Consolidated Financial Statements
(In thousands of Canadian dollars)

OVERACTIVE MEDIA CORP.

And Independent Auditors' Report thereon

Years ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of OverActive Media Corp.

Opinion

We have audited the consolidated financial statements of OverActive Media Corp. (the Entity), which comprise:

- the consolidated statements of financial position as at December 31, 2020 and December 31, 2019
- the consolidated statements of net loss and comprehensive loss for the years ended December 31, 2020 and December 31, 2019
- the consolidated statements of changes in shareholders' equity for the years ended December 31, 2020 and December 31, 2019
- the consolidated statements of cash flows for the years ended December 31, 2020 and December 31, 2019
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2020 and December 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2020 and December 31, 2019 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

July 2, 2021

OVERACTIVE MEDIA CORP.

Consolidated Statements of Financial Position
(In thousands of Canadian dollars)

December 31, 2020 and 2019

	Note	2020	2019
Assets			
Current assets:			
Cash and cash equivalents		$ 5,585	$ 10,208
Cash held in trust	12	1,098	4,594
Trade and other receivables		1,920	2,578
Prepaid expenses and other current assets		1,594	1,868
Total current assets		10,197	19,248
Non-current assets:			
Investments	7	2,784	179
Property and equipment	6	1,749	461
Right-of-use assets	8	2,750	–
Intangible assets	5	92,093	92,742
Goodwill	5	5,714	10,918
Total non-current assets		105,090	104,300
Total assets		$ 115,287	$ 123,548
Liabilities and Shareholders' Equity			
Current liabilities:			
Trade payable and accrued liabilities		$ 2,616	$ 2,286
Provisions	18	1,987	–
Note payable to previous owners of MediaXP		63	81
Current portion of lease liabilities	8	1,041	–
Current portion of notes payable to previous owners of Splyce		513	294
Current portion of contract liability	21	1,566	1,233
Current portion of payable related to franchise assets	20	3,918	26,986
Current portion of long-term debt	9	152	–
Current portion of deferred grant income	9	34	–
Total current liabilities		11,890	30,880
Non-current liabilities:			
Deferred tax liability	11	16,050	6,861
Long-term portion of lease liabilities	8	1,760	–
Long-term notes payable to previous owners of Splyce		–	910
Long-term portion of contract liability	21	1,041	267
Long-term payable related to franchise assets	20	22,559	19,205
Long-term debt	9	481	–
Long-term deferred grant income	9	123	–
Other long-term liabilities		101	–
Total non-current liabiltiies		42,115	27,243
Total liabilities		54,005	58,123
Shareholders' equity:			
Share capital	12	93,479	92,415
Contributed surplus		2,687	1,917
Accumulated other comprehensive loss		111	(173)
Deficit		(34,995)	(28,734)
Total shareholders' equity		61,282	65,425
Total liabilities and shareholders' equity		$ 115,287	$ 123,548

Commitments and contingencies	17
Subsequent events	22

See accompanying notes to consolidated financial statements.

On behalf of the Board

____________ Director

____________ Director

OVERACTIVE MEDIA CORP.

Consolidated Statements of Net Loss and Comprehensive Loss
(In thousands of Canadian dollars)

Years ended December 31, 2020 and 2019

	Note	2020	2019
Revenue		$ 8,376	$ 2,228
Operating costs	10	16,286	23,241
Loss before the undernoted		(7,910)	(21,013)
Depreciation	6 and 8	766	131
Amortization and impairment	5	5,845	115
Finance income		–	(10)
Foreign exchange loss (gain)	15(a)	285	(1,533)
Decrease in net present value of franchise obligations	20	(26,776)	(4,580)
Finance cost		7,940	6,890
Share-based compensation	13	1,273	1,611
Other income		(307)	(1,890)
Income (loss) before income taxes		3,064	(21,747)
Income tax expense	11	9,325	1,011
Net loss for the year		(6,261)	(22,758)
Other comprehensive income (loss):			
Foreign currency translation		284	(173)
Comprehensive loss for the year		$ (5,977)	$ (22,931)
Loss per share:	19		
Basic		$ (0.12)	$ (0.47)
Diluted		(0.12)	(0.47)

See accompanying notes to consolidated financial statement

OVERACTIVE MEDIA CORP.

Consolidated Statements of Changes in Shareholders' Equity
(In thousands of Canadian dollars)

Years ended December 31, 2020 and 2019

	Note	Total shareholders' capital: Number of common shares issued	Amount	Number of Class B exchangeable shares issued (note 22)	Amount	Total shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
Balance, December 31, 2018		34,052	$ 26,008	–	$ –	$ 26,008	$ 503	$ –	$ (5,127)	$ 21,384
Net loss for the year		–	–	–	–	–	–	–	(22,758)	(22,758)
Foreign currency translation		–	–	–	–	–	–	(173)	–	(173)
Shares issued in acquisition of Splyce	4(a)	–	–	8,743	22,984	22,984	–	–	–	22,984
Shares issued in acquisition of Media XP	4(b)	50	133	–	–	133	–	–	–	133
Shares issued in acquisition of MAD Lions	4(c)	563	2,250	–	–	2,250	–	–	–	2,250
Shares issued on private placement	12	17,485	41,065	–	–	41,065	–	–	–	41,065
Shares purchased for cancellation		(25)	(25)	–	–	(25)	(37)	–	–	(62)
Share-based compensation	13	–	–	–	–	–	1,451	–	–	1,451
Dividends declared		–	–	–	–	–	–	–	(849)	(849)
Balance, December 31, 2019		52,125	69,431	8,743	22,984	92,415	1,917	(173)	(28,734)	65,425
Net loss for the year		–	–	–	–	–	–	–	(6,261)	(6,261)
Foreign currency translation		–	–	–	–	–	–	284	–	284
Shares issued on private placement	12	305	1,064	–	–	1,064	–	–	–	1,064
Share-based compensation	13	–	–	–	–	–	770	–	–	770
Balance, December 31, 2020		52,430	$ 70,495	8,743	$ 22,984	$ 93,479	$ 2,687	$ 111	$ (34,995)	$ 61,282

See accompanying notes to consolidated financial statements.

OVERACTIVE MEDIA CORP.

Consolidated Statements of Cash Flows
(In thousands of Canadian dollars)

