GameOn Entertainment Technologies Inc.

Condensed Consolidated Interim Financial Statements
Three and six months ended June 30, 2024 and 2023

Unaudited - Expressed in Canadian dollars

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

	Notes		As at June 30, 2024		As at December 31, 2023
ASSETS					
Current assets					
Cash	12	$	33,864	$	353,666
Prepaids			3,500		12,004
Accounts receivable	10		856,806		47,614
Contract asset	10		8,945		8,945
Government sales tax receivable			8,001		21,806
			911,116		444,035
Non-current assets					
Intangible assets	3		1,347,451		1,433,964
Goodwill	3		3,432,783		3,432,783
TOTAL ASSETS		**$**	**5,691,350**	**$**	**5,310,782**
LIABILITIES					
Current liabilities					
Accounts payable	4	$	957,718	$	811,713
Accrued liabilities	4		706,926		549,119
Lines of credit	5		12,952		62,843
Deferred revenue	10		125,692		952,893
Loans payable	6		798,243		747,382
Related party loans	4		168,612		135,039
Other payable	7		95,000		95,000
			2,865,143		3,353,989
Non-current liabilities					
Convertible debentures	7		1,071,571		971,618
CEBA loan	8		61,328		60,000
TOTAL LIABILITIES			**3,998,042**		**4,385,607**
SHAREHOLDERS' EQUITY					
Share capital	9		11,983,931		11,925,835
Reserves	9		6,392,441		6,368,627
Equity portion of convertible debentures	7		568,769		568,769
Deficit			(17,251,833)		(17,938,056)
TOTAL SHAREHOLDERS' EQUITY			1,693,308		925,175
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**$**	**5,691,350**	**$**	**5,310,782**

Nature of operations and going concern – Note 1
Subsequent events – Note 14

“Matt Bailey”
Director

“Carey Dillen”
Director

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

GameOn Entertainment Technologies Inc.
Condensed Consolidated Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(Unaudited - Expressed in Canadian dollars)

	Notes	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenue	10	$ 1,092,471	364,141	$ 2,939,712	$ 836,329
Expenses					
Amortization of intangible assets	3	43,257	36,025	86,513	72,050
Bad debt		1,546	-	1,546	-
Contract costs		-	258,479	-	301,979
Foreign exchange loss (gain)		49,695	(7,386)	31,160	(15,250)
General and administration		498,723	140,525	640,047	243,592
Interest and accretion	5,6,7,8	174,010	121,235	288,681	192,291
Investor relations		15,000	15,941	30,000	30,941
Intellectual property licensing		183,496	-	352,871	-
Professional and consulting fees	4	478,403	299,624	813,702	590,626
Sales and marketing		86,205	28,759	192,718	46,218
Share-based compensation	4,9	22,195	48,167	70,210	130,249
Transfer agent and regulatory fees		10,520	17,460	20,814	27,522
Wages	4	158,704	216,223	361,156	416,691
Total expenses		(1,721,754)	(1,175,052)	(2,889,418)	(2,036,909)
Other items					
Gain on token disposition	11	620,410	-	620,410	-
Gain on settlement of debt	5	15,519	-	15,519	-
		635,929	-	635,929	-
Net income (loss) and comprehensive income (loss) for the		**$ 6,646**	**$ (810,911)**	**$ 686,223**	**$ (1,200,580)**
Income (loss) per share - basic and diluted		**$ 0.00**	**$ (0.01)**	**$ 0.01**	**$ (0.02)**
Weighted average number of common shares outstanding for the period - basic and diluted		**71,026,077**	**67,443,171**	**70,936,131**	**67,406,314**

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

GameOn Entertainment Technologies Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
(Unaudited - Expressed in Canadian dollars)

