GameOn Entertainment Technologies Inc.

Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 2023 and 2022

Expressed in Canadian Dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The condensed consolidated interim unaudited financial statements of GameOn Entertainment Technologies Inc. are the responsibility of the Company's management. The condensed consolidated interim unaudited financial statements are prepared in accordance with International Financial Reporting Standards and reflect management's best estimates and judgment based on information currently available.

Management has developed and maintains a system of internal controls to ensure that the Company's assets are safeguarded, transactions are authorized, and properly recorded, and financial information is reliable.

GameOn Entertainment Technologies Inc.
Condensed consolidated interim statements of financial position
(Expressed in Canadian dollars - unaudited)

	Notes		As at June 30, 2023		As at December 31, 2022
			Unaudited		**Audited**
ASSETS					
Current assets					
Cash	13	$	467,949	$	21,424
Prepaids	3		21,927		11,470
Accounts receivable			45,983		45,382
Other receivable	10		225,000		-
Contract asset	8		88,361		390,340
Government sales tax receivable			30,024		49,133
			879,244		517,749
Non-current assets					
Intangible assets	4,5		1,534,939		1,606,989
Goodwill	4,5		3,432,783		3,432,783
TOTAL ASSETS		**$**	**5,846,966**	**$**	**5,557,521**
LIABILITIES					
Current liabilities					
Accounts payable	6	$	544,171	$	606,392
Accrued liabilities			223,892		146,435
Lines of credit	7		71,636		108,513
Deferred revenue	8		116,115		442,842
Loans payable	9		897,007		-
Related party loan	6		60,766		-
Other payable	10		95,000		95,000
Contingent consideration payable	6		247,725		247,725
			2,256,312		1,646,907
Non-current liabilities					
Loan payable	9		-		572,129
Convertible debentures	10		1,050,926		-
CEBA loan	11		54,132		49,245
TOTAL LIABILITIES			**3,361,370**		**2,268,281**
SHAREHOLDERS' EQUITY					
Share capital	12		11,533,502		11,521,570
Reserves	12		6,269,508		6,118,280
Equity portion of convertible debentures	6		661,554		427,778
Deficit			(15,978,968)		(14,778,388)
TOTAL SHAREHOLDERS' EQUITY			2,485,596		3,289,240
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**5,846,966**	**$**	**5,557,521**

Nature of operations and going concern – Note 1
Subsequent events – Note 15

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

GameOn Entertainment Technologies Inc.
Condensed consolidated interim statements of loss and comprehensive loss
(Expressed in Canadian dollars - unaudited)

		Three months ended June 30,		Six months ended June 30,	
	Notes	**2023**	**2022**	**2023**	**2022**
Revenue	8	$ 364,141	$ 60,105	$ 836,329	$ 125,160
Expenses					
Amortization of intangible assets	5	36,025	-	72,050	-
Contract costs	8	258,479	-	301,979	-
Foreign exchange loss (gain)		(7,386)	(6,152)	(15,250)	1,245
General and administration		140,525	138,550	243,592	249,551
Interest and accretion	7,9,10,11	121,235	2,078	192,291	4,038
Investor relations		15,941	42,845	30,941	151,527
Professional and consulting fees	6	299,624	419,740	590,626	846,403
Sales and marketing		28,759	308,887	46,218	408,540
Share-based compensation	6,12	48,167	11,024	130,249	181,918
Transfer agent and regulatory fees		17,460	12,575	27,522	21,528
Wages	6	216,223	322,792	416,691	684,434
Total expenses		(1,175,052)	(1,252,339)	(2,036,909)	(2,549,184)
Net loss and comprehensive loss for the period		**$ (810,911)**	**$ (1,192,234)**	**$ (1,200,580)**	**$ (2,424,024)**
Loss per share - basic and diluted		**$ (0.01)**	**$ (0.02)**	**$ (0.02)**	**$ (0.04)**
Weighted average number of common shares outstanding for the period - basic and diluted		**67,443,171**	**63,192,385**	**67,406,314**	**64,433,354**

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

GameOn Entertainment Technologies Inc.
Condensed consolidated interim statements of changes in shareholders' equity
(Expressed in Canadian dollars - unaudited)