Years ended December 31, 2020 and 2019

	Note	2020	2019
Cash provided by (used in):			
Operating activities:			
Net loss for the year		$ (6,261)	$ (22,758)
Adjustments for:			
Depreciation	6 and 8	766	131
Amortization on intangible assets	5	857	115
Foreign exchange loss (gain)	15(a)	285	(1,533)
Share-based compensation	13	1,273	1,611
Finance cost		7,940	6,890
Decrease in net present value of franchise obligations	20	(26,776)	(4,580)
Income tax expense	11	9,325	1,011
Impairment loss	5	4,988	–
Other		(22)	(9)
Change in non-cash operating working capital, net of effects of business acquisitions			
Decrease (increase) in trade and other receivables		658	(2,917)
Increase in prepaid expenses and other current assets		(228)	(639)
Increase (decrease) in accounts payable and accrued liabilities		(359)	197
Increase in contract liabilities		1,107	1,500
Increase in provisions		1,987	–
		(4,460)	(20,981)
Financing activities:			
Proceeds on issuance of long-term debt	9	812	–
Repurchase of common shares for cancellation		–	(62)
Repayment of note payable to previous owners of Splyce and MediaXP		(692)	(49)
Repayments of franchise asset payables		–	(9,335)
Proceeds on shares issued on private placement, net		4,594	36,480
		4,714	27,034
Investing activities:			
Purchase of equipment	6	(1,611)	(304)
Changes in non-cash working capital related to capital expenditures		689	–
Purchase of player contracts	5	(631)	(978)
Purchase of intangible assets	5	(123)	–
Investments acquired	7	(2,633)	–
Splyce acquisition, net cash acquired	–	–	(2,866)
Media XP acquisition, net cash acquired		–	(120)
MAD Lions acquisition, net cash acquired		–	308
Net proceeds on sale of investments		–	944
Principal payment of lease liability	8	(492)	–
		(4,801)	(3,016)
(Decrease) increase in cash and cash equivalents		(4,547)	3,037
Cash and cash equivalents, beginning of year		10,208	7,311
Effect of exchange rate changes on cash and cash equivalents		(76)	(140)
Cash and cash equivalents, end of year		$ 5,585	$ 10,208

See accompanying notes to consolidated financial statements.

1. Nature of operations:

OverActive Media Corp. (formerly The Ledger Group Inc.) was incorporated on November 6, 2017 by certificate of incorporation pursuant to the provisions of the Canada Business Corporations Act. The office of the Corporation is located at 41 Fraser Avenue, Toronto, Ontario, M6K 1Y7. These consolidated financial statements comprise OverActive Media Corp. and its controlled subsidiaries (together referred to as the "Company" or "OAM").

The business activities of OAM consist of owning and operating an integrated portfolio of esports teams as well as audience engagement. Team operations are based in North America and Europe.

2. Significant accounting policies:

(a) Statement of compliance and basis of presentation:

(i) Basis of presentation and statement of compliance:

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved by the Board of Directors (the "Board") and authorized for issue by the Board on July 2, 2021.

2. Significant accounting policies (continued):

(ii) Basis of consolidation:

The consolidated financial statements have been prepared on the historical cost basis, unless otherwise stated. These consolidated financial statements are presented in Canadian dollars, unless otherwise stated, which is also the functional currency of the Company. The Company has 100% ownership of all subsidiaries and therefore consolidates each in the consolidated financial statements.

Subsidiary	Jurisdiction	Functional currency
Ask Holdings GP Inc.	USA	U.S. Dollar
Overactive GP Inc.	Canada	Canadian Dollar
Overactive Limited Partnership	Canada	Canadian Dollar
Splyce Inc. ("Splyce")	USA	U.S. Dollar
Splyce Ltd.	Ireland	U.S. Dollar
Overactive Media Group Inc.	Canada	Canadian Dollar
10859036 Canada Inc. dba Toronto Defiant	Canada	Canadian Dollar
Overactive Media Delaware LLC	USA	U.S. Dollar
11335537 Canada Inc. dba Toronto Ultra	Canada	Canadian Dollar
MediaXP Inc. dba OAM Live	Canada	Canadian Dollar
11779079 Canada Inc. dba MAD Lions CS:GO	Canada	U.S. Dollar
OAMLEC, S.L.U. (Spain)	Spain	Euro

Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. All intercompany balances, transactions, income and expenses have been eliminated on consolidation.

Presentation of the consolidated statement of financial position differentiates between current and non-current assets and liabilities. The consolidated statement of net loss and comprehensive loss is presented using the nature classification for expenses.

(b) Revenue recognition:

The Company generates revenue primarily by monetizing team franchise assets including sponsorship brand advertising, share of league earnings, prize revenue from esports tournament and competition winnings. The Company also generates revenue through media and event production. The Company applies the five step IFRS 15, Revenue from Contracts with Customers model in determining the appropriate treatment of its various sources of revenue.

2. Significant accounting policies (continued):

Revenue is recognized at an amount that reflects the expected consideration receivable in exchange for transferring goods or services to a customer by applying the following five steps:

(i) Identify the contract with a customer;

(ii) Identify the performance obligations in the contract;

(iii) Determine the transaction price;

(iv) Allocate the transaction price to the performance obligations in the contract; and

(v) Recognize revenue when (or as) the entity satisfies a performance obligation.

(a) Revenue:

Revenue comprises revenue from sponsorship agreements, league revenue sharing, prize money, event revenue and other.

Sponsorship revenue consists of services that are rendered in relation to the Company's delivering of sponsorship brand advertising. The Company allocates the total transaction price in each arrangement to distinct performance obligations. The allocation is performed using the relative standalone selling prices for each performance obligation. For certain performance obligations, the Company will use established internal benchmarks and pricing information to estimate the standalone selling price. Sponsorship brand advertising revenue is recognized over the term of the agreements and as the performance obligations are met.

Cash payments received or accounts receivable accrued pursuant to terms of sponsorship agreements are recorded as a contract liability until all the above conditions of revenue recognition have been met.

The Company receives receipts or payments in the form of league revenue sharing from the participation of the Company's portfolio of esports teams in their respective leagues. The leagues distribute funds to member franchises owned based on the respective franchise agreements. These fees are recognized when earned and received or receivable.

2. Significant accounting policies (continued):

Prize money consists of winnings from various esports tournaments and competitions by the Company's portfolio of esports teams. Revenue is recognized once the tournament or competition ends and the amount of prize money is determinable and earned.

The Company generates event revenue through the delivery of turnkey media and event production services. The events are short in duration ranging from one to four days. The Company records revenue from sales contracts once the event is held and the performance obligation is met.

Other revenue consists of revenue on physical and digital merchandise sold online and through certain third-party video games. Revenue is recognized when the products are shipped or digital products have been redeemed.

(c) Stock-based compensation:

The Company issues stock options pursuant to a group stock option plan to employees and non-employees (see note 13). Stock options and are settled with common shares.

Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. For employees and those performing employee like services the fair value of each tranche is measured at the date of grant using the Black Scholes option pricing model. For non-employees, the fair value of each tranche is measured based on the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case, the Company measures their value based on the fair value of the equity instruments granted. Compensation cost for equity settled awards are measured based on the grant date fair value of the award and recognized, net of estimated forfeitures, over the vesting period. At the end of each reporting year, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of the revisions in the year.

2. Significant accounting policies (continued):

(d) Player transactions:

Player transaction costs are incurred to acquire players and to sell a player's contract. Proceeds from Player sales are charged to income in the year received and recognized as other income.

Player transaction costs to acquire a player from another team are capitalized on the consolidated statement of financial position and amortized on a straight-line basis over the contract period of the player acquired. If a player is sold prior to the end of their contract, the remaining balance of the player's acquisition cost on the consolidated statement of financial position is amortized and charged to amortization on intangibles at the time of the player's sale.

(e) Property and equipment:

(i) Recognition and measurement:

Property and equipment items are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate components of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount and are recognized in the consolidated statements of net loss and comprehensive loss

(ii) Depreciation:

Depreciation is charged to the consolidated statements of net loss and comprehensive loss over the estimated useful lives of equipment as follows:

Asset	Basis	Rate
Computer equipment and software	Straight line	3 - 5 years
Furniture and fixtures	Straight line	3 - 10 years
Leasehold improvements	Straight line	3 - 15 years

2. Significant accounting policies (continued):

Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. The effect of such changes is recognized in the consolidated statements of net loss and comprehensive loss prospectively.

