

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
*(Presented in United States Dollars)*

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
***(Presented in United States Dollars)***

**Contents**

Interim Consolidated Financial Statements:

Interim Consolidated Statement of Financial Position	1
Interim Consolidated Statement of Loss and Comprehensive Loss	2
Interim Consolidated Statement of Changes in Shareholders' Equity	3
Interim Consolidated Statement of Cash Flows	4
Notes to the Interim Consolidated Financial Statements	5-21

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Statement of Financial Position**  
**At at March 31, 2022 and December 31, 2021**  
**(Presented in United States Dollars)**

	March 31, 2022	December 31, 2021
<b>Assets</b>		
Current		
Cash	\$ 5,176,220	\$ 7,224,954
Due from processors, net (Note 4 and 11(b))	794,666	804,954
Government remittances recoverable	78,573	71,696
Prepaid expenses and other assets	391,946	446,029
Prepaid issue costs	748,475	722,512
	7,189,880	9,270,145
Non-current		
Property and equipment	3,185	3,081
Deferred income tax assets (Note 9)	12,987	20,387
Due from related parties (Note 6)	436,575	93,282
	452,747	116,750
	\$ 7,642,627	\$ 9,386,895
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 1,315,793	\$ 2,564,390
Income taxes payable	119,721	108,627
Government remittances payable	18,936	10,045
Deferred revenue	97,288	143,072
Due to related parties (Note 6)	88,135	86,778
	1,639,873	2,912,912
<b>Shareholders' Equity</b>		
Share capital (Note 7)	15,299,362	8,223,957
Share subscriptions received	-	7,075,405
Warrant reserve (Notes 3 and 8)	185,506	185,506
Share-based payments reserve	2,707,337	-
Foreign exchange translation reserve	262,851	12,652
Deficit	(12,452,302)	(9,023,537)
	6,002,754	6,473,983
	\$ 7,642,627	\$ 9,386,895

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

These interim 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.)**  
**Interim Consolidated Statement of Loss and Comprehensive Loss**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

	<b>Three months ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Revenue</b>		
Lottery procurement revenue	\$ 923,907	\$ 1,349,814
Online casino and scratchcard revenue	294,166	232,316
	<u>1,220,596</u>	<u>1,582,130</u>
<b>Cost of revenue</b>		
Processing costs (Note 10)	123,476	200,175
License fees	52,494	46,023
Commissions	261,838	445,115
	<u>437,808</u>	<u>691,313</u>
Gross profit	782,788	890,817
<b>Operating Expenses</b>		
Salaries and benefits (Note 10)	458,920	368,879
Share-based payments	2,707,337	
Marketing expenses	244,568	233,284
Expected credit loss (recovery)	(4,062)	14,118
Bank charges and fees	39,115	29,361
General and administrative (Note 10)	114,588	12,580
IT services	153,758	108,047
Interest on lease liabilities	-	264
Professional fees (Note 10)	613,117	129,895
Vehicles and travel	787	958
Amortization of right-of-use assets	-	2,993
	<u>4,328,128</u>	<u>900,379</u>
Loss before undernoted items and income taxes	(3,545,340)	(9,562)
<b>Other income (loss)</b>		
Foreign exchange gain (loss)	145,271	413,929
	<u>145,271</u>	<u>413,929</u>
Net income (loss) before income taxes	(3,400,069)	404,367
<b>Income tax provision (recovery) (Note 9)</b>		
Current	28,696	34,673
Deferred	-	(3,064)
	<u>28,696</u>	<u>31,609</u>
<b>Net income (loss)</b>	\$ (3,428,765)	\$ 372,758
<b>Other comprehensive income (loss)</b>		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences	250,199	(422,722)
<b>Comprehensive loss</b>	\$ (3,178,566)	\$ (49,964)

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

**Kings Entertainment Group**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Statement of Changes in Shareholders' Equity**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