		Share Capital							
	Notes	**Number of shares**	**Amount**	**Contributed Surplus**	**Warrants**	**Total Reserve**	**Equity portion of convertible debentures**	**Deficit**	**Total**
Balance at January 1, 2022		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	9,12	1,538,461	300,000	-	-	-	-	-	300,000
Share-based payments	12	-	-	181,918	-	181,918	-	-	181,918
Net and comprehensive loss for the period		-	-	-	-	-	-	(2,424,024)	(2,424,024)
Balance at June 30, 2022		**64,730,846**	**$ 11,376,287**	**$ 3,043,388**	**$ 1,914,221**	**$ 4,957,609**	**$ 427,778**	**$ (12,960,492)**	**$ 3,801,182**
Balance at January 1, 2023		**67,296,131**	**$ 11,521,570**	**$ 3,985,389**	**$ 2,132,891**	**$ 6,118,280**	**$ 427,778**	**$ (14,778,388)**	**$ 3,289,240**
Warrants issued for short-term loans	12	-	-	-	32,911	32,911	-	-	32,911
Equity portion of convertible debt	9,10	-	-	-	-	-	233,776	-	233,776
Share-based payments	12			130,249		130,249	-	-	130,249
Shares issued on vested RSUs	12	170,454	11,932	(11,932)		(11,932)	-	-	-
Net and comprehensive loss for the period		-	-	-	-	-	-	(1,200,580)	(1,200,580)
Balance at June 30, 2023		**67,466,585**	**11,533,502**	**- 4,103,706**	**2,165,802**	**6,269,508**	**661,554**	**(15,978,968)**	**2,485,596**

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

GameOn Entertainment Technologies Inc.
Condensed consolidated interim statements of cash flows
(Expressed in Canadian dollars - unaudited)

		Six months ended June 30, 2023	2022
Operating activities			
Net loss for the period		$ (1,200,580)	$ (2,424,024)
Adjustments for non-cash items:			
Amortization of intangible assets		72,050	-
Foreign exchange (gain) loss		(15,250)	1,245
Interest and accretion		192,291	4,038
Share-based compensation		130,249	181,918
Changes in non-cash working capital items:			
Accounts receivable		(225,601)	(20,876)
Prepaids		(10,456)	334,280
Contract asset		301,979	-
Government sales tax recoverable		19,109	(21,334)
Accounts payable		(60,286)	429,666
Accrued liabilities		77,903	(145,727)
Deferred revenue		(326,727)	205,321
Net cash flows used in operating activities		(1,045,319)	(1,455,493)
Investing activities			
Acquisition of Intellectual Property		-	(200,000)
Net cash flows used in investing activities		-	(200,000)
Financing activities			
Proceeds received from short-term loans payable		350,000	-
Repayment of short-term loan payable		(125,522)	-
Proceeds from convertible debt issuance		1,283,449	-
Proceeds of secured short-term loan		52,100	-
Repayment of secured short-term loan		(21,285)	-
Advance from related party		60,766	50,000
Interest and principal on line of credit		(56,185)	-
Interest payments on loan payable		(51,479)	-
Net cash flows provided by financing activities		1,491,844	50,000
Increase (decrease) in cash		446,525	(1,605,493)
Cash, beginning		21,424	1,610,215
Cash, ending		**$ 467,949**	**$ 4,722**
Supplemental non-cash activities:	**Notes**		
Issuance of shares to settle share consideration	5	$ -	$ 1,738,185
Warrant reserve on short-term loans	9,12	32,911	-
Issuance of shares for vested RSUs	12	11,932	-
Equity portion of convertible debentures	10	233,776	-
Shares issued to settle debt	12	-	1,001,926
		$ 278,619	**$ 2,740,111**

The accompanying notes are an integral part of these condensed consolidated interim 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 condensed consolidated interim 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 June 30, 2023, VST holds 20.68% of the issued and outstanding shares of the Company (December 31, 2022 – 20.73%).

These condensed consolidated interim 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 June 30, 2023, the Company had a working capital deficiency of $1,377,068 (December 31, 2022 – $1,129,158), an accumulated deficit of $15,978,968 (December 31, 2022 – $14,778,388). 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. Management is of the opinion that sufficient funding and working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due; however, they 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 condensed consolidated interim 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 condensed consolidated interim financial statements were authorized for issue on August 14, 2023, by the directors of the Company.

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements as at and for the year ended December 31, 2022.

The condensed consolidated interim financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at and for the year ended December 31, 2022.

