

**GameOn Entertainment Technologies Inc.**

**Consolidated Financial Statements  
Year ended December 31, 2023 and 2022**

Expressed in Canadian dollars

To the Shareholders of GameOn Entertainment Technologies Inc.:

## Opinion

We have audited the consolidated financial statements of GameOn Entertainment Technologies Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

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, 2023 and December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

## Basis for Opinion

We conducted our audits 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 audits 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 financial statements, which indicates that the Company incurred a net loss during the year ended December 31, 2023 and, as of that date, the Company had a working capital deficiency and an accumulated deficit. As stated in Note 1, these events and 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These 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 these matters.

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

## ***Impairment of non-financial assets***

### *Key Audit Matter Description*

The Company performs impairment testing on an annual basis, or more frequently when there is an indication of impairment. An impairment is recognized if the carrying amount of an asset, or its cash generating unit (CGU), exceeds its estimated recoverable amount. The recoverable amount of an asset is the greater of its value-in-use and its fair value less costs of disposal. The recoverable amount of the CGU was determined using the value-in-use method, which included using discounted cash flow projection models. Management used key assumptions in the discounted cash flow projection model, which included forecasted operating results, long-term growth rates and discount rates. We considered this 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 judgment from management. Please refer to Note 5 to the consolidated financial statements for further details.

### *Audit Response*

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

- We evaluated the design and implementation of relevant controls related to goodwill and intangible asset impairment;
- Obtained management's impairment test cash flows and assessed the underlying assumptions used in the discounted cash flow model;
- Recalculated the resulting recoverable amount and corresponding carrying amount; and
- Engaged our valuation specialists to review management's methodology and the discount rate.

### **Other Information**

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

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.

Burlington, Ontario

July 12, 2024

*MNP LLP*

Chartered Professional Accountants

Licensed Public Accountants

GameOn Entertainment Technologies Inc.  
Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	Notes	As at December 31, 2023	As at December 31, 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash	13	\$ 353,666	\$ 21,424
Prepays	3	12,004	11,470
Accounts receivable		47,614	45,382
Contract asset	12	8,945	390,340
Government sales tax receivable		21,806	49,133
		444,035	517,749
<b>Non-current assets</b>			
Intangible assets	4,5	1,433,964	1,606,989
Goodwill	5	3,432,783	3,432,783
<b>TOTAL ASSETS</b>		<b>\$ 5,310,782</b>	<b>\$ 5,557,521</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	6	\$ 811,713	\$ 606,392
Accrued liabilities	7	549,119	146,435
Lines of credit	7	62,843	108,513
Deferred revenue	12	952,893	442,842
Loans payable	8	747,382	-
Related party loans	6	135,039	-
Other payable	9	95,000	95,000
Contingent consideration payable	6	-	247,725
		3,353,989	1,646,907
<b>Non-current liabilities</b>			
Loan payable	8	-	572,129
Convertible debentures	9	971,618	-
CEBA loan	10	60,000	49,245
<b>TOTAL LIABILITIES</b>		<b>4,385,607</b>	<b>2,268,281</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	11,925,835	11,521,570
Reserves	11	6,368,627	6,118,280
Equity portion of convertible debentures	9	568,769	427,778
Deficit		(17,938,056)	(14,778,388)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>925,175</b>	<b>3,289,240</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>\$ 5,310,782</b>	<b>\$ 5,557,521</b>

Nature of operations and going concern – Note 1  
Subsequent events – Note 16

“Matt Bailey”  
Director

“Carey Dillen”  
Director

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)

	Notes	Years ended December 31,	
		2023	2022
<b>Revenue</b>	12	\$ 1,506,516	\$ 381,272
<b>Expenses</b>			
Amortization of intangible assets	5	173,025	123,267
Bad debt		32,254	-
Contract costs	12	390,340	-
Foreign exchange loss (gain)		(11,565)	65,771
General and administration		522,221	532,030
Interest and accretion	7,8,9,10	544,119	123,800
Investor relations		62,300	181,527
Professional and consulting fees	6	1,450,133	1,124,824
Sales and marketing		356,949	689,101
Share-based compensation	6,11	397,276	772,094
Transfer agent and regulatory fees		53,365	40,281
Wages	6	1,002,638	1,012,494
<b>Total expenses</b>		<b>(4,973,055)</b>	<b>(4,665,189)</b>
<b>Other Items</b>			
Gain on settlement of debt	8, 16(e)	6,999	-
Gain on revaluation of contingent consideration	4, 6	247,725	41,531
Interest and other income		-	466
		254,724	41,997
Net loss before income taxes		(3,211,815)	(4,241,920)
Deferred income tax recovery	15	52,147	-
<b>Net loss and comprehensive loss for the year</b>		<b>\$ (3,159,668)</b>	<b>\$ (4,241,920)</b>
<b>Loss per share - basic and diluted</b>		<b>\$ (0.05)</b>	<b>\$ (0.07)</b>
<b>Weighted average number of common shares outstanding for the year - basic and diluted</b>		<b>68,412,995</b>	<b>64,583,322</b>