	Share capital (Note 7)	Share subscription received (Note 3)	Share-based payments reserve	Warrant reserve (Notes 3 and 10)	Foreign currency translation reserve	Deficit	Total equity
As at December 31, 2021	\$ 8,223,957	\$ 7,075,405	\$ -	\$ 185,506	\$ 12,652	\$ (9,023,537)	\$ 6,473,983
Net loss	-	-	-	-	-	(3,428,765)	(3,428,765)
Other comprehensive loss	-	-	-	-	250,199	-	250,199
Total comprehensive loss	-	-	-	-	250,199	(3,428,765)	(3,178,566)
Share subscriptions converted	7,075,405	(7,075,405)	-	-	-	-	-
Share-based payments reserve	-	-	2,707,337	-	-	-	2,707,337
As at March 31, 2022	\$ 15,299,362	\$ -	\$ 2,707,337	\$ 185,506	\$ 262,851	\$ (12,452,302)	\$ 6,002,754
As at December 31, 2020	\$ 881	\$ -		\$ -	\$ 407,146	\$ (6,901)	\$ 401,126
Net loss	-	-		-	-	372,758	372,758
Other comprehensive income	-	-		-	(422,722)	-	(422,722)
Total comprehensive income	-	-		-	(422,722)	372,758	(49,964)
As at March 31, 2021	\$ 881	\$ -		\$ -	\$ (15,576)	\$ 365,857	\$ 351,162

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

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Interim Consolidated Statement of Cash Flows**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

	2022	2021
<b>Operating activities</b>		
Net income (loss)	\$ (3,428,765)	\$ 372,758
Items not affecting cash:		
Deferred income tax recovery	-	(3,064)
Amortization of right-of-use assets	-	2,993
Share-based payments	2,707,337	-
	<u>\$ (721,428)</u>	<u>\$ 372,687</u>
Change in non-cash working capital:		
Decrease in due from processors	10,288	113,638
Decrease (increase) in government remittances recoverable	(6,877)	(3,735)
(Increase) decrease in prepaid expenses and other assets	54,083	(7,508)
(Increase) decrease in prepaid issue costs	(25,963)	-
(Increase) in due from related parties	(343,293)	(523,258)
Increase (decrease) in accounts payable and accrued liabilities	(1,248,597)	(49,455)
Increase in income taxes payable	(18,648)	27,090
Increase (decrease) in government remittances payable	8,891	(710)
(Decrease) in deferred revenue	(45,784)	(37,223)
(Decrease) in due to related parties	1,357	50,878
Cash flows used in operating activities	<u>(2,335,971)</u>	<u>(57,596)</u>
<b>Financing activity</b>		
Repayment of lease liabilities	-	(3,871)
Cash flows used in financing activity	<u>-</u>	<u>(3,871)</u>
Effect of foreign exchange in cash	287,237	(3,716)
Net change in cash	(2,048,734)	(65,183)
Cash - beginning of period	7,224,954	425,415
<b>Cash - end of period</b>	<u>\$ 5,176,220</u>	<u>\$ 360,232</u>

Supplemental cash flow information

Cash paid during the period for:

Interest \$ - \$ 264

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

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

---

## **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 interim interim consolidated financial statements are presented as a continuance of the Lottokings Group and the comparative figures presented in the interim interim consolidated financial statements prior to the RTO are those of the Lottokings Group.

## **2. Significant accounting policies**

### **(a) Statement of compliance**

These interim interim 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 interim interim consolidated financial statements were authorized for issuance by Kings Entertainment Group's Directors on May 30, 2022.

### **(b) Basis of presentation**

These interim 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 interim interim consolidated financial statements.

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

### **(c) Basis of measurement**

These interim interim 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.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

---

**2. Significant accounting policies (continued)**

(d) Basis of consolidation

These interim interim 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

Curacao's functional currency, as the majority of the financial and operating results included in these interim interim 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 interim interim 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 interim interim 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 interim interim 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.



**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

---

**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) 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 judgment 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).

(iv) 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.

(v) 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.

(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.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

---

**2. Significant accounting policies (continued)**

(i) Revenue recognition (continued)

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.

(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 interim interim 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.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

---

**2. Significant accounting policies (continued)**

(k) Foreign currency translations (continued)

Financing fees related to the long-term debt are deferred and amortized on a straight-line basis over the life of the facility agreement.

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 interim consolidated financial statements, cash has been classified as a financial asset subsequently measured at fair value through profit or loss.

