Kings Entertainment Corporation Inc.
(formerly 1242455 B.C. Ltd.)

MANAGEMENT DISCUSSION & ANALYSIS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022

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MANAGEMENT DISCUSSION & ANALYSIS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2022

1. MANAGEMENT DISCUSSION & ANALYSIS

This Management Discussion and Analysis ("MD&A") provides a review of the results of operations, financial condition and cash flows for Kings Entertainment Corporation Inc. (formerly 1242455 B.C. Ltd.) on a consolidated basis, for the three and nine-month periods ended September 30, 2022 ("Q3 2022"). References to "Kings", or the "Corporation" in this MD&A refer to Kings Entertainment Corporation Inc. (formerly 1242455 B.C. Ltd.), unless the context requires otherwise.

Kings 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 registered head office and the office of the books and records of the Corporation is located in Vancouver, British Columbia.

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" or "L8 Curacao"), Azteca Messenger Services S.A. de C.V. ("Azteca" or "AZT"), and Phoenix Digital Services Ltd. ("Phoenix" or "PDS"), collectively known as "Lottokings Corporation", 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 Corporation became a wholly owned subsidiary of Kings.

Lottokings Corporation includes the following entities:

(i) Legacy Eight Curacao N.V. ("L8 Curacao"), owned 100% by Legacy Eight Ltd., a corporation incorporated in Curacao. 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;

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

(iii) Phoenix Digital Services Ltd. ("PDS"), a corporation incorporated in the United Kingdom ("UK"), was controlled by a key management personnel of Legacy Eight Ltd. as at December 31, 2021. In February 2021, the key management personnel transferred 100% of the issued and outstanding common shares of PDS to Legacy Eight Ltd. (Note 6). Litermi S.A. ("Litermi"), a wholly owned subsidiary of PDS, and was incorporated in Uruguay.

This document should be read in conjunction with the information presented in the unaudited interim consolidated financial statements for the three and nine-month periods ended September 30, 2022 and 2021 (the "Interims").

For reporting purposes, the Corporation prepared the Interims in United States Dollars ("USD") and, unless otherwise indicated, in conformity with International Accounting Standards ("IAS") 34, Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). The financial information contained in this MD&A was derived from the Interims. Unless otherwise indicated, all references to a specific "note" refer to the notes to the Interims.

This MD&A references non-IFRS financial measures, including those under the headings "Selected Financial Information" and "Key Metrics" below. The Corporation believes these non-IFRS financial measures will provide investors with useful supplemental information about the financial performance of its business, enable comparison of financial results between periods where certain items may vary independent of business performance, and allow for greater transparency with respect to key metrics used by management in operating its business and making decisions. Although management believes these financial measures are important in evaluating the Corporation, they are not intended to be considered in isolation or as a substitute for, or superior to, financial information prepared and presented in accordance with IFRS. Non-IFRS measures are not recognized measures under IFRS and do not have standardized meanings prescribed by IFRS. These measures may be different from non-IFRS financial measures used by other companies, limiting their usefulness for comparison purposes. Moreover, presentation of certain of these measures is provided for period-over-period comparison purposes, and investors should be cautioned that the effect of the adjustments thereto provided herein have an actual effect on the Corporation's operating results.

For purposes of this MD&A, the term "gaming license" refers collectively to all the different licenses, consents, permits, authorizations, and other regulatory approvals that are necessary to be obtained in order for the recipient to lawfully conduct (or be associated with) gaming in a particular jurisdiction.

Unless otherwise stated, in preparing this MD&A the Corporation has considered information available to it up to November 28, 2022, the date the Corporation's board of directors (the "Board") approved this MD&A.

2. CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This MD&A may contain forward-looking information and statements (collectively, “forward-looking statements”) within the meaning of the Canadian securities legislation and applicable securities laws, including financial and operational expectations and projections. These statements, other than statements of historical fact, are based on management’s current expectations and are subject to a number of risks, uncertainties, and assumptions, including market and economic conditions, business prospects or opportunities, future plans and strategies, projections, technological developments, anticipated events and trends and regulatory changes that affect the Corporation, its subsidiaries and their respective customers and industries. Although the Corporation and management believe the expectations reflected in such forward-looking statements are reasonable and are based on reasonable assumptions and estimates as of the date hereof, there can be no assurance that these assumptions or estimates are accurate or that any of these expectations will prove accurate. Forward-looking statements are inherently subject to significant business, regulatory, economic and competitive risks, uncertainties and contingencies that could cause actual events to differ materially from those expressed or implied in such statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “would”, “should”, “believe”, “objective”, “ongoing”, “imply” or the negative of these words or other variations or synonyms of these words or comparable terminology and similar expressions.

By their nature forward-looking statements are subject to known and unknown risks, uncertainties, and other factors which may cause actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements. Such factors include, among other things, the Corporation’s stage of development, long-term capital requirements and future ability to fund operations, future developments in the Corporation’s markets and the markets in which it expects to compete, risks associated with its strategic alliances and the impact of entering new markets on the Corporation’s operations. Each factor should be considered carefully, and readers are cautioned not to place undue reliance on such forward-looking statements. See the section, “Risk Factors and Uncertainties”, below noting that these factors are not intended to represent a complete list of the factors that could affect the Corporation.

Shareholders and investors should not place undue reliance on forward-looking statements as the plans, assumptions, intentions or expectations upon which they are based might not occur. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Unless otherwise indicated by the Corporation, forward-looking statements in this MD&A describe the Corporation’s expectations as of November 28, 2022 and, accordingly, are subject to change after such date. The Corporation does not undertake to update or revise any forward-looking statements, except in accordance with applicable securities laws.

3. LIMITATIONS OF KEY METRICS AND OTHER DATA

The Corporation's key metrics are calculated using internal Corporation data. While these numbers are based on what the Corporation believes to be reasonable judgments and estimates of customer numbers for the applicable period of measurement, there are certain challenges and limitations in measuring the usage of its product offerings across its customer base. In addition, the Corporation's key metrics and related estimates may differ from estimates published by third parties or from similarly titled metrics of its competitors due to differences in methodology and access to information.

For important information on the Corporation's non-IFRS measures, see the information presented in "Key metrics" and "Selected financial information" below. The Corporation continually seeks to improve its estimates of its active customer base and the level of customer activity, and such estimates may change due to improvements or changes in the Corporation's methodology.