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)

	Notes	Share Capital		Reserves			Equity Portion of Convertible Debentures	Deficit	Total
		Number of Shares	Amount	Contributed Surplus	Warrants	Total Reserve			
<b>Balance at January 1, 2022</b>		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	4,11	1,538,461	300,000	-	-	-	-	-	300,000
Share-based compensation	11	-	-	772,094	218,670	990,764	-	-	990,764
Share-based compensation - convertible instrument		-	-	497,108	-	497,108	-	-	497,108
Shares issued on vested RSUs		1,520,035	98,247	(98,247)	-	(98,247)	-	-	-
Shares issued on CEO performance award		1,045,250	47,036	(47,036)	-	(47,036)	-	-	-
Net and comprehensive loss for the year		-	-	-	-	-	-	(4,241,920)	(4,241,920)
<b>Balance at January 1, 2023</b>		<b>67,296,131</b>	<b>\$ 11,521,570</b>	<b>\$ 3,985,389</b>	<b>\$ 2,132,891</b>	<b>\$ 6,118,280</b>	<b>\$ 427,778</b>	<b>\$ (14,778,388)</b>	<b>\$ 3,289,240</b>
Warrants issued for short-term loans	8,11	-	-	-	32,910	32,910	-	-	32,910
Equity portion of convertible debt	9,11	-	-	-	-	-	181,629	-	181,629
Share-based compensation	11	-	-	397,276	-	397,276	-	-	397,276
Shares issued for settlement of convertible debentures	9,11	2,302,972	224,426	-	-	-	(40,638)	-	183,788
Shares issued on vested RSUs	11	1,037,694	179,839	(179,839)	-	(179,839)	-	-	-
Net and comprehensive loss for the year		-	-	-	-	-	-	(3,159,668)	(3,159,668)
<b>Balance at December 31, 2023</b>		<b>70,636,797</b>	<b>11,925,835</b>	<b>4,202,826</b>	<b>2,165,801</b>	<b>6,368,627</b>	<b>568,769</b>	<b>(17,938,056)</b>	<b>925,175</b>

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)

	Years ended December 31,	
	2023	2022
<b>Operating activities</b>		
Net loss for the year	\$ (3,159,668)	\$ (4,241,920)
Adjustments for non-cash items:		
Amortization of intangible assets	173,025	123,267
Fair value adjustment of loans payable	(16,070)	-
Foreign exchange (gain) loss	(11,565)	65,771
Interest and accretion	438,903	123,800
Share-based compensation	397,276	772,094
Gain on revaluation of contingent consideration payable	(247,725)	(41,531)
Gain on settlement of debt	(6,999)	-
Deferred tax recovery	(52,147)	-
Changes in non-cash working capital items:		
Accounts receivable	(2,232)	(42,299)
Prepays	(534)	126,464
Contract asset	381,395	42,799
Government sales tax receivable	27,327	(5,496)
Accounts payable	223,884	495,617
Accrued liabilities	402,983	(11,057)
Deferred revenue	510,051	442,842
Income tax payable	-	(21,404)
<b>Net cash flows used in operating activities</b>	<b>(942,096)</b>	<b>(2,171,053)</b>
<b>Investing activities</b>		
Acquisition of Intellectual Property	-	(200,000)
<b>Net cash flows used in investing activities</b>	<b>-</b>	<b>(200,000)</b>
<b>Financing activities</b>		
Proceeds received from short-term loans payable	375,000	-
Repayment of short-term loans payable	(350,522)	-
Proceeds received on loan payable, net	-	716,003
Proceeds from convertible debentures	1,283,449	-
Proceeds of secured short-term loan	52,100	-
Repayment of secured short-term loan	(59,918)	-
Proceeds from lines of credit payments	36,413	108,513
Interest and principal on lines of credit	(93,090)	-
Advance from related party	135,039	-
Proceeds received from related party non-interest bearing short-term loan payabl	342,602	-
Repayment of related party non-interest bearing short-term loan payable	(342,602)	-
Interest payments on loan payable	(104,133)	(42,254)
<b>Net cash flows provided by financing activities</b>	<b>1,274,338</b>	<b>782,262</b>
Increase (decrease) in cash	332,242	(1,588,791)
Cash, beginning	21,424	1,610,215
<b>Cash, ending</b>	<b>\$ 353,666</b>	<b>\$ 21,424</b>
<b>Supplemental non-cash activities:</b>		
	<b>Notes</b>	
Issuance of shares on acquisition of intellectual property	4	\$ - \$ 300,000
Warrant reserve on short-term loans	8,11	32,910 -
Issuance of shares for vested RSUs	11	179,839 98,247
Equity portion of convertible debentures	9	233,776 -
Shares issued for performance milestones	11	- 47,036
		<b>\$ 446,525 \$ 445,283</b>
<b>Supplemental cash flow disclosure:</b>		
Cash paid for interest on lines of credit and secured short-term loan	\$ 44,505	\$ -
Cash paid on interest and penalties on payroll taxes owed	39,111	-
	<b>\$ 83,616</b>	<b>\$ -</b>

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 next-generation fantasy sports technology company. On November 13, 2023, the Company incorporated GameOn Entertainment Technologies Pty Ltd. in Australia (“GameOn Pty”). The consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiaries V2 Games USA Inc. (“V2 Games USA”) and GameOn Entertainment Technologies Pty Ltd.

