# GameOn Entertainment Technologies Inc.

## Consolidated Financial Statements
## Years ended December 31, 2022 and 2021

Expressed in Canadian Dollars

# Independent Auditor's Report

To the Shareholders of GameOn Entertainment Technologies Inc.:

## Opinion

We have audited the consolidated financial statements of GameOn Entertainment Technologies Inc. and its subsidiary (the "Company") , which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and the results of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

## 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 Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated 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.

## Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated consolidated financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2022 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key Audit Matter

A Key audit matter is a matters that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

**MNP LLP**
1122 International Blvd, 6th floor, Burlington ON, L7L 6Z8 T: 905.333.9888 F: 905.333.9583

*Assessment of Impairment of Goodwill*

*Key Audit Matter Description*

The Company performs impairment testing on an annual basis, or more frequently when events or changes in circumstances indicate that the carrying value of a cash generating unit ("CGU") might exceed its recoverable amount. The recoverable amount of an asset or group of assets is the greater of its value-in-use and its fair value less costs of disposal. The recoverable amount was determined using the fair value less cost of disposal method, which included using a discounted cash flow projection model. Management used key assumptions in the discounted cash flow projection model, which included forecasted operating results, long-term growth rates and discount rate. As a result of the Company performing an impairment test for goodwill, no impairment loss was identified. We identified the impairment of goodwill as a key audit matter due to the subjectivity and complexity involved in performing procedures to test key assumptions in determining the recoverable amount of the CGU, which involved significant judgment from management. Refer to Notes 4 and 5 to the consolidated financial statements for further details.

*Audit Response*

We responded to this matter by performing audit procedures in relation to the impairment of goodwill. Our audit work in relation to this included, but was not restricted to, the following:

- We evaluated the appropriateness of the fair value less cost of disposal method and discounted cash flow projections model;
- We evaluated the reasonability of the assumptions applied to key inputs, such as forecasted revenues, operating expenses, long-term growth rates and the discount rate used by management in the discounted cash flow projection model;
- With the assistance of internal valuation specialists, we evaluated the reasonableness of the Company's impairment model and the discount rate by comparing the Company's weighted average cost of capital against publicly available market data;
- We assessed the appropriateness of the disclosures relating to the assumptions used in the impairment assessment in the notes to the consolidated financial statements;
- Performed a sensitivity analysis on the model by modifying various inputs amd assessing the impact and the liklihood of the change; and
- We tested the mathematical accuracy of management's impairment model and support calculations.

## Other Matter

The consolidated financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those statements on April 27, 2022.

## Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company’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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated 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 consolidated 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 Company’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 Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Jaspreet Chahal.

MNP LLP

Burlington, Ontario

June 30, 2023

Chartered Professional Accountants

Licensed Public Accountants

GameOn Entertainment Technologies Inc.
Consolidated statements of financial position
(Expressed in Canadian dollars)

| | Note | | As at December 31, 2022 | | As at December 31, 2021 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash | 13 | $ | 21,424 | $ | 1,610,215 |
| Prepaids | 3 | | 11,470 | | 137,934 |
| Accounts receivable | 16 | | 45,382 | | 2,583 |
| Contract asset | 8 | | 390,340 | | - |
| Government sales tax receivable | | | 49,133 | | 43,637 |
| | | | 517,749 | | 1,794,369 |
| **Non-current assets** | | | | | |
| Advances | | | - | | 500 |
| Intangible assets | 4,5 | | 1,606,989 | | 941,000 |
| Goodwill | 4,5 | | 3,432,783 | | 3,432,783 |
| **TOTAL ASSETS** | | **$** | **5,557,521** | **$** | **6,168,652** |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Accounts payable | 6 | $ | 606,392 | $ | 110,775 |
| Accrued liabilities | 6 | | 146,435 | | 157,492 |
| Lines of credit | 7 | | 108,513 | | - |
| Deferred revenue | 8 | | 442,842 | | - |
| Income tax payable | 15 | | - | | 21,404 |
| Other payable | 10 | | 95,000 | | 95,000 |
| Contingent consideration payable | 6 | | 247,725 | | - |
| | | | 1,646,907 | | 384,671 |
| **Non-current liabilities** | | | | | |
| Loan payable | 9 | | 572,129 | | - |
| CEBA loan | 11 | | 49,245 | | 40,693 |
| **TOTAL LIABILITIES** | | | **2,268,281** | | **425,364** |
| **SHAREHOLDERS' EQUITY** | | | | | |
| Share capital | 12 | | 11,521,570 | | 11,076,287 |
| Reserves | 12 | | 6,118,280 | | 4,775,691 |
| Equity portion of convertible debentures | 6 | | 427,778 | | 427,778 |
| Deficit | | | (14,778,388) | | (10,536,468) |
| **TOTAL SHAREHOLDERS' EQUITY** | | | 3,289,240 | | 5,743,288 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **$** | **5,557,521** | **$** | **6,168,652** |

Nature of operations and going concern – Note 1
Subsequent events – Note 17

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

GameOn Entertainment Technologies Inc.
Consolidated statements of loss and comprehensive loss
(Expressed in Canadian dollars)

| | Note | | Years ended December 31, 2022 | | 2021 |
|---|---|---|---|---|---|
| **Revenue** | 8 | $ | 381,272 | $ | 12,664 |
| **Expenses** | | | | | |
| Amortization of intangible assets | 5 | | 123,267 | | 603,346 |
| Foreign exchange loss (gain) | | | 65,771 | | (13,280) |
| General and administration | | | 532,030 | | 447,711 |
| Interest and accretion | 7,9,11 | | 123,800 | | 326,517 |
| Investor relations | | | 181,527 | | 810,688 |
| Professional and consulting fees | 6,16 | | 1,124,824 | | 1,849,718 |
| Sales and marketing | | | 689,101 | | 800,243 |
| Share-based compensation | 12 | | 772,094 | | 2,668,707 |
| Transfer agent and regulatory fees | | | 40,281 | | 78,568 |
| Wages | 16 | | 1,012,494 | | 1,284,708 |
| Total expenses | | | (4,665,189) | | (8,856,926) |
| **Other Items** | | | | | |
| Gain on revaluation of contingent consideration | 4 | | 41,531 | | - |
| Gain on derivative liability | 10 | | - | | 27,008 |
| Gain on settlement of debt | 9 | | - | | 79,036 |
| Impairment of related party receivable | 6 | | - | | (1,710) |
| Impairment on investments | | | - | | (381,528) |
| Interest and other income | | | 466 | | 23 |
| | | | 41,997 | | (277,171) |
| Net loss before income taxes | | | (4,241,920) | | (9,121,433) |
| Income tax recovery | 15 | | - | | 50,784 |
| **Net loss and comprehensive loss for the year** | | **$** | **(4,241,920)** | **$** | **(9,070,649)** |
| **Loss per share - basic and diluted** | | **$** | **(0.07)** | **$** | **(0.16)** |
| **Weighted average number of common shares outstanding for the year - basic and diluted** | | | **64,583,322** | | **55,463,069** |

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

GameOn Entertainment Technologies Inc.
Consolidated statements of changes in shareholders' equity
(Expressed in Canadian dollars)

