Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Consolidated Financial Statements
Years ended December 31, 2021 and 2020
(Presented in United States Dollars)

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.):

Opinion

We have audited the consolidated financial statements of Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) and its subsidiaries (together the "Group"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended December 31, 2021 and 2020 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 Group 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion & Analysis filed with the relevant Canadian securities commissions.

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 and remain alert for indications that the other information appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is John C. Sinclair.

Baker Tilly WM LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 2, 2022

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Consolidated Financial Statements
Years ended December 31, 2021 and 2020
(Presented in United States Dollars)

Contents

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Consolidated Statements of Financial Position
As at December 31, 2021 and 2020
(Presented in United States Dollars)

	2021	2020
Assets		
Current		
Cash	$ 7,224,954	$ 425,415
Due from processors, net (Note 4 and 13(b))	804,954	937,564
Government remittances recoverable	71,696	87,637
Prepaid expenses and other assets	446,029	131,047
Prepaid issue costs (Note 3)	722,512	-
	9,270,145	1,581,663
Non-current		
Property and equipment	3,081	3,150
Deferred income tax assets (Note 11)	20,387	10,867
Right-of-use assets (Note 5 and 13(a))	-	6,627
Due from related parties (Note 7)	93,282	-
	116,750	20,644
	$ 9,386,895	$ 1,602,307
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	$ 2,564,390	$ 830,927
Income taxes payable	108,627	83,182
Government remittances payable	10,045	10,049
Deferred revenue	143,072	174,337
Due to related parties (Note 7)	86,778	94,212
Lease liabilities (Note 8)	-	8,474
	2,912,912	1,201,181
Shareholders' Equity		
Share capital (Note 9)	8,223,957	881
Share subscriptions received (Note 3)	7,075,405	-
Warrant reserve (Notes 3 and 10)	185,506	-
Foreign exchange translation reserve	12,652	407,146
Deficit	(9,023,537)	(6,901)
	6,473,983	401,126
	$ 9,386,895	$ 1,602,307

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

These consolidated financial statements are approved by the Directors:

Steve Budin (signed)

Director

Kelvin Lee (signed)

Director

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Consolidated Statements of Loss and Comprehensive Loss
Years ended December 31, 2021 and 2020
(Presented in United States Dollars)

	2021	2020
Revenue		
Lottery procurement revenue	$ 4,827,978	$ 5,328,890
Online casino and scratchcard revenue	1,012,709	829,506
	5,840,687	6,158,396
Cost of revenue		
Processing costs (Note 12)	788,684	726,500
License fees	219,825	96,692
Commissions	1,601,281	1,761,034
	2,609,790	2,584,226
Gross profit	3,230,897	3,574,170
Operating Expenses		
Salaries and benefits (Note 12)	1,504,503	1,311,779
Marketing expenses	552,446	244,011
Expected credit losses	9,175	53,700
Bank charges and fees	87,466	58,187
General and administrative (Note 12)	62,072	88,344
IT services	494,186	266,459
Interest on lease liabilities	389	1,941
Professional fees (Note 12)	528,402	404,795
Vehicles and travel	1,073	9,837
Restructuring costs	-	9,699
Amortization of right-of-use assets	6,627	49,124
	3,246,339	2,497,876
Income (loss) before undernoted items and income taxes	(15,442)	1,076,294
Other income (loss)		
Foreign exchange loss	(9,251)	(614,276)
Other income	-	10,670
Listing expense (Note 3)	(8,849,088)	-
	(8,858,339)	(603,606)
Net income (loss) before income taxes	(8,873,781)	472,688
Income tax provision (recovery) (Note 11)		
Current	152,375	74,499
Deferred	(9,520)	12,428
	142,855	86,927
Net income (loss)	$ (9,016,636)	$ 385,761
Other comprehensive income (loss)		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	(394,494)	617,632
Comprehensive income (loss)	$ (9,411,130)	$ 1,003,393

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

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Consolidated Statements of Changes in Shareholders' Equity
Years ended December 31, 2021 and 2020
(Presented in United States Dollars)

	Share capital (Notes 3 and 9)	Share subscription received (Note 3)	Warrant reserve (Notes 3 and 10)	Foreign currency translation reserve	Deficit	Total equity
As at December 31, 2020	$ 881	$ -	$ -	$ 407,146	$ (6,901)	$ 401,126
Net loss	-	-	-	-	(9,016,636)	(9,016,636)
Other comprehensive loss	-	-	-	(394,494)	-	(394,494)
Total comprehensive loss	-	-	-	(394,494)	(9,016,636)	(9,411,130)
Shares issued pursuant to RTO	8,223,076	-	-	-	-	8,223,076
Share subscriptions received		7,075,405				7,075,405
Warrants issued	-	-	185,506	-	-	185,506
As at December 31, 2021	$ 8,223,957	$ 7,075,405	$ 185,506	$ 12,652	$ (9,023,537)	$ 6,473,983
As at December 31, 2019	$ 881	$ -	$ -	$ (210,486)	$ (392,662)	$ (602,267)
Net income	-	-	-	-	385,761	385,761
Other comprehensive income	-	-	-	617,632	-	617,632
Total comprehensive income	-			617,632	385,761	1,003,393
As at December 31, 2020	$ 881	$ -	$ -	$ 407,146	$ (6,901)	$ 401,126