Kings Entertainment Corporation Inc.: Overview and Strategy

Kings Entertainment Corporation Inc. is a business to consumer service provider that allows users to participate in lotteries and casino-style online games throughout the world all from the comfort of their own homes with a simple login and access. The Corporation offers an easy transition from lottery to casino gambling that attracts players to easily participate in both game types. Players are of age of majority, and are monitored according to requirements under the Curacao Gaming License. Lottokings Group operates through multiple established brands and websites, which include www.wintrillions.com, www.trillionaire.com and www.LottoKings.com (the "**Brands**").

The Brand sites are a destination for users to participate in lottery jackpots operated by fully regulated and legal lotteries across the world. Users may directly participate in lotteries or purchase shares in a pool of lottery plays by joining lottery teams or syndicates. Users may also utilize lottery subscriptions to participate in every draw of a specific lottery without the stress or worry of ever missing another draw.

In addition to the lottery services, the Corporation offers a connected experience that enables users to play and switch with ease between scratch cards and casino games. The Corporation's software technology provides casino games within a user's own web browser, without the need for any download. Users may easily access and enjoy a variety of different casino-style games. The games have several variations with minimum and maximum betting ranges, with winnings automatically credited to a user's account.

Kings' strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License.

The development, licensing, and protection of intellectual property is a core part of the Corporation's business strategy and is a key element to its success. The current intellectual property rights currently provide broad and comprehensive coverage and access for our products and services. The Corporation's business practices protect our intellectual property rights in our core business through non-disclosure and confidentiality policies and provisions and the use of appropriate intellectual property ownership and assignment provisions and restrictive covenant agreements with, among others, our employees, contractors, consultants, manufacturers, suppliers, customers and stakeholders. The Corporation actively seeks to protect and enforce its intellectual property rights to prevent unauthorized use by third parties, including through applications for injunctive relief and litigation, as necessary.

Kings continues to invest in building a strong, experienced management team to drive these strategic initiatives. The design, development and distribution of online lotteries and casino-style games requires specialized skills and knowledge. The Corporation’s management team has considerable specialized skill, knowledge and experience in the online gaming industry. As at September 30, 2022, the Corporation had, in aggregate, 32 employees and an additional 6 short-term contractors.

4. OVERVIEW OF Q3 2022

4.1 EXECUTIVE SUMMARY

Financial performance during the three and nine months ended September 30, 2022

The Corporation incurred a net loss for the three and nine month months periods ended September 30, 2022 of $586,947 and $4,626,773 (net income of $359,628 and $338,195 for the three and nine month months periods ended September 30, 2021) and had an accumulated deficit of $13,650,310 and $9,023,537 at September 30, 2022 and December 31, 2021 respectively. As at September 30, 2022 and December 31, 2021, the Corporation had a working capital balance of $1,585,221 and $6,357,233 respectively.

<u>Revenue</u>

The Corporation has two major sources of revenue:

- Lottery procurement revenue:
  a. Messenger stream – the Corporation acts as agent in the transaction and procures lottery tickets on behalf of customers; and the
  b. 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 necessarily purchased
- Scratchcard and online casino revenue: instant scratchcard and online casino games available to customers

During the three and nine months ended September 30, 2022, the Corporation's revenue decreased by 26% and 28% to $1.2M and $3.2M (three and nine months ended September 30, 2021 - $1.6M and $4.5M). The Corporation's decrease in revenue was mainly due to reduction in lottery procurement revenue.

The Corporation's lottery procurement revenue has decreased by 60% and 54% to $539K and $1.7M during the three and nine months ended September 30, 2022 (three and nine months ended September 30, 2021 - $1.67M and $4.5M), as the Corporation is focused in bringing in revenue with higher margin to facilitate the bottom line. On the other hand, the online casino and scratchcard revenue is demonstrating a strong growth from $320K and $746K during the three and nine months ended September 30, 2021 to $684K and $1.47M during the three and nine months ended September 30, 2022.

During the three and nine months ended September 30, 2022, gross profit decreased by 15% and 21% to $870K and $1.99M (three and nine months ended September 30, 2021 – $1.02M and $2.5M). During the three and nine months ended September 30, 2022, gross margins increased by 9% and 6% to 70% and 62% (three and nine months ended September 30, 2021 – 61% and 56%).

Operating Expenses

	Q3 2022	Q3 2021	YTDQ3 2022	YTDQ3 2021
Operating Expenses				
Salaries and benefits (Note 11)	451,763	377,620	1,345,089	1,109,825
Share-based compensation	-	-	2,707,337	-
Marketing expenses	57,183	107,483	442,570	462,249
Expected credit losses (recovery)	(7,847)	(9,288)	(11,909)	8,227
Bank charges and fees	49,189	15,813	129,745	71,700
General and administrative (Note 11)	103,936	13,081	332,750	41,357
IT services	161,080	120,699	487,134	350,215
Interest on lease liabilities	-	51	-	384
Professional fees (Note 11)	1,212,943	124,281	2,392,923	394,546
Vehicles and travel	-	-	11,196	958
Amortization of right-of-use assets	-	853	-	5,408
	2,028,247	750,593	7,836,835	2,444,869

Operating expenses increased from the same periods previous year by 170% and 110%, or from $751K to $2.02M and from $1.68M to $3.1M (YTDQ3 2022 is adjusted for share-based compensation for the purpose of this variance analysis). Operating expenses represents 163% and 158% of the revenue (Three and nine months ended September 30, 2021 – 45% and 54%). Main movements in the three and nine-month periods were driven by the following:

A. **Salaries and benefits** increased by 20% and 21% to $452K and $1.3M (Three and nine months ended September 30, 2021 - $378K and $1.1M) as the Corporation used to house its employees under WestOcean S.A., whose financial results are not included in the Corporation's consolidated financial statements in Q3 2022. Starting May 2020, the Corporation has been moving its employees to Litermi, and as such, there is a slight increase in salaries and benefits in Q3 2022 compare to Q3 2021.

B. **Marketing expenses** decreased by $50K and $20K to $57K and $443K (Three and nine months ended September 30, 2021 - $107K and $462K) mainly due to the Corporation's increasing marketing activities during Q3 2021. During Q3 2021, the Corporation invested significantly to promote on social media.

C. **Expected credit losses** decreased by $1K and $20K to recoveries of $8K and $12K (Three and nine months ended September 30, 2021 – recovery of $9K and losses of $8K) mainly due to improved collection results from processors, and the Corporation has been diligently selecting the payment process service providers.

D. **Bank charges and fees** increased by $33K and $58K to $49K and $130K (Three and nine months ended September 30, 2021 - $16K and $72K). Increased mainly due to fine and surcharges during the first nine months of 2022 in Litermi resulted from incompliance with payroll source deduction remittance.