| | Note | Share Capital: Number of shares | Share Capital: Amount | Contributed Surplus | Warrants | Total Reserve | Equity portion of convertible debentures | Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at January 1, 2021** | | 43,483,298 | $ 4,587,636 | $ 670,693 | $ 5,179 | $ 675,872 | $ 199,703 | $ (1,465,819) | $ 3,997,392 |
| Shares issued for settlement of debt | 9,12 | 3,203,551 | 1,001,926 | - | - | - | - | - | 1,001,926 |
| Shares issued for private placement, net | 12 | 16,505,536 | 3,748,540 | - | 1,627,214 | 1,627,214 | - | - | 5,375,754 |
| Broker warrants issued for private placement | 12 | - | - | - | 81,690 | 81,690 | - | - | 81,690 |
| Shares issued for settlement of convertible debentures | 10 | 6,125,933 | 1,738,185 | - | - | - | (199,703) | - | 1,538,482 |
| Shares surrendered by Parent Company | 10 | (6,125,933) | - | - | - | - | - | - | - |
| Share-based payments | 12 | - | - | 1,800,360 | - | 1,800,360 | - | - | 1,800,360 |
| Warrants issued to settle consulting fees | 12 | - | - | - | 200,138 | 200,138 | - | - | 200,138 |
| Equity portion of convertible debt | 6 | - | - | - | - | - | 427,778 | - | 427,778 |
| Related party debt forgiveness, net | 6 | - | - | 390,417 | - | 390,417 | | | 390,417 |
| Net and comprehensive loss for the year | | - | - | - | - | - | - | (9,070,649) | (9,070,649) |
| **Balance at December 31, 2021** | | **63,192,385** | **$ 11,076,287** | **$ 2,861,470** | **$ 1,914,221** | **$ 4,775,691** | **$ 427,778** | **$ (10,536,468)** | **$ 5,743,288** |
| Shares issued on acquisition | 4,12 | 1,538,461 | 300,000 | - | - | - | - | - | 300,000 |
| Share-based payments | 12 | - | - | 772,094 | 218,670 | 990,764 | - | - | 990,764 |
| Share-based payments - convertible instrument | 12 | - | - | 497,108 | - | 497,108 | - | - | 497,108 |
| Shares issued on vested RSUs | 12 | 1,520,035 | 98,247 | (98,247) | - | (98,247) | - | - | - |
| Shares issued on CEO performance award | 12 | 1,045,250 | 47,036 | (47,036) | - | (47,036) | - | - | - |
| Net and comprehensive loss for the year | | - | - | - | - | - | - | (4,241,920) | (4,241,920) |
| **Balance at December 31, 2022** | | **67,296,131** | **11,521,570** | **3,985,389** | **2,132,891** | **6,118,280** | **427,778** | **(14,778,388)** | **3,289,240** |

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

GameOn Entertainment Technologies Inc.
Consolidated statements of cash flows
(Expressed in Canadian dollars)

| | Note | Years ended December 31, 2022 | 2021 |
|---|---|---|---|
| **Operating activities** | | | |
| Net loss for the year | | $ (4,241,920) | $ (9,070,649) |
| Adjustments for non-cash items: | | | |
| Amortization of intangible assets | | 123,267 | 603,346 |
| Foreign exchange (gain) loss | | 65,771 | (13,280) |
| Interest and accretion | | 123,800 | 326,517 |
| Share-based compensation | | 772,094 | 2,668,707 |
| Gain on revaluation of contingent consideration payable | | (41,531) | - |
| Gain on derivative liability | | - | (27,008) |
| Gain on settlement of debt | | - | (79,036) |
| Impairment of investments | | - | 381,528 |
| Changes in non-cash working capital items: | | | |
| Accounts receivable | | (42,299) | (2,583) |
| Prepaids | | 126,464 | (77,314) |
| Contract asset | | 42,799 | - |
| Government sales tax recoverable | | (5,496) | (34,406) |
| Accounts payable | | 495,617 | 58,545 |
| Accrued liabilities | | (11,057) | 100,721 |
| Deferred revenue | | 442,842 | - |
| Income tax payable | | (21,404) | - |
| Other payables | | - | (237,655) |
| **Net cash flows used in operating activities** | | (2,171,053) | (5,402,567) |
| **Investing activities** | | | |
| Proceeds from loan receivable | | - | 1,697,912 |
| Acquisition of Intellectual Property | | (200,000) | - |
| **Net cash flows (used in) provided by investing activities** | | (200,000) | 1,697,912 |
| **Financing activities** | | | |
| Payment to settle convertible note and derivative liability | | - | (103,132) |
| Payment to related party | | - | (174,918) |
| Proceeds from lines of credit | | 108,513 | - |
| Proceeds received from loan payable | | 716,003 | - |
| Interest payments on loan payable | | (42,254) | - |
| Proceeds received in advance of subscription receipt issuance | | - | 5,457,444 |
| **Net cash flows provided by financing activities** | | 782,262 | 5,179,394 |
| (Decrease) increase in cash | | (1,588,791) | 1,474,739 |
| Cash, beginning | | 1,610,215 | 135,476 |
| **Cash, ending** | | **$ 21,424** | **$ 1,610,215** |
| Supplemental non-cash activities: | **Note** | | |
| Issuance of shares to settle share consideration | 5 | $ - | $ 1,738,185 |
| Issuance of shares on acquisition of Intellectual Property | 5,12 | 300,000 | - |
| Issuance of shares for vested RSUs | 12 | 98,247 | - |
| Shares issued to settle debt | 12 | - | 1,001,926 |
| Shares issued for performance milestones | 12 | 47,036 | - |
| | | **$ 445,283** | **$ 2,740,111** |

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

## 1. Nature of Operations and Going Concern

GameOn Entertainment Technologies Inc. ("GameOn Entertainment" or "GameOn" or the "Company") was incorporated under the Business Corporation Act (British Columbia) on January 13, 2010. The Company was formerly incorporated as "V2 Games Inc." and changed names to "GameOn Entertainment Technologies Inc." on January 13, 2021. The Company is a Business-to-business ("B2B") web3 game technology company. The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary V2 Games USA Inc. ("V2 Games USA").

The Company's registered office and principal address is at Suite 401, 750 West Pender Street, Vancouver, British Columbia, V6C 2T7.

Prior to December 1, 2020, Victory Square Technologies Inc. ("VST") held 100% of the issued and outstanding shares of the Company. On June 1, 2021, the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol GET. As at December 31, 2022, VST holds 20.73% of the issued and outstanding shares of the Company (December 31, 2021 – 22.39%).

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2022, the Company had a working capital deficiency of $1,129,158 (December 31, 2021 – $1,409,698), an accumulated deficit of $14,778,388 (December 31, 2021 – $10,536,468). The continued operations of the Company are dependent upon its ability to generate future cash flows from revenues in the next fiscal year and/or obtain additional financing. As disclosed in Note 17, subsequent to year end, the Company closed a $1.85M round of financing. Management is of the opinion that sufficient funding and working capital has been obtained from this financing to meet the Company's liabilities and commitments as they become due. However, any additional future financing may not be at terms that are favourable to the Company. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future. These factors indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

## 2. Significant Accounting Policies

These consolidated financial statements were authorized for issue on June 30, 2023, by the directors of the Company.

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") as applicable to the preparation of annual consolidated financial statements.

b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its wholly-owned subsidiary V2 Games USA, which shares the same year end as the Company.

Intercompany transactions, balances, income and expenses, and gains or losses on transactions are eliminated on consolidation.

<u>Business combinations</u>

The Company uses the acquisition method to account for business combinations. This requires an entity to measure each identifiable asset and liability at fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. The purchase price

**2. Significant Accounting Policies (Continued)**

allocation involves judgment with respect to the identification of intangible assets acquired and estimates of the fair value of the assets acquired and liabilities assumed, including pre-acquisition contingencies and contingent consideration. Changes in any of the assumptions or estimates used to identify intangible assets acquired, determine the fair value of acquired assets and liabilities assumed, including pre-acquisition contingencies or contingent consideration, could affect the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Transaction costs incurred in a business combination are expensed.

The Company considers certain acquisitions to be asset acquisitions, on the assumption that there are no identifiable businesses acquired in the transaction. There is judgment involved in the determination of whether the acquisition involves assets or entire businesses. Direct transaction costs incurred in the acquisition of an asset, or a group of assets generally are a component of the consideration transferred and are capitalized as a component of the cost of the assets acquired and liabilities assumed. Where contingent consideration is included in an asset acquisition, the Company has adopted a policy choice to record a liability for any expected variable payments at the time the obligating event or related activity that gives rise to the variability occurs. Changes in the fair value of the contingent consideration upon recognition are recognized in profit or loss during the periods in which the obligating event occurs.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 4 and 5 for a description of the Company's annual impairment testing procedures.

c) Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for certain liabilities measured at fair value and are presented in Canadian dollars. Under IFRS, the US dollar is the functional currency of the Company and V2 Games USA, as this is the currency of the primary economic environment on which the Company operates.

d) Use of Estimates and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised and in any future years affected.

Significant areas requiring the use of estimates include the following:

Fair Value of Investments

The Company reviews its investments and records their fair value at each financial statement reporting date. For investments in public companies, fair value is determined based on the quoted market price.
For investments in private companies, certain subjective measures, including recent share transactions, prices for comparable entities, review of cash flow projections and the investee's prospects, financial ratios and discounted cash flows are techniques used to determine fair value. Where possible the Company uses inputs obtained from observable market data for its valuation models. However, if observable market data

**2. Significant Accounting Policies (Continued)**

is not available the Company uses judgment to determine fair value. The Company fully impaired its investment holdings in 2021 and has no new investments in the year ended December 31, 2022.