Repairs and maintenance expenditures are charged to operating costs as incurred.

(f) Goodwill and intangible assets:

(i) Goodwill:

Goodwill is the amount that results when the fair value of consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. When the Company enters into a business combination, the acquisition method of accounting is used. Goodwill is assigned, as of the date of the business combination, to cash generating units ("CGU") that are expected to benefit from the business combination.

(ii) Intangible assets:

Intangible assets with finite lives that are acquired separately are measured on initial recognition at cost, which comprises its purchase price plus any directly attributable costs of preparing the asset for its intended use. Following initial recognition, such intangible assets are carried at cost less any accumulated amortization on a straight-line basis over the following periods:

Asset	Basis	Rate
Non-compete agreements	Straight line	Over the term of the contract
Player contracts	Straight line	Over the term of the contract
Brands		Indefinite life
Franchise assets		Indefinite life

The Company reviews the appropriateness of the amortization period relating to the definite lived intangible assets annually. Additionally, the Company reviews annually the appropriateness of the indefinite life period for its franchise assets and brands.

2. Significant accounting policies (continued):

(g) Impairment:

Goodwill and indefinite life intangible assets:

The carrying value of goodwill and indefinite life intangible assets are tested annually for impairment. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Goodwill and indefinite life intangible assets are allocated to CGU for the purpose of impairment testing based on the level at which management monitors them, which is not higher than an operating segment. The allocation is made to those CGU that are expected to benefit from the business combination in which the goodwill arose.

(h) Non-financial assets with finite useful lives:

The carrying values of non-financial assets with finite useful lives, such as property and equipment, are assessed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount of the asset must be determined. Such assets are impaired if their recoverable amount is lower than their carrying amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the CGU to which the asset belongs is tested for impairment.

2. Significant accounting policies (continued):

(i) Recognition of impairment charge:

The recoverable amount is the higher of an asset's or CGU's fair value less costs to sell or its value in use. If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The resulting impairment loss is recognized in the consolidated statements of net loss and comprehensive loss. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset or CGU in prior years. Impairment losses recognized for goodwill are not reversed. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to that asset. The cash flows used reflect management's assumptions and are supported by external sources of information, where available and management's expectation of future financial performance.

(j) Foreign currency translation:

All figures reported in the consolidated financial statements and disclosures to the consolidated financial statements are reflected in Canadian dollars (unless specified elsewhere), which is the functional currency of OAM. Each of the foreign operations included in these consolidated financial statements determines its own functional currency.

Foreign operations:

Assets and liabilities of foreign operations having a functional currency other than Canadian dollars are translated at the rate of exchange prevailing at the reporting date and revenue and expenses at the rate of exchange prevailing at the dates of the transactions during the year or using the average exchange rates which approximate the actual rates at the dates of the transactions. Foreign currency translation adjustments are recognized in other comprehensive income (loss) and accumulated in the currency translation reserve.

2. Significant accounting policies (continued):

Foreign currency transactions:

In preparing the consolidated financial statement, foreign currency denominated monetary assets and liabilities are translated into the functional currency using the closing rate at the applicable consolidated statement of financial position dates. Non-monetary assets measured at historical cost are translated at the historical rate. Revenue and expenses are measured in the functional currency at the rates of exchange prevailing at the date of the transactions or using the average exchange rates which approximate the actual rates at the dates of the transactions with gains or losses included in profit or loss in the year they arise.

(k) Financial instruments:

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Company's designation of such instruments. The Company measures all financial instruments at fair value plus, in the case of financial instruments not classified as fair value through profit or loss or fair value through other comprehensive income ("FVTOCI"), transaction costs that are directly attributable to the acquisition or issuance of the financial instrument. The Company's financial instruments consist of:

Financial assets:

- Amortized cost (cash and cash equivalents, trade and other receivables, cash held in trust);

- FVTOCI with no reclassification to net income (investments).

2. **Significant accounting policies (continued):**

Financial liabilities:

- Amortized cost (accounts payable and accrued liabilities, notes payable, payable related to franchise assets, long-term debt, lease liabilities).

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

(l) Impairment of financial assets:

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost. Loss allowances for accounts receivable are always measured at an amount equal to the expected credit losses for the subsequent 12-month period. A financial asset carried at amortized cost is considered credit-impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Individually significant financial assets are tested for credit-impairment on an individual basis.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognized in the consolidated statements of net loss and comprehensive loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statements of net loss and comprehensive loss.

The Company measures an impairment loss for equity investments measured at FVTOCI as the excess of the cost to acquire the asset (less any impairment loss that has been previously recognized) over its current fair value, if any. The difference is recognized in the FVTOCI investment reserve.

2. Significant accounting policies (continued):

(m) Finance income and finance costs

Finance income is comprised of interest. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Finance cost comprises interest incurred on notes payable, lease liabilities and payables related to franchise assets.

Foreign currency gains and losses are reported on a net basis.

(n) Use of estimates and judgments:

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities and revenue and expenses. Actual results could differ from those estimates. As additional information becomes available or actual amounts are determinable, the recorded estimates are revised and reflected in operating results in the year in which they are determined.

Significant estimates in connection with these consolidated financial statements include determining the stand-alone selling price of performance obligations and the allocation of transaction price on multiple performance obligation sponsorship agreements; estimated useful lives of property and equipment; estimated useful lives of intangible assets; amounts recorded as accrued liabilities; deferred income taxes provisions; goodwill; intangible assets; inputs used in the valuation of stock options granted; fair value of investments and estimate of lease terms.

Significant judgments in connection with these consolidated financial statements include assessment of control of subsidiaries; assessment of conditions relating to the Company's ability to continue as a going concern; determination of operating segments; determination of functional currency; determination of the discount rate used to measure the notes payable and payables related to franchise assets; and determination of the incremental borrowing rate used to measure lease liabilities.

2. Significant accounting policies (continued):

On March 11, 2020, the World Health Organization recognized the outbreak of COVID-19 as a pandemic and since then the Company has been closely monitoring related developments and the impact on the business. Due to the uncertainty surrounding the duration and potential outcomes of the COVID-19 pandemic, and the unpredictable and continuously changing impacts and related government responses, there is more uncertainty associated with the Company's assumptions, expectations, and estimates.

(o) Income taxes:

Income tax expense (recovery) comprises current and deferred taxes. Current taxes and deferred taxes are recognized in net (loss) income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive (loss) income. Current taxes are the expected tax payable or receivable on the taxable income or loss for the year, using tax rates substantively enacted at the reporting date, and any adjustment to tax payable or receivable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred taxes are not recognized for the following temporary differences:

(i) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable earnings;

(ii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

(iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

2. Significant accounting policies (continued):

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit to be realized.

(p) Leases:

At inception of a contract, the Company assesses whether that contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether (i) the contract involves the use of an identified asset, (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, and (iii) the Company has the right to direct the use of the identified asset.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, including periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. If the Company expects to obtain ownership of the leased asset at the end of the lease, the Company will depreciate the asset over the underlying asset's estimated useful life.

