OverActive Media Corp.

Management's Discussion and Analysis

For the Years Ended December 31, 2020 and 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following has been prepared for the purposes of providing management's discussion and analysis ("MD&A") of the consolidated financial position and results of OverActive Media Corp. ("we" or the "Company"). The following information should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2020 and 2019 and the notes to those financial statements as well as the filing statement of Abigail Capital Corporation ("Abigail") dated July 2, 2021 (the "Filing Statement").

This MD&A is dated July 2, 2021, and was prepared with information available at that date. In this MD&A, references to fiscal 2020 are to the fiscal year ended December 31, 2020, and references to fiscal 2019 are to the fiscal year ended December 31, 2019. All dollar amounts are stated in Canadian Dollars unless otherwise indicated. All financial information presented in this MD&A has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

Capitalized terms that are used in this MD&A but not otherwise defined herein have the meanings given to them in the Filing Statement. All dollar amounts are stated in thousands of Canadian Dollars and all figures are stated in thousands unless otherwise indicated.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities legislation ("forward-looking information"). Such forward-looking information involves 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 information. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward-looking statements in light of the risks set forth below and as detailed under "Risks and Uncertainties" in this MD&A and well as those set out under "Risk Factors" in the Filing Statement.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking information contained herein is given as of the date of this MD&A and the Company disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results, except as may be required by applicable securities laws. There can be no assurance that forward-looking information 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 information.

BUSINESS OVERVIEW

The Company is active in the global esports, media and entertainment industry with a mandate to build an integrated company delivering media and entertainment products focused on esports, videogames, content, culture and live and online events for today's generation of fans. The Company owns franchises in many of the most important leagues in the world, including the Call of Duty League, the Overwatch League, the

League of Legends European Championship, the LVP Superliga, and is a founding shareholder of B Site Inc., an entity owned by team organizations for the purpose of collaborating in esports leagues and tournaments, including Flashpoint, the first team-owned CS:GO league. The Company also operates OverActive Live, a live event business unit offering planning, competition programming, production and broadcast services to teams, leagues and organizations around the world for in person and online events.

For further details regarding the Company's business, please refer to the Filing Statement.

Recent developments

Reverse takeover

The Company signed a non-binding letter of intent with Abigail, a capital pool company listed on the TSX Venture Exchange, dated February 13, 2021 pursuant to which the Company will complete a reverse takeover transaction of Abigail by way of an amalgamation of the Company with a wholly-owned subsidiary of Abigail (the "Proposed Transaction"). Upon completion of the Transaction, the resulting company (the "Resulting Issuer") will continue to carry on the business of the Company. On April 19, 2021, the Company and Abigail entered into a definitive amalgamation agreement with respect to the Proposed Transaction.

For further details on the Proposed Transaction, please refer to "The Amalgamation" in the Filing Statement.

Financings

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 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 (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 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.

COVID-19 pandemic

The COVID-19 pandemic has caused significant financial market and social dislocation globally as cities and countries respond in various ways to address the outbreak. Although the pandemic has created uncertainty during this period, videogaming trends have been positively impacted with viewership and player engagement generally increasing.

While COVID-19 had a negative effect on revenues as a result of the cancellation of our live events that were scheduled in Toronto across the Toronto Defiant and Toronto Ultra franchises, as well as the deferral of a portion of sponsorship revenue, this was largely offset by assistance payments received from the Franchise Leagues, significantly reduced franchise team related travel costs as well as the elimination of live event production costs. While there are currently no active agreements in place for live events to be held or operated by the Company in the next twelve months, there are ongoing discussions and interest remains high for live events to resume once the pandemic subsides. The Company continued to produce and deliver online and virtual events. The Company will continue to monitor the pandemic situation and continuously assess any potential further impact on its operations. It is not clear what the impact of a prolonged pandemic would be on the Company's business.

During 2020, the Company recognized payroll subsidies under the Canada Emergency Wage Subsidy (CEWS) program and assistance payments from the leagues in which its teams participate ("Franchise Leagues") totaling $3,429.