Long Lived Assets and Goodwill
The Company reviews its intangible assets and goodwill for impairment on an annual basis considering changes in the business. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount and an impairment loss is recognized.

Recognition and Valuation of Deferred Tax Assets
The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of estimation and judgment regarding the future financial performance or the timing of the reversal of the deferred tax liabilities of the particular legal entity in which the deferred tax assets have been recognized.

Judgments made by management in the application of IFRS that have a significant effect on the consolidated financial statements include the following:

Going Concern
Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its consolidated financial statements for the years ended December 31, 2022 and 2021. Management prepares the consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or has no realistic alternative but to do so. 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 year. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded the going concern basis of accounting is appropriate based on its profit and cash flow forecasts and access to replacement financing for the future twelve months.

Intangible Assets Acquired Through Acquisition

Initial Recognition of Intangible Assets
Determining whether or not the December 1, 2020, asset acquisition from GameOn App Inc. and the asset acquisition of InPlay Labs Ltd. (“InPlay”) (Note 4) constituted a business combination or acquisition of assets. At acquisition, GameOn App Inc. had licenses to develop and market their app as well as several key employees and contractors. As such the acquisition was considered a business combination and the fair value of the consideration paid was allocated to the identifiable assets acquired with the remaining value allocated to goodwill. At acquisition, InPlay constituted an asset acquisition as the fair value of the acquisition was concentrated in the developed software, which had no operating history. The fair value of the consideration was allocated to the intangible asset acquired. Included as consideration is an earn out

**2. Significant Accounting Policies (Continued)**

e) Financial instruments (continued)

clause valued based on the weighted probability of the resulting payout over 24 months. The fair value is estimated at the date of acquisition and at each reporting period.

Estimated Useful Life of Intangible Assets
The size of the Company's intangible assets makes the judgements surrounding the estimated useful lives critical to the Company's financial position and performance. The useful life of intangible assets relates to the future performance of the assets and management's judgement of the period over which economic benefit will be derived from the assets. The useful life is determined by management and is regularly reviewed for appropriateness. The amortization of Company's finite-life intangible assets begins when the assets are available for use. The useful life is based on historical experience with similar development costs as well as anticipation of future events which may impact their life such as changes in technology.

(i) Classification
The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt Instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on

an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement
Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of loss and comprehensive loss in the year in which they arise.

Debt investments at FVOCI
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in Other Comprehensive Income ("OCI"). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI
These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The Company has no financial assets classified as FVTOCI.

**2. Significant Accounting Policies (Continued)**

e) Financial instruments (continued)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. Gains and losses on derecognition are generally recognized in profit or loss.

f) Foreign Currency Translation

These consolidated financial statements are presented in Canadian dollars. At the time of financial reporting the following conversion methods are used:

*Translation of Foreign Currency Transactions*

At each statement of financial position date, foreign currency monetary items are translated to reflect the exchange rate at the statement of financial position date. Non-monetary items measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Exchange differences are recorded in the consolidated statement of loss and comprehensive loss.

*Translation of Foreign Operations*

The financial results and position of foreign operations whose functional currency is different from the Company's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date; and
- income and expenses are translated at average exchange rates for the year.

**2. Significant Accounting Policies (Continued)**

f) Foreign Currency Translation (Continued)

Exchange differences arising on translation of foreign operations are recognized in other comprehensive income (loss) and recorded in the Company's foreign currency translation reserve in equity. These differences are recognized in the profit or loss in the year in which the operation is disposed.

g) Income Tax

*Current Income Tax*

Current income tax assets and liabilities for the current year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date. Current income tax relating to items recognized directly in other comprehensive income (loss) or equity is recognized in other comprehensive income or equity and not in the statement of loss and comprehensive loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

*Deferred Income Tax*

Deferred income tax is provided using the balance sheet method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. The carrying amount of deferred income tax assets is reviewed at the end of each reporting year

and recognized only to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting year. Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

h) Impairment of Non-financial Assets

The carrying amount of the Company's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the consolidated statement of comprehensive loss. The recoverable amount of assets is the greater of an asset's fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to

**2. Significant Accounting Policies (Continued)**

h) Impairment of Non-financial Assets (Continued)

an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

i) Income (Loss) per Share

Basic income (loss) per share is computed using the weighted average number of common shares outstanding during the year. The treasury stock method is used for the calculation of diluted income (loss) per share, whereby all "in the money" stock options and share purchase warrants are assumed to have been exercised at the beginning of the year and the proceeds from their exercise are assumed to have been used to purchase common shares at the average market price during the year. When a loss is incurred during the year, basic and diluted loss per share are the same as the exercise of stock options and share purchase warrants is considered to be anti-dilutive.

j) Revenue Recognition

Revenue from Contracts with Customers
IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Company determines the amount of revenue to be recognized through application of the following steps:

- Identification of the contract, or contracts with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the Company satisfies the performance obligations.

The Company generates its revenue from the following sources:

<u>Set up and licensing revenue</u>
The Company generates setup fees and monthly licensing fees on executed Product License and Sales Agreements ("PLSA") with B2B partners. The PLSAs contain essentially two deliverables, being the set-up or customization service needed to prepare the partnering brand's launch on the platform, and the monthly access to the platform subsequent to launch. The PLSA term is based on a fixed term coinciding with a specific event or over a fixed period of time typically expressed in months and generally contain an option to renew. The configuration fee is non-refundable. The non-refundable set up fee and monthly license fee are accounted for as one combined product, with one performance obligation recognized over the initial license term.

<u>Sponsorship</u>
The Company received consideration for providing corporate sponsorship sales services to a PLSA partner under a separate sponsorship sales agreement, based on a fixed amount of consideration per month of service. Sponsorship revenue is recognized over the sponsorship term.

**2. Significant Accounting Policies (Continued)**

j) Revenue Recognition (Continued)

Deferred and unbilled revenue

Deferred revenue consists of monthly licensing fees prepaid in advance of month of service and the unearned portion of set up fees. The consideration for set up fees, received in the form of an upfront non-refundable fee, is recognized over the term of the ensuing license. Contract costs are typically expensed as incurred. Contract costs (unbilled revenue) are deferred if the costs are expected to be recoverable and if either of the following criteria is met:

- The costs of obtaining the contract are incremental or explicitly chargeable to the customer
- The fulfillment costs relate directly to the contract or anticipated contract and generate or enhance the Company's resources that will be used in satisfying performance obligations in the future

Deferred contract costs are included in the consolidated statements of financial position and amortized over the period of which the related revenue is recognized. Amortization of deferred contract costs is included in cost of sales in the consolidated statements of loss and comprehensive loss.

k) Comprehensive Income (Loss)

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, circumstances from sources other than the Company's shareholders and includes items that are not included in the consolidated statement of loss and comprehensive loss. For the years ended December 31, 2022, and 2021, the Company did not have any items recognized as other comprehensive income (loss).

l) Share-based payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. The corresponding amount is recorded to reserves. The fair value of options is determined using a Black–Scholes pricing model, or other appropriate valuation models, which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting year such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Vesting conditions are determined by the Board of Directors.

m) Government Grants

Loans received in the form of government grants are recognized initially at fair value, with the difference between the fair value of the loan based on prevailing market interest rates and the amount received recorded as a government grant gain in the consolidated statements of loss and comprehensive loss.

n) Recent Accounting Pronouncements

As the date of authorization of these consolidated financial statements, certain new standards and amendments to existing standards have been published by the IASB that are not yet effective and have not been adopted early by the Company. Management anticipates that all relevant pronouncements will be

**2. Significant Accounting Policies (Continued)**

n) Recent Accounting Pronouncements (Continued)

adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

*IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgments*
Amendments to IAS 1 were incorporated into Part I of the CPA Canada Handbook – Accounting by the Accounting Standards Board (AcSB) in June 2021. The amendments help entities provide accounting policy disclosures that are more useful to primary users of financial statements by:

- Replacing the requirement to disclose "significant" accounting policies under IAS 1 with a requirement to disclose "material" accounting policies. Under this, an accounting policy would be material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that primary users of general-purpose financial statements make on the basis of those financial statements.
- Providing guidance in IFRS Practice Statement 2 to explain and demonstrate the application of the four-step materiality process to accounting policy disclosures.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of these amendments on its financial statements. Additionally, for annual periods beginning on or after January 1, 2024, the AcSB recently amended IAS 1 regarding the presentation of current versus long-term liabilities by:

- Removing the requirement for a liability to be reported as current when a company does not have an unconditional right to defer settlement for at least 12 months after the reporting date. The Standard now requires that a right to defer settlement must exist at the reporting date and have substance.

*IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*
Amendments to IAS 8, issued in February 2021, introduces a new definition of "accounting estimates" to replace the definition of "change in accounting estimates" and also include clarification intended to help entities distinguish changes in accounting policies from changes in accounting estimates.

The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently assessing the impact of these amendments on its financial statements.

*IAS 12 Income Taxes*
Amendments to IAS 12, issued in May 2021, narrow the scope of the recognition exemption to require an entity to recognize deferred tax on initial recognition of particular transactions, to the extent that transaction gives rise to equal taxable and deductible temporary differences. These amendments apply to transactions for which an entity recognizes both an asset and liability, for example leases and decommissioning liabilities.

The amendments are effective for annual periods beginning on or after January 1, 2023.

New standards, interpretations and amendments not adopted are not expected to have a material impact on the Company's consolidated financial statements.

(Expressed in Canadian dollars)

**3. Prepaids**

Prepaids consist of the following:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Marketing fees | $ - | $ 74,126 |
| Consulting | - | 24,400 |
| Insurance | - | 28,687 |
| Transfer agent | 11,470 | 10,721 |
| Total prepaids | $ 11,470 | $ 137,934 |

**4. Acquisitions**

InPlay FanClash

On February 4, 2022, pursuant to an asset purchase agreement (the "APA"), the Company completed its acquisition of certain assets of real-time fantasy technology, FanClash, from London-based Inplay Labs ("Vendor") for aggregate consideration of $500,000 (the "Upfront Purchase Price"). The Upfront Purchase Price is payable as follows: (i) $200,000 in cash on the date of closing of the Transaction (the "Closing Date"), and (ii) 1,538,461 common shares of the Company ("GameOn Shares") with an aggregate value of $300,000 at a fair value of $0.195 per GameOn Share, which such shares are subject to securities law mandated hold period lasting until June 5, 2022 and contractual escrow with tranched release over a period of 24 months.

In addition to the Purchase Price, subject to applicable laws and approval of the CSE, GameOn has agreed to pay the Vendor up to $500,000, subject to and upon the achievement of certain performance milestones, payable through the issuance of that number of GameOn Shares being equal to a fraction, the numerator of which is $50,000 dollars, and the denominator of which is the greater of (i) the trading volume weighted average trading price of the GameOn Shares as quoted on the CSE, calculated by dividing the total value by the total volume of GameOn Shares traded for the period ending 10 CSE trading days prior to the date of the satisfaction of the performance milestone and (ii) the lowest price permissible under the rules and policies of the CSE. The contingent consideration was valued at $289,256 at the date of acquisition based on the weighted probability of the payout at that point in time. The fair value of the contingent consideration was revalued at December 31, 2022 based on a revised estimate of aggregated payouts and is recorded as a gain on revaluation of contingent consideration in the consolidated statement of loss and comprehensive loss.

GameOn App

On December 1, 2020, the Company entered into an agreement to acquire the assets of GameOn App Inc. for 15,199,985 common shares with a fair value of $3,799,996, representing 35.2% of the outstanding common shares of the Company. Share issuance costs of $210,000 were recognized. In addition, the Company agreed to assume USD $274,400 in liabilities of GameOn App Inc. and agreed to issue the CEO of GameOn App Inc., a convertible note in the amount of USD $92,000 ($119,159) (Note 10) maturing on December 1, 2022. The convertible note is convertible into common shares at the option of the holder at a conversion price of $0.25 per common share. Certain contingent share consideration was also included in the purchase price.

These contingent shares were to be issued on the event of the Company going public but was settled prior the event (Note 10). The transaction closed on December 31, 2020. During the year ended December 31, 2021, the Company issued 600,000 shares related to the contingent consideration with a fair value of $104,542 being assigned to the shares issued. The acquisition was treated as a business combination. In accordance with IFRS 3 Business Combinations, the fair value of the common shares in excess of the fair value of the identifiable assets and liabilities acquired was recognized as goodwill.

(Expressed in Canadian dollars)

## 4. Acquisitions (Continued)

The acquisitions were recorded as follows:

| | | Acquisition of GameOn App Inc. | | Acquisition of FanClash |
|---|---|---|---|---|
| Fair value of consideration | | | | |
| Cash | $ | - | $ | 200,000 |
| Common shares (Note 12) | | 3,799,996 | | 300,000 |
| Convertible note | | 119,159 | | - |
| Contingent shares - earn out | | - | | 289,256 |
| Bonus share consideration (Note 12) | | 104,542 | | - |
| | | 4,023,697 | | 789,256 |
| Assets and liabilities acquired | | | | |
| Intellectual property (Note 6) | | 941,000 | | 789,256 |
| Assumed liabilities | | (350,086) | | - |
| Goodwill | $ | 3,432,783 | $ | - |
| Net assets acquired | $ | 590,914 | $ | 789,256 |
| Goodwill | | 3,432,783 | | - |
| | $ | 4,023,697 | $ | 789,256 |

On December 1, 2020, in concurrence with the closing of the asset purchase agreement, the Company signed an employment agreement with the CEO of GameOn App Inc. to become the CEO of the Company. In addition to the regular annual salary, the CEO was also granted 2,000,000 common shares to be issued in tranches upon the achievement of certain performance milestones. Further, a contractual right for the issuance of warrants equal to $150,000 divided by the share price at the date of listing on the CSE, with each such warrant exercisable to acquire one common share for a period of 1 year from the grant date, at a price per share of $0.04 and vesting as follows: 10% on the grant date; 25% on the date that is 4 months following the grant date; 25% on the date that is 8 months following the grant date; and 40% on the date that is 12 months following the grant date. As the price per shares on the date of listing on the CSE was $0.25, the CEO received 600,000 bonus warrants at fair value of $113,307 (Note 12).

On June 1, 2021, the Company completed its listing on the CSE and, following the terms of the employment agreement, the CEO received a USD $100,000 (CAD $120,400) cash bonus and $150,000 in CEO bonus warrants (Note 12).

## 5. Intangible Assets and Goodwill

Intangible Assets

Intangible assets consist of the core GameOn application and FanClash acquisitions described in Note 4. All finite-lived intangible assets are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. Indefinite life assets are not amortized but are tested for impairment annually. Both the GameOn app and the FanClash property acquired from InPlay are amortized on a straight-line basis over 10 years.

(Expressed in Canadian dollars)

**5. Intangible Assets and Goodwill (Continued)**

| | | GameOn App | | FanClash | | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| Balance, January 1, 2022 and 2021 | $ | 941,000 | $ | - | $ | 941,000 |
| Additions (Note 4) | | - | | 789,256 | | 789,256 |
| Balance, December 31, 2022 | | 941,000 | | 789,256 | | 1,730,256 |
| Accumulated Amortization: | | | | | | |
| Balance, January 1, 2022 and 2021 | $ | - | $ | - | $ | - |
| Amortization | | 94,100 | | 29,167 | | 123,267 |
| Balance, December 31, 2022 | $ | 94,100 | $ | 29,167 | $ | 123,267 |
| Net Book Value, December 31, 2022 | $ | 846,900 | $ | 760,089 | $ | 1,606,989 |
| Net Book Value, December 31, 2021 | $ | 941,000 | $ | - | $ | 941,000 |

Goodwill

Goodwill calculated on the GameOn App Inc. acquisition represents the expected synergies from combining the operations of GameOn App Inc. with those of the Company, revenue growth, future market development and customer relations. These benefits are not recognized separately from goodwill since the resulting economic impact cannot be measured reliably. Goodwill is non-deductible for tax purposes. For the purpose of annual impairment testing, goodwill is allocated to the operating segments, or cash-generating units ("CGU"), expected to benefit from the synergies of the business combinations in which the goodwill arises. The Company has identified one CGU, being the GameOn application. The Company tests the CGU annually for impairment, or more frequently if there is an indication that a CGU to which goodwill has been allocated may be impaired. The recoverable amount of a CGU is the higher of the CGU's fair value less cost of disposal ("FVLCD") and its value-in-use. FVLCD is determined based on an implied enterprise value calculation using a market capitalization approach. Value-in-use is calculated using a discounted cash flow analysis based on detailed forecasts provided by management to estimate enterprise value.

The Company performed an impairment calculation of goodwill based on a calculated recoverable amount using a discounted cash flow methodology. Key assumptions used in the impairment calculation were long term revenue growth rates and the discount rate of 3.0% and 26.0% to 28.0% respectively. A 2% change in the discount rate does not result in impairment.