E. **General and administrative** expenses increased by $91K and $291K to $104K and $332K (Three and nine months ended September 30, 2021 - $13K and $41K) due to increase in office rent and overhead as well as management and administrative costs as a result of more employees coming back to office after the COVID-19 pandemic

F. **IT services** increased by $40K and $137K to $161K and $487K (Three and nine months ended September 30, 2021 - $121K and $350K) due to increased IT maintenance and upgrade works done on the websites.

G. **Professional fees** increased by $1.09M and $2M to $1.2M and $2.39M (Three and nine months ended September 30, 2021 - $124K and $395K) due to increased professional services at corporate level, legal expenses and consulting related to proposed transactions described in note 5.8.

H. **Vehicles and travel** increased by $10K to $11K during the nine-months ended September 30, 2022 (Nine months ended September 30, 2021 - $1K) due to lifting of travel restrictions after COVID-19 outbreak.

I. **Amortization of right-of-use assets** reduced by $1K and $5K to $nil and $nil (Three and nine months ended September 30, 2021 - $1K and $5K) due to termination of leases.

Foreign exchange gain amounted to $534K and $1.2M during the three and nine months ended September 30, 2022. During the three and nine months ended September 30, 2021, the Corporation reported foreign exchange gain of $124K and $342K. The foreign exchange gain/loss mainly represents unrealized gain/loss from conversion of monetary asset or liabilities denominated in a currency other than the individual entities' functional currencies.

Income tax provision decreased to $6,000 and $59,000 during three and nine months ended September 30, 2022 (Three and nine months ended September 30, 2021 - $35,000 and $91,000) mainly due to lower current income tax provision.

Total net loss for three months period ended September 30, 2022 increased to $587,000 from net income of $340,000; while total net loss for nine months period ended September 30, 2022 increased to $4.63M from net income of $338,000. Total net loss for the nine-month period adjusted for $2.7M share-based compensation increased to $1.92M from net income of $338,000. The increase is mainly attributable to higher general and administrative expenses, upgrades done to the websites and increase in professional fees.

The Corporation's Adjusted EBITDA margins was negative 89.77% and 94.36% during three and nine months ended Q3 2022 compare to positive 16.23% and 1.92% during the same period in previous year. Operating expenses increased due to higher general and administrative expenses, upgrades done on websites and increase in professional fees. A reconciliation between the current quarter's reported figures and the prior year quarter's figures to Adjusted EBITDA is shown in Note 5.3 of this MD&A.

The Corporation experienced a reduction in cash flow in the nine-month period ended September 30, 2022 compare to the same period in previous year. Cash flow used in operating activities for nine months ended September 30, 2022 was $3.6M (cash flow provided by operating activities for nine months ended September 30, 2021 –$384,000). The increase was primarily due to higher payables outstanding at quarter-end, increase in amounts due from related parties and other loan receivable.

No cash flow used in financing activities in the nine-month period ended September 30, 2022.

Financial position:

Cash as of September 30, 2022 reduced to $2.5M (December 31, 2021 - $7.22M) primarily due to cash used in operating activities as well as effect in foreign exchange, USD depreciated against EURO, Mexican Peso and Uruguayan Peso since December 31, 2021.

Accounts receivable as of September 30, 2022 increased to $300,000 (December 31, 2021 - $nil) due to amounts receivable related to license fee for the use of Kings software/platform.

Due from processors as of September 30, 2022 totalled $858,000 (December 31, 2021 - $805,000) due increase in revenue volume around quarter-end.

As at September 30, 2022, government remittance recoverable remained consistent at $71,000 (December 31, 2021 - $72,000).

Prepaid expenses and other assets as at September 30, 2022 decreased by $233,000 to $213,000 (December 31, 2021 - $446,000) due to balance acquired on the RTO transaction on December 30, 2021 which has since been amortized.

Prepaid issue costs of $722,512 as at December 31, 2021 acquired on the RTO transaction. This balance was related to issue costs of subscription receipts which have been converted to common shares during Q3 2022 and as such, the balance has been recognized as a reduction in share capital during the period.

Deferred income tax assets on September 30, 2022 decreased by $13,000 to $8,000 (December 31, 2021 - $21,000). Balance relates to net loss for tax purpose in L8 Curacao, which resulted in tax loss available for carried forward, and there is reasonable expectation that L8 Curacao will generate taxable income to utilize the loss.

Due from related party balance increased by $333,000 to $426,000 as at September 30, 2022 (December 31, 2021 - $93,000) due to additional advances provided to Legacy Eight Group Ltd. and fluctuation in foreign exchange rates.

Accounts payable and accrued liabilities as of September 30, 2022 decreased by $444,000 to $2.12M (December 31, 2021 - $2.56M) as a result of acquired trade payables and accrued liabilities on the RTO transaction of December 30, 2021.

Income taxes payable increased by $10,000 to $118,000 as at September 30, 2022 (December 31, 2021 - $108,000), the increase is due to taxable income in AZT, PDS and Litermi during the nine-month period ended September 30, 2022.

Government remittance payable includes payroll source deduction payable of the Corporation, increased by $16,000 to $26,000 by September 30, 2022 (December 31, 2021 - $10,000) due to timing of deductions payable.

Deferred revenue balance represents users' prepaid account balance that has not been utilized yet and consideration collected prior to procurement of lottery tickets. As at September 30, 2022, such balance decreased by $93,000 to $50,000 (December 31, 2021 - $143,000). Fluctuations in this account depend of timing of lottery tickets purchase and collection of consideration during the quarter.

Due to related party balance increased by $1,000 to $88,000 as at September 30, 2022 (December 31, 2021 - $87,000) mainly due to fluctuation in foreign exchange rates.

Strategic progress

Kings' strategy includes promoting the Brand sites through a variety of international advertisers and through strategic business relationships with online gaming affiliates all in compliance with the Curacao Gaming License.

The Corporation's growth strategy will be implemented based on the business objectives:

(1) Upgrade the Corporation's website

The Corporation has made significant upgrades to the LottoKings and WinTrillions websites providing users with a significantly improved experience on mobile distribution platforms, and re-working the user journey to make the process of using the site as simple, intuitive and friction-free as possible. The 'look and feel' of the site has been re-worked to make the site content more modern and attractive with the goal of increasing user conversion rates for first-time visitors and engagement for existing users. Additionally, the site has made new products available to users, adding new casino and instant-win game content all of which will be compliant with the Curacao Gaming License.

(2) Launch native mobile apps

The Corporation will launch mobile apps on both the iOS and Android operating systems. The app will provide users to access functionality comparable to the Corporation's desktop sites in a native mobile format, including allowing users to check results from draws and set alerts for jackpots meeting user-specified minimum thresholds. Multiple versions of the app may be launched, corresponding to different brands owned by the Corporation. These apps will result in a more seamless user experience for the Corporation's mobile users, and allow the Corporation to convert additional users to its platform through its presence on various app stores.