		Share Capital		Reserves					
	Notes	Number of Shares	Amount	Contributed Surplus	Warrants	Total Reserve	Equity Portion of Convertible Debentures	Deficit	Total
Balance at January 1, 2023		67,296,131	$ 11,521,570	$ 3,985,389	$ 2,132,891	$ 6,118,280	$ 427,778	$ (14,778,388)	$ 3,289,240
Warrants issued for short-term loans	6	-	-	-	32,911	32,911	-	-	32,911
Share-based payments	9	-	-	130,249	-	130,249	-	-	130,249
Equity portion of convertible debt	7	-	-	-	-	-	233,776	-	233,776
Shares issued on vested RSUs		170,454	11,932	(11,932)	-	(11,932)	-	-	-
Net and comprehensive loss for the period		-	-	-	-	-	-	(1,200,580)	(1,200,580)
Balance at June 30, 2023		**67,466,585**	**$ 11,533,502**	**$ 4,103,706**	**$ 2,165,802**	**$ 6,269,508**	**$ 661,554**	**$ (15,978,968)**	**$ 2,485,596**
Balance at January 1, 2024		70,636,797	$ 11,925,835	$ 4,202,826	$ 2,165,801	$ 6,368,627	$ 568,769	$ (17,938,056)	$ 925,175
Share-based compensation	9	-	-	70,210	-	70,210	-	-	70,210
Shares issued on exercise of stock options	7,9	117,000	17,207	-	-	(5,507)	-	-	11,700
Shares issued on vested RSUs	9	281,779	40,889	-	-	(40,889)	-	-	-
Net and comprehensive income for the period		-	-	-	-	-	-	686,223	686,223
Balance at June 30, 2024		**71,035,576**	**11,983,931**	**4,273,036**	**2,165,801**	**6,392,441**	**568,769**	**(17,251,833)**	**1,693,308**

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

(Unaudited - Expressed in Canadian dollars)

	Notes	Six months ended June 30, 2024	2023
Operating activities			
Net income (loss) for the period		$ 686,223	$ (1,200,580)
Adjustments for non-cash items:			
Amortization of intangible assets		86,513	72,050
Foreign exchange loss (gain)		31,160	(15,250)
Interest and accretion		288,681	192,291
Share-based compensation		70,210	130,249
Gain on settlement of debt		(15,519)	-
Changes in non-cash working capital items:			
Accounts receivable		(809,192)	(225,601)
Prepaids		8,504	(10,456)
Contract asset		-	301,979
Government sales tax receivable		13,805	19,109
Accounts payable		109,481	(60,286)
Accrued liabilities		65,875	77,903
Deferred revenue		(827,201)	(326,727)
Net cash flows used in operating activities		(291,460)	(1,045,319)
Financing activities			
Proceeds received from short-term loans payable		153,936	402,100
Repayment of loans payable		(34,583)	(146,807)
Interest and principal repayment of lines of credit		(43,536)	(56,185)
Proceeds from convertible debtentures		-	1,283,449
Proceeds from exercise of options		11,700	-
Repayment of promissory note interest		(70,939)	(51,479)
Repayment of promissory note principal		(68,493)	-
Advance from related party		33,573	60,766
Interest payments on loan payable		(10,000)	-
Net cash flows (used in) provided by financing activities		(28,342)	1,491,844
Increase (decrease) in cash		(319,802)	446,525
Cash, beginning		353,666	21,424
Cash, ending		**$ 33,864**	**$ 467,949**
Supplemental non-cash activities:	**Notes**		
Issuance of shares for vested RSUs	9	40,888	11,932
Equity portion of convertible debentures	7	-	233,776
Warrants reserve on short-term loans	6	-	32,911
Fair value in excess of options exercised	9	5,507	-
		$ 46,395	**$ 278,619**

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

1. Nature of Operations and Going Concern

GameOn Entertainment Technologies Inc. ("GameOn Entertainment" or "GameOn" or the "Company") was incorporated under the Business Corporation Act (British Columbia) on January 13, 2010. The Company was formerly incorporated as "V2 Games Inc." and changed names to "GameOn Entertainment Technologies Inc." on January 13, 2021. The Company is a next-generation fantasy sports technology company. On November 13, 2023, the Company incorporated GameOn Entertainment Technologies Pty Ltd. in Australia ("GameOn Pty"). The condensed consolidated interim 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 condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at June 30, 2024, the Company had a working capital deficiency of $1,954,027 (December 31, 2023 – $2,909,954), an accumulated deficit of $17,251,833 (December 31, 2023 – $17,938,056). 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 condensed consolidated interim financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern, and such adjustments could be material.

2. Material Accounting Policy Information

These condensed consolidated interim unaudited financial statements were authorized for issue on August 29, 2024, by the directors of the Company.

a) Statement of Compliance

These condensed consolidated interim unaudited financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these condensed consolidated interim unaudited financial statements as at and for the year ended December 31, 2023.