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

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, 2023, the Company had a working capital deficiency of \$2,909,954 (2022 – \$1,129,158), a net loss of \$3,211,815 (2022 - \$4,241,920) and an accumulated deficit of \$17,938,056 (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 revenue and working capital will be obtained from future sales to meet the Company’s liabilities and commitments as they become due. 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. Material Accounting Policy Information

These consolidated financial statements were authorized for issue on July 12, 2024, by the directors of the Company.

### a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) 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 subsidiaries V2 Games USA Inc. and GameOn Entertainment Technologies Pty Ltd.

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

## 2. Material Accounting Policy Information (Continued)

### b) Principles of Consolidation (Continued)

#### 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 judgement 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 judgement 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 Notes 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. The functional currency of GameOn Entertainment Technologies Pty Ltd. is the Australian dollar.

### d) Use of Estimate and Judgements

The preparation of the consolidated financial statements in conformity with IFRS requires the Company's management to make judgements, 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.

## 2. Material Accounting Policy Information (Continued)

### d) Use of Estimates and Judgements (Continued)

Significant areas requiring the use of estimates include the following:

#### Non-Financial 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 judgement 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.

Judgements 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 judgements 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, 2023, and 2022. 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, 12 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 12 months.

## 2. Material Accounting Policy Information (Continued)

### d) Use of Estimates and Judgements (Continued)

#### Intangible Assets Acquired Through Acquisition

##### Initial Recognition of Intangible Assets

Determining whether or not the February 4, 2022, asset acquisition of InPlay Labs Ltd. (“InPlay”) (Note 4) constituted a business combination or acquisition of assets. 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 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. Both the GameOn app and the FanClash property acquired from InPlay are amortized on a straight-line basis over 10 years

### e) Financial Instruments

#### (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.

## 2. Material Accounting Policy Information (Continued)

### e) Financial Instruments (Continued)

#### (ii) Measurement (Continued)

##### 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 FVOCI.

##### Convertible debt and compound financial liabilities

The Company evaluates whether any conversion or other features would meet the definition of an equity instrument or a financial liability on initial recognition. The conversion feature of the Company's convertible debt has been determined to be an equity instrument and is recognized separately based on the substance of the instrument, with the liability component measured initially at fair value and the equity component assigned the residual amount.

#### (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 12 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

## 2. Material Accounting Policy Information (Continued)

### e) Financial Instruments (Continued)

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.

#### (iv) Derecognition (Continued)

##### 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.

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.

## 2. Material Accounting Policy Information (Continued)

### 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 or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or 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. 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.



## 2. Material Accounting Policy Information (Continued)

### h) Impairment of Non-Financial Assets (Continued)

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 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:

#### Set up and licensing revenue

The Company generates setup fees and monthly licensing fees on executed Product License and Sales Agreements (“PLSA”) with Business-to-Business (“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.

## 2. Material Accounting Policy Information (Continued)

### j) Revenue Recognition (Continued)

#### Grant

The Company received grants to develop and launch Web3 games on several technology platforms. Grant revenue is recognized according to the specific terms of each grant agreement.

#### Software development

The Company received consideration to develop software solutions for smart contracts under a software development and support agreement. Revenue for software development and support is recognized over the term of the agreement as performance obligations are completed.

#### Sponsorship

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.

#### Deferred revenue

Deferred revenue consists of prepaid software development fees which are unearned as at December 31, 2023. The consideration for software development fees, received in the form of an upfront nonrefundable fee, is recognized over the term of a software development and support agreement.

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 contract costs 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, 2023, and 2022, the Company did not have any items recognized as other comprehensive income (loss).

## 2. Material Accounting Policy Information (Continued)

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

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company is currently assessing the impact of these amendments on its financial statements.

#### *Supplier Finance Arrangements (amendments to IFRS 7 and IAS 7)*

In May 2023, the IASB issued amendments to IFRS 7 Financial Instruments: Disclosures and IAS 7 Statement of Cash Flows which were incorporated into Part I of the CPA Canada Handbook – Accounting in August 2023.

The amendments require entities to disclose information to enable users of financial statements to assess how arrangements that have characteristics of supplier finance arrangements (SFAs) affect an entity's liabilities and cash flows, and to understand the effect of SFAs on an entity's exposure to liquidity risk and how the entity might be affected if the arrangements were no longer available to it.