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

Kings Entertainment Group Inc.
(formerly 1242455 B.C. Ltd.)
Consolidated Statements of Cash Flows
Years ended December 31, 2021 and 2020
(Presented in United States Dollars)

	2021	2020
Operating activities		
Net income (loss)	$ (9,016,636)	$ 385,761
Items not affecting cash:		
Deferred income tax expense (recovery)	(9,520)	12,428
Amortization of right-of-use assets	6,627	49,124
Listing expense (Note 3)	8,849,088	-
	$ (170,441)	$ 447,313
Change in non-cash working capital:		
Decrease in due from processors	132,610	116,898
Decrease (increase) in government remittances recoverable	12,423	(17,484)
(Increase) decrease in prepaid expenses and other assets	(22,902)	53,162
(Increase) decrease in prepaid issue costs	(10,229)	
(Increase) in due from related parties	(93,282)	-
Increase (decrease) in accounts payable and accrued liabilities	415,413	(148,622)
Increase in income taxes payable	29,639	74,085
Increase (decrease) in government remittances payable	339	(23,887)
(Decrease) in deferred revenue	(31,265)	(407,299)
(Decrease) in due to related parties	(45,243)	(713,142)
Cash flows provided by (used in) operating activities	217,062	(618,976)
Financing activity		
Cash acquired on reverse takeover transaction (Note 3)	6,973,246	-
Repayment of lease liabilities	(6,521)	(57,440)
Cash flows provided by (used in) financing activities	6,966,725	(57,440)
Effect of foreign exchange in cash	(384,248)	617,310
Net change in cash	6,799,539	(59,106)
Cash - beginning of year	425,415	484,521
Cash - end of year	$ 7,224,954	$ 425,415
Supplemental cash flow information		
Cash paid during the period for:		
Interest	$ 389	$ 1,941

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

1. Nature of business

Kings Entertainment Group Inc. (formerly 1242455 B.C. Ltd.) ("Kings" or the "Corporation") was incorporated on February 27, 2020 under the laws of the Province of British Columbia, Canada by a Certificate of Incorporation issued pursuant to the provisions of the Business Corporations Act (British Columbia). The head office and registered and records office of the Corporation is located at Suite 1500 - 1055 West Georgia Street, Vancouver, British Columbia V6E 4N7.

On February 24, 2021, Kings entered into a Share Purchase Agreement which later amended on November 22, 2021 (the "Share Purchase Agreement"), with Legacy Eight Ltd. ("Legacy"), the primary shareholder of each of Legacy Eight Curacao N.V. ("Legacy Eight Curacao"), Azteca Messenger Services S.A. de C.V. ("Azteca"), and Phoenix Digital Services Ltd. ("Phoenix"), collectively known as Lottokings Group, pursuant to which the Corporation agreed to acquire all of the issued and outstanding shares in the capital of Legacy Eight Curacao, Azteca, and Phoenix, in exchange for its common shares. The transaction was accounted for as a reverse takeover ("RTO"). On December 30, 2021, following the closing of the Share Purchase Agreement, the Lottokings Group became a wholly owned subsidiary of Kings.

For accounting purposes, the Lottokings Group was identified as the acquirer and the resulting consolidated financial statements are presented as a continuance of the Lottokings Group and the comparative figures presented in the consolidated financial statements prior to the RTO are those of the Lottokings Group.

2. Significant accounting policies

(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 and using the accounting policies described herein. These consolidated financial statements were authorized for issuance by Kings Entertainment Group's Directors on May 2, 2022.

(b) Basis of presentation

These consolidated financial statements include the accounts of Kings and the following entities:

(i) Legacy Eight Curacao N.V. ("L8 Curacao"), a corporation incorporated in Curacao, owned 100% by Kings. L8 Curacao also has two wholly owned subsidiaries, Legacy Eight Malta Ltd. ("L8 Malta") and Bulleg Eight Limited ("Bulleg"), incorporated in Malta and Cyprus, respectively.

(iii) Azteca Messenger Services S.A. de C.V. ("AZT"), a corporation incorporated in Mexico, owned 99.82% by Kings;

(iv) Phoenix Digital Services Ltd. ("PDS"), a corporation incorporated in the United Kingdom ("UK"), owned 100% by Kings. Litermi S.A. ("Litermi"), a wholly owned subsidiary of PDS, is incorporated in Uruguay and its financial position and operating results are also included in these consolidated financial statements.

All intercompany transactions and balances have been eliminated in these consolidated financial statements.

(c) Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value, as detailed in the Corporation's accounting policies.

2. Significant accounting policies (continued)

(d) Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and entities it controls. An entity is controlled when the Corporation has the ability to direct the relevant activities of the entity, has exposure or rights to variable returns from its involvement with the entity and is able to use its power over the entity to affect its returns from the entity.

(e) Common control transactions

IFRS 3, Business Combinations does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, the Corporation has developed a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies. The Company's policy is to record assets and liabilities recognized as a result of transactions between entities under common control at the carrying amount on the transferor's financial statements, and to have the consolidated statements of financial position, consolidated statements of loss and comprehensive loss and statements of cash flows reflect the results of combining entities for all periods presented for which the entities were under the transferor's common control, irrespective of when the combination takes place.