2. Significant accounting policies (continued):

The lease liability is initially measured at the present value of the lease payments that are due to be paid at the commencement date. The lease payments are discounted using the implicit interest rate in the lease. If the rate cannot be readily determined, the Company's incremental borrowing rate is used. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Variable lease payments that are not included in the measurement of the lease liability are recognized as an operating cost in the consolidated statement of net income (loss) and comprehensive income (loss).

The Company has elected not to recognize right-of-use assets and lease liabilities in respect of short-term leases that have a lease term of less than 12 months and leases in respect of low-value assets. The Company recognizes the lease payments associated with these leases as an operating cost in the consolidated statements of net loss and comprehensive loss on a straight-line basis over the lease term.

The Company makes estimates when considering the length of the lease term, including considering facts and circumstances that can create an economic incentive to exercise an extension option. The Company makes certain qualitative and quantitative assumptions when deriving the value of the economic incentive. Periodically, the Company will reassess whether it is reasonably certain to exercise extension options and will account for any changes at the date of reassessment.

The Company makes judgments in determining the incremental borrowing rate used to measure the lease liability for each lease contract, including an estimate of the asset-specific security impact. The incremental borrowing rate should reflect the interest that the Company would have to pay to borrow the funds necessary to obtain a similar asset at a similar term, with a similar security, in a similar economic environment.

The Company makes judgments in determining whether a contract contains an identified asset and in determining whether or not the Company has the right to control the use of the underlying asset.

2. Significant accounting policies (continued):

(q) Share capital:

Common shares are classified as shareholders' equity. Incremental transaction costs directly attributable to the issue of common shares and share purchase options are recognized as a deduction from shareholders' equity, net any of tax effects.

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction from shareholders' equity.

Dividends are discretionary and are recognized as distributions within equity upon approval by the Board.

(r) Contingencies:

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognized because it is not probable that an outflow of economic benefit would be required to settle the obligation, or the amount cannot be measured reliably.

Contingent liabilities are not recognized but are disclosed in the notes to the consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

2. Significant accounting policies (continued):

(s) Provisions:

Provisions represent liabilities of the Company for which the amount or timing is uncertain. Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognized for future operating losses. Where material, provisions are measured at the present value of the expected expenditures to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

(t) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The Company categorizes its financial assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs used in the measurement.

- Level 1 - This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in active markets that are accessible at the measurement date.

- Level 2 - This level includes valuations determined using directly or indirectly observable inputs other than quoted prices included within Level 1. Derivative instruments in this category are valued using models or other standard valuation techniques derived from observable market inputs.

- Level 3 - This level includes valuations based on inputs which are less observable, unavailable or where the observable data does not support a significant portion of the instruments' fair value.

2. Significant accounting policies (continued):

(u) Government Grants and Other Assistance Programs:

The Company recognizes government financial assistance and certain other third-party assistance as a deduction from the related expense when there is reasonable assurance that we will comply with the conditions of the assistance and the assistance will be received. During the year ended December 31, 2020, the Company recognized $3,429 of funding associated with assistance provided by Franchise Leagues to cover certain 2020 expenditures and the Canada Emergency Wage Subsidy ("CEWS") program, a federal government initiative offered to eligible employers in response to COVID-19, in the amounts of $2,604 and $825, respectively. Of this amount, as at December 31, 2020, $316 was recognized as a receivable.

Interest free or less than market interest government loans or government-backed loans are measured at amortized cost using the effective interest rate method. The interest rate used is based on the market rate for a comparable instrument with a similar term. The difference between the fair value at inception and the loan proceeds received is recorded as a government grant. The grant portion is presented separately as deferred grant income on the consolidated statements of financial position. It is amortized over the useful life of the loan and is deducted against the related interest expense on the consolidated statements of net income (loss) and comprehensive income (loss).

(v) Earnings per share:

The Company presents basic and diluted earnings per share data for its ordinary shares, being common shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is determined by dividing the profit or loss attributable to shareholders of ordinary shares by the weighted average number of shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

2. Significant accounting policies (continued):

(w) Operating segments:

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer. As the chief operating decision maker evaluates performance using two industry segments, the "Team Operations" segment and the "Business Operations" segment, the Company has determined it has two reportable segments.

The Team Operations segment captures revenues and expenses from league share payouts in the Company's various e-sports pro leagues, performance-based revenue and tournament prize winnings.

The Business Operations captures revenues and expenses surrounding partnerships, team merchandise sales, live event sales, and costs relating to corporate and executive office operations.

The Company operates in three major geographic areas: Canada, as the Company's country of domicile, the United States of America and Europe as regions with material foreign revenues.

The Company has made significant judgment in determining the operating segments. These are segments that engage in business activities from which they may earn revenue and incur expenses, for which operating results are regularly reviewed by the Company's chief operating decision maker to assess respective performance, and for which discrete financial information is available. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(In thousands of Canadian dollars and thousands of shares)

3. Segmented information:

Revenues by segment and segment profit (loss) before tax, is summarized below for the years ended December 31:

	Reportable segments					
	Team Operations		Business Operations		Total	Total
	2020	2019	2020	2019	2020	2019
Total revenue	$ 5,212	$ 1,295	$ 3,164	$ 933	$ 8,376	$ 2,228
Income (loss) before income taxes	13,406	(8,655)	(10,342)	(13,092)	3,064	(21,747)

Revenue by geography:

	2020	2019
Canada	$ 5,908	$ 838
United States	1,143	1,220
Europe	1,325	170
Total revenue	$ 8,376	$ 2,228

Major customers:

In 2020, two customers represented more than 10% of the Company's consolidated revenues. Revenues from Customer A represented approximately 12% (2019 - nil) of the Company's consolidated revenues. Revenues from Customer B represented approximately 31% (2019 - nil) of the Company's consolidated revenues.

4. Business combinations:

(a) Acquisition of Splyce Inc.:

On January 31, 2019, the Company closed a share purchase agreement to acquire 100% of the shares and voting interests in Splyce Inc. ("Splyce") for total consideration of $29,172, consisting of cash, common shares, a note payable, and the Company's previous non-controlling interest in Splyce.

(In thousands of Canadian dollars and thousands of shares)

4. Business combinations (continued):

Prior to the acquisition, OAM held a minority interest in Splyce which was included in investments on the 2018 consolidated statement of financial position. The equity component of purchase price consideration related to the acquisition comprise 8,743 Class B exchangeable shares convertible to OAM common shares on a 1:1 basis. The note payable is due in two installments on the first and second anniversary of the acquisition date less any undisclosed liabilities by Splyce that arose after acquisition date.

The nature of Splyce's business is the operation and management of professional esports teams and players competing in tournament and leagues.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, Business Combinations ("IFRS 3"), with the results of operations consolidated with those of the Company effective from the acquisition date.

The following tables summarize the recognized amounts of assets acquired, liabilities assumed, and consideration paid, at the date of acquisition:

Cash	$ 3,094
Class B exchange share issuance	22,984
Note payable to previous owners of Splyce	1,204
Non-controlling Interest	1,890
Purchase price	$ 29,172
Net working capital	$ (804)
Equipment	47
Franchise payable	(9,863)
Goodwill	10,311
Intangible assets	35,331
Deferred tax liability	(5,850)
Fair value of identifiable net assets	$ 29,172

4. Business combinations (continued):

The key intangible assets consist of a League of Legends European ("LEC") franchise asset, a minority interest in an Overwatch League ("OWL") franchise asset, and, via the OWL franchise, a right of first refusal on participation in future franchise offerings. The intangible assets were valued using a discounted cashflow method.