## 2. Material Accounting Policy Information (Continued)

### n) Recent Accounting Pronouncements (Continued)

SFAs may also be referred to as supply chain finance or reverse factoring arrangements. SFAs are characterized by one or more financing provider offering to pay amounts an entity owes to its suppliers and the entity agreeing to pay the financing providers at the same date as, or a later date than, its suppliers are paid. These new amendments are not expected to have a material impact on the Company's consolidated financial statements.

#### *Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*

In January 2020 and October 2022, the IASB issued amendments to IAS 1 Presentation of Financial Statements which were incorporated into Part I of the CPA Canada Handbook – Accounting in April 2020 and December 2022, respectively.

The amendments clarify the requirements for classifying liabilities as either current or non-current by clarifying that:

- Liabilities are classified as either current or non-current depending on the existence at the end of the reporting period of a right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also clarify that only covenants that an entity must comply with on or before the reporting date would affect a liability's classification as current or non-current, even if compliance with the covenant is only assessed after the entity's reporting date.
- Classification is unaffected by the likelihood that an entity will settle the liability within 12 months after the reporting date; and
- How an entity classifies debt an entity may settle by converting it into equity.

Additionally, the amendments added new disclosure requirements for situations where a liability is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within 12 months after the reporting date. The disclosure should enable users of financial statements to understand the risk that the liability classified as non-current could become repayable within 12 months after the reporting period.

Both the January 2020 and October 2022 amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier application is permitted. An entity that applies these amendments early is required to apply both the January 2020 and October 2022 amendments at the same time.

## 2. Material Accounting Policy Information (Continued)

### n) Recent Accounting Pronouncements (Continued)

#### *Lack of Exchangeability (Amendments to IAS 21)*

In August 2023, the IASB issued narrow – scope amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates, which were incorporated into Part I of the CPA Canada Handbook – Accounting in November 2023.

The amendments specify how to determine whether a currency is exchangeable into another currency and how to determine the spot exchange rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at the measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate as the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the amendments require an entity to disclose information that enables the users of the financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows, including the risks to which the entity is exposed because of the currency not being exchangeable into the other currency.

The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier application is permitted. In applying the amendments, an entity shall not restate comparative periods but will follow the specific transitional provisions included in the amendments.

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

GameOn Entertainment Technologies Inc.  
Notes to the Consolidated Financial Statements  
For the years ended December 31, 2023 and 2022  
(Expressed in Canadian dollars)

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**3. Prepaids**

Prepaids are comprised of the following:

	<b>December 31, 2023</b>		<b>December 31, 2022</b>	
Accounting	\$	3,500	\$	-
Transfer agent		8,504		11,470
<b>Total prepaids</b>	<b>\$</b>	<b>12,004</b>	<b>\$</b>	<b>11,470</b>

**4. Acquisition**

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, subject to securities law mandated hold period lasting until June 5, 2022 and contractual escrow with tranches 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). The fair value was revalued to \$Nil as at December 31, 2023.

The total consideration of \$789,256 was allocated to intellectual property (Note 6) as no other assets were acquired in the transaction.

## 5. Intangible Assets and Goodwill

### Intangible Assets

Intangible assets consist of the core GameOn application and FanClash (Note 4) acquisitions. 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.

	GameOn App		FanClash		Total
Cost:					
Balance, December 31, 2023 and December 31, 2022	\$	941,000	\$	789,256	\$ 1,730,256
Accumulated Amortization:					
Balance, December 31, 2022	\$	94,100	\$	29,167	\$ 123,267
Amortization		94,100		78,925	173,025
Balance, December 31, 2023	\$	188,200	\$	108,092	\$ 296,292
Net Book Value, December 31, 2023	\$	752,800	\$	681,164	\$ 1,433,964
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. 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 value-in-use ("VIU") discounted cash flow methodology. Key assumptions used in the impairment calculation were long term revenue growth rates and the discount rate of 2.0% and 26.0%, respectively. A 2% change in the discount rate does not result in impairment.

## 6. Related Party Transactions

The Company has several agreements with various related parties for services. 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.

## 6. Related Party Transactions (Continued)

During the year ended December 31, 2023, and 2022, the Company entered into the following transactions with related parties:

	December 31, 2023	December 31, 2022
Professional and consulting fees	\$ 150,168	\$ 188,253
Executive and director compensation	\$ 342,314	\$ 309,840
Share-based compensation on RSUs	\$ 119,655	-
Share-based compensation on stock options	\$ 17,752	\$ 174,767

### Related Party Balances

As at December 31, 2023, the Company has \$112,726 (December 31, 2022 - \$222,648) due to related parties included in accounts payable and \$135,039 (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 \$Nil (December 31, 2022 - \$247,725), classified as contingent consideration payable, was revalued to \$Nil. The liability was owed to the former principal of InPlay Labs, who is now a shareholder of the Company and engaged as a senior consultant (Note 4).