Furthermore, the Company reviewed the implied enterprise value from a combination of market capitalization, term sheets, and the financing raise described in Note 17 and concluded that the FVLCD implied would not result in a different conclusion from the calculated described above.

**6. Related Party Transactions**

The Company has several agreements with various related parties for services. The transactions were entered into based on terms equivalent to those in an equivalent arm's length transaction for consulting and executive services provided. The Company's key management personnel have authority and responsibility for overseeing, planning, directing, and controlling the activities of the Company and consist of the Company's executive leadership team.

(Expressed in Canadian dollars)

**6. Related Party Transactions (Continued)**

During the year ended December 31, 2022, and 2021, the Company entered into the following transactions with related parties:

| | | December 31, 2022 | | December 31, 2021 |
|---|---|---|---|---|
| Professional and consulting fees | $ | 188,253 | $ | 203,265 |
| Executive and director compensation | $ | 309,840 | $ | 545,495 |
| Share-based compensation to related parties | $ | 174,767 | $ | 1,099,298 |

**Related Party Balances**

As at December 31, 2022, the Company has $222,648 (December 31, 2021 - $84,685) due to related parties included in accounts payable and accrued liabilities. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The fair value of contingent share consideration of $247,725 as at December 31, 2022 (December 31, 2021 - $Nil) is classified as contingent consideration payable and is owed to the former principal of InPlay Labs, who is now a shareholder of the Company and engaged as a senior consultant.

During the year ended December 31, 2021, the Company impaired $1,710 of related party receivables due to management's assessment that the amounts would not be collected.

During the year ended December 31, 2021, the Company and its former parent company, VST, entered into an agreement to convert previously received funds into a $1,400,000 convertible promissory note. The note is non-interest bearing and convertible to shares of the Company at a price of $0.25 for 2 years. The face value of the note was discounted using the Company's cost of borrowing of 20% over 2 years, which resulted in $427,778 being allocated to equity, for the conversion feature. The Company recorded accretion on the convertible promissory note of $205,099 during the year ended December 31, 2021.

At December 31, 2021, management of VST and the Company agreed to settle all intercompany balances with no consideration exchanged, including the balance of the convertible promissory note with carrying value of $1,177,321 due to VST, receivable balances from VST for $1,864,513 and $413,222 balances due to VST. The net amount of $273,970 was included in Contributed Surplus.

At December 31, 2021, management of Draft Label Technologies ("DLT"), a subsidiary of VST, and the Company agreed to settle all intercompany balances with no consideration exchanged. In total, $103,816 owing from DLT and $7,977 owing to DLT were forgiven and recorded in Contributed Surplus.

At December 31, 2021, management of XR Immersive Tech Inc. ("XRI"), a subsidiary of VST, and the Company agreed to settle all intercompany balances with no consideration exchanged. In total, $542,383 owing to XRI was forgiven and recorded in Contributed Surplus.

**Related Party Loans**

During the year ended December 31, 2021, Limitless Technologies Inc., a Company with common ownership, forgave a debt for the amount of $202,844 to the Company and the CEO of VST also forgave a debt to the Company for the amount of $15,000. The forgiveness of these debts was also recorded in Contributed Surplus. During the year ended December 31, 2021, the Company recorded a net increase to contributed surplus of $390,417 resulting from the net reversal of all related party balances.

(Expressed in Canadian dollars)

## 7. Lines of credit

The Company has two lines of credit, one of which was entered into by V2G USA Inc.

The Company's first line of credit is a revolving unsecured loan with a Canadian chartered bank, is due on demand and bears interest at the bank's prime rate plus 1%. The line of credit has a borrowing limit of $15,000. As at December 31, 2022, the Company had drawn down $11,750 (December 31, 2021 - $Nil) with accrued interest of $30 in accrued liabilities.

The Company's second line of credit is a revolving secured loan with a US bank, is repayable in monthly instalments, bears interest at 2.73% per month, and is scheduled to be repaid in one year from the initial advance date of December 19, 2022. The loan is secured with a pledge of collateral including all current and future assets of the Company. The line of credit's borrowing is USD $75,000. As at December 31, 2022, the Company has drawn USD $75,000 ($96,762) with accrued interest of $2,784 in accrued liabilities (December 31, 2021 - $Nil).

Included in interest and accretion expense is accrued interest on lines of credit and other interest in the amount of $7,416 (December 31, 2021 - $Nil).

## 8. Revenue

Disaggregation of revenues

| | | 2022 | | 2021 |
|---|---|---|---|---|
| License fees | $ | 226,458 | $ | - |
| Setup fees | | 138,397 | | - |
| Sponsorship | | 11,633 | | - |
| Other | | 4,784 | | 12,664 |
| | $ | 381,272 | $ | 12,664 |

Contract balances

The following tables provides information about receivables, unbilled revenues and deferred revenues (contract liabilities) from contracts with customers:

| | | 2022 | | 2021 |
|---|---|---|---|---|
| Accounts receivable | $ | - | $ | - |
| Unbilled revenue | | 390,340 | | - |
| Deferred revenue | | (442,842) | | - |
| Net contract balances | $ | (52,502) | $ | - |

Revenue consists of fees from services provided to B2B partners and are primarily earned from customers in the US. The Company had five customers individually over 10% of annual consolidated revenue for the year ended December 31, 2022.

## 9. Loan Payable

On July 8, 2022, the Company closed the issuance of a Promissory Note in exchange for $550,000 USD. The Noteholder is a Venture Capital firm. The Note bears interest at the simple non-compounding rate of 14% per annum payable monthly and matures on the 18-month anniversary of the date of issuance. Until repayment of Principal, the Company may not make any distributions or management fees to any equity holders or management. The debt is secured against the monthly recurring revenue of the Company and ranks senior to all existing or future debt obligations of the Company.

## 9. Loan Payable

In connection with the Promissory Note, the Company issued 5,683,533 warrants to the Principal of the Noteholder (Note 12). The exercise price of the warrants is $0.06 and expires on the second anniversary of the Issue Date. The fair value of the lender warrants less allocated direct costs was $218,669 and is deducted from proceeds of the Loan Payable.

Interest and accretion expense are being recognized over the loan period, with a total of $107,832 (December 31, 2021 - $Nil), being recognized as interest and accretion expense, inclusive of $42,254 ($32,083 USD) in cash interest paid during the year ended December 31, 2022. The resulting carrying value of the Loan Payable is $572,129 ($422,423 USD) as at December 31, 2022 (December 31, 2021 - $Nil).

In connection with the Promissory Note, the Company executed a consulting agreement wherein the Company agreed to issue 1,250,377 restricted share units ("RSUs") vesting in two equal instalments on the first- and second-month anniversary of the agreement (Note 12).

On January 15, 2021, the Company settled a previous loan payable through the issuance of 916,702 shares with a value of $229,175 (Note 12). For the year ended December 31, 2021, a gain on settlement of debt of $65,902 was recognized. Together with $13,134 in forgiven amounts owing to several unrelated parties, the total gain on settlement of debt was $79,036.

## 10. Convertible Debentures

On May 10, 2019, the Company issued convertible debentures for gross proceeds of $1,319,000. The debentures bear interest at 8% and are convertible into common shares of the Company at a price of $0.25 per share. If not converted into shares, the debentures are repayable by May 10, 2021. Issue costs of $88,618, including finders' warrants with a fair value of $5,179, were incurred in connection with the debentures.

The debentures were initially recorded at a fair value of $1,104,914 less issue costs of $74,235 for a net value of $1,030,679. The equity component of the debentures was recorded at a value of $214,086 less issue costs of $14,383 for a net value of $199,703. The equity component of $199,703 was reclassified to share capital for the year ended December 31, 2021, on the conversion of the loan to shares.

For the period up to May 14, 2021, the Company recorded interest and accretion of $90,610 on the debentures. On May 14, 2021, the balance of convertible debentures of $1,538,482 was converted into 6,125,933 common shares (Note 12).

During the year ended December 31, 2020, the Company received a $95,000 deposit in connection with the convertible debenture financing for which a convertible debenture was not formally issued. The deposit is reflected as Other payable on the statement of financial position. The balance is unsecured and due on demand.

Convertible Note

On May 19, 2021, a now extinguished convertible note was settled via payment of USD $92,000 or CAD $103,132. For the year ended December 31, 2021, the Company recognized a gain on derivative liability of $27,008 and accretion on the convertible note of $23,540.

