

Alpha Esports Tech Inc.

Condensed Interim Consolidated Financial Statements

For the three months ended September 30, 2021

(Expressed in Canadian Dollars)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of Alpha Esports Tech Inc. (the “Company”) have been prepared by and are the responsibility of management. These condensed interim consolidated financial statements for the three months ended September 30, 2021, have not been reviewed or audited by the Company’s independent auditors. All amounts are stated in Canadian Dollars unless otherwise stated.

Alpha Esports Tech Inc.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at	Notes	September 30, 2021	June 30, 2021
ASSETS			
Current Assets			
Cash		\$ 1,196,905	\$ 1,716,642
GST receivable		84,546	64,011
Prepaid expenses	10	1,050,512	1,538,473
		2,331,963	3,319,126
Non-current Assets			
Equipment	9	1,846	1,978
Intangible assets	8	1,725,981	1,806,984
Goodwill	7	402,561	402,561
		2,130,388	2,211,523
TOTAL ASSETS		4,462,351	5,530,649
LIABILITIES			
Current Liabilities			
Accounts payable and accrued liabilities	6	1,070,916	940,673
TOTAL LIABILITIES		1,070,916	940,673
SHAREHOLDERS' EQUITY			
Share capital	5	10,887,085	10,615,685
Reserves	5	2,672,825	1,935,684
Accumulated other comprehensive income		(32,302)	(41,651)
Deficit		(10,136,173)	(7,919,742)
TOTAL SHAREHOLDERS' EQUITY		3,391,435	4,589,976
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		\$ 4,462,351	\$ 5,530,649

Nature of operations – Note 1

Going concern – Note 2

Commitment – Note 13

Subsequent events – Note 15

Approved on behalf of the Board of Directors:

“Matthew Schmidt”, Director

“Timothy Laidler”, Director

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Alpha Esports Tech Inc.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian Dollars)

	For the three months ended	
	September 30, 2021	September 30, 2020
REVENUES	\$ 3,645	\$ -
EXPENSES		
Advertising and marketing	523,169	101,054
Consulting	342,229	167,099
Depreciation (Notes 8 and 9)	164,586	132
Management fees (Note 6)	63,196	121,450
Office and miscellaneous	45,450	18,260
Professional fees	13,938	32,661
Rent	15,000	20,000
Share-based payments (Notes 5 and 6)	1,008,541	-
Tournament prizes	22,218	2,827
Transfer agent and filing fees	15,893	-
Travel	1,951	-
TOTAL OPERATING EXPENSES	(2,216,171)	(463,483)
	(2,212,526)	(463,483)
Foreign exchange loss	(3,905)	(3,468)
Interest income	-	417
	(3,905)	(3,051)
NET LOSS FOR THE PERIOD	(2,216,431)	(466,534)
Cumulative translation adjustment	9,349	(6,814)
COMPREHENSIVE LOSS FOR THE PERIOD	\$ (2,207,082)	\$ (473,348)
Loss per share, basic and diluted	(0.04)	\$ (0.01)
Weighted average number of common shares outstanding –		
Basic and diluted	60,338,346	36,740,330

Supplemental disclosure with respect to cash flows – Note 14

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Alpha Esports Tech Inc.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	Share Capital		Share subscriptions	Reserves	Accumulated other comprehensive loss	Deficit	Total shareholders' equity
	Number	Amount					
		\$	\$	\$	\$	\$	\$
Balance, June 30, 2020	37,990,330	2,986,893	250	8,100	(7,383)	(2,580,200)	407,660
Shares cancelled and returned to treasury	(1,250,000)	-	-	-	-	-	-
Shares issued pursuant to advisory services rendered	1,250,000	437,500	-	-	-	-	437,500
Shares issued pursuant to acquisition	5,300,000	1,388,023	-	-	-	-	1,388,023
Shares issued pursuant to private placement, net	16,816,168	5,749,509	-	-	-	-	5,749,509
Shares issued pursuant to options exercised	200,000	113,056	-	(43,056)	-	-	70,000
Finders' warrants	-	(59,296)	-	59,296	-	-	-
Share-based payment pursuant to options granted	-	-	-	1,149,416	-	-	1,149,416
Share-based payment pursuant to RSRs granted	-	-	-	761,928	-	-	761,928
Subscriptions returned	-	-	(250)	-	-	-	(250)
Cumulative translation adjustment	-	-	-	-	(34,268)	-	(34,268)
Loss for the year	-	-	-	-	-	(5,339,542)	(5,339,542)
Balance, June 30, 2021	60,306,498	10,615,685	-	1,935,684	(41,651)	(7,919,742)	4,589,976
Shares issued pursuant to RSRs	295,000	271,400	-	(271,400)	-	-	-
Share-based payment pursuant to options granted	-	-	-	58,250	-	-	58,250
Share-based payment pursuant to RSRs granted	-	-	-	950,291	-	-	950,291
Cumulative translation adjustment	-	-	-	-	9,349	-	9,349
Loss for the period	-	-	-	-	-	(2,216,431)	(2,216,431)
Balance, September 30, 2021	60,601,498	10,887,085	-	2,672,825	(32,302)	(10,136,173)	3,391,435