From the date of the acquisition up to and including December 31, 2019, Splyce contributed revenue of $1,220, expenses of $9,248 and a net loss of $8,028.

No subsequent adjustments have occurred to the purchase price allocation or the purchase price payable in respect of the note payable.

For the year ended December 31, 2020, nil (2019 - $105) acquisition-related costs have been incurred and are included in corporate and administrative expenses.

(b) Acquisition of MediaXP Inc.:

On May 12, 2019, the Company closed a share purchase agreement to acquire 100% of the shares and voting interests in MediaXP Inc. ("MXP" or "MediaXP") for total consideration of $393, consisting of cash, common shares, and note payable. MXP is a live events production company that focuses on building esports related events.

The cash was payable on closing, the note payable is to the previous owners of MXP over a twelve-month period, pending any undisclosed liabilities. The equity component of the purchase price comprised 50 common shares. An additional equity component of purchase price consideration existed in the form of an earn out payable to the previous owners of MXP based on the achievement of certain post acquisition live events revenue targets for MXP.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, with the results of operations consolidated with those of the Company effective from the acquisition date.

(In thousands of Canadian dollars and thousands of shares)

4. Business combinations (continued):

The following tables summarize the recognized amounts of assets acquired, liabilities assumed and consideration paid, at the date of acquisition.

Cash and cash equivalents	$ 130
Note payable	130
Common share issuance	133
Purchase price	$ 393
Net working capital	$ (28)
Equipment	154
Intangible assets	97
Goodwill	170
Fair value of identifiable net assets	$ 393

The key intangible asset was the non-compete agreements.

From the date of the acquisition up to and including December 31, 2019, MXP contributed revenue of $690, expenses of $768 and net loss of $78.

No subsequent adjustments have occurred to the purchase price allocation or the purchase price payable in respect of the note payable. The goodwill is primarily attributable to MXP's live events business and is deductible for tax purposes.

For the year ended December 31, 2019, $12 of acquisition related costs were incurred and are included in corporate and administrative expenses.

(c) Acquisition of MAD Lions:

On September 6, 2019, the Company closed an asset purchase agreement to acquire the assets and liabilities of MAD Lions Esports Club, S.L. ("MAD Lions") through a business combination for total consideration of $3,468, consisting of shares, forgiveness of debt, and a permanence payment to key MAD Lions employees. The permanence payment is payable monthly over a two-year period.

(In thousands of Canadian dollars and thousands of shares)

4. Business combinations (continued):

The debt forgiveness related to funding provided to MAD Lions during fiscal 2019 for operations prior to acquisition while due diligence was conducted, and 563 common shares comprised the equity component of the purchase price. An additional component of purchase price consideration existed in the form of permanence payments to previous owners of MAD Lions who were also identified as key employees in the acquisition. These payments occur monthly over a two-year period.

The nature of MAD Lion's business is the operation and management of professional esports teams and players competing in tournaments and leagues.

The acquisition was accounted for using the acquisition method in accordance with IFRS 3, with the results of operations consolidated with those of the Company effective from the acquisition date. The following tables summarize the recognized amounts of assets acquired, liabilities assumed, and consideration paid, at the date of acquisition.

Common share issuance	$ 2,250
Debt forgiveness	1,000
Permanence payments	218
Purchase price	$ 3,468
Net working capital	$ 1,600
Equipment	79
Investments	127
Deposits	33
Intangible assets	1,192
Goodwill	437
Fair value of identifiable net assets	$ 3,468

The MAD Lions brand is the key intangible asset identified as part of the acquisition and drives the value of the business acquired. The intangible assets were valued using the discounted cash flow method (note 5).

From the date of the acquisition up to and including December 31, 2019, MAD Lions contributed revenue of $181, expenses of $1,260 and net loss of $1,079.

For the year ended December 31, 2019, acquisition-related costs have been incurred of nil (2019 - $255) and are included in corporate and administrative expenses.

(In thousands of Canadian dollars and thousands of shares)

5. Intangible assets:

	Non-compete agreements	Player contracts	Brands	Franchise assets	Total intangibles	Goodwill	Total intangibles and Goodwill
Cost							
Balance, December 31, 2018	$ –	$ –	$ –	$ 35,071	$ 35,071	$ –	$ 35,071
Additions	97	978	1,192	55,519	57,786	10,918	68,704
Balance, December 31, 2019	97	978	1,192	90,590	92,857	10,918	103,775
Additions	–	631	123	–	754	–	754
Disposals	–	(689)	–	–	(689)	–	(689)
Impact of foreign exchange	–	(9)	90	(586)	(505)	(204)	(709)
Balance, December 31, 2020	$ 97	$ 911	$ 1,405	$ 90,004	$ 92,417	$ 10,714	$ 103,131
Accumulated amortization and impairment losses							
Balance, December 31, 2018	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Amortization expense	19	96	–	–	115	–	115
Balance, December 31, 2019 (unaudited)	19	96	–	–	115	–	115
Amortization expense	32	825	–	–	857	–	857
Disposals	–	(689)	–	–	(689)	–	(689)
Impairment	–	–	–	–	–	4,988	4,988
Impact of foreign exchange	–	41	–	–	41	12	53
Balance, December 31, 2020	$ 51	$ 273	$ –	$ –	$ 324	$ 5,000	$ 5,324
Carrying amounts							
December 31, 2019	$ 78	$ 882	$ 1,192	$ 90,590	$ 92,742	$ 10,918	$ 103,660
December 31, 2020	46	638	1,405	90,004	92,093	5,714	97,807

Impairment of goodwill:

The annual impairment test of goodwill and indefinite life intangible assets was performed on December 31, 2020 and resulted in goodwill impairment loss of $4,988 for the year ended December 31, 2020 (2019 - nil).

5. Intangible assets (continued):

The recoverable amount is the higher of: (a) an asset's or CGU's fair value less costs to sell and, (b) its value-in-use. In performing the annual impairment test for the Company's three CGUs determined on the basis of participation within each of their respective Franchise Leagues (League of Legends European Championship, Overwatch League, and Call of Duty League), the Company measured the value-in-use of its three CGUs, as well as the fair value less costs to sell, of its impaired CGU. The measurements were determined using certain significant management assumptions. Cash flow projections, which were made over a five-year period plus a terminal value using a 5% terminal growth rate. The fair value less costs to sell, was primarily based on the Company's cash flow projections on a 10-year basis plus a terminal value using a 5% terminal growth rate as at December 31, 2020. The Company discounted these estimates of future cash flows to their present value using an after-tax discount rate of 14.5%, 19.5% and 19.5%, respectively. Selling costs were determined to be 3% of total fair value for the CGU. The recoverable amount of the CGU was determined to be $27,159 using a fair value less cost to sell (Level 3) measurement approach.