NON-IFRS FINANCIAL MEASURES

This MD&A includes references to adjusted EBITDA. Adjusted EBITDA is a non-IFRS financial measure and is defined by the Company as net income or loss before income taxes, finance costs, depreciation and amortization, decrease / increase in net present value of franchise obligations, foreign exchange gains / loss, assistance payments from Franchise League and government assistance, restructuring costs, intangibles assets impairment charge and share-based compensation. We believe that adjusted EBITDA is a useful measure of financial performance because it provides an indication of the Company's ability to capitalize on growth opportunities in a cost-effective manner, finance its ongoing operations and service its financial obligations.

This non-IFRS financial measure is not an earnings or cash flow measure recognized by IFRS and does not have a standardized meaning prescribed by IFRS. Our method of calculating such a financial measure may differ from the methods used by other issuers and, accordingly, our definition of this non-IFRS financial measure may not be comparable to similar measures presented by other issuers. Investors are cautioned that non-IFRS financial measures should not be construed as an alternative to net income determined in accordance with IFRS as indicators of our performance or to cash flows from operating activities as measures of liquidity and cash flows.

FISCAL HIGHLIGHTS

- Revenue increased to $8,376 in fiscal 2020, compared to $2,228 in fiscal 2019.
- Net loss for the year was $6,261 in fiscal 2020, compared to a net loss for the year of $22,758 in fiscal 2019.
- Adjusted EBITDA was ($10,777) in fiscal 2020, compared to ($18,953) in fiscal 2019.

SELECTED ANNUAL FINANCIAL INFORMATION

The selected financial information below was derived from the Company's audited financial statements for the years ended December 31, 2020 and 2019.

	FISCAL 2020	**FISCAL 2019**
	December 31, 2020	December 31, 2019
(In thousands of Canadian dollars, except per share amount)	$	$
Revenue	**$8,376**	**$2,228**
Operating costs	**16,286**	**23,241**
Loss before the undernoted	**(7,910)**	**(21,013)**
Depreciation	766	131
Amortization and impairment	5,845	115
Finance income	-	(10)
Foreign exchange loss (gain)	285	(1,533)
Decrease in net present value of franchise obligations	(26,776)	(4,580)
Finance cost	7,940	6,890
Share-based compensation	1,273	1,611
Other income	(307)	(1,890)
Income (loss) before income taxes	**3,064**	**(21,747)**
Income tax expense	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:		
Basic	**($0.12)**	**($0.47)**
Diluted	**($0.12)**	**($0.47)**
Adjusted EBITDA[1]	**($10,777)**	**($18,953)**
Total assets	115,287	123,548
Total liabilities	54,005	58,123

[1] Adjusted EBITDA is a non-IFRS measure. Refer to "Non-IFRS Measures" and "Reconciliation of Net Loss to Adjusted EBITDA".

Revenue by segment:		
Team Operations	5,212	1,295
Business Operations	3,164	933
Income (loss) before income taxes by segment:		
Team Operations	13,406	(9,258)
Business Operations	(10,342)	(12,489)

RECONCILIATION OF NET LOSS TO ADJUSTED EBITDA

The following table presents a reconciliation of adjusted EBITDA to net loss for the years ended December 31, 2020 and 2019:

	FISCAL 2020	**FISCAL 2019**
	December 31, 2020	December 31, 2019
(In thousands of Canadian dollars)	$	$
Net loss for the year	(6,261)	(22,758)
Income tax expense	9,325	1,011
Depreciation	766	131
Amortization and impairment	5,845	115
Decrease in net present value of franchise obligations	(26,776)	(4,580)
Finance cost	7,940	6,890
Foreign exchange loss (gain)	285	(1,533)
Payroll subsidies[1]	(3,429)	-
Share-based compensation	1,273	1,611
Restructuring costs	255	160
Adjusted EBITDA	**(10,777)**	**(18,953)**

[1] Adjusted EBITDA excludes the impact of assistance payments received from Franchise Leagues and the CEWS program.

RESULTS OF OPERATIONS

Revenues

For the year ended December 31, 2020, revenues amounted to $8,376 as compared to $2,228 for the year ended December 31, 2019, representing an increase of $6,148.