(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 interim 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.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

**2. Significant accounting policies (continued)**

(l) Financial instruments (continued)

(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 March 31, 2022 and December 31, 2021 for which fair value is disclosed:

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
<b>March 31, 2022</b>			
<i>Financial assets:</i>			
Cash	\$ 5,176,220	\$ -	\$ 5,176,220
Due from processors	794,666	-	794,666
Due from related parties	436,575	-	436,575
Balance at March 31, 2022	6,407,461	-	6,407,461
<i>Financial liabilities:</i>			
Accounts payable and accrued liabilities	-	1,315,793	1,315,793
Due to related parties	-	88,135	88,135
Balance at March 31, 2022	\$ -	\$ 1,403,928	\$ 1,403,928

	Financial assets at amortized cost	Financial liabilities at amortized cost	Total
<b>December 31, 2021</b>			
<i>Financial assets:</i>			
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
<i>Financial liabilities:</i>			
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

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

---

**2. Significant accounting policies (continued)**

(l) Financial instruments (continued)

The carrying values of all the Corporation's financial instruments approximate their fair value as at March 31, 2022 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 interim consolidated financial statements.

**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 was treated as the accounting parent (legal subsidiary) and the Corporation as the accounting subsidiary (legal parent). The transaction was 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 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.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

**3. Reverse takeover transaction (continued)**

The escrowed funds were 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 during the three month period ended March 31, 2022.

**4. Due from processors**

Due from processors consists of the following:

	March 31, 2022	December 31, 2021
Due from processors	\$ 838,433	\$ 1,065,232
Less: chargebacks and reversals	(42,820)	(80,033)
Less: expected credit losses	(947)	(180,245)
	<b>\$ 794,666</b>	<b>\$ 804,954</b>

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. Accounts payable and accrued liabilities**

Accounts payable and accrued liabilities consists of the following:

	March 31, 2022	December 31, 2021
Trade payables	\$ 826,305	\$ 2,136,024
Customer claims payable	90,755	72,023
Payroll accrual	122,549	97,919
Accrued expenses	276,184	258,424
	<b>\$ 1,315,793</b>	<b>\$ 2,564,390</b>

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

**6. Due from (to) related parties**

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

	March 31, 2022	December 31, 2021
Legacy Eight Group Ltd.	\$ 436,575	\$ 93,282
WestOcean S.A.	(69,591)	(69,591)
Former shareholder of PDS (a)	(18,544)	(17,187)
	<b>\$ 348,440</b>	<b>\$ 6,504</b>

(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.

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 March 31, 2022 and December 31, 2021, 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 March 31, 2022						
Due from related party	\$ 1,213,544	\$ 940,620	\$ 936,538	\$ 9,887,598	\$ -	\$ 12,978,300
Due to related party	-	(104,402)	(38,917)	(12,467,997)	(18,544)	(12,629,860)
Balance offset per Debt Offset Agreement	(1,213,544)	(399,643)	(897,621)	2,510,808	-	-
Net balance	<b>\$ -</b>	<b>\$ 436,575</b>	<b>\$ -</b>	<b>\$ (69,591)</b>	<b>\$ (18,544)</b>	<b>\$ 348,440</b>
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	<b>\$ -</b>	<b>\$ 93,282</b>	<b>\$ -</b>	<b>\$ (69,591)</b>	<b>\$ (17,187)</b>	<b>\$ 6,504</b>

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

**7. Share capital**

**Authorized**

Unlimited number of common shares

**Issued**

	March 31, 2022	December 31, 2021
68,463,500 Common shares	\$ 15,299,362	\$ 8,223,957

The common shares of the Corporation as at March 31, 2022 consists of the 20,674,500 (December 31, 2021 - 20,674,500) common shares of the Corporation issued for cash prior to the RTO and the 30,000,000 (December 31, 2021 - 30,000,000) common shares issued in the RTO transaction.

Following the 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.

**8. Warrant reserve**

As at March 31, 2022, the Corporation has 1,067,880 (December 31, 2021 - 1,067,880) agent warrants outstanding. The fair value of these warrants was determined at \$185,506 (December 31, 2021 - \$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.