(In thousands of Canadian dollars and thousands of shares)

6. Property and equipment:

	Computer equipment and software	Leasehold improvements	Furniture and fixtures	Construction-in-progress	Total
Cost					
Balance, December 31, 2018 (unaudited)	$ 5	$ –	$ 3	$ –	$ 8
Additions	528	44	217		789
Balance, December 31, 2019	533	44	220	–	797
Additions	161	211	272	967	1,611
Disposals	–	–	(77)	–	(77)
Impact of foreign exchange	8	4	6	–	18
Balance, December 31, 2020	$ 702	$ 259	$ 421	$ 967	$ 2,349
Accumulated depreciation					
Balance, December 31, 2018 (unaudited)	$ –	$ –	$ –	$ –	$ –
Depreciation expense	259	2	75	–	336
Balance, December 31, 2019	259	2	75	–	336
Depreciation expense	208	29	104	–	341
Disposals	–	–	(77)	–	(77)
Impact of foreign exchange	–	–	–	–	–
Balance, December 31, 2020	$ 467	$ 31	$ 102	$ –	$ 600
Carrying amounts					
December 31, 2019	$ 274	$ 42	$ 145	$ –	$ 461
December 31, 2020	235	228	319	967	1,749

Construction in progress consists relates to buildings. Since these assets are not ready for their intended use, no depreciation was recognized for these assets during the year. Total construction in progress as at December 31, 2020 was $967 (2019 - nil).

(In thousands of Canadian dollars and thousands of shares)

7. Investments:

On January 22, 2020, the Company become one of six founding teams for the Flashpoint Counter Strike Global Offensive League via an equity investment in B-Site Inc for an aggregated consideration of $2,633. The Company does not have control or significant influence over this investment. The Company has recognized the investment in accordance with IFRS 9, as a financial asset at fair value through other comprehensive income. Based on available information, the fair value of the investment as at December 31, 2020 was assessed to be the purchase price of the asset from earlier in 2020.

Investments consist of the following:

	2020	2019
Investment in B-Site Inc.	$ 2,633	$ –
Other	151	179
Total	$ 2,784	$ 179

8. Leases:

The Company leases office buildings relating to our corporate and player operations. The non-cancellable contract periods for our leases typically range from 1 to 5 years. Variable lease payments during 2020 were nil (2019 - nil).

(In thousands of Canadian dollars and thousands of shares)

8. Leases (continued):

Below is a summary of the activity related to our lease liabilities for the twelve months ended December 31, 2020. Our lease liabilities are secured by the underlying right-of-use assets; the underlying right-of-use assets have a net carrying amount of $2,750 as at December 31, 2020 (2019 - nil). The Company's incremental borrowing rate during the year ended December 31, 2020 is 8.95%.

Lease liabilities, beginning of the year	$ –
Additions to lease liabilities	3,175
Interest expense on lease liabilities	118
Principal payments of lease liabilities	(492)
Lease liabilities, end of year	$ 2,801
Current portion of lease liabilities	$ 1,041
Long-term portion of lease liabilities	1,760
Lease liabilities	$ 2,801

Right-of-use assets, January 1, 2020	$ –
Additions to right-of-use assets	3,175
Depreciation on right-of-use assets	(425)
Impact of foreign exchange	–
Right-of-use assets, December 31, 2020	$ 2,750

9. Debt:

On April 1, 2020, the Company entered into long-term loan ("the Loan") in the amount of $812 (EUR - $517). 80% of the loan is collateralized by the "Instituto de Crédito Oficial" ("ICO"), a Spanish government institution. The purpose of the Loan is to provide support to businesses from the economic impacts of COVID-19. The Loan carries a below-market interest rate of 1.504% over a term of 60 months with repayment terms commencing subsequent to the initial 12-month period. As the Loan was issued at below market rates, a portion of the principal amount is recognized as deferred grant income and recognized over the term of the Loan.

(In thousands of Canadian dollars and thousands of shares)

9. Debt (continued):

The effective interest rate used to measure the fair value of the loan is 8.95% and the benefit of the interest rate concession is a grant which gives the Company economic benefits over the term of the Loan and recorded as deferred grant income in other income on the consolidated statements of net loss and comprehensive loss. The undiscounted face value of the Loan as at December 31, 2020 is $812 (2019 - nil). During the year, $30 of accretion expense was recorded (2019 - nil) and as at December 31, 2020 the carrying amount is $633 (2019 - nil).

The following summarizes principal payments due on the long-term debt in each of the following fiscal years:

2021	$ 152
2022	203
2023	203
2024	203
2025	51
Total	$ 812

10. Operating costs:

A breakdown of operating costs by nature of cost are as follows:

	2020	2019
Corporate payroll	$ 4,136	$ 6,131
Selling, general and administrative	3,743	6,701
Roster and team payroll	7,225	6,446
Team operations	3,724	3,084
Live event expenses	632	719
Restructuring costs	255	160
Payroll subsidies	(3,429)	–
Total operating costs	$ 16,286	$ 23,241

Payroll subsidies include amounts recognized in 2020 from the CEWS program and amounts recognized as assistance from Franchise Leagues.

(In thousands of Canadian dollars and thousands of shares)

11. Income taxes:

(a) The components of income tax expense are as follows:

	2020	2019
Deferred tax expense:		
Arising from the origination and reversal of temporary differences	$ 9,325	$ 1,011

(b) Reconciliation of effective tax rate:

Income tax expense (recovery) can be reconciled to income (loss) before income taxes as follows for the years ended December 31:

	2020	2019
Income (loss) before income taxes	$ 3,064	$ (21,747)
Statutory tax rate	26.5%	26.5%
Computed tax expense (recovery) at the statutory tax rate	$ 812	$ (5,763)
Permanent differences	1,865	479
Effect of tax rates in foreign jurisdictions	3,675	186
Change in unrecognized deferred tax assets	3,615	7,013
Other differences	(642)	(904)
Income tax expense	$ 9,325	$ 1,011

(In thousands of Canadian dollars and thousands of shares)

11. Income taxes (continued):

(c) Recognized and unrecognized deferred taxes:

The tables below summarize the movement of net deferred tax assets and liabilities:

	January 1, 2020	Recognized in net loss	Recognized through goodwill	Impact of foreign exchange	December 31, 2020
Franchise asset	$ (6,861)	$ (9,325)	$ –	$ 136	$ (16,050)
Losses carried forward	123	–	–	–	123
Unrealized foreign exchange gains	(123)	–	–	–	(123)
Deferred tax liability	$ (6,861)	$ (9,325)	$ –	$ 136	$ (16,050)

	January 1, 2019	Recognized in net loss	Recognized through goodwill	Impact of foreign exchange	December 31, 2019
Franchise asset	$ –	$ (1,011)	$ (5,850)	$ –	$ (6,861)
Losses carried forward	–	123	–	–	123
Unrealized foreign exchange gains	–	(123)	–	–	(123)
Deferred tax liability	$ –	$ (1,011)	$ (5,850)	$ –	$ (6,861)

Deductible temporary differences and unused tax losses for which no deferred tax assets have been recognized are attributable to the following as at December 31:

	2020	2019
Non-capital losses carried forward	$ 36,318	$ 24,785
Property and equipment	316	34
Professional fees	226	226
Deferred financing costs	290	361
Donations	4	4
Intangible properties	988	114
Franchise fees payable	858	858
Unrealized foreign exchange gains	237	237
Foreign tax credits	383	–
Others	2,040	–
	$ 41,660	$ 26,619

(In thousands of Canadian dollars and thousands of shares)

11. Income taxes (continued):

The unrecognized non-capital losses carried forward of $36,318 may be used to reduce taxable income in the future. If unutilized, $17,183 will expire between 2039 and 2041 and $19,135 can be carried forward indefinitely. All other deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognized in respect of those items because it is not probable that future taxable profit will be available against which the Company can utilize these benefits.