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Alpha Esports Tech Inc.
Condensed Interim Consolidated Statements of Cash Flow
(Expressed in Canadian Dollars)

	For the three months ended September 30, 2021	For the three months ended September 30, 2020
Cash (used in) provided by:		
OPERATING ACTIVITIES		
Loss for the period	\$ (2,216,431)	\$ (466,534)
Adjustments to non-cash items:		
Depreciation	164,586	132
Foreign exchange	(1,688)	2,421
Interest income	-	(417)
Share-based payments	1,008,541	-
Shares issued pursuant to consulting fees rendered	150,595	-
Net changes in non-cash working capital items:		
GST receivable	(20,535)	(11,135)
Prepaid expenses	337,366	(19,881)
Accounts payable and accrued liabilities	130,243	288,454
Cash used in operating activities	(447,323)	(206,960)
INVESTING ACTIVITIES:		
Promissory note received	-	20,000
Gaming platform	(72,414)	(63,131)
Cash used in investing activities	(72,414)	(43,131)
FINANCING ACTIVITIES:		
Subscriptions received in advance	-	330,000
Cash provided by financing activities	-	330,000
Net decrease in cash	(519,737)	79,909
Cash, beginning of period	1,716,642	8,974
Cash, end of period	\$ 1,196,905	\$ 88,883
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended September 30, 2021
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Alpha Esports Tech Inc. (the “Company”) was incorporated under the laws of British Columbia on March 1, 2019. The Company’s registered office is 2200-885 West Georgia Street, Vancouver, British Columbia V6C 3E8. On May 14, 2021, the Company’s shares began trading on the Canadian Securities Exchange (“CSE”) under the symbol, “ALPA”.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 26, 2021.

2. GOING CONCERN

These condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due. On September 30, 2021, the Company had not yet achieved profitable operations and had a deficit of \$10,136,173 (June 30, 2021 - \$7,919,742) and working capital of \$1,261,047 (June 30, 2021 – \$2,378,453). In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The Company expects to incur further losses in the development of its business. If for any reason, the Company is unable to continue as a going concern, this could result in adjustments to the amounts and classifications of assets and liabilities in the Company’s consolidated financial statements and such adjustments could be material.

On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. It has adversely affected global workforces, economies, and financial markets, triggering an economic downturn. It is not possible at this time for the Company to predict the duration or magnitude of the adverse results of the outbreak nor its effects on the Company’s business or operations.

3. BASIS OF PRESENTATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretation Committee (“IFRIC”).

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Certain amounts in the comparative period financial statements have been reclassified to conform with the presentation of the current period financial statements.

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended September 30, 2021
(Expressed in Canadian Dollars)

3. BASIS OF PRESENTATION (continued)

3.1. Significant judgments, estimates and assumptions

The preparation of the Company's condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these estimates.

Critical Accounting Judgments

Going concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgments by management with respect to assumptions surrounding the short and long-term operating budget, expected profitability, investing and financing activities and management's strategic planning. Should those judgments prove to be inaccurate, management's continued use of the going concern assumption could be inappropriate.

Business combinations

Judgment is used when determining whether an acquisition is a business combination or an asset acquisition. Judgment is also used in measuring the fair value of equity instruments issued as consideration for a business combination, and in allocating the fair value of consideration paid to the assets acquired and liabilities assumed.