(3) Expand Corporation's lottery games offering

The Corporation will increase the variety of lottery games available through its platform. This will increase user choice and make the Corporation's offering more competitive in the marketplace. It will also provide a boost to the Corporation's user acquisition efforts by allowing the Corporation to reach a previously untapped pool of users who may be aware of the new lottery games the Corporation plans to offer, but may not have otherwise been aware of the Corporation's sites or services.

(4) Upgrade the Corporation's "back end" functionality

The Corporation will make upgrades to its "back end" systems – the internal systems underlying the Corporation's various websites. This will improve the user experience for visitors of the websites by increasing their responsiveness and allowing Corporation staff to address user concerns more effectively. It will also allow the Corporation to scale its operations more effectively by allowing its systems to on-board and support higher numbers of users. Additionally, the upgrades will increase the ease through which the Corporation may comply with the requirements of various gaming licenses from jurisdictions other than Curacao, allowing it to expand its offering to such jurisdictions more easily if it chooses to do so in the future.

(5) Create 'satellite sites' and upgrade SEO efforts

The Corporation will create 'satellite sites' advertising its services in various Latin American jurisdictions. These sites will contain SEO-optimized content related to lottery jackpots and other associated matters, and will attempt to steer users to the main websites through which the Corporation offers its products and services. The Corporation will begin this strategy by creating a few websites in certain targeted jurisdictions and monitoring the results. Subsequently, the Corporation plans to expand its offering throughout Latin America depending on the success of the targeted websites. In conjunction with this effort, the Corporation will employ a SEO consultant tasked with overhauling the Corporation's SEO efforts including improving its organic search engine optimization activities.

(6) Advertising campaign based on LottoHub app

The Corporation has developed a native app focusing on general lottery content under the name "LottoHub." The app contains general information on various lotteries, including jackpots, drawing dates, and costs to enter. The app is designed in a manner aimed at converting users who initially use the app as a free lottery information resource into paying customers on the Corporation's other properties.

The LottoHub app does not allow users to purchase lottery tickets directly. This allows the app to be marketed through various platforms that restrict direct advertising of gambling services, such as Facebook and Instagram. The Corporation then engages in a paid advertising campaign on these platforms, with the aim of increasing its user base and converting users to its other properties. The app was launched in February 2022.

(7) Acquire complementary businesses and properties

The Corporation intends to engage in an acquisition strategy focused on acquiring business and technologies that will complement the Corporation's business. In particular, the Corporation will target other business engaged in substantially the same business as the Corporation, with an established brand name and customer base, whose operations may be easily integrated with those of the Corporation. The Corporation will also seek out assets that may assist its marketing strategy, including existing apps or media platforms with a connection to lotteries and an established user base that may be re-purposed to direct users to the Corporation's platforms.

Regulatory updates in various geographies

The Corporation does not provide gaming, betting or lottery products in jurisdictions other than the ones indicated below.

Curacao

L8 Curacao holds a valid Curacao Gaming License which allows it to provide online gaming products and services, including its gaming platform, from its home jurisdiction. The Curacao Gaming License has few restrictions on what markets L8 Curacao's websites may be accessed for real money play. L8 Curacao is in compliance with the applicable restrictions. The lotteries in which L8 Curacao permits its users to participate through its online platform are operated in full legal compliance with the laws of their home jurisdiction, and in many cases operated by a government entity. L8 Curacao does not allow players that are resident in Canada or the United States to purchase any gaming, betting or lottery services or products from its websites.

Outlook

The Corporation's continued to invest in various marketing channels, especially on social media, during Q3 2022. The Corporation's gross margin stayed strong and is looking to facilitate its top line through enhanced marketing activities.

The global outbreak of COVID-19, has had, and continues to have, a significant impact on the global economy. The Corporation derives the majority of its revenue from online gaming. This sector has largely benefited from the various international "lock downs", requiring people to stay at home. As a result, such forms of entertainment have prevailed in a similar fashion to the various streaming businesses such as Netflix have. Furthermore, the Corporation has limited exposure to sports betting revenue that have obviously been impacted by the lack of professional sports. Management continues to monitor the effects COVID-19 on the Corporation's performance and will amend its outlook as, and if, it deems necessary.

5. FINANCIAL RESULTS

5.1 BASIS OF FINANCIAL DISCUSSION

The financial information presented below has been prepared to examine the results of operations from continuing activities.

The presentation currency of the Corporation is the USD, while the functional currencies of the entities consolidated are United States Dollar, Canadian Dollar, Euro, British Pound Sterling, Mexican Peso and Uruguayan Peso due to primary location of individual. The presentation currency of the USD has been selected as it best represents the majority of the Corporation's economic inflows, outflows as well as its assets and liabilities.

5.2 SELECTED FINANCIAL INFORMATION

The following is selected financial data of the Corporation for the three and nine-month periods ended September 30, 2022 and 2021.

The primary non-IFRS financial measure which the Corporation uses is Adjusted EBITDA[1]. When internally analyzing underlying operating performance, management excludes certain items from EBITDA (earnings before interest, tax, depreciation, and amortization). See Section 5.3 for calculation of EBITDA and Adjusted EBITDA.

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
USD 000	**2022**	**2021**	**2022**	**2021**
Revenue	$1,242	$ 1,670	$ 3,243	$4,531
Net income (loss) from continuing operations	(587)	360	(4,627)	338
EBITDA	(581)	396	(4,568)	434
Adjusted EBITDA	(1,115)	271	(3,060)	87
EBITDA margin	(46.78%)	23.71%	(140.86%)	9.58%
Adjusted EBITDA margin	(89.77%)	16.23%	(94.36%)	1.92%

	As at September 30, 2022	As at December 31, 2021
Total assets	$ 5,151	$ 9,387
Total non-current financial liabilities	nil	nil
Dividends paid	nil	nil

With the exception of EBITDA and Adjusted EBITDA, the financial data has been prepared to conform with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These accounting principles have been applied consistently across for all reporting periods.

[1] **Adjusted EBITDA** excludes income or expenses that relate to exceptional items and non-cash charges and includes deductions for lease expenses that are recognized as part of depreciation and finance charges under IFRS 16.