## 11. CEBA Loan

The Canadian Emergency Business Account (CEBA) loan originally launched on April 9, 2020, and was intended to support businesses during the COVID-19 pandemic. The value of the government loan received at below market rate of interest is treated as a government grant. The loan was recognized at fair value using the Company's incremental borrowing rate of 20%. The difference between this discounted value of $21,074 and the proceeds received of $40,000 was recognized as a gain on CEBA loans of $18,926. On December 4, 2020, the CEBA program was expanded, and the Company received an additional $20,000 in funds on December 31, 2020. This amount was discounted to a present value of $11,193 and an additional $8,807 gain was recognized. The full value of the grant has been spent in the course of business operations and accordingly the gain has been recognized in other income.

The additional funds of $20,000 are forgivable if the original $40,000 loan is repaid on or prior to December 31, 2023. The outstanding balance as of January 1, 2024, accrues interest at 5% per annum and matures on December 31, 2025.

For the year ended December 31, 2022, the Company recognized accretion on the CEBA loan of $8,552 (December 31, 2021 - $7,067) for an ending balance of $49,245 (December 31, 2021 - $40,693).

## 12. Share Capital

**Authorized Share Capital**

Unlimited common shares without par value.

**Issued Share Capital**

As at December 31, 2022 there were 67,296,131 common shares outstanding (December 31, 2021 – 63,192,385).

*Shares issued during the year ended December 31, 2022*

On February 4, 2022, as part of the consideration for the acquisition of the intellectual property for Inplay Labs, the Company issued 1,538,461 common shares to the Vendor with a fair value of $300,000 (Note 4).

During the year ended December 31, 2022, the Company issued a total of 269,658 restricted share units ("RSUs") to an employee and consultants. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these RSUs was $31,469 (December 31, 2021 - $Nil).

On July 8, 2022, in connection with the loan payable (note 9), the Company executed a consulting agreement wherein the Company issued 1,250,377 RSUs vesting and issued in two equal instalments on the first- and second-month anniversary of the agreement. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these RSUs was $75,023 (December 31, 2021 - $Nil).

On October 18, 2022, the Company issued 1,045,250 shares to the CEO in connection with an equity-based performance awards plan based on the achievement of agreed to metrics. Total share-based compensation recorded for the year ended December 31, 2022, in relation to the performance-based share plan was $65,975 (December 31, 2021 - $47,750).

*Shares Issued during the year ended December 31, 2021*

On January 15, 2021, the Company issued 916,702 shares at a fair value of $229,175 to settle a loan payable (Note 9).

On May 14, 2021, the Company issued 6,125,933 common shares, at a deemed price of $0.25 per share or $1,538,482, on conversion of the convertible debentures. VST surrendered 6,125,933 common shares for $Nil consideration on this date and therefore the net impact to share capital on this date was no change in the

**12. Share Capital (Continued)**

number of common shares outstanding but an increase in the value of share capital of $1,538,482. On the conversion of the debentures, $199,703 was reclassified from equity portion of convertible debenture to share capital.

On March 11, 2021, the Company issued 16,505,536 subscription receipts at a price of $0.35 per unit for gross proceeds of $5,776,938. On May 26, 2021, the subscription receipts were automatically converted into 16,505,536 common shares at a price of $0.25 and 8,252,776 warrants and 375,103 broker warrants. These warrants are exercisable for one common share of the Company at an exercise price of $0.52 for 2 years. Under the residual value method, these subscription warrants were valued at $1,650,554. The fair value of the broker warrants was calculated to be $81,690, which was accounted for as share issuance costs and allocated between share capital and reserves as $58,350 and $23,340 respectively. Share issuance costs $319,494 were deducted from subscription proceeds.

On June 7, 2021, the Company issued 791,000 common shares to the CEO at a fair value of $152,292. Of the total, $47,750 was recorded as share-based compensation in relation to the achievement of performance-based milestones and $104,542 as the settlement of contingent share consideration. Additional stock-based compensation of $218,719 was recognized related to the fair value of the remaining shares expected to be issued to the CEO in relation to the same achievement of performance-based milestones.

On June 8, 2021, the Company issued 840,386 common shares at a fair value of $382,376 for consulting services incurred during the year ended December 31, 2021, which was recorded as share-based compensation.

On June 28, 2021, the Company issued 400,000 common shares at a fair value of $164,000 for consulting services incurred during the year ended December 31, 2021, which was recorded as share-based compensation.

On September 21, 2021, the Company issued 255,463 common shares at a fair value of $74,083 for consulting services incurred during the year ended December 31, 2021, which was recorded as share-based compensation.

**Reserve**

*Contributed surplus*

The contributed surplus reserve records items recognized as share-based payments expense.

*Warrants*

The warrant reserve records the fair value of warrants issued as part of financing transactions and for services.

**Stock Options**

Each stock option issuance has vesting terms that vary with each individual optionee, with a portion of the options granted vesting immediately at grant date, in some issuances, and the balance vesting in equal tranches quarterly or another periodic interval.

*Stock options granted during the year ended December 31, 2022*

On January 13, 2022, the Company granted 54,627 stock options to an employee exercisable at $0.22 for two years. The grant date fair value was $8,726. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $8,084 (December 31, 2021 - $Nil).

On April 7, 2022, the Company granted 1,248,861 stock options to employees, a consultant and a director exercisable at $0.16 for two years. The grant date fair value was $146,037. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $128,057 (December 31, 2021 - $Nil).

**12. Share Capital (Continued)**

On June 29, 2022, the Company granted 3,279,522 stock options to consultants, employees, and advisors exercisable at $0.10 for two years. The grant date fair value was $245,631. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $233,847 (December 31, 2021 - $Nil).

On October 18, 2022, the Company granted 2,124,184 stock options to two employees, a director, and an advisor exercisable at $0.10 for two years. The grant date fair value was $99,975. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $75,623 (December 31, 2021 - $Nil).

On November 8, 2022, the Company granted 292,350 stock options to an employee and a consultant exercisable at $0.10 for two years. The grant date fair value was $13,769. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $8,251 (December 31, 2021 - $Nil).

On December 13, 2022, the Company granted 292,350 stock options to an employee and a consultant exercisable at $0.10 for two years. The grant date fair value was $110,345. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $115,458 (December 31, 2021 - $Nil).

On January 4, 2022, the Company closed on the issuance of a $2,541,600 (USD $2,000,000) non-interest bearing, unsecured convertible note to BCCL Worldwide Inc ("BWI"). The note matures on the twelve-month anniversary of the closing date, at which point the note will automatically convert into common shares of the Company based on dividing the Canadian dollar converted principal amount by the lower of several amounts as contemplated in the agreement and permissible pursuant to the policies of the CSE. In connection with the offering, the Company granted additional purchase rights for additional common shares at specified intervals starting in the third quarter of 2023. In connection with the offering, the Company agreed to use the entire proceeds for marketing related expenditures with BWI as per the terms of an Advertising Agreement closed in concurrence with the convertible note agreement. The transaction was recorded as a share-based payment transaction based on the fair value of the market credits received. The marketing credits were initially recognized as a prepaid asset and expensed as used throughout the year.

On December 6, 2022, the Company executed an amendment to the agreement with BWI wherein the parties agreed to offset an amount equal to $2,044,492 (USD $1,612,351) of the principal amount of the Note by surrendering for cancellation an equivalent amount of unused media credits issued to the Company under the Advertising Agreement. The amendment agreement was accounted for as a reduction of the related prepaid and equity reserve. The maturity date of the amended convertible instrument of $497,108 (USD $387,649) was extended to the 36-month anniversary of the original Note, being January 4, 2025, at which point the note will automatically convert into common shares of the Company. As at December 31, 2022, there is no additional unused marketing credits.

*Stock options granted during the year ended December 31, 2021*

On February 10, 2021, the Company granted 2,164,000 stock options to employees, consultants, and directors exercisable at $0.25 and expiring on February 10, 2023. The grant date fair value was $744,414. During the year ended December 31, 2022, all but 100,000 of options granted on this date were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $2,115 (December 31, 2021 - $620,132).

On March 15, 2021, the Company granted 1,777,680 stock options to employees, consultants, directors exercisable at $0.25 and expiring on March 15, 2023. On March 15, 2021, the Company also granted 369,645

**12. Share Capital (Continued)**

stock options to employees and consultants exercisable at $0.35 and expiring on March 15, 2023. The grant date fair value was $448,204. During the year ended December 31, 2022, all but 2,400 of options granted on this date were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $Nil (December 31, 2021 - $444,291).