The Company measures all assets acquired and liabilities assumed at their acquisition-date fair values. The excess of the aggregate of the consideration transferred over the net assets of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, is recognized as goodwill as of the acquisition date.

Functional currency

Determination of an entity's functional currency involves judgment taking into account the transactions, events, and conditions relevant to each individual entity. Determination of functional currency involves evaluating evidence about the primary economic environment in which each entity operates and is re-evaluated when facts and circumstances indicate that conditions have changed.

Gaming Platform – Research versus development

In determining whether to capitalize the costs related to the development of the gaming platform, Management is required to make judgments about whether the development work qualifies as an asset; determining whether there is an identifiable asset which is expected to produce future benefits and being able to determine the cost of the asset reliably.

Alpha Esports Tech Inc.
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3. BASIS OF PRESENTATION (continued)

3.1 Significant judgments, estimates and assumptions (continued)

Critical Accounting Estimates

Income Taxes

The determination of income tax is inherently complex and requires making certain estimates and assumptions about future events. While income tax filings are subject to audits and reassessments, the Company has adequately provided for all income tax obligations. However, changes in facts and circumstances as a result of income tax audits, reassessments, jurisprudence and any new legislation may result in an increase or decrease in our provision for income taxes.

Valuation of equity consideration granted

The valuation of share consideration granted involves management judgment in determining the valuation of the share consideration granted. Judgment is exercised in assessing the fair value of the shares granted.

The fair value of equity instruments are subject to the limitations of the Black-Scholes option pricing model, as well as other pricing models that incorporate market data and involves uncertainty in estimates used by management in the assumptions. Because option pricing models require inputs of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

Estimated useful lives – tangible and intangible assets

Amortization of tangible assets is dependent upon estimates of useful lives based on management's judgment. Determination must be made by management whether the gaming platform or gaming license has an indefinite life or if not, management determines its lifespan. In management's view, the gaming platform and gaming license will have a finite life.

Impairment considerations and amortization of tangible assets, intangible assets, and goodwill

Goodwill impairment testing requires management to make critical estimates within the impairment testing model. On an annual basis, the Company tests whether goodwill is impaired.

Determining whether any charge to impairment against the Company's tangible and finite lived intangible assets requires management to estimate the recoverable amount, which is defined as the higher of fair value less the cost of disposal or value in use. Many factors used in assessing recoverable amounts are outside of the control of management and it is reasonably likely that assumptions and estimates will change from period to period. Impairment is reviewed on an annual basis or as events and conditions change.

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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3. BASIS OF PRESENTATION (continued)

3.1 Significant judgments, estimates and assumptions (continued)

The recoverable value of goodwill and tangible and intangible assets is determined using discounted cash flow models, which incorporate assumptions about future events including future cash flows, growth rates and discount rates.

3.2 Basis of Consolidation

These consolidated financial statements incorporate the financial statements of the Company and its controlled subsidiaries:

Subsidiary	Country	Ownership %
Esports Enterprises Inc.	USA - Delaware	100%
GamerzArena LLC	USA - Delaware	100%

Control exists when the parent company has the power, directly or indirectly, to govern the financial and operating policies of an entity to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany transactions and balances have been eliminated.

3.3 Foreign Currency Translation

The consolidated financial statements are presented in Canadian Dollars. Items included in the consolidated financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates.

The functional currency of the parent company is the Canadian Dollar. The functional currency of the subsidiaries is the US Dollar.

4. SIGNIFICANT ACCOUNTING POLICIES

These condensed interim consolidated financial statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company's audited annual financial statement for the fiscal year ended June 30, 2021.

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended September 30, 2021
(Expressed in Canadian Dollars)

5. SHARE CAPITAL

5.1 Authorized Share Capital

Unlimited number of Class “A” Common voting shares without par value
 Unlimited number of Class “B” Common non-voting shares without par value

5.2 Shares Issued

Common shares issued and outstanding as September 30, 2021 are 60,601,498 (June 30, 2021 – 60,306,498).

During the year ended June 30, 2021, the Company split its shares on the basis of two common shares for each outstanding common share. All common shares, warrants, and options in these condensed interim consolidated financial statements are stated post-split.