5.3 OTHER SELECTED FINANCIAL INFORMATION

Additional selected financial information as follows:

USD 000	Three-month periods ended September 30, 2022	2021	Nine-month periods ended September 30, 2022	2021
Revenue	$ 1,242	$ 1,671	$3,243	$4,531
Cost of revenue	372	649	1,247	1,999
Gross profit	870	1,022	1,996	2,532
Gross margin	70%	61%	61%	56%

USD 000	As at September 30, 2022	As at December 31, 2021
Total assets	5,151	9,387
Total liabilities	2,401	2,913

DUE FROM PROCESSORS, NET

USD 000	As at September 30, 2022	As at December 31, 2021
Due from processors	$ 903	$ 1,065
Provision for chargebacks and reversals	(54)	(80)
Provision for expected credit recovery (loss)	9	(180)
Trade and Other Receivables	**858**	**805**

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

USD 000	As at September 30, 2022	As at December 31, 2021
Trade payables	$ 1,540	$ 2,136
Customer claims payable	126	72
Payroll accrual	126	98
Accrued expenses	327	258
Accounts payable and accrued liabilities	**2,119**	**2,564**

To supplement its September 30, 2022 interim financial statements presented in accordance with IAS 34, Interim Financial Reporting, the Corporation considers certain financial measures that are not prepared in accordance with IFRS. The Corporation uses such non-IFRS financial measures in evaluating its operating results and for financial and operational decision-making purposes. The Corporation believes that such measures help identify underlying trends in its business that could otherwise be masked by the effect of the expenses that it excludes in such measures.

The Corporation also believes that such measures provide useful information about its operating results, enhance the overall understanding of its past performance and future prospects and allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making. However, these measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. There are a number of limitations related to the use of such non-IFRS measures as opposed to their nearest IFRS equivalents.

A reconciliation of operating loss to EBITDA and Adjusted EBITDA is as follows:

	Three-month periods ended September 30,		**Nine-month periods ended September 30,**	
USD 000	**2022**	**2021**	**2022**	**2021**
Net income (loss)	$ (587)	$ 360	$ (4,627)	$ 338
Income tax provision	6	35	59	91
Amortization	-	1	-	5
EBITDA	(581)	396	(4,568)	434
Amortization of right-of-use assets	-	(1)	-	(5)
Foreign exchange gain	(534)	(124)	(1,199)	(342)
Share-based compensation	-	-	2,707	-
Adjusted EBITDA	**(1,115)**	**271**	**(3,060)**	**87**

Foreign exchange gain represents unrealized foreign exchange gain arising from financial assets and liabilities denominated in a currency other than the individual entity's functional currency.

Share-based payments represent fair value of 10,012,000 stock options granted to directors, officers, employees and consultants by the Corporation.

REVERSE TAKEOVER TRANSACTION

On December 30, 2021, Kings Entertainment Group Inc. entered into a reverse takeover transaction with the Lottokings Group. The transaction has been accounted for as a reverse acquisition. 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 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.

Escrow Release Conditions were met subsequent to the RTO and proceeds from share subscriptions were released from escrow during the nine months period ended September 30, 2022.

5.4 SUMMARY OF QUARTERLY RESULTS

The following table presents the selected financial data for continuing operations for each of the past eight quarters of the Corporation.

	2020	2021				2022		
USD 000	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Revenue	$ 1,556	$ 1,582	$ 1,329	$ 1,671	$ 1,259	$ 1,221	$ 780	$ 1,242
Net income (loss)	(345)	373	(345)	360	(9,405)	(3,429)	(610)	(587)
EBITDA	(241)	408	(318)	396	(9,353)	(3,400)	(587)	(581)
Adjusted EBITDA	137	5	(120)	263	(155)	(544)	(1,106)	(1,115)

The Corporation's revenue had been decreasing steadily since Q3 2021 due to significantly less lottery procurement revenue generated. During Q3 2022, revenue increased due to higher revenue from online casino and scratchcards. Fluctuation in EBITDA is mainly resulted from fluctuation in revenue and foreign exchange gain/loss. Significant negative EBITDA in Q1 2022 is primarily due to share-based payments.

Liquidity and capital resources

The Corporation's principal sources of liquidity are its cash generated from operations and advances from related party. Currently available funds consist primarily of cash on deposit with financial institutions. The Corporation calculates its working capital requirements from continuing operations as follows:

USD 000	As at September 30, 2022	As at December 31, 2021
Cash and cash equivalents	$ 2,544	$ 7,225
Accounts receivable	300	-
Due from processors, net	858	805
Government remittances recoverable	71	72
Prepaid expenses and other assets	213	1,168
	3,986	9,270
Current liabilities	(2,401)	(2,913)
Net working capital	**1,585**	**6,357**

The undiscounted contractual maturities of significant financial liabilities and the total contractual obligations of the Corporation as at September 30, 2022 for each of the next five years and thereafter are below:

USD 000	2022	2023	2024	2025	Thereafter	Total
Accounts payable and accrued liabilities	2,119	-	-	-	-	2,119
Due to related party	88	-	-	-	-	88
Lease liabilities	-	-	-	-	-	-
	2,207	**-**	**-**	**-**	**-**	**2,207**

MARKET RISK

The Corporation is exposed to market risks, including changes to foreign currency exchange rates and interest rates.

FOREIGN CURRENCY EXCHANGE RISK

The Corporation is exposed to foreign currency risk, which includes risks related to its revenue and operating expenses denominated in currencies other than USD, which is both the reporting currency and primary contracting currency of the Corporation's customers. Accordingly, changes in exchange rates may in the future reduce the purchasing power of the Corporation's customers thereby potentially negatively affecting the Corporation's revenue and other operating results.

The Corporation has experienced and will continue to experience fluctuations in its net income (loss) as a result of translation gains or losses related to revaluing certain monetary asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded.

LIQUIDITY RISK

The Corporation is also exposed to liquidity risk with respect to its contractual obligations and financial liabilities. The primary sources of liquidity risk are accounts payable and accrued 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.

5.5 CASH FLOW SUMMARY

The cash flow from continuing operations may be summarized as follows:

	Nine months ended September 30,	
USD 000	**2022**	**2021**
Operating activities	$ (3,605)	$ 384
Financing activity	-	(6)
Effect of foreign exchange	1,780	(610)
Net cash flow used in continuing operations	**(1,825)**	**(232)**

Cash flows used in financing activity consists of costs of issuance of subscription receipts converted to common shares.

5.6 OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements during the three and nine-month periods ended September 30, 2022.

5.7 PROPOSED TRANSACTIONS

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.

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.

6 TRANSACTIONS BETWEEN RELATED PARTIES

The Corporation's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions for those in the normal course of business. Transactions between the Corporation and its consolidated entities have been eliminated on consolidation and are not disclosed in this note.