**9. Income taxes**

The reconciliation between the income tax expense (recovery) at the Canadian statutory income tax rate of 27.0% (2021 - 27.0%) to the income tax expense (recovery) recorded in the interim consolidated statement of net loss (income) for the three-month period ended March 31, 2022 and March 31, 2021 is as follows:

	Three months ended March 31,	
	2022	2021
Net income (loss) before income taxes	\$ (3,400,069)	\$ 404,367
Expected income tax expense (recovery) at the statutory rate	(918,019)	29,465
Foreign tax rate differential	14,384	-
Recognition of previously unrecognized losses	-	(40,736)
Unrecognized tax benefits	9,399	912
Tax effect of permanent differences	922,932	41,968
Income tax expense (recovery)	\$ 28,696	\$ 31,609



**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

**9. Income taxes (continued)**

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

	Three months ended March 31,	
	2022	2021
Current income tax expense	\$ 28,696	\$ 34,673
Deferred income tax recovery	-	(3,064)
<b>Income tax expense</b>	<b>\$ 28,696</b>	<b>\$ 31,609</b>

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:

	Three months ended March 31,	
	2022	2021
Balance at the beginning of the year	\$ 20,387	\$ 10,867
Deferred income tax recovery (expense) recognized from losses available for carryforward	(7,400)	3,064
<b>Balance at the end of the year</b>	<b>\$ 12,987</b>	<b>\$ 13,931</b>

As at March 31, 2022 and December 31, 2021, the Corporation has the following unused tax losses for future uses, for which no deferred income tax asset was recognized:

	Expiry	March 31, 2022	December 31, 2021
Unused tax losses in Malta	Indefinitely	\$ 23,133	\$ 25,186
Unused tax losses in Cyprus	2025	7,071	7,273
Unused tax losses in Cyprus	2026	5,109	20,961
		<b>\$ 35,313</b>	<b>\$ 53,420</b>

**10. Related party balances and transactions**

During the three-month period ended March 31, 2022, the Corporation had the following related party transactions:

Related party transactions between L8 Curacao and Ledonford Limited:

During the three-month period ended March 31, 2022, L8 Curacao incurred \$3,952 (Three month period ended March 31, 2021 - \$3,952) 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 March 31, 2022, \$Nil (December 31, 2021 - \$Nil) was outstanding for the amount incurred.

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

During the three-month period ended March 31, 2022, L8 Curacao incurred \$21,455 (Three month period ended March 31, 2021 - \$7,186) 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 March 31, 2022, \$Nil (December 31, 2021 - \$Nil) was outstanding for the amount incurred.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

**10. Related party balances and transactions (continued)**

Related party transactions between Litermi and Bragg Gaming Group:

During the three-month period ended March 31, 2022, Litermi, a wholly owned subsidiary of PDS incurred \$Nil (Three month period ended March 31, 2021 - \$Nil) 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 March 31, 2022 and December 31, 2021.

As of March 31, 2022 and December 31, 2021, 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 6).

The following table illustrates the compensation paid to key management personnel during the three-month periods ended March 31, 2022 and 2021:

	Three months ended March 31,	
	2022	2021
Chief Executive Officer (a)	\$ 75,000	\$ 75,000
Chief Operating Officer (b)	35,100	34,476
Chief Marketing Officer (c)	27,000	27,581
Chief Financial Officer (b)	24,500	22,500

(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 interim consolidated statement of loss and comprehensive loss for the three-month periods ended March 31, 2022 and 2021.

(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 three-month period ended March 31, 2022 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.

**11. 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 March 31, 2022 and December 31, 2021, all of the Corporation's financial liabilities are due within 12 months from the date of consolidated statements of financial position.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

---

**11. 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 March 31, 2022, 75% (December 31, 2021 - 75%) of the amounts due from processors balance is owing from four processors (December 31, 2021 - four 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 March 31, 2022 and December 31, 2021 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:

	March 31, 2022	December 31, 2021
Carrying amount, net of refund liability	\$ 795,613	\$ 985,199
Lifetime expected loss	(947)	(180,245)
Due from processors	\$ 794,666	\$ 804,954

(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 interim consolidated financial statements do not use derivative financial instruments to manage its currency risk. As at March 31, 2022, a 5% appreciation (depreciation) of foreign currencies against USD will result in increase (decrease) in income and comprehensive income of \$378,070 (December 31, 2021 - \$17,794).