The condensed consolidated interim unaudited financial statements do not include all of the information and note disclosures required for full annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2023.

b) Principles of Consolidation

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

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

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 3 for a description of the Company’s annual impairment testing procedures.

c) Basis of Preparation

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

(Unaudited - Expressed in Canadian dollars)

3. Intangible Assets and Goodwill

Intangible Assets

Intangible assets consist of the core GameOn application and FanClash acquisitions. A nominal amount of $1 has been recognized for the Company's custody of a digital asset token ("$GAME") (Note 11). All finite-lived intangible assets are accounted for using the cost model whereby capitalized costs are amortized on a straight-line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. Indefinite life assets are not amortized but are tested for impairment annually. Both the GameOn app and the FanClash property acquired from InPlay are amortized on a straight-line basis over 10 years.

	GameOn App	FanClash	$GAME	Total
Cost:				
Balance, January 1, 2024	$ 941,000	$ 789,256	$ -	$ 1,730,256
Addition	-	-	1	1
Balance, June 30, 2024	941,000	789,256	1	1,730,257
Accumulated Amortization:				
Balance, January 1, 2024	$ 188,200	$ 108,092	$ -	$ 296,292
Amortization	47,050	39,463	-	86,513
Balance, June 30, 2024	$ 235,250	$ 147,555	$ -	$ 382,805
Net Book Value, December 31, 2023	$ 752,800	$ 681,164	$ -	$ 1,433,964
Net Book Value, June 30, 2024	$ 705,750	$ 641,701	$ 1	$ 1,347,451

Goodwill

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

The Company performed an impairment calculation of goodwill based on a calculated recoverable amount using a discounted cash flow methodology. Key assumptions used in the impairment calculation were long term revenue growth rates and the discount rate of 2.0% and 20.0%, respectively. A 2% change in the discount rate does not result in impairment.

(Unaudited - Expressed in Canadian dollars)

4. Related Party Transactions

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

During the period ended June 30, 2024, and 2023, the Company entered into the following transactions with related parties:

		June 30, 2024		June 30, 2023
Professional and consulting fees	$	75,340	$	79,415
Executive and director compensation	$	206,547	$	144,065
Share-based compensation on stock options	$	2,030	$	45,573

Related Party Balances

As at June 30, 2024, the Company has $103,302 (December 31, 2023 - $112,726) due to related parties included in accounts payable and $174,370 (December 31, 2023 - $135,039) owing to VST, including companies under control of VST. The Company also has $5,758 due from the CEO (December 31, 2023 - $Nil). These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

5. 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, 2023 – 2.04%). The line of credit has a borrowing limit of $15,000. As at June 30, 2024, the Company had drawn down $12,952 (December 31, 2023 - $15,000).

The Company's second line of credit was a revolving, USD$75,000, secured loan with a US bank, repayable in monthly installments and bore interest at 2.73% per month. The loan was scheduled to be repaid one year from the initial advance date of December 19, 2022. On February 20, 2024, the Company reached a settlement agreement with the lender whereby the lender agreed to accept a final amount of USD $30,000, paid in two equal instalments of USD$15,000, in exchange for settling the accumulated principal and interest balance of USD $41,288. The instalment payments were made in each of March and April of 2024. The gain on the settlement of the debt of $15,519 (USD $11,288) was recognized in other income. As at June 30, 2024, the Company's principal balance is $Nil (December 31, 2023 – $47,843 (US$36,173)) with accrued interest of $Nil in accrued liabilities (December 31, 2023 - $11,007).

Included in interest and accretion expense is interest on lines of credit in the amount of $6,699 (June 30, 2023 - $20,471).

6. Loans Payable

On July 8, 2022, the Company closed the issuance of a promissory note (the "Promissory Note") in exchange for $716,804 (USD $550,000). The noteholder is a venture capital firm. The Promissory Note bears interest at the simple non-compounding rate of 14% per annum payable monthly and matured 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.

In connection with the Promissory Note, the Company issued 5,683,533 warrants to the principal of the noteholder. The exercise price of the warrants is $0.06 and expires on the second anniversary of the issue date. The fair value of the lender warrants less allocated direct costs was $218,669 and is deducted from proceeds of the Promissory Note. Also 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 22, 2024, the Note was amended to extend the maturity date with the principal due in two instalments of USD $275,000 on February 29, 2024, and July 8, 2024. The interest rate was increased from 14% per annum to 20% per annum. If the Company fails to make either instalment payment of principal in full within one month following the due date of the installment, the Company is required to pay a late payment penalty in an amount equal to USD $15,000 for each period of one month following the due date during which such instalment remains unpaid. As at June 30, 2024, the Company had paid $68,493 (USD $50,000) towards the principal. Accordingly, for the period ended June 30, 2024, $81,934 (USD $60,000) (December 31, 2023 - $Nil) has been accrued to interest expense and included in accrued liabilities.