The Corporation has identified the directors and senior officers as key management personnel. Key management personnel are those persons responsible for planning, directing and controlling the activities of the entity, and include executives and non-executive directors. Transactions and balances between the Corporation and its key management personnel and related parties are as follows:

- Due to and from related parties
  The Corporation has a balance receivable from related party of $426,149 and balance payable to related parties of $87,990 as at September 30, 2022 (December 31, 2021 - $93,282 and $86,778). The due to and from related party balances relate to amounts receivable (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 September 30, 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 September 30, 2022						
Due from related party	$ 1,213,544	$ 932,828	$ 933,726	$ 9,887,778	$ -	$ 12,967,876
Due to related party	-	(104,405)	(38,917)	(12,467,996)	(18,399)	(12,629,717)
Balance offset per Debt Offset Agreement	(1,213,544)	(402,274)	(894,809)	2,510,627	-	-
Net balance	$ -	$ 426,149	$ -	$ (69,591)	$ (18,399)	$ 338,159
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

- Related party transactions between L8 Curacao and Ledonford Limited:
  During the three and nine months period ended September 30, 2022, L8 Curacao incurred $Nil (three and nine months period ended September 30, 2021 - $Nil and $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 at September 30, 2022, $Nil (December 31, 2021 - $Nil) was outstanding for the amount incurred.

- <u>Related party transactions between L8 Curacao and R.S Real World Services Limited:</u>
  During the three and nine months periods ended September 30, 2022, L8 Curacao incurred $Nil (three and nine months periods ended September 30, 2021 - $7,049 and $20,384) 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 September 30, 2022, $Nil (December 31, 2021 - $Nil) was outstanding for the amount incurred.

- <u>Related party transactions between L8 Curacao and Legacy Eight Corporation:</u>
  During the three and nine months periods ended September 30, 2022, L8 Curacao advanced an additional $26,045 and $387,592 to Legacy Eight Group Ltd. (three and nine months periods ended September 30, 2021 - $81,000 and $279,000). During the three and nine months periods ended September 30, 2022, advances to Legacy Eight Group Ltd. reduced and increased by $Nil and $Nil (three and nine months periods ended September 30, 2021 - $Nil and $45,000) due to repayment and additional advance taken by PDS respectively. L8 Curacao and PDS are entities under common control of Legacy Eight Group Ltd.

As of September 30, 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 the compensation incurred to key management personnel during the three and nine months ended September 30, 2022 and 2021:

USD

Name	Position	Q3 2022	Q3 2021	YTDQ3 2022	YTDQ3 2021
Steve Budin	CEO	$ 75,000	$ 75,000	$ 225,000	$ 225,000
Damian Goodwin	COO	12,970	34,447	79,480	103,885
James Dominique	CMO	25,490	27,558	77,620	83,108
German Justh	CFO	30,545	22,500	83,925	67,500

The following table illustrates number of stock options issued to key management personnel as part of the share-based compensation during the three and nine months periods ended September 30, 2022 and 2021:

Name	Position	Q3 2022	Q3 2021	YTDQ3 2022	YTDQ3 2021
Steve Budin	CEO	$ -	$ -	$ 318,318	$ -
Damian Goodwin	COO	-	-	19,099	-
James Dominique	CMO	-	-	63,664	-
German Justh	CFO	-	-	63,664	-
Kelvin Lee	Director	-	-	133,693	-
		$ -	$ -	$ 598,438	$ -

7 DISCLOSURE OF OUTSTANDING SHARE DATA

The number of equity-based instruments granted or issued may be summarized as follows:

	September 30, 2022	December 31, 2021
68,463,500 Common Shares	**$ 14,556,184**	**$ 8,223,957**

The common shares of the Corporation as at September 30, 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. The Corporation incurred costs of $744,103 that were directly related to the issuance of subscription received and, accordingly, have been recognized as a reduction in share capital upon conversion of subscription receipts to common shares.

7.1 WARRAN RESERVE

As at September 30, 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, 0% forfeiture rate, a dividend yield of nil, a 0.23% risk free return and a 2 year term.

7.2 SHARE-BASED PAYMENTS RESERVE

On January 24, 2022, The Corporation granted 10,012,000 stock options to directors, officers, employees and consultants, at an exercise price of CAD $0.50 and expiry of 5 years from the date of grant. The stock options vested immediately upon grant. The Corporation has recognized $2,707,337 for share-based payments.

The fair value of the 10,012,000 stock options was estimated using the Black-Scholes option pricing model assuming a weighted average risk free interest rate of 1.63%, a dividend yield of nil, 0% forfeiture rate, a weighted average expected annual volatility of the Corporation’s share price of 132% and an expected life of 5 years. The fair value of the stock options was CAD $0.40 per option. The expected volatility assumption is based on historical volatility over the same period as the expected life of the option using an appropriate level for price observations. The risk-free interest rate is based on the implied yield currently available on zero-coupon government issues denominated in the currency of the market in which the underlying shares primarily trade, over the same period as the expected life of the option.

8 CRITICAL ACCOUNTING ESTIMATES

The preparation of the Corporation’s consolidated financial statements requires management to make estimates and judgments in applying the Corporation’s accounting policies that affect the reported amounts and disclosures made in the consolidated financial statements and accompanying notes.

Within the context of the consolidated financial statements, a judgment is a decision made by management in respect of the application of an accounting policy, a recognized or unrecognized financial statement amount and/or note disclosure, following an analysis of relevant information that may include estimates and assumptions. Estimates and assumptions are used mainly in determining the measurement of balances recognized or disclosed in the consolidated financial statements and are based on a set of underlying data that may include management’s historical experience, knowledge of current events and conditions and other factors that are believed to be reasonable under the circumstances.

Management continually evaluates the estimates and judgments it uses.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Corporation believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

Impairment of financial assets

<u>Judgments made in relation to accounting policies applied</u>

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.

<u>Key sources of estimation uncertainty</u>

In each stage of the ECL impairment model, impairment is determined based on the probability of default, loss given default, and expected exposures at default. The application of the ECL model requires management to apply the following significant judgments, assumptions, and estimations:

- movement of impairment measurement between the three stages of the ECL model, based on the assessment of the increase in credit risks on financial assets subsequently measured at amortized cost. The assessment of changes in credit risks includes qualitative and quantitative factors of the accounts, such as historical credit loss experience and external credit scores;
- thresholds for significant increase in credit risks based on changes in probability of default over the expected life of the instrument relative to initial recognition; and
- forecasts of future economic conditions.

Revenue recognition

Judgments made in relation to accounting policies applied

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 exercise 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.