During the three months ended September 30, 2021, the Company issued common shares pursuant to RSRs exercised, as follows:

	Description	Number of shares issued	RSRs exercised	Exercise price	Fair value reclassified to share capital	Proceeds
September 2021	RSRs exercised	295,000	295,000	\$ Nil	\$ 271,400	\$ Nil

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

5.3 Warrants

A summary of the changes in the Company's share purchase warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2020	3,202,760	\$ 1.00
Issued	8,797,090	0.50
Balance, June 30, 2021	11,999,850	\$ 0.63
Cancelled	(2,322,760)	1.00
Balance, September 30, 2021	9,677,090	\$ 0.55

As of September 30, 2021, the following warrants were outstanding:

Number of Warrants	Exercise Price	Expiry Date
880,000	\$1.00	May 20, 2022
8,408,090	\$0.50	December 22, 2022
389,000	\$0.50	December 22, 2022
9,677,090		

As of September 30, 2021, the weighted-average remaining life of the outstanding warrants was 1.17 years.

On September 1, 2020, the Company issued an aggregate of 7,000,000 performance warrants to certain consultants as consideration for the performance of ongoing services. Each of the 7,000,000 performance warrants are exercisable to acquire one common share of the Company at a price of \$0.05 for a period of three years from the date of issuance, and will vest and become exercisable when the Company completes an acquisition of an accretive business or asset having a value of \$2,500,000 or greater either in a single or in a series of separate transactions in respect of which the vending party is identified and introduced to the Company by the holder of such performance warrants;

Management has applied vesting probability of 0% to the vesting of performance warrants and as a result no expense has been recorded to date.

At September 30, 2021, the following performance warrants were outstanding:

	Performance warrants	Exercise Price
June 30, 2020 and 2019	-	\$ -
Granted	7,000,000	0.05
Outstanding, September 30 and June 30, 2021	7,000,000	\$ 0.05
Vested	-	-
Exercisable, September 30 and June 30, 2021	-	\$ -

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

5.3 Warrants (continued)

Expiry date	Performance warrants outstanding	Performance warrants exercisable	Exercise Price
September 1, 2023	7,000,000	-	0.05
	7,000,000	-	\$ 0.05

At September 30, 2021, the weighted-average remaining life of the outstanding performance warrants was 1.92 years.

5.4 Options

During the year ended June 30, 2021, the Company amended its stock option plan. The amended plan states that the Company may issue up to 20% of the issued and outstanding common shares as incentive stock options, bonus shares, deferred share units, stock appreciation rights, performance share units and restricted share units to its employees, officers, directors and consultants. The stock option plan limits the number of incentive stock options which may be granted to any one individual to not more than 5% of the total issuance and outstanding common shares. The exercise price of any options granted is determined by the Board of Directors in its sole discretion as of the date of the grant, but cannot be less than the discounted market price on the date of grant. Vesting terms are also determined by the Board of Directors.

A summary of the changes in the Company's stock options is as follows:

	Options	Weighted Average Exercise Price
June 30, 2020 and 2019	-	\$ -
Granted	5,685,000	0.44
Exercised	(200,000)	(0.35)
Balance, September 30, 2021 and June 30, 2021	5,485,000	\$ 0.44

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended September 30, 2021
(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

5.4 Options (continued)

The Company's stock options as at September 30, 2021 are as follows:

Expiry date	Options outstanding	Options exercisable	Exercise Price
Options			
December 1, 2023	2,300,000	2,300,000	\$ 0.35
November 22, 2023	750,000	437,500	0.35
May 11, 2024	2,135,000	1,425,000	0.50
May 14, 2024	300,000	300,000	0.92
	5,485,000	4,462,500	\$ 0.44

At September 30, 2021, the weighted-average remaining life of the outstanding options was 2.36 years.

The fair value of options was determined using the following weighted average Black-Scholes Option Pricing Model assumptions:

	September 30, 2021
Share price	\$ 0.31 to 0.37
Exercise price	\$ 0.35 to 0.50
Expected life	2 to 3 years
Volatility	100%
Risk-free interest rate	0.30% to 0.96%

During the three months ended September 30, 2021, the Company recognized \$58,250 in share-based payment expense in connection with the options granted.