On June 28, 2021, the Company granted 592,356 stock options to employees and consultants exercisable at $0.41 and expiring on June 28, 2023. The grant date fair value was $199,659. During the year ended December 31, 2022, all but 123,170 of the options granted on this date were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $Nil (December 31, 2021 - $152,027).

On July 19, 2021, the Company granted 100,425 stock options to consultants and exercisable at $0.31 and expiring on July 19, 2023. The grant date fair value was $24,047. During the year ended December 31, 2022, all but 2,425 of the options granted on this date were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $Nil (December 31, 2021 - $16,504).

On August 5, 2021, the Company granted 120,637 stock options a consultant exercisable at $0.29 and expiring on August 5, 2023. The grant date fair value was $29,607. During the year ended December 31, 2022, the options were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $Nil (December 31, 2021 - $29,607).

On September 7, 2021, the Company granted 304,575 stock options to employees and consultants exercisable at $0.34 and expiring on September 7, 2023. The grant date fair value was $92,200. During the year ended December 31, 2022, the options were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $Nil (December 31, 2021 - $56,093).

On October 14, 2021, the Company granted 124,379 stock options to consultants exercisable at $0.32 and expiring on October 13, 2023. The grant date fair value was $32,855. During the year ended December 31, 2022, the options were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $Nil (December 31, 2021 - $32,858).

On November 5, 2021, the Company granted 591,581 stock options to employees and consultants exercisable at $0.27 and expiring on November 5, 2023. The grant date fair value was $123,165. During the year ended December 31, 2022, all but 152,067 of the options granted on this date were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $Nil (December 31, 2021 - $81,976).

On December 9, 2021, the Company granted 115,107 stock options to employees and consultants exercisable at $0.28 and expiring on December 9, 2023. The grant date fair value was $34,845. During the year ended December 31, 2022, the options were cancelled. Total share-based compensation recorded for the year ended December 31, 2022, in relation to these options was $Nil (December 31, 2021 - $34,845).

As of December 31, 2022, 5,968,554 of the 9,593,890 issuable stock options have vested (December 31, 2021 – 4,951,812). Total share-based compensation recorded for the year ended December 31, 2022, in relation to the vested stock options was $599,627 (December 31, 2021 - $1,468,334).

**Restricted Share Units**

During the year ended December 31, 2022, the Company granted 340,909 restricted share units to an employee. The RSUs vest at 25% after 12 months and 25% every three months thereafter. The fair value of the RSUs is valued at the fair market value of the Company’s share price on the grant date, with the share-based compensation recorded over the vesting term. The grant date fair value was $68,182. Total share-based

(Expressed in Canadian dollars)

**12. Share Capital (Continued)**

compensation recorded for the year ended December 31, 2022, in relation to the vested RSUs was $16,438 (December 31, 2021 - $Nil).

On June 29, 2022, the Company granted 250,509 RSUs to an employee and a consultant. The RSUs vest evenly over seven months ending December 31, 2022. The grant date fair value was $15,031. Total share-based compensation recorded for the year ended December 31, 2022, in relation to the vested RSUs was $15,031 (December 31, 2021 - $Nil).

On July 8, 2022, in connection with the loan payable (note 9), the Company executed a consulting agreement wherein the Company issued 1,250,377 RSUs vesting in two equal instalments on the first- and second-month anniversary of the agreement. The grant date fair value was $75,023. Total share-based compensation recorded for the year ended December 31, 2022, in relation to the vested RSUs was $75,023 (December 31, 2021 - $Nil).

As of December 31, 2022, 1,605,262 RSUs have vested and 255,682 are outstanding. Total share-based compensation recorded for the year ended December 31, 2022, in relation to the RSUs was $106,492 (December 31, 2021 - $Nil).

The following weighted average assumptions were used in calculating the fair value of stock options granted during the year using the Black-Scholes Option Pricing Model:

| | Expected Volatility | Risk-free Interest Rate | Expected Dividend Yield | Expected Life (in years) |
|---|---|---|---|---|
| Issued January 13, 2022 | 183.59% | 1.16% | 0% | 2 |
| Issued April 7, 2022 | 175.40% | 2.34% | 0% | 2 |
| Issued June 29, 2022 | 166.02% | 3.12% | 0% | 2 |
| Issued October 18, 2022 | 84.31% | 3.98% | 0% | 2 |
| Issued November 8, 2022 | 84.24% | 4.10% | 0% | 2 |
| Issued December 13, 2022 | 82.62% | 3.68% | 0% | 2 |

The options outstanding and exercisable at December 31, 2022 are as follows:

| Exercise Price | Number of Shares Issuable | Exercisable | Expiry Date |
|---|---|---|---|
| $0.25 | 100,000 | 87,500 | February 10, 2023 |
| $0.25 | 2,400 | 2,400 | March 15, 2023 |
| $0.41 | 123,170 | 123,170 | June 28, 2023 |
| $0.31 | 2,425 | 2,425 | July 19, 2023 |
| $0.27 | 152,067 | 152,067 | November 5, 2023 |
| $0.22 | 54,627 | 34,141 | January 13, 2024 |
| $0.16 | 1,154,364 | 610,366 | April 7, 2024 |
| $0.10 | 3,196,376 | 2,836,551 | June 29, 2024 |
| $0.10 | 2,124,184 | 1,131,046 | October 18, 2024 |
| $0.10 | 292,350 | 90,907 | November 8, 2024 |
| $0.10 | 2,391,927 | 897,981 | December 13, 2024 |
| $0.12 | 9,593,890 | 5,968,554 | |

(Expressed in Canadian dollars)

**12. Share Capital (Continued)**

The options outstanding and exercisable at December 31, 2021 are as follows:

| Exercise Price | Number of Shares Issuable | Exercisable | Expiry Date |
|---|---|---|---|
| $0.25 | 3,556,000 | 1,767,500 | February 10, 2023 |
| $0.25 | 1,777,680 | 1,777,200 | March 15, 2023 |
| $0.35 | 369,645 | 284,915 | March 15, 2023 |
| $0.41 | 592,356 | 326,662 | June 28, 2023 |
| $0.31 | 100,425 | 40,425 | July 19, 2023 |
| $0.29 | 120,637 | 120,637 | August 5, 2023 |
| $0.34 | 304,575 | 123,155 | September 7, 2023 |
| $0.32 | 124,379 | 124,379 | October 14, 2023 |
| $0.27 | 591,581 | 327,693 | November 5, 2023 |
| $0.28 | 115,107 | 59,246 | December 9, 2023 |
| $0.28 | 7,652,385 | 4,951,812 | |

Stock options continuity for the period was as follows:

| | Number of units | Weighted average exercise price |
|---|---|---|
| Balance, January 1, 2021 | 1,392,000 | $0.25 |
| Granted | 6,260,385 | $0.28 |
| Balance, January 1, 2022 | 7,652,385 | $0.28 |
| Granted | 9,391,471 | $0.10 |
| Cancelled | (7,449,966) | - |
| Balance, December 31, 2022 | 9,593,890 | $0.12 |

**Warrants**

On July 8, 2022, in connection with the loan payable (Note 9), the Company issued 5,683,533 warrants to the Principal of the Noteholder. The exercise price of the warrants is $0.06 and expires on the second anniversary of the Issue Date.

On May 30, 2021, the Company issued 960,000 warrants to various consultants of the Company which are exercisable for 1 common share of the Company at an exercise price of $0.25 for 2 years. The value of these consultant warrants was $200,138 recorded as share-based compensation expense.

On June 1, 2021, the Company completed its listing on the CSE and, following the terms of the employment agreement, the CEO received a USD $100,000 cash bonus and $150,000 in CEO bonus warrants (Note 4). Total share-based compensation recorded for the year ended December 31, 2021, in relation to the vested bonus warrants was $113,307.

On March 11, 2021, the Company issued 16,505,536 subscription receipts at a price of $0.35 per unit for gross proceeds of $5,776,938. On May 26, 2021, the subscription receipts were automatically converted into 16,505,536 common shares at a price of $0.25 and 8,252,776 warrants and 375,103 broker warrants. These warrants are exercisable for one common share of the Company at an exercise price of $0.52 for 2 years.