(f) Functional and presentation currency

These consolidated financial statements are presented in United States Dollars ("USD"), which is L8 Curacao's functional currency, as the majority of the financial and operating results included in these consolidated financial statements are arising from L8 Curacao. Functional currency of other entities within the group is as follows:

Kings Entertainment Group Inc.	Canadian Dollar ("CAD")
Legacy Eight Malta Ltd.	Euro ("EUR")
Bulleg Eight Limited	Euro ("EUR")
Azteca Messenger Services S.A. de C.V.	Mexican Peso ("MXN")
Phoenix Digital Services Ltd.	Great Britain Pound ("GBP")
Litermi S.A.	Uruguayan Peso ("UYU")

(g) Use of estimates and judgments

The preparation of these consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, revenues and expenses during the reporting period, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements. In the process of applying the Corporation's accounting policies, management has made the following significant estimates and judgments, which have the most significant impact on the amounts recognized in the consolidated financial statements:

(i) Impairment of financial assets

The Corporation measures impairment losses on financial assets that are subsequently measured at amortized cost. Impairment losses are measured based on the expected credit loss ("ECL") model in accordance with IFRS 9, Financial Instruments. The twelve-month or lifetime expected default rates are estimated by management in calculating the expected credit losses.

2. Significant accounting policies (continued)

(g) Use of estimates and judgments (continued)

(ii) Revenue recognition

Under IFRS 15, Revenue from contracts with customers, management is required to determine when the control of services or goods are transferred to customers and estimate the variable considerations included in the contracts. Management exercises judgment in determining the point in time control of services or goods are transferred and applies estimates based on information available at each reporting date in determining the amount of variable consideration. Management also applied judgment in determining whether the Corporation acts as principal or agent in its revenue contracts with customers by assessing if the Corporation controls the good or service to be transferred to the customer. See Note 2(i).

(iii) Leases

Under IFRS 16, Leases, the Corporation is required to recognize the lease liabilities at the inception of all leases where the entity is a lessee. The lease liability is calculated by discounting all future lease payments required under the lease. Management uses judgment in determining whether it is reasonably certain to exercise the renewal option, if any. Management also estimates the appropriate discount rates used for its leases as described in Note 2(h). Changes in any of these estimates may alter the value of the lease liability.

(iv) Common control transactions

IFRS 3, Business Combinations does not include specific measurement guidance for transfers of businesses or subsidiaries between entities under common control. Accordingly, management has applied judment to develop a policy to account for such transactions taking into consideration other guidance in the IFRS framework and pronouncements of other standard-setting bodies as described in Note 2(e).

(v) Income taxes

Provisions for income taxes are made using the best estimate of the amount expected to be paid or recovered based on a qualitative assessment of all relevant factors. The Corporation reviews the adequacy of these provisions at the end of each reporting period. However, it is possible that at some future date, an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

(vi) Determination of functional currencies

When assessing the functional currency for each consolidated entity, management applied judgment in selecting the relevant factors in concluding the appropriate functional currency.

(h) Leases

In lease arrangements where the Corporation is a lessee, right-of-use asset and lease liabilities are recognized at the inception of the leases, except for short-term leases and leases of low-value assets. The lease liability is measured at the present value of the future fixed lease payments, discounted using the incremental borrowing rate of the lessee entity at the commencement date of the lease, or transition date of IFRS if the lease was entered into prior to the transition date. Lease liabilities are subsequently measured at amortized cost with interest expense recognized using the aforementioned discount rate. The associated right-of-use assets are measured at the initial amount of the lease liability, adjusted for any prepayments. Subsequently, the right-of-use assets are amortized on a straight-line basis over the term of the lease.

2. Significant accounting policies (continued)

(i) Revenue recognition

The Corporation generates lottery procurement revenue from two streams: the Messenger stream where the Corporation acts as agent in the transaction and procures lottery tickets on behalf of customers; and the Syndication stream where the customers enter into a betting pool to bet at the winning combination of lotteries. Under the Syndication stream, the physical lottery tickets are not purchased.

Under the Messenger Stream, the Corporation recognizes revenue at an amount net of lottery procurement costs and applicable agency fees. The Corporation is considered an agent under this stream of revenue. Revenue is recognized when the physical lottery ticket is purchased and the control of the lottery ticket is transferred to customers simultaneously.

Revenue under the Syndication stream is recognized when control of the services are transferred to the customers. The control of the services are transferred to the customers when the customers have accepted the terms and conditions of the play and entered into the betting pool after payment is made. The revenue is recognized at an amount equal to the transaction price, net of insurance costs and prizes payable, if any.

Refunds might be granted to customers from time to time for revenue from lottery procurement. Once a refund request is initiated by a customer, the Corporation will investigate the case and the refund might be approved after such investigation. Liabilities for refund are accrued at each reporting date and netted against due from processors balance on the consolidated statements of financial position. Refund liabilities are estimated based on a trending historical rate of return as a percentage of revenue; such rate is updated at each reporting date to reflect information available at that point in time.

Casino and scratchcard revenue is recognized at an amount net of the prizes, which are won instantly by customers after the "Play" or an equivalent button is clicked. The revenue is recognized when such button is clicked by customers, which is considered to be the point in time of which performance obligation is met.

For all of the above revenue streams, payment by customers is made at the point of revenue recognition, and such payments are expected to be collected from various payment processors subsequently. Consideration received in advance of satisfaction of performance obligations is recognized as deferred revenue on the consolidated statements of financial position.