Interest expense is being recognized over the loan period, with a total of $70,939 (June 30, 2023 – interest and accretion expense of $123,861), included as interest and accretion expense. Interest expenses recognized during the period was paid in cash. The resulting carrying value of the Promissory Note is $657,795 as at June 30, 2024 (December 31, 2023 - $726,287).

On February 26, 2023, the Company arranged for a $25,000 short-term non-interest-bearing bridge loan from a Company controlled by a director. The loan was paid back by March 10, 2023, in accordance with the terms, from proceeds of grant revenue. In connection with the short-term loan, the Company issued 625,000 warrants exercisable at $0.06 with an expiry date of April 26, 2025. Accretion expense of $222 was recognized in the 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. The fair value of the debt component of the loan was determined at inception using the Company's incremental borrowing rate of 20%. A total of $32,688, representing the difference between the discounted value of $267,312 and the proceeds received of $300,000, was allocated to the equity component and recognized in interest and accretion expense.

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. In the period ended June 30, 2024, the debt was settled in full as per terms of a settlement agreement reached January 8, 2024.

On January 24, 2024, the Company received a $53,936 (USD $40,000) short-term non-interest-bearing loan from an arm's length party with no terms of repayment. In the period ended June 30, 2024, the Company repaid $13,488 (USD $10,000), leaving a balance of $40,448 at June 30, 2024 (December 31, 2023 - $Nil).

6. Loans Payable (Continued)

On May 2, 2024, the Company entered into a short-term loan agreement with an individual in the amount of $100,000. The loan bears interest at 10% if repaid in full before May 31, 2024, and 20% if paid in full after May 31, 2024. Furthermore, the Company agreed to send 50,000 $GAME tokens if repaid before May 31, 2024, and 100,000 $GAME tokens if repaid after May 31, 2024. During the period ended June 30, 2024, the Company paid $10,000 of interest and accrued a further $10,000 as the principal had yet to be repaid by June 30, 2024.

7. 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"); prior to the Maturity Date with the acceptance of the Holders (provided GameOn pays the Holder all of the interest that would have been due had the Holders held the debt until the Maturity Date), or upon demand by the Holders. The debt plus any accrued but unpaid interest thereon will be convertible into shares of GameOn at a price of $0.10 per share. The securities issued will be subject to a 4-month 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 incremental borrowing rate of 20%. A total of $233,776, representing the difference between the discounted value of $1,049,673 and the net proceeds after transaction fees received of $1,283,449, was allocated to the equity component.

During the year ended December 31, 2023, the Company issued 2,302,972 common shares with a fair value of $372,889 for the conversion of $225,000 of convertible debentures plus $5,297 of accrued interest. The Company transferred $189,101 from contributed surplus to share capital upon conversion of the convertible debentures to common shares. Subsequent to the period ended June 30, 2024, one debenture of $10,000 was converted into common shares (Note 14).

Included in interest and accretion expense for the period ended June 30, 2024, is $99,953 (June 30, 2023 - $1,253) relating to the convertible notes of which $46,485 (June 30, 2023 - $188) is accretion and $53,468 (June 30, 2023 - $1,056) is accrued interest. The resulting carrying value of the convertible debentures as at June 30, 2024 is $1,071,571 (December 31, 2023 - $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 condensed consolidated interim statements of financial position. The balance is unsecured and due on demand and has remained unchanged since recognition.

8. 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 $40,000 loan was recognized at fair value using the Company's incremental borrowing rate of 20%. On December 4, 2020, the CEBA program was expanded, and the Company received an additional $20,000 in funds on December 31, 2020. The full value of the grant has been spent in the course of business operations.

As of January 19, 2024, the outstanding balance converted to an amortized term loan, accruing interest at 5% per annum and maturing on December 31, 2026.

For the period ended June 30, 2024, the Company recognized interest expense on the CEBA loan of $1,328 (June 30, 2024 – accretion expense of $4,887) for an ending balance of $61,328 (December 31, 2023 - $60,000).

9. Share Capital

Authorized Share Capital

Unlimited common shares without par value.

Issued Share Capital

As at June 30, 2024, there were 71,035,576 common shares outstanding (December 31, 2023 – 70,636,797).

Shares issued during the period ended June 30, 2024

In the period ended June 30, 2024, the Company issued 281,779 common shares from exercised RSUs to various employees and consultants. The fair value of the equity awarded was $40,889 based on the fair value of the Company's common shares on the date of issuance.