12. Share capital:

The Company is authorized to issue an unlimited number of common shares, issuable in series. As at December 31, 2020 and 2019, there were no preferred shares issued and outstanding.

A summary of the Company's share issued and outstanding is as follows;

	Number of common shares	Total amount Net of issuance
December 31, 2018	34,052	$ 26,008
Common shares issuances:		
Acquisition of Media XP (note 4(b))	50	133
Acquisition of MAD Lions (note 4(c))	563	2,250
Shares issued on private placement	17,485	41,065
Shares purchased for cancellation	(25)	(25)
December 31, 2019	52,125	69,431
Common shares issuances:		
Shares issued on private placement	305	1,064
December 31, 2020	52,430	$ 70,495

From January to March 2019, the Company issued a total of 11,643 common shares at an offering price of $2 per common share and private placement offering basis for aggregate gross proceeds of $23,556 and incurred transaction costs of $104.

From April to May 2019, the Company issued a total of 1,350 common shares at an offering price of $2 per common share and private placement offering basis for aggregate gross proceeds of $2,693 and incurred no transaction costs.

12. Share capital (continued):

On June 21, 2019, the Company issued a total of 3,125 common shares at an offering price of $3.20 per common share and private placement offering basis for aggregate gross proceeds of $10,000 and incurred no transaction costs.

On November 1, 2019, the Company issued a total of 1,367 common shares at an offering price of $3.60 per common share and private placement offering basis for aggregate gross proceeds of $4,920 and incurred no transaction costs.

During 2019, the Company completed three acquisitions (note 4). As part of the purchase consideration for Splyce $22,984 was satisfied by the issuance of 8,743 Class B exchangeable shares of the Company at a value of $2.63 per common share. The Class B exchangeable shares are convertible to OAM common shares on a 1:1 basis. As part of the purchase consideration for Media XP $133 was satisfied by the issuance of 50 common shares of the Company at a value of $2.66 per common share. As part of the purchase consideration for MAD Lions $2,250 was satisfied by the issuance of 563 common shares of the Company at a value of $4 per common share.

On September 9, 2020, the Company issued a total of 305 common shares at an offering price of $3.60 per common share and private placement offering basis for aggregate gross proceeds of $1,098 and incurred transaction costs of $34. The amount is recorded as a cash held in trust by counsel as at December 31, 2020.

13. Stock-based compensation:

The purpose of the Company's stock option plan (the "Plan") is to assist the Company in attracting, retaining key employees, officers, directors, and consultants who will contribute to the Company's long-term success by providing them incentives that align their interests with those of the shareholders of the Company. The Plan is administered by the Board.

(In thousands of Canadian dollars and thousands of shares)

13. Stock-based compensation (continued):

The following reconciles the number of options available for grant under the Plan as of December 31, 2020:

	2020	2019
Options available for grant, beginning of year	157	1,303
Granted	(110)	(1,146)
Forfeited	400	–
Increase in ESOP pool	2,627	–
Options available for grant, end of year	3,074	157

Options granted under the Plan generally vest as follows:

- one third of the options granted vest on the anniversary of the grant date specified in the option agreement that is one year after the date of grant with the remaining options vesting on second and third anniversary of the grant date respectively.

Options generally expire ten years following the grant date.

A summary of the status of the Plan as at December 31, 2020 and 2019 is presented below:

	2020		2019	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Beginning of year - options outstanding	3,216	$ 1.82	2,070	$ 1.18
Granted	110	3.60	1,146	2.70
Exercised	–	–	–	–
Forfeited	(400)	2.66	–	–
Balance, end of year	2,926	1.76	3,216	1.82
Exercisable, end of year	1,494	$ 1.47	657	$ 1.16

In 2020, the Company recorded share-based compensation expense of $1,273 (2019 - $1,611). Included within share-based compensation for 2020 is $503 (2019 - $160) for services received from third parties in exchange for equity consideration.

The Company paid nil to holders of stock options, as none were exercised in 2019 or 2020.

(In thousands of Canadian dollars and thousands of shares)

13. Stock-based compensation (continued):

The Company used the Black-Scholes-Merton formula to estimate the grant date fair value of options granted during the years based on the following inputs:

	2020	2019
Weighted average fair value	$2.74	$2.02
Weighted average share price at grant date	$3.60	$2.47
Expected volatility	101%	107%
Expected option life	5.51 years	6.02 years
Expected dividend	0%	0%
Risk-free interest rate (based on government bonds)	0.70%	1.43%

No active market exists for the Company's common shares. For this reason, the Company considers the historical volatility of similar entities for which share price information is publicly available when estimating the expected volatility. The listed entities used in the analysis operate within a similar industry space, focusing on the delivery of similar products and services.

As at December 31, 2020, the weighted average remaining contractual life of the outstanding options is 7.95 years (2019 - 8.98 years).

(In thousands of Canadian dollars and thousands of shares)

14. Financial instruments:

Categories of financial instruments and details for the year ended December 31:

	2020	2019
Financial assets:		
Amortized cost:		
Cash and cash equivalents	$ 5,585	$ 10,208
Cash held in trust	1,098	4,594
Trade and other receivables	1,920	2,578
FVTOCI:		
Investments - Level 3	2,784	179
Financial liabilities:		
Amortized cost:		
Trade payables and accrued liabilities	2,616	2,286
Note payable to previous Splyce Owners	513	1,204
Note payable to previous owners of MediaXP	63	81
Payables related to franchise assets	26,477	46,191

The Company estimates that the carrying amounts of its amortized cost financial assets and financial liabilities approximate fair values. Investments in private companies are recognized at fair value using available information including implied valuations from follow-on financing rounds, third-party sale negotiations, or market-based approaches. Investments in publicly traded companies are recognized at fair value based on publicly quoted prices.

(In thousands of Canadian dollars and thousands of shares)

15. Risk management:

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are discussed below:

(a) Foreign currency risk:

The Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The Company holds cash balances denominated in U.S. dollars at December 31, 2020 of U.S. $767 (2019 - U.S. $540).

The Company holds cash balances denominated in euros at December 31, 2020 of EUR $ 60 (2019 - EUR - $277).

During the year, the Company recognized a foreign exchange loss of $285 (2019 – gain of $1,533) primarily due to the appreciation of the Canadian dollar relative to the U.S. dollar. If the exchange rate of the Canadian dollar relative to the U.S. dollar moved by +/-5%, this would result in a $1,046 (2019 - $400) profit (loss) impact which would be recognized in the consolidated statements of net loss and comprehensive loss and a $1,204 (2019 - $3,258) impact to equity.

The Company is also susceptible to the fluctuation of the Canadian dollar relative to the Euro. If the exchange rate moved by +/-5%, this would result in a $187 (2019 - $62) profit (loss) impact which would be recognized in the consolidated statements of net loss and comprehensive loss and a $227 (2019 - $243) impact to equity.