The Corporation also incurs commissions and marketing expenses in obtaining contracts with customers, such incremental costs are recognized in the consolidated statements of loss and comprehensive loss when incurred, as the amortization periods of the costs are less than 12 months.

2. Significant accounting policies (continued)

(j) Income taxes

Current tax assets and/or liabilities comprise those claims from, or obligations to the taxation authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the consolidated financial statements. The calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. Deferred tax assets and liabilities are offset only when the Corporation has a right and intention to offset current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognized as a component of the income tax provision (recovery) in profit or loss, except for income tax related to the components of other comprehensive loss or equity, in which case the tax expense is recognized in other comprehensive loss or equity, respectively.

(k) Foreign currency translations

Foreign currency transactions are translated into an entity's functional currency at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into functional currencies at the exchange rate in effect at the consolidated statements of financial position dates. Foreign exchange gains and losses are included in the consolidated statements of loss and comprehensive loss.

The assets and liabilities of individual entities with functional currency other than USD are translated into USD at exchange rates on the date of the consolidated statements of financial position. Income and expenses, and cash flows of foreign operations are translated into USD using average exchange rates. Exchange differences resulting from translating foreign operations are recognized in foreign currency translation reserve and accumulated in equity.

(l) Financial instruments

The Corporation aggregates its financial instruments into classes based on their nature and characteristics. Management determines the classification when the instruments are initially recognized.

The Corporation's accounting policy for each class is as follows:

(i) Fair value through profit or loss

Financial instruments classified as measured at fair value through profit or loss are reported at fair value at each reporting date, and any change in fair value is recognized in the consolidated statement of loss and comprehensive loss in the period during which the change occurs. In these consolidated financial statements, cash has been classified as a financial asset subsequently measured at fair value through profit or loss.

2. Significant accounting policies (continued)

(l) Financial instruments (continued)

(ii) Amortized cost

This category includes financial assets that are held within a business model with the objective of holding the financial assets in order to collect contractual cash flows, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. Unless they meet certain exceptions, all financial liabilities are classified as subsequently measured at amortized cost.

Financial instruments classified in this category are measured at amortized cost using the effective interest method. Transaction costs are included in the amount initially recognized. In these consolidated financial statements, amounts due from processors, amounts due from related parties, accounts payable and accrued liabilities and amounts due to related parties have been classified as financial instruments measured at amortized cost.

(iii) Impairment of financial assets

For financial assets measured at amortized cost, the Corporation recognizes loss allowances for ECLs. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Corporation expects to receive, discounted at an approximation of the original effective interest rate. ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Corporation applies the simplified approach in calculating ECLs for amounts due from processors. Under the simplified approach, the Corporation recognizes a loss allowance based on lifetime ECLs at each reporting date and does not track changes in credit risk for amounts due from processors.

(iv) Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

(iv) Fair value hierarchy

All financial instruments measured at fair value after initial recognition are categorized into one of three hierarchy levels for disclosure purposes. Each level reflects the significance of the inputs used in making the fair value

• Level 1: Fair value is determined by reference to quoted (unadjusted) prices in active markets for identical assets or liabilities.
• Level 2: Valuations use inputs based on observable market data, either directly or indirectly, other than the quoted prices.
• Level 3: Valuations are based on inputs that are not based on observable market data.

Following is the summary of financial instruments, not measured at fair value, as at December 31, 2021 and 2020, for which fair value is disclosed:

(Presented in United States Dollars)

2. Significant accounting policies (continued)

(l) Financial instruments (continued)

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
2021			
Financial assets:			
Cash	$ 7,224,954	$ -	$ 7,224,954
Due from processors	804,954	-	804,954
Due from related parties	93,282		93,282
Balance at December 31, 2021	8,123,190	-	8,123,190
Financial liabilities:			
Accounts payable and accrued liabilities	-	2,564,390	2,564,390
Due to related parties		86,778	86,778
Balance at December 31, 2021	$ -	$ 2,651,168	$ 2,651,168

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
2020			
Financial assets:			
Cash	$ 425,415	$ -	$ 425,415
Due from processors	937,564	-	937,564
Balance at December 31, 2020	1,362,979	-	1,362,979
Financial liabilities:			
Accounts payable and accrued liabilities	-	830,927	830,927
Due to related parties		94,212	94,212
Balance at December 31, 2020	$ -	$ 925,139	$ 925,139

The carrying values of all the Corporation's financial instruments approximate their fair value as at December 31, 2021 due to their short-term nature.

(m) Provisions and contingent liabilities

In accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, a provision is recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed. The provisions are measured based on management's best estimates of the outcome on the basis of facts known at the reporting date.

(n) Future accounting pronouncements

The Corporation has evaluated the impact of future accounting pronouncements and does not expect them to have a material impact on its consolidated financial statements.

(Presented in United States Dollars)

3. Reverse takeover transaction

Prior to the RTO, Legacy Eight Curacao N.V., Azteca Messenger Services S.A. de C.V., and Phoenix Digital Services Ltd. were entities under the common control of Legacy Eight Ltd. ("Legacy"). In contemplation of the RTO, these entities entered into a common control transaction whereby the assets and liabilities of each entity were transferred at their carrying amounts into a newly created entity, Lottokings Group. This transaction was accounted for as a common control business combination.