2. Significant Accounting Policies (Continued)

b) Principles of Consolidation

The condensed consolidated interim 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.

Business combinations

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 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 condensed consolidated interim 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.

3. Prepaids

Prepaids consists entirely of annual dues related to the Company's US public market listing.

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 (Note 6). No change in fair value has been recorded in the period ended June 30, 2023.

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) 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. 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 - unaudited)

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		3,799,996		300,000
Convertible note		119,159		-
Contingent shares - earn out		-		289,256
Bonus share consideration		104,542		-
		4,023,697		789,256
Assets and liabilities acquired				
Intellectual property (Note 5)		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. In the period ended June 30, 2023, the bonus warrants expired unexercised (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 - unaudited)

5. Intangible Assets and Goodwill (Continued)

		GameOn App		FanClash		Total
Cost:						
Balance, June 30 and December 31, 2022	$	941,000	$	789,256	$	1,730,256
Accumulated Amortization:						
Balance, December 31, 2022	$	94,100	$	29,167	$	123,267
Amortization		47,050		25,000		72,050
Balance, June 30, 2023	$	141,150	$	54,167	$	195,317
Net Book Value, June 30, 2023	$	799,850	$	735,089	$	1,534,939
Net Book Value, December 31, 2022	$	846,900	$	760,089	$	1,606,989

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. For the period ending June 30, 2023, no impairment test was performed. 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.

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.

During the period ended June 30, 2023 and 2022, the Company entered into the following transactions with related parties:

		June 30, 2023		June 30, 2022
Professional and consulting fees	$	79,415	$	63,812
Executive and director compensation	$	144,065	$	65,499
Share-based compensation to related parties	$	45,573	$	101,498

(Expressed in Canadian dollars - unaudited)

6. Related Party Transactions (Continued)

Related Party Balances

As at June 30, 2023, the Company has $145,781 (December 31, 2022 - $222,648) due to related parties included in accounts payable and $60,766 (December 31, 2022 - $Nil) owing to VST. 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 June 30, 2023 (December 31, 2022 - $247,725) 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 (Note 4).

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 June 30, 2023, the Company had drawn down $15,000 (December 31, 2022 - $11,750).

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 June 30, 2023, the Company's principal balance is USD $44,290 ($56,636) (December 31, 2022 – USD $75,000 ($96,762)) with accrued interest of $Nil in accrued liabilities (December 31, 2022 - $2,784).

Included in interest and accretion expense is interest on lines of credit and other interest in the amount of $20,471 (June 30, 2022 - $Nil).

8. Revenue

Disaggregation of revenues for the period ended June 30, 2023 and 2022.

		2023		**2022**
License fees	$	146,171	$	71,481
Setup fees		436,341		48,956
Grants		206,164		-
Sponsorship		15,512		-
Other		32,141		4,723
	$	836,329	$	125,160

Grant revenue consists of a non-dilutive grant from a blockchain platform fund signed on June 5, 2023, which is subject to certain project milestones. Other revenue in the current period consists of Non-Fungible Token ("NFT") sales related to a license agreement and royalty revenue in the comparative period.

(Expressed in Canadian dollars - unaudited)

8. Revenue (Continued)

Contract balances

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

	June 30, 2023	December 31, 2022
Accounts receivable	$ -	$ -
Unbilled revenue	88,361	390,340
Deferred revenue	(116,115)	(442,842)
Net contract balances	$ (27,754)	$ (52,502)

Revenue consists of fees from services provided to B2B partners and are primarily earned from customers in the US. The amount reported as contract costs for the period ended June 30, 2023 of $301,979 (June 30, 2022 - $Nil) represents the amount of contract asset, or unbilled revenue, expensed for the period.

9. Loans 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.

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 $123,861 (June 30, 2022 - $Nil), being recognized as interest and accretion expense. The resulting carrying value of the Loan Payable is $630,321 as at June 30, 2023 (December 31, 2022 - $572,129).

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 February 26, 2023, the Company arranged for a $25,000 short-term non-interest bearing bridge loan from a Company controlled by a Director. The loan was paid back by March 10, 2023 in accordance with the terms, from proceeds of grant revenue. In connection with the short-term loan, the Company issued 625,000 warrants exercisable at $0.06 with an expiry date of April 26, 2025. Accretion expense of $222 was recognized in the period with a corresponding increase in warrant reserve.