5.5 Restricted Share Units

During the three months ended September 30, 2021, the Company granted the following RSUs subject to certain performance and time-based vesting conditions to directors, officers, and consultants:

	RSUs
June 30, 2020	-
Granted	2,560,000
Outstanding, June 30, 2021	2,560,000
Exercised	(295,000)
Outstanding, June 30, 2021	2,265,000
Vested	1,170,000
Vested, September 30, 2021	1,620,000

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
For the three months ended September 30, 2021
(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

5.4 Restricted Share Units (continued)

During the three months ended September 30, 2021, the Company recognized \$950,291 in share-based payment expense in connection with the RSUs granted.

6. RELATED PARTY TRANSACTIONS AND BALANCES

Key management are those personnel having the authority and responsibility for planning, directing, and controlling the Company and include both executive and non-executive directors, and entities controlled by such persons. The Company considers all directors and officers of the Company to be key management personnel.

The aggregate value of transactions relating to key management personal were as follows:

	September 30, 2021	September 30, 2020
Management fees	\$ 63,196	\$ 121,450
Share-based payments	175,741	-
Total	\$ 238,937	\$ 121,450

As at September 30, 2021, \$111,994 (June 30, 2021 – \$73,500) was owing to key management personnel for fees and expenses incurred on behalf of the Company with these amounts all included in accounts payable. The amounts payable are non-interest bearing, are unsecured, and have no specific terms of repayment.

During the three months ended September 30, 2021, the CEO and director of the Company earned \$30,000 for interim CEO services provided (2020 - \$30,00).

During the three months ended September 30, 2021, the CFO of the Company earned \$18,000 for CFO services provided (2020 - \$18,000).

During the three months ended September 30, 2021, a former Director of the Company earned \$Nil for Director services provided (2020 - \$43,500).

Alpha Esports Tech Inc.
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7. GOODWILL

Esports Enterprises Inc.

On April 13, 2020, the Company acquired 100% of the shares of Esports for 5,046,462 Class A common shares of the Company with a fair value of \$924,056, escrowed as per the terms of the Agreement. The shares are subject to a 36 months leak-out beginning 6 months after the Company's shares are listed on a stock exchange and will be released in equal tranches every 6 months thereafter. The fair value of the shares issued as consideration has been adjusted for a discount for the leak-out provision. This transaction was accounted for as a business combination in accordance with IFRS 3 – Business Combinations, as such the Company used the acquisition method of accounting. The consideration paid in excess of the net assets of the acquired business was \$402,561 and is recognized in goodwill.

Consideration	
Common shares	\$ 924,056
Transaction costs	26,982
Total consideration	951,038
Fair value of net assets acquired	
Cash	1,318
Equipment	2,727
Gaming platform	627,000
Total assets	631,045
Accounts payable and accrued liabilities	(65,148)
Due from shareholder	(17,420)
Net assets acquired	548,477
Goodwill	\$ 402,561

Goodwill arose over the acquisition of Esports due to the benefit of expected revenue growth and future market developments. These benefits were not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions are expected to be deductible for tax purposes. All acquisitions were dealt with at arm's length at the time of transaction.

Alpha Esports Tech Inc.
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8. INTANGIBLE ASSETS

As of September 30, 2021, the Company holds the following intangible assets:

Gaming Platform

During the year ended June 30, 2020, the Company acquired the gaming platform as part of its acquisition of Esports (Note 8). The gaming platform provides a space for online gamers to watch and play alongside peers, while competing in tournaments to earn prizes. The gaming platform enables cross-platform competition while users are able to stream their live games for others to view around the world, giving casual gamers a look into the world of competitive esports.

Gaming License

On December 8, 2020, the Company entered into an asset purchase agreement with Paradise City Games Inc. (“Paradise City”), pursuant to which the Corporation acquired substantially all of the assets formerly held by Paradise City in exchange for 4,500,000 common shares. In particular, the Corporation acquired certain intellectual property assets and contracts with different movie studios, providing it the right to utilize such intellectual property for developing mobile games. The Corporation issued an additional 800,000 Common Shares to certain finders as finders’ fees. The Paradise City asset acquisition was completed on December 11, 2020. The shares issued in connection with the acquisition and finders’ fees were valued at \$1,388,023. The fair value of the 4,500,000 common shares was determined using a discount for lack of marketability model (“DOLM”), which discounts time-released common shares at rates between 20%-38% and a share price of \$0.35 per share.