On December 30, 2021, Kings Entertainment Group Inc. entered into a RTO with the Lottokings Group. The transaction has been accounted for as a reverse acquisition transaction in accordance with IFRS 2, Share-based Payments, and IFRS 3, Business Combinations. As the Corporation did not qualify as a business in accordance with the definition of IFRS 3, the transaction did not constitute a business combination and was accounted for as an issuance of common shares by the Lottokings Group for the net assets of the Corporation to obtain its public listing, with the Lottokings Group as the continuing business.

For accounting purposes, the Lottokings Group is treated as the accounting parent (legal subsidiary) and the Corporation as the accounting subsidiary (legal parent). The transaction is recognized as if the Lottokings Group had issued common shares to the existing Kings shareholders in exchange for the net assets acquired. The fair value of the 20,674,500 common shares of Kings was determined to be CAD $0.50 per common share, as determined by reference to the quoted share price of Kings at the date of the reverse takeover. The fair value of the 1,067,880 warrants was determined at $185,506 using the Black-Scholes option pricing model using a weighted average exercise price of CAD $0.50, 113% volatility rate, a 0.23% risk free return and a 2 year term.

The difference between the fair value of the consideration paid, net of transactions cost, less the fair value of the net identifiable assets of the Corporation acquired by the Lottokings Group constitutes the listing expense of $8,849,088 and has been recorded in the consolidated statements of loss and comprehensive loss.

	December 30, 2021
Consideration paid	
Fair value of common shares	$ 8,223,076
Fair value of warrants	185,506
	8,408,582
Net assets acquired	
Cash	6,973,246
Prepaid expenses	297,106
Prepaid issue costs	722,512
Accounts payable and accrued liabilities	(1,357,965)
Share subscriptions received	(7,075,405)
Total net assets	(440,506)
Listing expense	**$ 8,849,088**

The subscription receipts were issued by the Corporation on May 7, 2021 and November 4, 2021, on a brokered private placement basis to purchasers in certain provinces of Canada. The Corporation issued an aggregate of 17,789,000 subscription receipts at an issue price of CAD $0.50 per subscription receipt. The sale of the subscription receipts were completed prior to the RTO transaction and gross proceeds were deposited in escrow.

(Presented in United States Dollars)

3. Reverse takeover transaction (continued)

The escrowed funds were to be released upon the satisfaction of the Escrow Release Conditions which were:

(i) the Corporation obtaining final receipt for a prospectus qualifying the distribution of the subscription receipt shares issuable upon conversion of the subscription receipts in Canada;

(ii) conditional acceptance for the listing of the Common Shares on the CSE;

(iii) the Corporation having satisfied all conditions in the Agency Agreement and not having committed any material breach of covenants therein; and

(iv) the Corporation and the Agent having delivered the release notice to the subscription receipt agent in accordance with the Subscription Receipt Agreement.

As these conditions were not met at the date of the RTO transaction, share subscriptions received were classified by Kings as financial liabilities at the date of the RTO and were included in the net assets acquired by Lottokings Group.

Escrow Release Conditions were met subsequent to the RTO and proceeds from share subscriptions were released from escrow after year-end (Note 16). Therefore, share subscriptions received have been presented as a component of equity on the consolidated statements of financial position as at December 31, 2021.

4. Due from processors

Due from processors consists of the following:

	December 31, 2021	December 31, 2020
Due from processors	$ 1,065,232	$ 1,218,800
Less: chargebacks and reversals	(80,033)	(108,177)
Less: expected credit losses	(180,245)	(173,059)
	$ 804,954	$ 937,564

Chargebacks and reversals payable to processors are netted against amounts due from processors as there is legally enforceable right to settle the amounts with processors on a net basis, and management has the intention to settle the balances on a net basis.

5. Right-of-use assets

Litermi leases office premises and computer equipment in the normal course of operations. The office premises lease commenced in June 2018, and lasted for two years with a three-year renewal option. Litermi assessed that it was reasonably certain to exercise the renewal option when it entered into the lease. However, during the year ended December 30, 2020, Litermi reassessed its expectation of exercising the renewal option due to the global outbreak of COVID-19, and determined that it no longer intends to exercise the renewal option under the lease. The lease was terminated on June 1, 2020 and all employees have been working from home since then. The computer equipment leases have lease terms between 26 to 33 months with no renewal options.

(Presented in United States Dollars)

5. Right-of-use assets (continued)

A continuity of the right-of-use assets is as following:

Cost		
Balance as at December 31, 2019	$	412,655
Adjustment due to change in expected lease term		(255,226)
Write-off		(111,315)
As at December 31, 2020 and December 31, 2021	$	46,114
Accumulated amortization		
Balance as at December 31, 2019	$	101,678
Additions		49,124
Write-off		(111,315)
As at December 31, 2020		39,487
Additions		6,627
As at December 31, 2021	$	46,114
Net book value		
As at December 31, 2020		6,627
As at December 31, 2021	$	-

6. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consists of the following:

		December 31, 2021		December 31, 2020
Trade payables	$	2,136,024	$	512,167
Customer claims payable		72,023		25,662
Payroll accrual		97,919		73,486
Accrued expenses		258,424		219,612
	$	2,564,390	$	830,927

7. Due from (to) related parties

Related parties consist of entities under common control. The amounts due from (to) related parties consist of the following:

		December 31, 2021		December 31, 2020
Legacy Eight Group Ltd.		93,282		-
WestOcean S.A.		(69,591)		(76,053)
Former shareholder of PDS (a)		(17,187)		(18,161)
	$	6,504	$	(94,214)

(a) The former shareholder of PDS sold all of his shares in PDS to Legacy Eight Ltd., parent corporation of L8 Curacao in February 2021. The former shareholder of PDS is also the corporate secretary of Legacy Eight Group Ltd., the parent corporation of Legacy Eight Ltd.