On March 28, 2023, the Company arranged for a $300,000 short-term non-interest bearing bridge loan from a Company controlled by a consultant to the Company. The loan is to be paid back with proceeds from grant revenue as realized, with the loan entirely paid off subsequent to the reporting period. In connection with the short-term loan, the Company issued 6,635,080 warrants exercisable at $0.06 with an expiry date of April 26, 2025. The fair value of the debt component of the loan was determined at inception using the Company’s incremental borrowing rate of 20%. A total of $32,688, representing the difference between the discounted

9. Loans Payable (Continued)

value of $267,312 and the proceeds received of $300,000, was allocated to the equity component. For the period ended June 30, 2023, $17,337 of accretion expense was recognized in relation to the loan. The loan was partially repaid and had an ending balance of $209,127 (December 31, 2022 - $Nil).

On May 10, 2023, the Company executed a short-term financing agreement for general business and working capital usage, whereby the Company sold a portion of its future accounts receivable collected in exchange for USD $38,300 ($52,100). The purchase price of the loan was USD $56,301, payable in weekly instalments of USD $2,406. For the period ended June 30, 2023, interest expense was $24,260 (June 30, 2022 - $Nil), with an ending balance of $57,559 (USD $42,473) (December 31, 2022 - $Nil).

10. Convertible Debentures

On June 28, 2023, the Company issued a series of convertible notes. 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 the principal and accrued interest of the Investment will be due and payable by GameOn to the holders of the Investment 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 fair value of the debt component of the convertible debentures was determined at inception using the Company's incremental borrowing rate of 20%. A total of $233,776, representing the difference between the discounted value of $1,049,673 and the net proceeds after transaction fees received of $1,283,449, was allocated to the equity component. Included in interest and accretion expense for the period ended June 30, 2023, is $1,253 relating to the convertible notes of which $188 is accretion and $1,065 is accrued interest. The resulting carrying value of the convertible debentures as at June 30, 2023 is $1,050,926.

Other receivable of $225,000 consists of proceeds received after period end related to the issuance of several of the convertible notes with an issuance date of June 28, 2023.

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.

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.

11. CEBA Loan (Continued)

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 period ended June 30, 2023, the Company recognized accretion on the CEBA loan of $4,887 (June 30, 2022 - $4,038) for an ending balance of $54,132 (December 31, 2022 - $49,245).

12. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

As at June 30, 2023 there were 67,466,585 common shares outstanding (December 31, 2022 – 67,296,131).

Shares issued during the period ended June 30, 2023

On January 13, 2023, the Company issued 85,227 RSUs to an employee of the Company pursuant to an RSU award agreement. The fair value of the equity awarded was $6,818 based on the fair value of the Company's common shares on the date of issuance.

On April 25, 2023, the Company issued 85,227 RSUs to an employee of the Company pursuant to an RSU award agreement. The fair value of the equity awarded was $5,114 based on the fair value of the Company's common shares on the date of issuance.

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 period ended June 30, 2023

There were no options granted during the period ended June 30, 2023. See Note 15 for stock options issued after the reporting period.

The following weighted average assumptions were used in calculating the fair value of stock options issuable and exercisable at June 30, 2023, using the Black-Scholes Option Pricing Model:

(Expressed in Canadian dollars - unaudited)

12. Share Capital (Continued)

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Issued July 19, 2021	221.00%	0.43%	0%	2
Issued November 5, 2021	190.00%	0.92%	0%	2
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 June 30, 2023 are as follows:

Exercise Price	Number of Shares Issuable	Exercisable	Weighted Average Remaining Contractual Life	Expiry Date
$0.31	2,425	2,425	0.05	July 19, 2023
$0.27	152,067	152,067	0.35	November 5, 2023
$0.22	54,627	47,797	0.54	January 13, 2024
$0.16	1,154,364	895,862	0.77	April 7, 2024
$0.10	3,115,155	2,935,240	1.00	June 29, 2024
$0.10	2,124,184	1,462,092	1.30	October 18, 2024
$0.10	292,350	225,201	1.36	November 8, 2024
$0.10	2,391,927	2,095,410	1.46	December 13, 2024
$0.11	9,287,099	7,816,094	1.00	

Stock options continuity for the period was as follows:

	Number of options	Weighted average exercise price
Balance, January 1, 2023	9,593,890	$0.12
Expired	(306,791)	$0.25
Balance, June 30, 2023	9,287,099	$0.11

Warrants

During the period ended June 30, 2023, 10,187,879 warrants expired unexercised.