The Company accounted for the acquisition as an asset purchase arrangement. The asset purchase price was as follows:

Consideration:	
Common shares	\$ 1,108,023
Finders’ fees	280,000
	<hr/>
	1,388,023
 Allocated to:	
Gaming rights	1,388,023
	<hr/>
	\$ 1,388,023

The gaming rights have an expected useful life of 3 years.

Alpha Esports Tech Inc.
Notes to the Condensed Interim Consolidated Financial Statements
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8. INTANGIBLE ASSETS (continued)

As at September 30, 2021, the Company's intangible assets are as follows:

Cost	Gaming platform	Gaming rights	Total
Balance, June 30, 2020	\$ 721,544	\$ -	\$ 721,544
Additions	211,844	-	211,844
Acquisition – December 11, 2020	-	1,388,023	1,388,023
Foreign currency translation	(41,131)	-	(41,131)
Balance, June 30, 2021	892,257	1,388,023	2,280,280
Additions	72,414	-	72,414
Foreign currency translation	11,037	-	11,037
Balance, September 30, 2021	\$ 975,708	\$ 1,388,023	\$ 2,363,731

Amortization	Gaming platform	Gaming rights	Total
Balance, June 30, 2021	\$ 126,289	\$ 347,007	\$ 473,296
Additions	48,785	115,669	164,454
Balance, September 30, 2021	\$ 175,074	\$ 462,676	\$ 637,750
Net, June 30, 2021	\$ 765,968	\$ 1,104,016	\$ 1,806,984
Net, September 30, 2021	\$ 800,634	\$ 925,347	\$ 1,725,981

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9. EQUIPMENT

Cost	
Balance, September 30 and June 30, 2021 and 2020	\$ 2,727
Accumulated Depreciation	
Balance, June 30, 2020	115
Additions	528
Balance, June 30, 2021	\$ 643
Additions	132
Balance, September 30, 2021	\$ 775
Foreign currency translation, June 30, 2021	(106)
Foreign currency translation, September 30, 2021	106
Net Book Value	
June 30, 2021	\$ 1,978
September 30, 2021	\$ 1,952

10. PREPAID EXPENSES

Prepaid expenses consist of the following:

	September 30, 2021	June 30, 2021
Shares/ RSRs issued for services rendered	211,138	335,118
Prepaid marketing	839,374	1,196,995
Sponsorships and other	-	6,360
Total	\$ 1,050,512	\$ 1,538,473

Alpha Esports Tech Inc.
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11. MANAGEMENT OF CAPITAL

The Company defines the capital that it manages as its cash and share capital.

The Company's objective when managing capital is to maintain corporate and administrative functions necessary to support the Company's operations and corporate functions; and to seek out and acquire new projects of merit.

The Company manages its capital structure in a manner that provides sufficient funding for operational and capital expenditure activities. Funds are secured, when necessary, through debt funding or equity capital raised by means of private placements. There can be no assurances that the Company will be able to obtain debt or equity capital in the case of working capital deficits.

The Company does not pay dividends and has no long-term debt or bank credit facility. The Company is not subject to any externally imposed capital requirements.

12. RISK MANAGEMENT

12.1 Financial Risk Management

The Company may be exposed to risks of varying degrees of significance which could affect its ability to achieve its strategic objectives. The main objectives of the Company's risk management processes are to ensure that risks are properly identified and that the capital base is adequate in relation to those risks. The principal risks to which the Company is exposed are described below.

a. Capital Risk

The Company manages its capital to ensure that there are adequate capital resources for the Company to maintain operations. The capital structure of the Company consists of cash and share capital.

b. Credit Risk

Credit risk is the risk that a counterparty will be unable to pay any amounts owed to the Company. The Company's cash is held in large Canadian financial institutions and its GST receivable is due from the Government of Canada. The Company also has promissory notes receivable. There is a risk that this amount will not be collectible due to unforeseen material events.

c. Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. As at September 30, 2021, the Company's working capital is \$1,261,047 (June 30, 2021 - \$2,378,453) and it does not have any long-term liabilities. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable to the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interests. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2021, the Company had cash of \$1,196,905 (June 30, 2021 - \$1,716,642), GST receivable of \$84,546 (June 30, 2021 - \$64,011) and total liabilities of \$1,070,916 (June 30, 2020 - \$940,673).