(Presented in United States Dollars)

7. Due to and from related parties (continued)

The due from (to) related party balances relate to amounts owed for funds provided for working capital needs by the related parties. These balances are non-interest bearing with no fixed term of repayment.

As of December 31, 2021 and 2020, balances due from related parties and due to related parties have been netted off in the consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts.

The following table illustrates netting of balances due to and due from related parties:

	Ledonford Limited	Legacy Eight Group Ltd.	R.S. Real World Services Limited	WestOcean S.A.	Former shareholder of PDS	Total
As at December 31, 2021						
Due from related party	$ 1,188,483	$ 910,620	$ 905,000	$ 9,629,262	$ -	$ 12,633,365
Due to related party	-	(103,496)	(38,005)	(12,468,173)	(17,187)	(12,626,861)
Balance offset per Debt Offset Agreement	(1,188,483)	(713,842)	(866,995)	2,769,320	-	-
Net balance	$ -	$ 93,282	$ -	$ (69,591)	$ (17,187)	$ 6,504
As at December 31, 2020						
Due from related party	$ 1,191,808	$ 554,888	$ 887,036	$ 9,887,683	$ -	$ 12,521,415
Due to related party	-	(63,110)	(38,948)	(12,495,408)	(18,161)	(12,615,627)
Balance offset per Debt Offset Agreement	(1,191,808)	(491,778)	(848,088)	2,531,674	-	-
Net balance	$ -	$ -	$ -	$ (76,051)	$ (18,161)	$ (94,212)

(Presented in United States Dollars)

8. Lease liabilities

Balance as at December 31, 2019	$	322,042
Adjustment due to change in expected lease term		(255,226)
Lease payments		(59,381)
Interest expense		1,941
Effect of currency conversion difference		(902)
Balance as at December 31, 2020, current	$	8,474
Lease payments		(6,910)
Interest expense		389
Effect of currency conversion difference		(1,953)
Balance as at December 31, 2021, current	$	-

The lease liabilities were initially calculated by discounting the future minimum lease payments under the lease using Litermi's incremental borrowing rate at 5.8%. In January 2020, the lease liabilities were recalculated when management's expectation in exercising the renewal option changed. The lease liabilities were remeasured using a discount rate of 4.5%, which represents Litermi's incremental borrowing rate at that date.

9. Share capital

Authorized

Unlimited number of common shares

Issued

	December 31, 2021	December 31, 2020
50,674,500 Common shares	$ 8,223,957	$ 881

The common shares of the Corporation as at December 31, 2021 consists of the 20,674,500 common shares of the Corporation issued for cash prior to the RTO and the 30,000,000 common shares issued in the RTO transaction.

10. Warrant reserve

As at December 31, 2021, the Corporation has 1,067,880 agent warrants outstanding. The fair value of these warrants was determined at $185,506 using the Black-Scholes option pricing model using a weighted average exercise price of CAD $0.50, 113% volatility rate, a 0.23% risk free return and a 2 year term.

(Presented in United States Dollars)

11. Income taxes

The reconciliation between the income tax expense (recovery) at the Canadian statutory income tax rate of 27.0% (2020 - 24.0%) to the income tax expense (recovery) recorded in the consolidated statement of net loss (income) for the fiscal years ended December 31, 2021 and December 31, 2020 is as follows:

		December 31, 2021		December 31, 2020
Net income (loss) before income taxes	$	(8,873,781)	$	472,688
Expected income tax expense (recovery) at the statutory rate		(2,395,921)		113,463
Foreign tax rate differential		106,524		-
Recognition of previously unrecognized losses		-		(40,736)
Unrecognized tax benefits		9,686		912
Tax effect of permanent differences		2,422,566		13,288
Income tax expense (recovery)	$	142,855	$	86,927

The Corporation's income tax expense is allocated as follows:

		December 31, 2021		December 31, 2020
Current income tax expense	$	152,375	$	74,499
Deferred income tax expense (recovery)		(9,520)		12,428
Income tax expense	$	142,855	$	86,927

The Corporation's deferred income tax asset arises from non-capital losses carried forward from previous periods.

The deferred income tax assets are recognized only to the extent that the specific entity will have future taxable profits available against which the unused tax losses can be utilized. Change in deferred income tax assets is as follows:

		December 31, 2021		December 31, 2020
Balance at the beginning of the year	$	10,867	$	23,295
Deferred income tax recovery (expense) recognized from losses available for carryforward		9,520		-
Deferred income tax expenses recognized from utilization of losses available for carryforward		-		(12,428)
Balance at the end of the year	$	20,387	$	10,867

As at December 31, 2021 and 2020, the Corporation has the following unused tax losses for future uses, for which no deferred income tax asset was recognized:

	Expiry		December 31, 2021		December 31, 2020
Unused tax losses in Malta	Indefinitely	$	25,186	$	6,078
Unused tax losses in Cyprus	2025		7,273		-
Unused tax losses in Cyprus	2026		20,961		-
		$	53,420	$	6,078

12. Related party balances and transactions

During the year ended December 31, 2021, the Corporation had the following related party transactions:

Related party transactions between L8 Curacao and Ledonford Limited:

During the year ended December 31, 2021, L8 Curacao incurred $3,952 (2020 - $15,149) for payment processing services provided by Ledonford Limited, an entity that is under common control. The amount is included in processing costs on the consolidated statement of loss and comprehensive loss. As December 31, 2021, $Nil (2020 - $15,149) was outstanding for the amount incurred.