On August 11, 2023, the Company executed a short-term loan agreement with the CEO for proceeds of US\$260,000 (\$351,520). The loan bore no interest and is subordinate to the Promissory Note (Note 8) and convertible debentures (Note 10). The loan is repayable in full at the earliest of the closing or generation of \$1,000,000 in cash flows from financing or operating activities. The loan was fully repaid prior to the year ended December 31, 2023.

## 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 2.04% (December 31, 2022 – prime rate plus 1%). The line of credit has a borrowing limit of \$15,000. As at December 31, 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 installments, bears interest at 2.73% per month, and was 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 US\$75,000. As at December 31, 2023, the Company's principal balance is \$47,843 (US\$36,173) (December 31, 2022 – \$96,762 (US\$75,000)) with accrued interest of \$11,007 in accrued liabilities (December 31, 2022 - \$2,784). On February 21, 2024, the Company and its US Bank creditor agreed to settle the \$47,843 (US\$36,173) owing on a line of credit for \$39,678 (US\$30,000).

Included in interest and accretion expense is interest on lines of credit in the amount of \$33,141 (December 31, 2022 - \$7,416).

## 8. Loans Payable

On July 8, 2022, the Company closed the issuance of a Promissory Note in exchange for \$716,803 (US\$550,000). 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 January 8, 2024. 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.



## 8. Loans Payable (Continued)

On February 22, 2024, the Company entered into an amending agreement with the Noteholder. Pursuant to the amending agreement, the Company and the Noteholder agreed to extend the maturity date to July 8, 2024, and to increase the interest rate from 14% to 20% per annum, effective January 8, 2024. Repayment of the principal amount of the promissory note was amended to two installments, of which US\$275,000 was due on February 29, 2024, and the remaining balance of US\$275,000 was payable on July 8, 2024. As of the date of these financial statements, only US\$50,000 of the principal has been repaid. As per the amending agreement, if the Company fails to pay the noteholder any principal due within one month following the due date for the installment, the Company is obligated to pay US\$15,000 for each overdue one-month period.

In connection with the Promissory Note, the Company issued 5,683,533 warrants to the Principal of the Noteholder (Note 11). 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 \$218,670 and is deducted from proceeds of the Loan Payable.

Interest and accretion expense are being recognized over the loan period, with a total of \$274,543 (December 31, 2022 - \$107,832), being recognized as interest and accretion expense. The resulting carrying value of the Loan Payable is \$726,287 as at December 31, 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 installments on the first and second-month anniversary of the agreement.

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 repaid on 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 (Note 11). Accretion expense of \$222 was recognized in the year 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. On July 20, 2023, the loan was repaid in full with proceeds from grant revenue. 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 (Note 11). A total of \$32,688, representing the difference between the discounted value of \$267,312 and the proceeds received of \$300,000, was allocated to the equity component (See Note 11) and recognized in interest and accretion expense. The fair value of the debt components of the loans were determined at inception using the Company's incremental borrowing rate of 20%.

On May 10, 2023, the Company executed a short-term financing agreement for general business and working capital usage, whereby the Company received a \$52,100 (US\$38,300) secured loan against future revenues. The purchase price of the loan was US\$56,301, payable in weekly installments of US\$2,406. During the year ended December 31, 2023, the Company incurred \$11,576 in loan default fees and \$13,957 (December 31, 2022 - \$Nil) for interest expense. The debtor and the Company entered into a settlement agreement, whereby the Company agreed to repay the loan payable for \$21,095 (US\$15,950) (December 31, 2022 - \$Nil) by February 29, 2024, which resulted in a \$10,405 reduction of interest expense and an additional \$998 of service charges.

## 9. Convertible Debentures

On June 28, 2023, the Company issued a series of convertible notes. The debt instruments had a face value of \$1,294,350 and simple interest at the annual rate of 10% per annum. Unless earlier converted into common shares the principal and accrued interest of the debt will be due and payable by GameOn to the holders of the debt on the date that is twenty-four (24) months from the date of the issuance (the "Maturity Date"). The debt plus any accrued but unpaid interest thereon will be convertible at the option of the holder, into shares

## 9. Convertible Debentures (Continued)

of GameOn at a price of \$0.10 per share. The securities issued will be subject to a 4-month and one day hold period from the date of issue of the convertible notes or the shares.

The fair value of the debt component of the convertible debentures was determined at inception using the Company's market interest 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. The Company recorded a deferred tax adjustment of \$52,147 against the value of the conversion option.

During the year ended December 31, 2023, the Company issued 2,302,972 common shares with an issued price of \$224,426 for the conversion of \$225,000 of convertible debentures plus \$5,297 of accrued interest. The Company recognized \$181,629 to equity portion of convertible debenture net of \$40,638 upon conversion of a subset of convertible debentures to common shares.