Key sources of estimation

In determining the point in time control of services are transferred, management identifies the performance obligations in the contracts and evaluates the satisfaction of performance obligation time point based on business practice in the industry. Management gathered historical return, refund and chargeback information in estimating the amount of variable consideration, due to the limited operation history of the business, actual results may vary from the estimated amount. In determining the Corporation's role (principal or agent) in its revenue contracts with customers, management considered the operation model and business practice of the industry.

Share-based payments

The Corporation measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. Equity-settled transactions with non-employees are recorded at the fair value of the good or service provided, where this is readily determinable. In other instances, they are recorded at the fair value of the equity instruments issued. Estimating fair value for share-based payment transactions requires determining he most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share-based award, volatility and divided yield and making assumptions about them.

9 CHANGES IN ACCOUNTING POLICY

There have been no changes in the Corporation's accounting policies in any of the reporting periods discussed in this MD&A.

10 RISK FACTORS AND UNCERTAINTIES

Certain factors, listed below, may have a material adverse effect on the Corporation's business, financial condition, and results of operations. Current and prospective investors should carefully consider the risks and uncertainties and other information contained in this MD&A and the corresponding financial statements.

The risks and uncertainties described herein and therein are not the only ones the Corporation may face. Additional risks and uncertainties that the Corporation is unaware of, or that the Corporation currently believes are not material, may also become important factors that could adversely affect the Corporation's business. If any of such risks actually occur, the Corporation's business, financial condition, results of operations, and future prospects could be materially and adversely affected.

INFORMATION SYSTEMS AND CYBERSECURITY RISKS

The Corporation places significant reliance on its information technology ("IT") systems to operate its business and is dependent upon the availability, capacity, reliability and security of its IT infrastructure and its ability to expand and continually update this infrastructure, to conduct daily operations. In the event that the Company is unable to secure its software and hardware, effectively upgrade systems and network infrastructure and take other steps to maintain or improve its systems, the operation of such systems could be interrupted or result in the loss, corruption or release of confidential data.

The IT systems are subject to a variety of security risks, which are growing in both complexity and frequency and could include potential breakdown, cyber phishing, invasion, virus, cyber-attack, cyber-fraud, security breach, and destruction or interruption of its IT systems by third parties or insiders. Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential fiduciary or proprietary information, in a loss or theft of our financial resources, critical data and information or could result in a loss of control of our technological infrastructure or financial resources.

The Corporation maintains security policies and procedures that include employee protocols with respect to electronic communications and electronic devices, encryption protection of all computers and portable electronic devices and conducts annual cyber-security assessments. The Corporation applies technical and process controls in line with industry-accepted standards and best practices to protect its information, assets and systems. However, due to the variety and sophistication and frequency of change in technology, these controls may not adequately prevent cyber-security breaches. Disruption of critical information technology services, or breaches of information security, could have a material negative effect on the Corporation's business, financial condition, and results of operations as well as on the Corporation's reputation.

MANAGEMENT OF GROWTH

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations and prospects.

KEY PERSONNEL

The Corporation may experience the loss of important staff members. The Corporation is currently in good standing with all high-level employees and believes that with well managed practices it will remain in good standing. The success of the Corporation will be dependent upon the ability, expertise, judgment, discretion and good faith of its senior management and key personnel. While employment agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results or financial condition.

LIMITED OPERATING HISTORY

The Corporation is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

FORECASTING LIMITATIONS

The Corporation must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cloud kitchen industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations and financial condition of the Corporation.

NEED FOR ADDITIONAL FINANCING AND POSSIBLE EFFECTS OF DILUTION

The development of the business of the Corporation and its ability to execute on its expansion opportunities described herein will depend, in part, upon the amount of additional financing available. Failure to obtain sufficient financing may result in delaying, scaling back, eliminating or indefinitely postponing expansion opportunities and the business of the Corporation's current or future operations. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be acceptable to the Corporation. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

INSURANCE AND UNINSURED RISKS

The Corporation's business is subject to a number of risks and hazards generally, including accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, delays in operations, monetary losses and possible legal liability. Although the Corporation maintains and intends to continue to maintain insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations. The Corporation may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Losses from these events may cause the Corporation to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

INTERNAL CONTROLS

Effective internal controls are necessary for the Corporation to provide reliable financial reports and to help prevent fraud. Although the Corporation will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Corporation under Canadian securities law, the Corporation cannot be certain that such measures will ensure that the Corporation will maintain adequate control over financial processes and reporting. Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm the Corporation's results of operations or cause it to fail to meet its reporting obligations. If the Corporation or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Corporation's consolidated financial statements and materially adversely affect the trading price of the Common Shares.

LITIGATION

The Corporation may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation such a decision could adversely affect the Corporation's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Corporation is involved in litigation and wins, litigation can redirect significant Corporation resources.

GOVERNMENTAL REGULATIONS AND RISKS

Government approvals and permits may in the future be required in connection with the Corporation's operations. To the extent such approvals are required and not obtained, the Corporation may be curtailed or prohibited from conducting its business. Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, or remedial actions. The Corporation may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations. Changes to current laws and regulations may be unfavorable and have an adverse effect on the Corporation's operations.

COMPETITION

The Corporation will likely face intense competition from other companies, some of which have longer operating histories and more financial resources and marketing experience than the Corporation. Increased competition by larger and better-financed competitors could materially and adversely affect the proposed business, financial condition and results of operations of the Corporation. Because of the early stage of the industry in which the Corporation operates, the Corporation expects to face additional competition from new entrants. To remain competitive, the Corporation will require a continued investment in facilities and R&D to be able to compete on costs. The Corporation may not have sufficient resources to maintain marketing, sales and patient support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation.

BREACH OF CONFIDENTIALITY

While discussing potential business relationships or other transactions with third parties, the Corporation may disclose confidential information relating to the business, operations or affairs of the Corporation. Although confidentiality agreements are to be signed by third parties prior to the disclosure of any confidential information, a breach of such confidentiality agreement could put the Corporation at competitive risk and may cause significant damage to its business. The harm to the Corporation's business from a breach of confidentiality cannot presently be quantified but may be material and may not be compensable in damages. There can be no assurance that, in the event of a breach of confidentiality, the Corporation will be able to obtain equitable remedies, such as injunctive relief from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

INABILITY TO PROTECT INTELLECTUAL PROPERTY

The Corporation's success is heavily dependent upon its intangible property and technology. The Corporation relies upon copyrights, patents, trade secrets, unpatented proprietary know-how and continuing innovation to protect the intangible property, technology and information that are considered important to the development of the business. The Corporation relies on various methods to protect its proprietary rights, including confidentiality agreements with consultants, service providers and management that contain terms and conditions prohibiting unauthorized use and disclosure of confidential information. However, despite efforts to protect intangible property rights, unauthorized parties may attempt to copy or replicate intangible property, technology or processes. There can be no assurances that the steps taken by the Corporation to protect its intangible property, technology and information will be adequate to prevent misappropriation or independent third-party development of the Corporation's intangible property, technology or processes. It is likely that other companies can duplicate a production process similar to the Corporation's. To the extent that any of the above would occur, revenue could be negatively affected, and in the future, the Corporation may have to litigate to enforce its intangible property rights, which could result in substantial costs and divert management's attention and other resources.