On February 6, 2024, the Company issued 117,000 common shares to a recently departed employee on the exercise of vested stock options for proceeds of $11,700 based on an exercise price of $0.10 per share.

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 period ended June 30, 2024

In the period ended June 30, 2024, 3,945,541 stock options were cancelled and/or expired, while no options were granted during the period.

Total share-based compensation recorded for the period ended June 30, 2024, in relation to this stock options vesting was $10,540 (June 30, 2023 - $101,058).

(Unaudited - Expressed in Canadian dollars)

9. Share Capital (Continued)

Stock Options (Continued)

The following assumptions were used in calculating the fair value of stock options issuable and exercisable at June 30, 2024, using the Black-Scholes Option Pricing Model:

Grant Date	Expected Volatility	Risk-free Interest Rate	Expected Dividend Yield	Expected Life (in years)
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 June 30, 2024 are as follows:

Exercise Price	Number of Shares Issuable	Exercisable	Weighted Average Remaining Contractual Life (Years)	Expiry Date
$0.10	1,600,000	1,600,000	0.30	October 18, 2024
$0.10	292,350	292,350	0.36	November 8, 2024
$0.10	1,722,777	1,722,777	0.45	December 13, 2024
$0.20	128,528	91,025	1.04	July 14, 2025
$0.12	133,333	66,665	1.38	November 16, 2025
$0.10	250,000	250,000	1.44	December 7, 2025
$0.10	4,126,988	4,022,817	1.00	

Stock options continuity for the period was as follows:

	Number of options	Weighted average exercise price
Balance, January 1, 2024	8,189,529	$0.11
Excercised	(117,000)	$0.10
Cancelled	(501,933)	$0.10
Expired	(3,443,608)	$0.22
Balance, June 30, 2024	4,126,988	$0.10

Warrants

There were no changes to the warrant continuity during the period ended June 30, 2024.

The warrants outstanding as at June 30, 2024 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	

(Unaudited - Expressed in Canadian dollars)

9. Share Capital (Continued)

Restricted Share Units (Continued)

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

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

RSUs granted during the period ended June 30, 2024

On January 19, 2024, the Company granted 490,856 RSUs to several employees and consultants. Of the total RSUs granted, 122,714 of them vested immediately and were exercised to common shares and the remaining 368,142 RSUs vest at 25% on grant date and 12.5% each quarter until fully vested. The fair value on the RSUs was $80,991. Total share-based compensation recorded for the period ended June 30, 2024, in relation to this RSU issuance was $13,249.

In the period ended June 30, 2024, 238,594 RSUs were cancelled following employee departures.

As at June 30, 2024, 571,889 RSUs are outstanding and subject to vesting. See Note 14 for RSUs issued and cancelled after the reporting period. RSUs outstanding continuity for the periods ended June 30, 2024, and 2023, were as follows:

	RSUs in units
Balance, January 1, 2024	601,406
Issued RSUs	490,856
Cancelled	(238,594)
Converted to common shares	(281,779)
Balance, June 30, 2024	571,889

The total share-based compensation for the periods ended June 30, 2024 and 2023, was as follows:

	June 30, 2024	June 30, 2023
Share-based compensation for options vested	$ 10,540	$ 101,058
Performance shares issued or to be issued to CEO	-	11,538
Restricted share units	59,670	17,653
Share-based compensation	$ 70,210	$ 130,249

(Unaudited - Expressed in Canadian dollars)

10. Revenue

The Company segments its revenues into two primary streams, Business to Business ("B2B") and business to Consumer ("B2C").

		June 30, 2024		June 30, 2023
B2B: license, support and maintenance	$	687,378	$	161,683
B2B: setup fees, software development, and grants		1,819,970		642,505
B2C: avatar sales and in-app purchases		432,364		32,141
	$	2,939,712	$	836,329

Contract balances

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

		June 30, 2024		December 31, 2023
Unbilled revenue (contract asset)	$	8,945	$	8,945
Accounts receivable		856,806		47,614
Deferred revenue		(125,692)		(952,893)
Net contract balances	$	740,059	$	(896,334)

Contract asset

The Company's contract asset of $8,945 (December 31, 2023 - $8,945) is comprised of unbilled revenue from the software development contract earned in the six months ended June 30, 2024.