Included in interest and accretion expense for the year ended December 31, 2023, is \$105,732 relating to the convertible notes of which \$45,867 is accretion and \$59,865 is accrued interest. The resulting carrying value of the convertible debentures as at December 31, 2023 is \$971,618.

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 consolidated statements of financial position. The balance is unsecured and due on demand.

## 10. 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 an estimated market interest 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.

As of January 19, 2024, the outstanding balance will accrue interest at 5% per annum and matures on December 31, 2026.

For the period ended December 31, 2023, the Company recognized accretion on the CEBA loan of \$10,755 (December 31, 2022 - \$8,552) for an ending balance of \$60,000 (December 31, 2022 - \$49,245).

## 11. Share Capital

### Authorized Share Capital

Unlimited common shares without par value.

### Issued Share Capital

As at December 31, 2023, there were 70,636,797 common shares outstanding (December 31, 2022 - 67,296,131).

## 11. Share Capital (Continued)

### Issued Share Capital (Continued)

#### *Shares issued during the year ended December 31, 2023*

During the year ended December 31, 2023, the Company issued a total of 1,037,694 restricted share units ("RSUs") to employees, consultants, and a related party. Total share-based compensation recorded for the year ended December 31, 2023, in relation to these RSUs was \$179,839 based on the fair value of the Company's common shares on the dates of issuance.

During the year ended December 31, 2023, the Company issued 2,302,972 common shares for the conversion of \$225,000 of convertible debentures plus \$5,297 of accrued interest (Note 9)

#### *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.

On July 8, 2022, in connection with the loan payable (Note 8), 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.

On October 18, 2022, the Company issued 1,045,250 shares valued at \$47,036 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.

### Reserves

#### *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, 2023*

On July 14, 2023, the Company granted 128,528 stock options to two employees and three consultants. The stock options are exercisable at \$0.20 per share until July 14, 2025. The total fair value of the 128,528 stock options was \$18,747, of which \$14,002 has been recognized as share-based compensation in the year ended December 31, 2023.

On November 16, 2023, the Company granted 141,666 stock options to three employees. The stock options are exercisable at \$0.12 per share until November 16, 2025. The total fair value of the 141,666 stock options was

## 11. Share Capital (Continued)

\$13,084, of which \$5,240 has been recognized as share-based compensation in the year ended December 31, 2023.

On December 7, 2023, the Company granted 250,000 stock options to a consultant. The stock options are exercisable at \$0.10 per share until December 7, 2025. The total fair value of the 250,000 stock options was \$18,491 and has been recognized as share-based compensation in the year ended December 31, 2023.

### *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.

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.

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.

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.

## 11. Share Capital (Continued)

### Stock Options (Continued)

#### *Stock options granted during the year ended December 31, 2022 (continued)*

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.

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.

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 12-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 was no additional unused marketing credits.

As of December 31, 2023, 7,748,784 (December 31, 2022 – 5,968,554) of the 8,180,035 (December 31, 2022 – 9,593,890) issuable stock options have vested. Total share-based compensation recorded for the year ended December 31, 2023, in relation to the vested stock options was \$149,682 (December 31, 2022 - \$599,627).

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**11. Share Capital (Continued)**

**Stock Options (Continued)**

The following assumptions were used in calculating the fair value of stock options issuable and exercisable at December 31, 2023, using the Black-Scholes Option Pricing Model:

Grant Date	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
January 13, 2022	183.59%	1.16%	0%	2
April 7, 2022	175.40%	2.34%	0%	2
June 29, 2022	166.02%	3.12%	0%	2
October 18, 2022	84.31%	3.98%	0%	2
November 8, 2022	84.24%	4.10%	0%	2
December 13, 2022	82.62%	3.68%	0%	2
July 14, 2023	151.80%	4.48%	0%	2
November 16, 2023	153.25%	4.35%	0%	2
December 7, 2023	155.73%	3.94%	0%	2

The stock options outstanding and exercisable at December 31, 2023 are as follows:

Exercise Price	Number of Shares Issuable	Exercisable	Weighted Average Remaining Contractual Life (Years)	Expiry Date
\$0.22	54,627	54,627	0.04	January 13, 2024
\$0.16	1,154,364	1,154,364	0.27	April 7, 2024
\$0.10	2,234,617	2,234,617	0.50	June 29, 2024
\$0.10	1,850,000	1,587,500	0.80	October 18, 2024
\$0.10	292,350	292,350	0.86	November 8, 2024
\$0.10	2,077,500	2,077,500	0.95	December 13, 2024
\$0.20	124,911	62,410	1.54	July 14, 2025
\$0.12	141,666	35,416	1.88	November 16, 2025
\$0.10	250,000	250,000	1.94	December 7, 2025
\$0.11	8,180,035	7,748,784	1.00	

Stock options continuity for the period was as follows:

	Number of options	Weighted average exercise price
Balance, January 1, 2022	7,652,385	\$0.28
Granted	9,391,471	\$0.10
Cancelled	(7,449,966)	-
Balance, January 1, 2023	9,593,890	\$0.12
Granted	520,194	\$0.13
Cancelled	(1,472,766)	\$0.10
Expired	(461,283)	\$0.27
Balance, December 31, 2023	8,180,035	\$0.11

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**11. Share Capital (Continued)**

**Warrants**

On April 26, 2023, the Company issued 7,260,080 warrants as part of short-term loan agreements (Note 8). The warrants are exercisable at an exercise price of \$0.06 and expire on April 26, 2025. The amount allocated to warrant reserve was \$32,910 based on the residual amount after deducting the discounted value of the debt component and the proceeds of the loans.

