	Creative Director of ESG	Chief Creative Officer of ESG from incorporation to Present.	N/A	3,608,507 (4.4%)
Jason Bailey <sup>(2)</sup> Vancouver, BC	Chief Revenue Officer and Chairman	Founder and Chairperson of the ESG from incorporation to present.	February 2021	40,905,455 (50.02%)
Jason Chan	Interim Chief Financial Officer	Interim Chief Financial Officer of the Company from 2023 to present. Studio Financial Controller of ESGG from 2021 to 2023.	N/A	5,250 (0.00%)

Name & Municipality of Residence	Position(s) held	Principal Occupation during past 5 years	Director Since	Shares Owned and % of Outstanding Shares Held <sup>(1)</sup>
Mike Edwards <sup>(3)(4)(5)(6)</sup> Whistler, BC	Director	Co-founder of LX Ventures, Wyley Interactive Inc., Growlab, Creative Labs and Argo Blockchain PLC.  Director and former CEO of Pioneer Media Holdings Inc.	February 2021	5,654,824 (6.9%)
Elin Jonsson	N/A	Chief Business Officer of ESGG from April 2023 to present  Executive Producer for ESGG from January 2022 to November 2023  Director of IP Partnerships for ESGG from October 2022 to April 2023	N/A	Nil.
Derek Lew <sup>(3)(4)(7)</sup> Vancouver, BC	Corporate Secretary and Director	President & CEO of GrowthWorks Capital since August 2015  CFO of Aether Catalyst Solutions Inc. since December 2018.  CEO of the LEAF Mobile Inc (now known as East Side Games Group Inc.), from March 2019 to April 2020 and director since November 2018.  President & CEO of GrowthWorks Capital, since August 2015.  Self-employed lawyer, since January 2001.	Director of LEAF from November 2018 to present CEO of LEAF from March 2019 to April 2020	1,667,244 <sup>(4)</sup> (2.0%)
Jim MacCallum <sup>(8)</sup> West Vancouver, BC	CFO	CFO of ESGG from March 2021 to April 12, 2023  SVP, Finance and Treasurer, Westport Fuel Systems Inc. from 2014 to 2021.	N/A	10,000 (0.0%)
Joshua Nilson Vancouver, BC	General Manager of ESG	CEO of ESG from incorporation to August 2023.	N/A	3,182,520 (3.9%)

Name & Municipality of Residence	Position(s) held	Principal Occupation during past 5 years	Director Since	Shares Owned and % of Outstanding Shares Held <sup>(1)</sup>
Wally Nguyen San Francisco, CA	Chief Revenue Officer of ESGG	EVP Business Development for ESGG from 2021 to 2023.	April 13, 2023	Nil.
Russell Ovans <sup>(3)</sup> Vancouver, BC	Director	Director of Analytics, ESGG from 2021 to 2023 and Director of Revenue for ESG from 2019 to 2021.	August 2023 to present	220,100 (0.00%)
Jeremy Pierce <sup>(3)</sup> Prince Rupert, BC	Director	Partner, Vohora LLP CPAs and Business Advisors since May 2005.	August 2023 to present	77,816 (0.00%)
Lisa Shek San Francisco, CA	Officer of ESGG	Director of Partnerships for ESGG from 2021 to 2023.	April 13, 2023	Nil.
Darcy Taylor <sup>(9)</sup> West Vancouver, BC	Former Director	CEO of Pioneer Media Holdings Inc. from 2002 to 2024.  CEO of ESGG from 2018 to 2022.	June 2022 to August 2023	Nil.
Birgit Troy <sup>(3)(9)</sup>	Former Director	CFO for Volaris Group, operation company of Constellation Software Inc.	March 2021 to August 2023	Nil.

Notes:

- (1) Does not include stock options or other securities convertible into Shares.
- (2) Held through a family trust of which Mr. Bailey is a trustee.
- (3) Member of the Company's audit committee. Birget Troy resigned from the audit committee on August 8, 2023 and was replaced by Russell Ovans who served on this committee from August 8, 2023 until November 7, 2023. Jeremy Pierce joined this committee on November 7, 2023.
- (4) Member of the Company's compensation committee.
- (5) A portion of these shares are held through Oak Mason Investments Inc. and Haymarket Investments Inc., both of which are controlled equally by Messrs. Edwards and a former director of the Company.
- (6) A portion of these shares are held through Pioneer Media Holdings Inc., in which Mr. Edwards is a controlling shareholder.
- (7) A portion of these shares are held through Growthworks Blockchain Innovation I LP, in which Mr. Lew holds a controlling interest.
- (8) Jim MacCallum resigned as CFO of the Company on April 12, 2023.
- (9) Darcy Taylor and Birgit Troy resigned as a director on August 8, 2023.

### Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of the Company is, or has been, within the 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company that:

- was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under applicable securities law, for a period of more than 30 consecutive days; or
- became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of the Company is, or has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangements or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director or executive officer.

### **Penalties or Sanctions**

No director or executive officer of the Company, as at the date of this AIF, is, or has been:

- subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- subject to any other penalties or sanctions imposed by a court or regulatory body, including a self-regulatory body, that would be likely to be considered important to a reasonable securityholder making an investment decision.

### **Conflicts of Interest**

There are no known conflicts of interest involving the proposed directors or officers of the Company.

There are potential conflicts of interest to which the directors, officers and promoters of the Company will be subject with respect to the operations of the Company. Certain of the directors and/or officers serve as directors and/or officers of other companies or have significant shareholdings in other companies. Situations may arise where the directors, officers and promoters of the Company will be engaged in direct competition with the Company. Any conflicts of interest will be subject to and governed by the law applicable to directors' and officers' conflicts of interest, including the procedures established by the British Columbia *Business Corporations Act*. The British Columbia *Business Corporations Act* requires that directors and officers of a party which enters into a material contract with the Company or otherwise have a material interest in a material contract entered into by the Company, must disclose their interest and, in certain circumstances, refrain from voting on any resolution of the Company's directors to approve that contract.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Company entered into a membership interest purchase agreement (the "**MIPA**") to acquire Truly Social Games Inc. ("TSG") on June 22, 2021, the details of which were announced in the Company's news release on the same date. Pursuant to the MIPA, the Company was entitled to acquire a 20% membership interest in TSG, in consideration of the Company funding up to \$3.0 million in development expenses in relation to four game titles. Additionally, the Company was granted options to acquire the remaining membership interests in TSG.

The Company acquired its initial 20% membership interest in TSG, having funded the \$3.0 million required under the MIPA. The Company also provided TSG with additional funding in excess of that amount. In October 2022, the Company provided notice to TSG that it did not intend to exercise its options to acquire the remaining membership interests in TSG. TSG subsequently filed claims in Oregon and in British Columbia, which claim, among other things, that the Company is in breach of its obligations under the MIPA and publishing agreements related to aforementioned game titles, and that the Company has improperly used TSG's intellectual property with respect to same. The Company believes these claims have no merit, intends to vigorously defend against all such claims and has filed a response to TSG's claim and filed a

counter claim against TSG in British Columbia. The United States District Court of Oregon subsequently dismissed TSG's claim in its judgment dated December 11, 2023. The Company continues to pursue all legal and/or equitable remedies available to it with respect to the repayment of all excess amounts funded.

See "Risk Factors - Ongoing Litigation" for further discussion.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this AIF, in the financial statements of the Company for the financial year ended December 31, 2023, or in the documents incorporated by reference into this AIF, none of the directors or executive officers of the Company, aside from Mr. Bailey, nor any person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities, nor any associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction within the three years prior to the date of this AIF that has materially affected or is reasonably expected to materially affect the Company or its subsidiaries.

### **TRANSFER AGENT AND REGISTRAR**

The Company's registrar and transfer agent is Odyssey Trust Company, located at 323 – 409 Granville Street, Vancouver, British Columbia V6C 1T2.

### **MATERIAL CONTRACTS**

The Company and/or its subsidiaries, as applicable, has not entered into any material contracts outside the ordinary course of its business since the beginning of the Company's most recently completed financial year, nor are any material contracts outside the ordinary course of the Company's business entered into before the Company's most recently completed financial year still in effect.

Mr. Pierce is a partner at Vohora LLP CPAs and Business Advisors was engaged by the Company to provide tax advice for up to \$30,000 in fees.

### **INTEREST OF EXPERTS**

The legal counsel of the Company is Richards Buell Sutton LLP, 700 - 401 West Georgia Street, Vancouver, British Columbia V6B 5A1.

The partners and associates of Richards Buell Sutton LLP do not own any of the issued and outstanding Shares as at the date of this AIF.

BDO Canada LLP, the current auditor of the Company, have confirmed it is independent of the Company within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com) under the Company's profile.

The Company's shareholders may contact the Company at its office by mail at 3104 – 1055 Dunsmuir Street, Vancouver, BC, V7X 1G4 to request copies of the Company's financial statements and related MD&A. Financial information of the Company is provided in the audited financial statements and MD&A for the year ended December 31, 2023. Additional information, including information about directors and officers remuneration and indebtedness, principal holders of Company's securities and securities authorized for issuance under equity compensation plans, is contained in the Company's information circular for its most recent annual meeting of security holders that involved the election of directors, which is at [www.sedar.com](http://www.sedar.com).