On April 26, 2023, the Company issued 7,260,080 warrants as part of short-term loan agreements (Note 9). The warrants are exercisable at an exercise price of $0.06 and expire on April 26, 2025. The amount allocated to warrant reserve was $32,911 based on the residual amount after deducting the discounted value of the debt component and the proceeds of the loans. Warrant continuity for the period was as follows:

(Expressed in Canadian dollars - unaudited)

12. Share Capital (Continued)

	Consultant Warrants	Broker Warrants	Subscription Receipts Warrants	CEO Bonus Warrants	Lender Warrants	Total
Balance, January 1, 2023	960,000	375,103	8,252,776	600,000	5,683,533	15,871,412
Expired	(960,000)	(375,103)	(8,252,776)	(600,000)	-	(10,187,879)
Granted	-	-	-	-	7,260,080	7,260,080
Balance, June 30, 2023	-	-	-	-	12,943,613	12,943,613

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

	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
Lender Warrants (Short-term) April 26, 2023	154%	3.60%	0%	2
Lender Warrants (Short-term) April 26, 2023	153%	4.14%	0%	2
Lender Warrants (Proje) July 8, 2022	131%	3.24%	0%	2

The warrants outstanding at June 30, 2023 are as follows:

Warrant	Exercise Price	Number of Shares Issuable upon Exercise	Expiry Date
Lender Warrants - Short-term	$0.06	7,260,080	April 26, 2025
Lender Warrants - Proje	$0.06	5,683,533	July 8, 2024
	$0.06	12,943,613	

Restricted Share Units

All RSUs issued prior to June 30, 2023, have vested. See Note 15 for RSUs issued after the reporting period. RSUs outstanding continuity for the period ended June 30, 2023 was as follows:

	RSUs in units
Balance, January 1, 2023	170,474
Converted to commons shares	(170,474)
Balance, June 30, 2023	-

The total share-based compensation for the period ended June 30, 2023, was as follows:

	June 30, 2023	June 30, 2022
Stock-based compensation for options vested	$ 101,058	$ 134,164
Performance shares issued or to be issued to CEO	11,538	43,687
Restricted share units	17,653	4,067
Stock-based compensation	$ 130,249	$ 181,918

(Expressed in Canadian dollars - unaudited)

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 June 30, 2023, the Company believes that its receivables are collectable.

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.

Contractual Obligations As at June 30, 2023	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**After 5 years**
Trade payables and accrued liabilities	$ 768,063	$ 768,063	$ -	$ -	$ -
Lines of credit	71,636	71,636	-	-	-
Other payable	95,000	95,000	-	-	-
Loans payable	954,047	954,047	-	-	-
Converitble debt	1,295,414	-	1,295,414	-	-
CEBA Loans	60,000	-	60,000	-	-
Total Contractual Obligations	$ 3,244,160	$ 1,888,746	$ 1,355,414	$ -	$ -

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.

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.

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 June 30, 2023 and December 31, 2022 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 period.

15. Subsequent Events

a) On July 14, 2023, the Company granted 128,528 stock options to several consultants and employees exercisable at $0.20 for two years.
b) On July 14, 2023, the Company issued 1,200,475 RSUs to various consultants and employees pursuant to an RSU award agreement, of which 712,618 vest immediately on the date granted. The remaining RSUs vest at 25% after twelve months, and 25% every 3 months thereafter until fully vested.
c) Subsequent to the period ended June 30, 2023, 2,425 options exercisable at $0.31 expired and 1,223,297 options exercisable at $0.10 were cancelled.

15. Subsequent Events (Continued)

d) On August 11, 2023, the Company executed a short-term loan agreement with the CEO for proceeds of USD $260,000 ($348,400). The loan bears no interest and is subordinate to the Promissory Note (Note 9) and convertible debentures (Note 10). The loan is repayable in full at the earliest of the closing or generation of $1,000,000 CAD in cash flows from financing or operating activities. In connection with aforementioned short-term loan agreement, the Company agreed to pay the CEO a cash bonus ("Financing Bonus") upon the closing of a minimum of $1,000,000 CAD in financing as defined, and at the sole discretion, by the Board of Directors. The Financing Bonus is to be equal to 4% of the financing, is payable within 30 days of closing, and expires August 11, 2025, with options for extension.