The summary quantitative data about the Company's material exposure to currency risk is as follows:

	USD	
	2020	2019
Cash	$ 767	$ 540
Receivables	285	221
Payables	(17,346)	(50,673)
Net consolidated statements of financial position exposure	$ (16,294)	$ (49,912)

(In thousands of Canadian dollars and thousands of shares)

15. Risk management (continued):

	EUR 2020	EUR 2019
Cash	$ 60	$ 277
Receivables	566	234
Payables	(3,536)	(3,904)
Net consolidated statements of financial position exposure	$ (2,910)	$ (3,393)

(b) Credit risk:

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The Company does not provide any guarantees which would expose the Company to credit risk.

The credit risk on cash is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. Trade receivables consist of a significant number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of trade receivables. The Company has not recognized an allowance for doubtful accounts in 2020 or 2019 based on its ongoing evaluation of the credit risk for uncollected receivables.

At December 31, 2020, the aging of trade receivables that were not impaired were as follows:

	2020	2019
Neither past due nor impaired	$ 967	$ 2,312
Past due 1-30 days	286	208
Past due 31-90 days	28	23
Past due > 90 days	639	35
	$ 1,920	$ 2,578

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on the credit worthiness of these customers and evaluation of customer credit risk.

(In thousands of Canadian dollars and thousands of shares)

15. Risk management (continued):

(c) Liquidity risk:

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Company manages liquidity risk by maintaining adequate cash balances and by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following table provides details of the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Carrying amount	Contractual cash flows	On demand	Less than 1 year	1 to 2 years	> 2 years
Trade payable and accrued liabilities	$ 2,616	$ 2,616	$ –	$ 2,616	$ –	$ –
Note payable to previous Owners of MediaXP	63	63	–	63	–	–
Current portion of notes payable to previous owners of Splyce	513	513	–	513	–	–
Payable related to franchise assets	26,477	45,935	–	3,918	7,217	34,800
Lease liabilities	2,801	3,233	–	1,041	2,192	–
Long-term debt	633	812	–	152	203	457
Total	$ 33,103	$ 53,172	$ –	$ 8,303	$ 9,612	$ 35,257

For a detailed listing of commitments see note 17.

(In thousands of Canadian dollars and thousands of shares)

16. Related party transactions:

The remuneration of directors and other members identified as key management personnel during the years ended December 31, 2020 and 2019 was as follows:

	2020	2019
Salaries, pension and other short-term employee benefits	$ 912	$ 715
Share-based compensation	408	785
	$ 1,320	$ 1,500

Key management personnel comprise the Company's directors and executive officers.

17. Commitments and contingencies:

(a) Commitments:

The Company has entered into other commitments, including player service agreements, as at December 31, 2020 as follows:

2021	$ 5,224
2022	2,311
2023	590
Total	$ 8,125

(b) Contingencies:

There exist certain other claims and potential claims against the Company, including certain chargebacks based on exceeding certain pre-defined revenue-sharing thresholds, and commodity and other tax liabilities, none of which is expected to have a material adverse effect on the financial position of the Company. A provision is recognized if there is a probable outflow of resources and the amount can be estimated reliably.

18. Provisions:

		Total
Balance, January 1, 2020	$	–
Additions		1,987
Adjustments		–
Amounts paid		–
Balance, December 31, 2020		1,987
Less current portion		1,987
Long term	$	–

During 2020, a provision of $1,987 was made in respect to the repayment of amounts received under various third-party assistance programs. The repayment of such amounts is contingent on the occurrence of future events.

19. Loss per share:

The following table summarizes the calculation of the weighted average number of basic and diluted common shares:

(In thousands of dollars, except per share amounts)		2020		2019
Numerator (basic and diluted) - Net loss for the year	$	(6,261)	$	(22,758)
Denominator - number of shares:				
Weighted average number of shares outstanding - basic		52,226		48,064
Effect of dilutive securities:				
Employee stock options and restricted share units		–		–
Weighted average number of shares outstanding - diluted		52,226		48,064
Loss per share				
Basic	$	(0.12)	$	(0.47)
Diluted		(0.12)		(0.47)

For 2020, nil options (2019 - 646) were excluded from the weighted average number of diluted common shares as their effect would have been anti-dilutive.

(In thousands of Canadian dollars and thousands of shares)

20. Franchise payables:

Franchise payment liabilities are recorded at present value using the effective interest rate method. An average discount rate of 18.5% was used to recognize interest expense of $7,824 for the year ended December 31, 2020 (2019 - $6,890). During fiscal 2020, the Company and certain leagues execute agreements to modify the payables associated with the franchise payment schedules, including forgiveness and deferral of certain payments to future periods. The significant modifications resulted in a reduction to payables related to franchise assets resulting in a decrease in net present value of franchise obligations on the modification dates. During fiscal 2020, a gain of $26,776 (2019 - $4,580) was recognized.

21. Contract liabilities:

Below is a summary of our contract liabilities from contracts with customers and the significant changes in those balances during the years ended December 31, 2020 and 2019:

	2020	2019
Balance, beginning of the year	$ 1,500	$ –
Revenue deferred in previous year and recognized as revenue in current year	(929)	–
Net additions from contracts with customers	2,036	1,500
	$ 2,607	$ 1,500

22. Subsequent events:

On March 2, 2021 the Company announced it entered into a non-binding letter of intent dated February 13, 2021, which outlines the terms and conditions pursuant to which Abigail Capital Corporation and the Company will complete a transaction that will result in a go-public event for the Company. On April 19, 2021, the Company and Abigail Capital Corporation entered into a definitive Amalgamation Agreement.

22. Subsequent events (continued):

On March 26, 2021, the Company completed an initial closing of a brokered private placement led by the Company's agents (the "Brokered Financing") by issuing 10,119 Subscription Receipts (each a "Subscription Receipt") at a price of $2.25 per Subscription Receipt (the "Issue Price") for aggregate gross proceeds of $22,768. On April 9, 2021, the Company completed a subsequent closing of the Brokered Financing by issuing an additional 118 Subscription Receipts for additional aggregate gross proceeds of $266. Upon satisfaction of certain conditions, immediately prior to the closing of the transaction, each Subscription Receipt will be automatically converted into one common share of the Company (a "Company Share") which will then be immediately exchanged for one common share of the post-amalgamation public entity; OverActive Media Corp. (formerly Abigail) (the "Resulting Issuer"), in each case without any further consideration or action by the holder thereof.

In connection with the Brokered Financing, the Company also completed a non-brokered private placement of common shares at a price of $2.25 per share (the "Non-Brokered Financing"). On the Brokered Financing Closing Date, the Company completed an initial closing of the Non-Brokered Financing by issuing by issuing 6,848 common shares for gross proceeds of $15,407. At a subsequent closing held on April 9, 2021, the Company completed a subsequent closing of the Non-Brokered Financing by issuing an additional 645 common shares for additional aggregate gross proceeds of $1,451. In connection with the Brokered Financing, the Company will issue to the Agents a total of 614 broker warrants. Each broker warrant will entitle the holder thereof to purchase one Company Share at a price of $2.25 per share for a period of 24 months from the completion of the Transaction. In aggregate, under the Brokered Financing and Non-Brokered Financing (the "Financing"), the Company issued an aggregate of 10,237 Subscription Receipts and 7,493 common shares for gross proceeds of $39,892.

During the second quarter of 2021, the Company issued an additional 3,590 stock options under the terms of it is Employee Stock Option Plan, bringing total stock options outstanding to 6,516.

On April 27, 2021, all of the Class B exchangeable shares were exchanged for common shares, in accordance with their terms, on a 1:1 basis.