Contract liabilities

Contract liabilities represent consideration received in advance of revenue recognized. In the period ended June 30, 2024, the entire remaining balance is attributable to proceeds received on execution of a grant. For the year ended December 31, 2023, the balance is primarily attributable to the first instalment of the software development project.

		June 30, 2024		December 31, 2023
Balance, opening	$	952,893	$	442,842
Revenue recognized from opening balance		(827,201)		(442,842)
Deferred revenue additions		-		952,893
Balance, closing	$	125,692	$	952,893

During the period ended June 30, 2024, one customer contributed 72% of the Company's total revenue, comprising the recognized portion of the software development contract and monthly support and maintenance fees commencing January 1, 2024. In the comparative period ended June 30, 2023, revenue comprised one grant and several types of revenue from various organizations.

11. Other Items

On February 1, 2024, the Company executed a grant agreement with the counterparty from which it entered into a software development and maintenance agreement in the fourth quarter of 2023. The grant agreement compliments the software development agreement and is intended to further incentivize the Company to invest and promote the protocol and ecosystem from which the project was developed. The grant agreement requires incidental incremental input costs on the part of the Company relative to the software development agreement. As per the agreement, the counterparty will grant $GAME tokens subject to milestones that mirror deliverables promised in a separate grant agreement from a separate counterparty.

11. Other Item (Continued)

Under the $GAME token grant agreement, the counterparty will pay up to 59 million $GAME tokens according to a deliverable schedule. The vesting schedule of the tokens is pre-programmed with an unlocking period timeline of 36 months. A portion of the tokens, effectively token inventory, is to be used to support marketing efforts and rewards to application users to be deployed through game play. As the tokens have $Nil cost base, no value is ascribed to token inventory. Of the total grant, 18 million tokens are earmarked for the Company's treasury. The Company has ascribed a nominal $1 value to $GAME tokens (Note 3) that have been earned through the period of June 30, 2024, due to the value of $GAME token not being reliably measurable at the current time. The Company received 59 million in the three-month period ended June 30, 2024, with 4.5 million being the fixed amount unlocked at token launch and the remaining deposited into a vesting wallet with monthly releases over 36 months. During the three and six months ended June 30, 2024, 2,627,346 tokens were disposed of with proceeds of $620,410 used to fund working capital and settle payables and reported as gain on token liquidation. A further 1,854,822 tokens were distributed in kind to support the $GAME ecosystem with another 550,000 tokens becoming unlocked resulting in a total of 567,832 tokens unlocked as at June 30, 2024. The Company had 54,517,832 $GAME tokens, both locked and unlocked, in its custody as at June 30, 2024.

12. Financial Risk Management

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

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash held in bank accounts. The cash is deposited in 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 June 30, 2024, the Company believes that its receivables are collectable.

b) Interest rate risk

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

c) Liquidity risk

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

12. Financial Risk Management (Continued)

c) Liquidity risk (continued)

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.

Contractual Obligations As at June 30, 2024	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
Trade payables and accrued liabilities	$ 1,664,644	$ 1,664,644	$ -	$ -	$ -
Lines of credit	12,952	12,952	-	-	-
Other payable	95,000	95,000	-	-	-
Loans payable	798,243	798,243	-	-	-
Related party loans payable	168,612	168,612	-	-	-
Convertible debt	1,071,571	-	1,071,571	-	-
CEBA Loans	61,328	-	61,328	-	-
Total Contractual Obligations	$ 3,872,350	$ 2,739,451	$ 1,132,899	$ -	$ -

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

The different levels have been defined as follows:

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

Cash is measured using Level 1 inputs. Contingent consideration payable is measured using level 3 inputs, which is based on management's best estimate of 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, and other payable. The carrying value of financial instruments approximates the fair value as at June 30, 2024 and December 31, 2023 due to their short term nature.

13. 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 6).

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

14. Subsequent Events

a) Subsequent to the period ended June 30, 2024, the Company converted 122,716 vested RSUs into common shares.

b) Subsequent to the period ended June 30, 2024, a convertible debenture holder (Note 7) exercised the right to convert a $10,000 debenture plus accrued interest into common shares. The total common shares issued to the holder was 111,014.

c) Subsequent to the period ended June 30, 2024, the Company granted 479,100 options to several consultants at an exercise price of $0.075 and expiring on July 30, 2026. Of the options granted, 70,153 vest in full on the date of grant, with the balance vesting 25% on grant date and 12.5% each subsequent quarter until fully vested.

d) Subsequent to the period ended June 30, 2024, 5,683,533 lender warrants expired.