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

**11. Financial instruments (continued)**

(c) Currency risk (continued)

As at March 31, 2022 and December 31, 2021, the following balances were denominated in currencies other than USD:

Financial instruments	Foreign Currency	March 31, 2022	December 31, 2021
		In USD	In USD
Cash	EUR	\$ 23,791	\$ 59,705
Cash	MXN	117,333	102,574
Cash	GBP	3,273	2,011
Cash	UYU	1,448	1,342
Cash	CAD	4,858,743	6,973,245
Due from processors	MXN	331,140	322,059
Due from processors	EUR	153,832	158,099
Due from processors	BRL*	68,699	58,799
Due from processors	COP*	135,533	125,174
Due from processors	CNY*	124,679	124,270
Accounts payable	GBP	49,431	45,232
Accounts payable	EUR	1,273,159	992,862
Accounts payable	UYU	364,246	269,598
Accounts payable	CAD	55,334	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 March 31, 2022 includes shareholders' equity of \$6,032,496 (December 31, 2021- \$6,473,983). 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.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**

**Notes to the Interim Consolidated Financial Statements**

**Three months ended March 31, 2022 and 2021**

*(Presented in United States Dollars)*

**12. 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 countries (a)	Other (a)	Total
<b>Three-month period ended March 31, 2022</b>								
Lottery procurement revenue	\$ 230,977	\$ 55,434	\$ 64,673	\$ 55,434	\$ 64,673	\$ 221,738	\$ 230,978	\$ 923,907
Online casino and scratchcard revenue	41,183	50,008	52,950	14,708	2,942	123,550	8,825	294,166
	Mexico	Argentina	Chile	Brazil	Costa Rica	Other Latin American countries (a)	Other (a)	Total
<b>Three-month period ended March 31, 2021</b>								
Lottery procurement revenue	\$ 337,454	\$ 80,989	\$ 94,487	\$ 80,989	\$ 94,487	\$ 323,955	\$ 337,453	\$ 1,349,814
Online casino and scratchcard revenue	32,524	39,494	41,817	11,616	2,323	97,573	6,969	232,316

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

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
**(Presented in United States Dollars)**

---

### **13. 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.

### **14. Subsequent events**

- (i) 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".
- (ii) On May 25, 2022 the Corporation announced that it had entered into an arm's length business combination agreement (the "Definitive Agreement") dated May 24, 2022 with Sports Venture Holdings Inc. ("SVH") to combine SVH and the Corporation (the "Business Combination").

In connection with the Business Combination, SVH and a to be incorporated wholly-owned subsidiary of Kings will amalgamate to form one company as a wholly-owned subsidiary of Kings. Following completion of the Business Combination, current shareholders of SVH will hold approximately 87% of the common shares of the combined company (the "Resulting Issuer") on a fully-diluted treasury method basis.

Additionally, in connection with the Business Combination, the Corporation has agreed to make available to SVH a senior secured non-interest bearing credit facility of up to \$5,000,000. The outstanding balance owing under the credit facility will become immediately due and payable if the Definitive Agreement is terminated with interest thereafter accruing at 18% per annum.

Following completion of the Business Combination, it is anticipated that the Resulting Issuer will operate under the name "Interactive Entertainment Group Inc." or such other name as may be agreed with the intention that the Resulting Issuer shares will be listed and posted for trading on the Canadian Securities Exchange ("CSE").

The Business Combination has been unanimously approved by the Board of Directors of each of Kings and SVH. Directors, officers, and other significant shareholders of each of SVH and the Corporation have entered into irrevocable voting and support agreements to vote in favour of the Business Combination representing approximately 30% of the outstanding Kings shares and approximately 53% of the SVH's shares.

**Kings Entertainment Group Inc.**  
**(formerly 1242455 B.C. Ltd.)**  
**Notes to the Interim Consolidated Financial Statements**  
**Three months ended March 31, 2022 and 2021**  
***(Presented in United States Dollars)***

---

**14. Subsequent events (continued)**

Completion of the Business Combination is subject to several conditions including, but not limited to, the receipt of all necessary regulatory and third-party consents, approvals, and authorizations as may be required in respect of the Business Combination, including from the CSE. The initial accounting for the Business Combination, including an assessment of which entity is the acquirer, which entity is the acquiree, and whether the acquiree meets the definition of a business in International Financial Reporting Standard 3, Business Combinations, has not been made at the time that these interim consolidated financial statements were authorized for issue.