On July 8, 2022, in connection with a loan payable (Note 8), 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 July 8, 2024.

During the year ended December 31, 2023, 10,187,879 (December 31, 2022 – Nil) warrants expired unexercised.

The warrants outstanding at December 31, 2023 are as follows:

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

Warrant continuity for the period was as follows:

	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)
Issued	-	-	-	-	7,260,080	7,260,080
Balance, December 31, 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 April 26, 2023	154%	3.60%	0%	2
Lender Warrants July 8, 2022	131%	3.24%	0%	2

**Restricted Share Units**

*RSUs granted during the year ended December 31, 2023*

On July 14, 2023, the Company granted 1,200,475 RSUs to five employees and ten consultants. Of the total RSUs granted, 550,000 vested immediately and the remaining 650,475 RSUs vest at 25% on grant date and 12.5% each quarter until fully vested. The fair value on the RSUs was \$240,095. Total share-based compensation recorded for the year ended December 31, 2023, in relation to the vested RSUs was \$201,546. Subsequent to the grant, 27,329 of the RSUs with a fair value of \$2,798 were cancelled on employee termination.

On November 16, 2023, the Company granted 295,500 RSUs to an employee. Upon grant, 25% of the RSUs vested immediately and the remaining RSUs are subject to vesting at 12.5% each quarter until fully vested. The fair value on the RSUs was \$36,938. Total share-based compensation recorded for the year ended December 31, 2023, in relation to the vested RSUs was \$14,794.

## 11. Share Capital (Continued)

### Restricted Share Units (Continued)

#### *RSUs granted during the year ended December 31, 2022*

During the year ended December 31, 2022, the Company granted 340,909 RSUs 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 compensation recorded for the year ended December 31, 2022, in relation to the vested RSUs was \$16,438.

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.

On July 8, 2022, in connection with the loan payable (Note 8), 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.

As at December 31, 2023, 601,406 RSUs are outstanding and subject to vesting. See Note 16 for RSUs issued after the reporting period. RSUs outstanding continuity for the years ended December 31, 2023, and 2022, were as follows:

	<b>RSUs in units</b>
Balance, January 1, 2022	-
Issued RSUs	2,482,930
Cancelled	(621,986)
Converted to common shares	(1,520,035)
Balance, January 1, 2023	340,909
Issued RSUs	1,495,975
Cancelled	(197,784)
Converted to common shares	(1,037,694)
Balance, December 31, 2023	601,406

The total share-based compensation for the year ended December 31, 2023, was as follows:

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Share-based compensation for options vested	\$ 149,682	\$ 599,627
Performance shares issued or to be issued to CEO	16,399	65,975
Restricted share units	231,195	106,492
<b>Share-based compensation</b>	<b>\$ 397,276</b>	<b>\$ 772,094</b>



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## 12. Revenue

Disaggregation of revenues for the periods ended December 31, 2023, and 2022:

	<b>2023</b>	<b>2022</b>
License fees	\$ 146,171	\$ 226,458
Setup fees	543,143	138,397
Grants	248,937	-
Software development	452,547	-
Sponsorship, support, maintenance, and other	115,718	16,417
	<b>\$ 1,506,516</b>	<b>\$ 381,272</b>

### Contract balances

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

	<b>December 31, 2023</b>	<b>December 31, 2022</b>
Unbilled revenue	\$ 8,945	\$ 390,340
Deferred revenue	(952,893)	(442,842)
Net contract balances	<b>\$ (943,948)</b>	<b>\$ (52,502)</b>

### Contract asset

The Company's contract asset of \$8,945 (December 31, 2022 - \$390,340) is comprised of unbilled revenue from services provided to corporate partners. Unbilled revenue was earned from a customer in the Cayman Islands and the United States in 2023 and 2022, respectively.

During the year ended December 31, 2023, one customer contributed 44% of the Company's total revenue, which was the most significant single source of revenue. In the comparative year ended December 31, 2022, there were five customers who each contributed over 10% of annual consolidated revenue.

## 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 and accounts receivable. The cash is deposited in bank accounts in Canada and the US. As most of the Company's cash is held by three banks there is a concentration of credit risk.