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12. RISK MANAGEMENT (continued)

12.1 Financial Risk Management (continued)

d. Market Risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is not exposed to these risks.

e. Currency Risk

The operating results and financial position of the Company are reported in Canadian dollars. As the Company is exploring opportunities in an international environment, some of the Company's financial instruments and transactions are denominated in currencies other than the Canadian dollar. The results of the Company's operations are subject to currency risk.

The Company has not entered into any agreements or purchased any foreign currency hedging instruments to hedge possible currency risks at this time. Management believes the foreign exchange risk derived from currency conversions is not significant, and therefore, does not hedge its foreign exchange risk.

The Company is exposed to currency risk through the following monetary assets and liabilities denominated in foreign currencies:

	September 30, 2021	June 30, 2021
Cash	USD\$ 14,477	19,950
Accounts payable and accrued liabilities	USD\$ (67,556)	(22,773)

Based on the above net exposure and assuming that all other variables remain constant a 10% change in the value of the foreign currencies against the Canadian dollar would result in an increase or decrease of \$6,000 (June 30, 2021 – \$1,000).

12.2 Fair Values

The carrying values of cash, receivables, promissory notes receivable, accounts payable and accrued liabilities and due from shareholder approximate their fair values due to their short-term to maturity.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices in markets that are not active, or inputs that are not observable, either directly or indirectly, for substantially the full term of the asset or liability.

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12. RISK MANAGEMENT (continued)

12.1 Financial Risk Management (continued)

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

13. COMMITMENT

On December 13, 2019, the Company partnered with Vancouver Whitecaps FC to become the club's official online esports tournament platform. Whitecaps FC and the Company will host online and live tournaments to scout talent for eMLS.

As consideration for the rights granted to sponsor in this agreement, the Company agreed to make the following payments over two three fiscal years:

2022	\$	250,000
2023		<u>71,429</u>
	\$	<u>321,429</u>

The Company continues to work towards a termination agreement with Vancouver Whitecaps FC.

14. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS

Significant non-cash transactions for the three months ended September 30, 2021 included:

- \$87,500 is recorded in consulting fees and \$58,333 is recorded in prepaid expense pursuant to 1,000,000 common shares issued for services rendered during the year ended June 30, 2021.
- \$63,095 is recorded in consulting fees and \$126,190 is recorded in prepaid expense pursuant to 757,143 RSRs issued for services rendered.

15. SUBSEQUENT EVENTS

On October 12, 2021, the Company entered into a definitive asset acquisition agreement and software services agreement with Gamesoft Ltd. for Heavy Chips Casino and Sports Betting, an online gaming casino website, for a total purchase price of \$300,000. The assets include an online gaming site www.heavychips.com, its database of registered users and affiliates and all intellectual property associated with these assets.

On November 2, 2021, the Company issued 48,000 common shares to settle \$16,000 in consulting services rendered.

The Company is in the process of completing a private placement for total proceeds of up to \$1,500,000 or 6,000,000 units at \$0.25 per unit. Each unit consists of one common share and one-half warrant, with each warrant being exercisable into one common share at a price of \$0.35 per warrant for a period of twenty-four months.

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15. SUBSEQUENT EVENTS (CONTINUED)

Subsequent to September 30, 2021, the Company granted 300,000 options to consultants at an exercise price of \$0.34 for a period of three years and granted 857,143 restricted units with vesting terms over the next 7 months.

Subsequent to September 30, 2021, the Company issued common shares, pursuant to RSRs exercised, as follows:

	Description	Number of shares issued	RSRs exercised	Exercise price	Proceeds
October 7, 2021	RSRs exercised	478,571	478,571	\$ Nil	\$ Nil
November 19, 2021	RSRs exercised	40,000	40,000	\$ Nil	\$ Nil