(Expressed in Canadian dollars)

## 12. Share Capital (Continued)

The warrants outstanding at December 31, 2022 are as follows:

| Warrant | Exercise Price | Number of Shares Issuable upon Exercise | Expiry Date |
|---|---|---|---|
| Consultant Warrants | $0.25 | 960,000 | May 30, 2023 |
| Broker Warrants | $0.52 | 375,103 | May 26, 2023 |
| Subscription Receipts Warrants | $0.52 | 8,252,776 | May 26, 2023 |
| CEO Bonus Warrants | $0.04 | 600,000 | June 1, 2023 |
| Lender Warrants | $0.06 | 5,683,533 | July 8, 2024 |
| | $0.32 | 15,871,412 | |

Warrant continuity for the year was as follows:

| | Consultant Warrants | Broker Warrants | Subscription Receipts Warrants | CEO Bonus Warrants | Lender Warrants | Total |
|---|---|---|---|---|---|---|
| Balance, January 1, 2021 | - | - | - | - | - | - |
| Granted | 960,000 | 375,103 | 8,252,776 | 600,000 | - | 10,187,879 |
| Balance, December 31, 2021 | 960,000 | 375,103 | 8,252,776 | 600,000 | - | 10,187,879 |
| Granted | - | - | - | - | 5,683,533 | 5,683,533 |
| Balance, December 31, 2022 | 960,000 | 375,103 | 8,252,776 | 600,000 | 5,683,533 | 15,871,412 |

The total share-based compensation for the year ended December 31, 2022, was as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Stock-based compensation for options vested | $ 599,627 | $ 1,800,360 |
| Shares issued for consulting fees | - | 620,459 |
| Consultant warrants | - | 200,138 |
| Performance shares issued or to be issued to CEO | 65,975 | 47,750 |
| Restricted share units | 106,492 | - |
| **Stock-based compensation** | $ 772,094 | $ 2,668,707 |

## 13. Financial Risk Management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in a bank account in Canada and the US. As most of the Company's cash is held by two banks there is a concentration of credit risk.

This risk is managed by using banks that are high credit quality financial institution as determined by rating agencies. Credit risk on cash is assessed as low.

The Company's receivables consist of trade receivables and government sales tax receivable. Based on the evaluation of receivables at December 31, 2022, the Company believes that its receivables are collectable.

(Expressed in Canadian dollars)

**13. Financial Risk Management (Continued)**

b) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to significant interest rate risk as most of the Company's debt bears a fixed rate of interest. The Company is exposed to fair value risk.

c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's main source of funding has been the issuance of loans, equity issuances, convertible debentures, and loans from related parties. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. Liquidity risk is assessed as high.

2022

| **Contractual Obligations As at December 31, 2022** | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **After 5 years** |
|---|---|---|---|---|---|
| Trade payables and accrued liabilities | $ 752,827 | $ 752,827 | $ - | $ - | $ - |
| Lines of credit | 108,513 | 108,513 | - | - | - |
| Other payable | 95,000 | 95,000 | - | - | - |
| Loans payable | 744,920 | - | 744,920 | - | - |
| CEBA Loans | 60,000 | - | 60,000 | - | - |
| Total Contractual Obligations | $ 1,761,260 | $ 956,340 | $ 804,920 | $ - | $ - |

2021

| **Contractual Obligations As at December 31, 2021** | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **After 5 years** |
|---|---|---|---|---|---|
| Trade payables and accrued liabilities | $ 268,267 | $ 268,267 | $ - | $ - | $ - |
| Income tax payable | 21,404 | 21,404 | - | - | - |
| Other payable | 95,000 | 95,000 | - | - | - |
| CEBA Loans | 60,000 | - | 60,000 | - | - |
| Total Contractual Obligations | $ 444,671 | $ 384,671 | $ 60,000 | $ - | $ - |

d) Foreign exchange risk

Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company does not actively hedge its exposure to fluctuations in foreign exchange rates. The Company's revenues are almost entirely in USD, while a component of operating expenses are incurred in CAD. The Company is exposed to moderate foreign exchange risk. A +/- 10% change in the average annual exchange rate of the USD/CAD would have resulted in approximately $25,000 change in reported revenue. The change in net loss would have been lower than $25,000 as the Company is partially hedged by incurring operating expenses in USD and CAD.

**13. Financial Risk Management (Continued)**

Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgment is required to develop certain of these estimates. Accordingly, these estimated values are not necessarily indicative of the amounts the Company could realize in a current market exchange. The estimated fair value amounts can be materially affected by the use of different assumptions or methodologies. The methods and assumptions used to estimate the fair value of each class of financial instruments are discussed below.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Cash is measured using Level 1 inputs. Contingent consideration payable is measured using level 3 inputs, which is based on management's best estimate of earn the out clause equity payout on a weighted probability of each possible outcome. A +/- 10% in inputs would result in approximately $35,000 change in initial earn out calculation and subsequent revaluation.

The Company's financial instruments consist of cash, accounts receivable, convertible debentures, accounts payable and accrued liabilities, CEBA loan, line of credit, loan payable, other payable, and contingent consideration payable. The carrying value of financial instruments approximates the fair value as at December 31, 2022 and December 31, 2021 due to their short term nature.

**14. Capital Management**

The Company manages its cash and common shares as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account or US financial institution. The Company will require capital resources to carry its plans and operations through its current operating year. The Company currently is not subject to externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year.

(Expressed in Canadian dollars)

**15. Income Taxes**

The following tables reconciles the expected income tax at the Canadian statutory income tax rates to the amounts recognized in the statements of loss and comprehensive loss for the years ended December 31, 2022, and 2021.

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Loss for the year before income tax | $ (4,241,920) | $ (9,121,433) |
| Statutory tax rate | 27.00% | 27.00% |
| Expected income tax (recovery) | (1,145,318) | (2,462,787) |
| Permanent differences | 209,965 | (83,950) |
| Losses not recognized | 890,532 | - |
| Change in temporary differences not recognized | 4,349 | 2,546,737 |
| Impact of a change in tax rates and other adjustments | 40,472 | - |
| Other | - | 50,784 |
| Total income tax expense (recovery) | $ - | $ 50,784 |
| | | |
| Current tax expense (recovery) | - | 50,784 |
| Deferred tax expense (recovery) | - | - |
| | - | 50,784 |

Gross temporary differences and loss carry forwards that give rise to significant portions of the deferred tax asset, which have not been recognized, are approximately as follows:

| | December 31, 2022 | December 31, 2021 |
|---|---|---|
| Investments | - | 921,494 |
| Share Issue Costs | 3,246 | 103,031 |
| Non-Capital Losses | 9,749,002 | 1,742,214 |
| Deferred tax asset not recognized | (9,752,248) | (2,766,739) |
| Total | - | - |

**16. Non-dilutive Grant**

The Company received funding from a blockchain infrastructure company for development work performed on their distributed network. Management determined no contract existed with the counterparty and is not recorded as revenue. The Company accounted for the inflow of economic resources as a reduction of expense. Included evenly in wages and consulting expense is a total of $181,505 of grant funding, of which $45,382 is included in accounts receivable.

**17. Subsequent Events**

a) On January 13, 2023, the Company issued 85,227 RSUs to an employee of the Company pursuant to an RSU award agreement.
b) On April 24, 2023, the Company issued 85,227 RSUs to an employee of the Company pursuant to an RSU award agreement.
c) From January 1, 2023, through June 30, 2023, a total of 225,570 options expired. During the same period the consultant, broker, CEO bonus, and subscription receipt warrants totalling 10,187,879 expired.
d) On June 13, 2023, the Company announced a strategic financing raising a total of $1.85M from two instruments:
   i. A series of convertible notes led by a Digital Asset Investment Firm signed on June 8, 2023. The investment has a face value of $1.2M and simple interest at the annual rate of 10% per annum. Unless earlier converted into common shares ("Shares"), the principal and accrued interest of the Investment will be due and payable by GameOn to the holders of the Investment (the "Holders") on the date that is twenty-four (24) months from the date of the issuance of the Investment (the "Maturity Date"); prior to the Maturity Date with the acceptance of the Holders (provided GameOn pays the Holder all of the interest that would have been due had the Holders held the Investment until the Maturity Date), or upon demand by the Holders. The Investment plus any accrued but unpaid interest thereon will be convertible into Shares of GameOn at a price of $0.10 per Share. The securities issued will be subject to a 4-month one day hold period from the date of issue of the convertible notes forming the Investment, or the Shares. The completion of the private placement remains subject to the receipt of all necessary approvals, including the approval of the CSE. Proceeds of the offering will be used for general working capital purposes.
   ii. A non-dilutive grant from a blockchain platform fund signed on June 5, 2023, which is subject to certain project milestones.