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

The Company's receivables consist of accounts receivable and government sales tax receivable. Based on the evaluation of receivables at December 31, 2023, the Company believes that its receivables are collectable.

### 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.

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 or debt funding. Liquidity risk is assessed as high.

<b>Contractual Obligations As at December 31, 2023</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>After 5 years</b>
Trade payables and accrued liabilities	\$ 1,360,832	\$ 1,360,832	\$ -	\$ -	\$ -
Lines of credit	62,843	62,843	-	-	-
Other payable	95,000	95,000	-	-	-
Loans payable	747,382	747,382	-	-	-
Related party loans payable	135,039	135,039	-	-	-
Convertible debt	1,129,215	-	1,129,215	-	-
CEBA Loans	60,000	-	60,000	-	-
<b>Total Contractual Obligations</b>	<b>\$ 3,590,311</b>	<b>\$ 2,401,096</b>	<b>\$ 1,189,215</b>	<b>\$ -</b>	<b>\$ -</b>

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 US dollars, while a component of operating expenses are incurred in Canadian dollars, Australian dollars, British pounds, and European euros. The Company is exposed to moderate foreign exchange risk.

Fair value

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. However, considerable judgement 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.

### 13. Financial Risk Management (Continued)

Fair value (continued)

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 the earn 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, lines of credit, loans payable, other payable, and contingent consideration payable.

### 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, except for the prohibition on distributions or management fees in accordance with the Promissory Note (Note 8).

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

### 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, 2023, and 2022.

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**15. Income Taxes (Continued)**

The reconciliation of the income tax expense for the period ended December 31, 2023 and December 31, 2022 consists of the following:

	<b>Dec 31, 2023</b>	<b>Dec 31, 2022</b>
<b>Expected Tax Rate</b>	<b>27.00%</b>	<b>27.00%</b>
Expected income tax (recovery)	\$ (867,190)	\$ (1,145,318)
Permanent Differences	56,815	209,965
Effect of losses not recognized	739,957	890,532
Effect of convertible debt recognized in equity	(52,147)	
Effect of other temporary differences not recognized	70,417	4,349
Impact of a change in rates and other adjustments	-	40,472
<b>Income tax expense (recovery)</b>	<b>\$ (52,148)</b>	<b>\$ -</b>

Deferred income taxes reflect the impact of loss carry forwards and of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws. The following deferred tax assets and liabilities have been recognized for accounting purposes:

	<b>Dec 31, 2023</b>	<b>Dec 31, 2022</b>
Deferred tax asset	\$ -	\$ -
Deferred tax liability	-	-
<b>Net deferred tax liability</b>	<b>\$ -</b>	<b>\$ -</b>

The effect of temporary differences and loss carry forwards that give rise to significant portions of the deferred tax liability, which has been recognized during the year are as follows:

	<b>Dec 31, 2022</b>	<b>Recognized in profit and loss</b>	<b>Recognized in equity</b>	<b>Dec 31, 2023</b>
<b>Deferred tax asset</b>				
Non-Capital Loss Carryforwards	\$ 148,871	\$ 140,897		\$ 289,768
	148,871	140,897	-	289,768
<b>Deferred tax liability</b>				
Intangible Assets	\$ (5,399)	\$ (55,231)		\$ (60,631)
Goodwill	(109,702)	(79,672)		(189,374)
CEBA-Loan	(2,904)	2,904		-
Proje Loan Payable	(30,866)	30,866		-
Convertible Debentures	-	12,384	(52,147)	(39,763)
	(148,871)	(88,750)	(52,147)	(289,768)
<b>Net deferred tax liability</b>	<b>\$ -</b>	<b>\$ 52,147</b>	<b>\$ (52,147)</b>	<b>\$ 0</b>

The tax effects of 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:

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**15. Income Taxes (Continued)**

	<b>Dec 31, 2023</b>	<b>Dec 31, 2022</b>
Share Issue Costs	67,543	3,246
Non-Capital Losses	11,187,821	9,749,002
Capital Losses	717,535	-
Intangible Assets	-	-
Loan Payable	17,235	-
<b>Total</b>	<b>\$ 11,990,134</b>	<b>\$ 9,752,248</b>

The company has the following non-capital losses available to reduce future years' federal and provincial taxable income, which expire as follows:

	<b>Canada</b>
2040	-
2041	4,069,303
2042	2,773,426
2043	2,258,288
	<b>\$ 9,101,017</b>

  

	<b>USA</b>
Indefinite	2,040,153

  

	<b>Australia</b>
Indefinite	46,650

**16. Subsequent Events**

- a) On January 14, 2024, January 19, 2024, and February 16, 2024, the Company issued a total of 592,295 RSUs to various employees and consultants pursuant to RSU award agreements. The Company issued 122,714 common shares for the conversion of some of these RSUs. Subsequent to December 31, 2023, the Company cancelled 238,594 RSUs as a result of employee departures.
- b) In January and February of 2024, a total of 161,456 stock options expired unexercised.