Revenues for our Team Operations segment increased by $3,917 to $5,212 for the year ended December 31, 2020, as compared to $1,295 for the same period in 2019. The increase was primarily due to higher league revenue share resulting from the recognition of revenue from the Overwatch League franchise during the year as well as an increase in prize money relative to 2019, due primarily to team performance in Flashpoint.

Revenues for our Business Operations segment increased by $2,231 to $3,164 for the year ended December 31, 2020, as compared to $933 for the same period in 2019. The increase was primarily due to higher sponsorship revenues from realizing the full year contribution during 2020 of sponsorship agreements signed in the latter half 2019.

Operating costs

For the year ended December 31, 2020, operating costs amounted to $16,286 as compared to $23,241 for the year ended December 31, 2019, representing a decrease of $6,955. The decrease in operating costs in 2020 was primarily due to the $3,429 in payroll subsidies received under the CEWS program and assistance payments from the Franchise Leagues as a result of the pandemic, combined with long-term cost savings resulting from corporate staff reductions, synergies realized from the acquisition of Splyce Inc. in 2019 and lower selling, general and administrative expenses during 2020.

Net loss for the year after income taxes

For the year ended December 31, 2020, net loss for the year after income taxes amounted to $6,261 after deducting a non-cash income tax expense of $9,325 from net income before income taxes, as compared to a net loss for the year after income after income taxes of $22,758 for the year ended December 31, 2019 after deducting an income tax expense of $1,011.

The improvement in net income is a result of higher revenues of $6,148 over the prior year combined with lower operating costs of $6,612 over the prior year, as well as the assistance payments received from the Franchise Leagues due to the pandemic as outlined in further detail above. Furthermore, there is a significant increase of $22,196 over the prior year, from the decrease in net present value of franchise obligations, resulting from the deferral or forgiveness of certain obligations relating to the purchase of team franchises.

This was partially offset by higher amortization and impairment realized of $5,845, representing an increase of $5,730 over the prior year. This was due to the goodwill impairment loss of $4,988 recognized in fiscal 2020 associated with the acquisition of Splyce Inc.

LIQUIDITY AND CAPITAL RESOURCES

Capital management

The Company's objective in managing its capital is to ensure sufficient liquidity to finance its operations, maximize the preservation of capital and deliver competitive returns on invested capital. To fund its activities until the end of 2022, the Company will rely on the proceeds of the Financings and funds generated from ongoing operations. The Company manages its excess cash to ensure that it has sufficient reserves to fund its operations and capital expenditures.

The Company's liquidity and capital resources as at December 31, 2020 and 2019 were as follows:

	December 31, 2020	December 31, 2019
(In thousands of Canadian dollars)	$	$
Cash and cash equivalents	5,585	10,208
Total current assets	10,197	19,248
Total current liabilities	11,890	30,880
Working capital	(1,693)	(11,632)
Total assets	115,287	123,548
Total liabilities	54,005	58,123

Cash flows

	December 31, 2020	December 31, 2019
(In thousands of Canadian dollars)	$	$
Cash flow used in operating activities	(4,460)	(20,981)
Cash flow from financing activities	4,714	27,034
Cash flow used in investing activities	(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

During the year ended December 31, 2020, the Company's overall position of cash and cash equivalents decreased by $4,547 excluding the effect of exchange rate changes on cash and cash equivalents. This decrease in cash can be attributed to the following:

Cash flow used in operating activities

The Company's net cash used in operating activities during the year ended December 31, 2020 was $4,460 as compared to $20,981 for the year end December 31, 2019. The lower use of cash in 2020 is due primarily to higher revenues and successful cost reductions, combined with the payroll subsidies received under the CEWS program and the assistance payments from the Franchise Leagues.

Cash flow from financing activities

Cash generated by financing activities during the year ended December 31, 2020 was $4,714 as compared to $27,034 for year ended December 31, 2019. In 2020, cash flow from financing activities included approximately $4,594 in equity proceeds and $812 in debt proceeds. In 2019, there was approximately $36,480 in equity proceeds, which was offset by the $9,335 repayment of franchise asset payables.