Related party transactions between L8 Curacao and R.S Real World Services Limited:

During the year ended December 31, 2021, L8 Curacao incurred $21,455 (2020 - $27,543) for payment processing services provided by R.S. Real World Services Limited, an entity that is under common control. The amount is included in processing costs on the consolidated statement of loss and comprehensive loss. As at December 31, 2021, $Nil (2020 - $27,543) was outstanding for the amount incurred.

Related party transactions between Litermi and Bragg Gaming Group:

During the year ended December 31, 2021, Litermi, a wholly owed subsidiary of PDS incurred $Nil (2020 - $29,879) to Bragg Gaming Group, an entity with which Litermi shares a key management personnel. The amount was incurred to compensate Bragg Gaming Group for shared office area, and included in office and general on the consolidated statement of loss and comprehensive loss. No balance was outstanding for the amount incurred as at December 31, 2021 and 2020.

Related party transactions between L8 Curacao and Legacy Eight Group:

During the year ended December 31, 2021, L8 Curacao advanced an additional $355,733 to Legacy Eight Group Ltd. (2020 - $349,604). During the year ended December 31, 2021, advances to Legacy Eight Group Ltd. reduced by $Nil (2020 - $35,000) due to repayment by PDS. L8 Curacao and PDS are entities under common control of Legacy Eight Group Ltd.

Related party transactions between L8 Curacao and WestOcean S.A.:

During the year ended December 31, 2020, L8 Curacao received payment processing and marketing services from WestOcean S.A., an entity under common control, for which no consideration was charged by WestOcean S.A. During the year ended December 31, 2020, L8 Curacao repaid approximately $141,000 to WestOcean S.A. for the balance due. There were no such services provided by WetOcean S.A. during the year ended December 31, 2021.

As of December 31, 2021 and 2020, balances due from related parties and due to related parties have been netted off in the consolidated statements of financial position as the parties have an intention to settle on a net basis and an agreement has been established between the related parties that provides a legal enforceable right to offset the recognized amounts (Note 7).

(Presented in United States Dollars)

12. Related party balances and transactions (continued)

The following table illustrates the compensation paid to key management personnel during the years ended December 31, 2021 and 2020:

	December 31, 2021	December 31, 2020
Chief Executive Officer (a)	$ 300,000	$ 150,015
Chief Operating Officer (b)	137,607	128,290
Chief Marketing Officer (c)	110,086	126,537
Chief Financial Officer (b)	97,079	90,000

(a) The Chief Executive Officer ("CEO") joined the Lottokings Group in August 2020, and is on contract for $25,000 per month, the CEO's compensation was paid for by L8 Curacao and AZT's ultimate parent corporation, Legacy Eight Group Ltd. The expenses were not recorded in the consolidated statement of loss and comprehensive loss for the years ended December 31, 2021 and 2020.

(b) Compensation paid to the Chief Operating Officer and Chief Financial Officer were included in salaries and benefits in the consolidated statement of loss and comprehensive loss.

(c) The Chief Marketing Officer's ("CMO") compensation is included in professional fees for the year ended December 31, 2021 and in salaries and benefits during year ended December 31, 2020 in the consolidated statements of loss and comprehensive loss. The former CMO of the Lottokings Group was an employee of PDS and was terminated in November 2020, and the current CMO is a contractor of the Corporation.

13. Financial instruments

The significant financial risks to which the Corporation is exposed are liquidity, credit, and currency risk.

(a) Liquidity risk

Liquidity risk is the risk that the Corporation will encounter difficulty in meeting its obligations associated with its financial liabilities that are settled by cash or another financial asset. The primary sources of liquidity risk are accounts payable and accrued liabilities, lease liabilities and amounts due to related party. The Corporation's ability to meet its obligations depends on the receipt of funds from its operations. Management monitors its working capital to ensure the obligations under current liabilities are met on timely basis.

As at December 31, 2021 and 2020, all of the Corporation's financial liabilities and lease liabilities are due within 12 months from the date of consolidated statements of financial position.

(Presented in United States Dollars)

13. Financial instruments (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's main credit risk relates to its amounts due from processors balance. The Corporation does not provide credit to its customers, however, the credit risks arise as the payments might not be collectible from processors. The maximum credit risk is the carrying value of the amounts due from processors. As at December 31, 2021, 75% (2020 - 64%) of the amounts due from processors balance is owing from four processors (2020 - three processors).

The Corporation has applied the simplified approach to providing for expected credit losses, which permits the use of a lifetime expected credit loss provision for all amounts due from processors balances, which are of similar nature to trade receivables. To measure the expected credit losses, a full allowance is provided for a processor balance when there is doubt about the processor's future capacity to fulfill its payment obligations. For the remaining amounts due from processor balances, each processors' ability of fulfilling the payments in the future are evaluated specifically based on the information available on the date of the consolidated statements of financial position. The loss allowances at December 31, 2021 and 2020 were determined as follows for amounts due from processors balances based upon the Corporation's historical default rates over the expected life of the balances, adjusted for forward looking estimates.

Due from processors, net consists of the following:

	December 31, 2021	December 31, 2020
Carrying amount, net of refund liability	$ 985,199	$ 1,110,623
Lifetime expected loss	(180,245)	(173,059)
Due from processors	$ 804,954	$ 937,564

(c) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises from financial instruments, primarily cash, amounts due from processors, amounts due from related party, accounts payable and accrued liabilities and amounts due to related party, denominated in a currency other than the functional currency of the entity. All entities included in these consolidated financial statements do not use derivative financial instruments to manage its currency risk. As at December 31, 2021, a 5% appreciation (depreciation) of foreign currencies against USD will result in increase (decrease) in income and comprehensive income of $17,794 (2020 - $34,318).

(Presented in United States Dollars)

13. Financial instruments (continued)

(c) Currency risk (continued)

As at December 31, 2021 and 2020, the following balances were denominated in currencies other than USD:

Financial instruments	Foreign Currency	December 31, 2021	December 31, 2020
		In USD	In USD
Cash	EUR	$ 59,705	$ 44,545
Cash	MXN	102,574	196,565
Cash	GBP	2,011	19,485
Cash	UYU	1,342	1,418
Cash	CAD	6,973,245	-
Due from processors	MXN	322,059	307,972
Due from processors	EUR	158,099	145,459
Due from processors	BRL*	58,799	59,607
Due from processors	COP*	125,174	48,196
Due from processors	CNY*	124,270	238,173
Accounts payable	GBP	45,232	10,363
Accounts payable	EUR	992,862	191,371
Accounts payable	UYU	269,598	171,716
Accounts payable	CAD	1,353,296	-

*BRL - Brazilian Real
COP - Columbian Peso
CNY - Chinese Yuan

(d) Capital management

The Corporation's objective when managing capital is ensuring sufficient liquidity to support its financial obligations and execute its operating and strategic plans. For the purpose of capital management, capital as at December 31, 2021 includes shareholders' equity of $6,473,983 (2020 - $401,126). The Corporation manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of underlying assets. Each consolidated entity is not subject to externally imposed capital requirements. Management reviews its capital management approach on an ongoing basis.

(Presented in United States Dollars)

14. Geographic information

The Corporation has only one reportable segment being lottery procurement and online casino and scratchcard. The geographic segmentation of the Corporation's revenues is as follows:

	Mexico	Argentina	Chile	Brazil	Colombia	Other Latin American	Other (a)	Total
Year ended December 31, 2021								
Lottery procurement revenue	$ 1,062,155	$ 193,119	$ 289,679	$ 193,119	$ 241,399	$ 917,316	$ 1,931,191	$ 4,827,978
Online casino and scratchcard revenue	182,288	151,906	101,271	101,271	10,127	425,338	40,508	1,012,709

	Mexico	Argentina	Chile	Brazil	Costa Rica	Other Latin American	Other (a)	Total
Year ended December 31, 2020								
Lottery procurement revenue	$ 1,172,356	$ 266,445	$ 373,022	$ 213,156	$ 106,578	$ 1,034,008	$ 2,163,325	$ 5,328,890
Online casino and scratchcard revenue	141,016	58,065	49,770	82,951	207,377	192,860	97,467	829,506

(a) "Other Latin American countries" and "Other" categories represent Latin American and non-Latin American countries with insignificant revenue which have been grouped together.

15. Impact of COVID-19

On March 11, 2020, the World Health Organization categorized COVID-19 as a pandemic. In order to combat the spread of COVID-19, governments worldwide have enacted emergency measures including travel bans, legally enforce or self-imposed quarantine periods, social distancing and business and organization closures. These measures have caused material disruptions to businesses, governments and other organizations resulting in an economic slowdown and increased volatility in national and global equity and commodity markets.

Central banks and governments, including Canadian federal and provincial governments, have reacted with significant monetary and fiscal interventions designed to stabilise economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of any interventions. It is not possible to reliably estimate the length and severity of these developments and the impact of the financial results and condition of the Corporation and its operations in future periods. However, currently COVID-19 did not have a significant impact of the Corporation’s operations and access to financial markets.

While the continuing development of the pandemic presents uncertainty over future revenues and financing abilities, management expects the Corporation will have adequate cash flow to fund its operations during this crisis through existing revenue and financing sources as well as tight controls over operating expenses.

16. Subsequent events

(i) On January 4, 2022, proceeds from share subscriptions were released from escrow. Effective December 31, 2021, and following satisfaction of all escrow release conditions an aggregate of 17,789,000 subscription receipts, originally issued at CAD $0.50 per subscription receipt, were automatically converted into an aggregate of 17,789,000 common shares.

(ii) On January 24, 2022, the Corporation's common shares commenced trading on the Canadian Securities Exchanges ("CSE") under the ticker "JKPT".

(iii) On April 25, 2022, the Corporation’s common shares commenced trading on the OTCQB market under the ticker “JKPTF” and will continue to trade on the CSE under the ticker “JKPT”.