Cash flow used in investing activities

Cash used in investing activities for the year ended December 31, 2020 was $4,801 as compared to $3,016 for the year ended December 31, 2019. The cash used in 2020 was partially related to the $2,633 equity investment in B-Site Inc. pursuant to which the Company became one of six founding teams for the Flashpoint Counter Strike Global Offensive League. In 2019, approximately $2,866 of cash used in investing activities was related to the cash component of the acquisition consideration for Splyce Inc., which included a League of Legends European Championship franchise and a team in the Liga de Videojuegos Profesional League of Legends Superliga.

Long-term debt

On April 1, 2020, OAM LEC 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.

RISK MANAGEMENT

In the normal course of business, the Company is exposed to a number of risks that can affect its operating performance. Certain of these risks and the actions taken to manage them are discussed below. Additional risks are set out in the Filing Statement under "Risk Factors".

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.

During the year, the Company recognized a foreign exchange loss of $285 (2019 - $1,533 gain) 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 statement of net loss and comprehensive loss and $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 statement 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 statement of financial position exposure	$ (16,294)	$ (49,912)

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

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 are 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.

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

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-Balance Sheet arrangements.

COMMITMENTS AND CONTINGENCIES

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

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.

DIVIDEND POLICY

The Company's current policy is to retain future earnings to finance its growth. Any future determination to pay dividends will be made at the discretion of the Company's Board of Directors and will depend on the Company's financial condition, results of operations, capital requirements and other such factors as the Board of Directors may deem relevant.

SEASONALITY

The Company's financial results generally vary from quarter to quarter as a result of changes in general economic conditions and seasonal fluctuations, among other things, in each of the reportable segments. The majority of the Company's revenue in the Team Operations segment is expected to be related to our franchises receiving a share of the revenue from the associated leagues, which is typically recognized by the Company subsequent to the completion of the season and as amounts can become reasonably estimated or guaranteed by the Franchise Leagues. Prize money is less predictable and the timing of such revenues would be related to the timing of tournaments, typically in the second and third fiscal quarters. However, revenues related to sponsorships and partnerships, and merchandise are more evenly earned and recognized through the year. Revenues related to live events and ticket admission sales are earned as those events are delivered.

RELATED PARTIES 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.

STOCK-BASED COMPENSATION

On October 5, 2018, the Company created a stock option plan for its key employees, officers, directors and consultants (the "Plan"). The purpose of 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 provides for the granting of stock options to purchase common shares of the Company. Options are generally subject to service vesting schedule of three years and expire ten years from the grant date. Under the plan, a maximum pool of 10% of the common shares outstanding have been reserved for issuance.

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

	2020		2019	
	Number of options (000s)	Weighted average exercise price	Number of options (000s)	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.

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

OUTSTANDING SHARE DATA

The Company has 68,666 Company Shares[2], 6,516 stock options, and 614 warrants outstanding as of the date of this MD&A.

Pursuant to the Brokered Financing, the Company issued 10,237 Subscription Receipts, each of which is exchangeable for one Company Share upon the satisfaction of certain conditions.

[2] Includes 8,743 OAM LP Class B LP Units

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 connection with the Company's acquisition of Splyce, Inc, OverActive Limited Partnership, a limited partnership of which a subsidiary of the Company is the general partner and a limited partner, issued a total of 8,743 Class B exchangeable shares ("OAM LP Class B Units") to the former stockholders of Splyce, Inc. Each OAM LP Class B Unit is exchangeable for one Company Share.

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.

CRITICAL ESTIMATES AND JUDGEMENTS

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.

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.

The critical judgments and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are:

i) 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.

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.

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.

ii) Impairment of 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.

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 statement of net income (loss) and comprehensive income (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.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

IFRS 16 Leases:

While the Company adopted IFRS 16 with an initial adoption date of January 1, 2019, the Company had no long-term lease obligations in fiscal year 2019. However, IFRS 16 became applicable during fiscal year 2020 as the Company had long-term lease obligations.

IFRS 16 specifies how leases will be recognized, measured, presented and disclosed and it provides a single lessee model, requiring lessees to recognize right-of-use ("ROU") assets and lease liabilities for all major leases.

IAS 20 Accounting for Government Grants and Disclosure of Government Assistance:

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.

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).