The Corporation's ability to successfully implement its business plan depends in part on its ability to obtain, maintain and build brand recognition using its trademarks, service marks, trade dress, domain names and other intellectual property rights, including the Corporation's names and logos. If the Corporation's efforts to protect its intellectual property are unsuccessful or inadequate, or if any third party misappropriates or infringes on its intellectual property, the value of its brands may be harmed, which could have a material adverse effect on the Corporation's business and might prevent its brands from achieving or maintaining market acceptance.

The Corporation may be unable to obtain registrations for its intellectual property rights for various reasons, including refusal by regulatory authorities to register trademarks or other intellectual property protections, prior registrations of which it is not aware, or it may encounter claims from prior users of similar intellectual property in areas where it operates or intends to conduct operations. This could harm its image, brand or competitive position and cause the Corporation to incur significant penalties and costs.

INNOVATION RISKS

In the area of innovation, the Corporation must be able to develop new products that appeal to its customers. This depends, in part, on the technological and creative skills of its personnel and on its ability to protect its intellectual property rights. The Corporation may not be successful in the development, introduction, marketing, and sourcing of new products, that satisfy customer needs, achieve market acceptance, or generate satisfactory financial returns.

CONFLICTS OF INTEREST

Directors of the Corporation are and may become directors of other reporting companies or have significant shareholdings in other gaming companies and, to the extent that such companies may participate in ventures in which the Corporation may participate, the directors of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. The Corporation and its directors will attempt to minimize such conflicts. In the event that such a conflict of interest arises at a meeting of the directors of the Corporation, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases, the Corporation will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA, as the case may be. Other than as indicated, the Corporation has no other procedures or mechanisms to deal with conflicts of interest.

SUPPORT OF BANKS AND PAYMENT PROCESSORS

The Corporation relies on payment processing and banking providers to facilitate the movement of funds between the Corporation and its customers. Anything that could interfere with the formation or otherwise harm the Corporation's relationships with payment and banking service providers could have a material adverse effect on its business, results of operations, financial condition and prospects. The Corporation's ability to accept payment from its customers or facilitate withdrawals by them may be restricted by any introduction of legislation or regulations restricting financial transactions with online or mobile gaming operators or prohibiting the use of credit cards and other banking instruments for online or mobile gaming transactions, or any other increase in the stringency of regulation of financial transactions, whether in general or in relation to the gambling industry in particular. Stricter anti-money laundering regulations may also affect the quickness and accessibility of payment processing systems, resulting in added inconvenience to its customers. Card issuers and acquirers may dictate how transactions and products need to be coded and treated which could also make an impact on acceptance rates. Card issuers, acquirers, payment processors and banks may also cease to process transactions relating to the online or mobile gaming industry as a whole or certain operators. This could be due to reputational and/or regulatory reasons or in light of increased compliance standards of such third parties that seek to limit their business relationships with certain industry sectors considered as "high risk". It may also result in customers being dissuaded from accessing the Corporation's product offerings if they cannot use a preferred payment option, or the quality or the speed of the supply is not suitable or accessible to the customers. Any such developments may have a material adverse effect on the Corporation's business, results of operations, financial condition and prospects.

ONLINE GAMING INDUSTRY IS HIGHLY REGULATED

The Corporation, its subsidiaries, and their respective officers, directors, major shareholders, key employees and business partners will be subject to the laws and regulations relating to online gaming of the jurisdictions in which the Corporation may conduct business. These laws and regulations vary from one jurisdiction to another and future legislative and regulatory action, court decisions or other governmental action, which may be affected by, among other things, political pressures, attitudes and climates, as well as personal biases, may have a material impact on the Corporation's operations and financial results. In particular, some jurisdictions have introduced regulations that restrict or prohibit online gaming, while others have taken the position that online gaming should be licenced and regulated and have adopted, or are considering adopting, legislation to enable that to happen.

In addition, the Corporation will be subject to the general laws and regulations that apply to all online, digital and e-commerce businesses, such as those related to privacy and personal information, data security, tax, and consumer protection. The laws and regulations vary in each jurisdiction and future legislative and regulatory action, court decisions, and/or other governmental action, which could be affected by, among other things, political pressures, attitudes and climates, may have a material impact on the Corporation's operations and financial outcomes.

SOCIAL RESPONSIBILITY CONCERNS

Public opinion can significantly influence the regulation of online gaming. A negative shift in the perception of online gaming by the public or by politicians, lobbyists or others could affect future legislation or regulation in different jurisdictions. Among other things, such a shift could cause jurisdictions to abandon proposals to legalize online gaming, thereby limiting the number of new jurisdictions into which the Corporation could expand. Negative public perception could also lead to new restrictions on or to the prohibition of online gaming in jurisdictions in which the Corporation may operate.

In addition, concerns with safer betting and gaming could lead to negative publicity, resulting in increased regulatory attention, which may result in restrictions on the Corporation's future operations. If the Corporation had to restrict its future marketing or product offerings or incur increased compliance costs, this could have a material adverse effect on its business, results of operations, financial condition and prospects.

The Corporation will likely face scrutiny related to environmental, social, governance and responsible gaming activities, and its reputation and the value of its brands can be materially adversely harmed if it fails to act responsibly in a number of areas, such as environmental, supply chain management, climate change, diversity and inclusion, workplace conduct, responsible gaming, human rights, philanthropy and support for local communities. Any harm to the Corporation's reputation could impact employee engagement and retention, and the willingness of future customers and the Corporation's partners to do business with it, which could have a materially adverse effect on its business, results of operations and cash flows.

THE CORPORATION MAY BE SUBJECT TO REGULATORY INVESTIGATIONS

From time to time, the Corporation and its subsidiaries may receive formal and informal inquiries from government authorities and regulators, including securities authorities, tax authorities and gaming regulators, regarding its compliance with laws and other matters. Violation of existing or future regulatory orders or consent decrees could subject the Corporation to substantial monetary fines and other penalties that could negatively affect its financial condition and results of operations. In addition, it is possible that future orders issued by, or inquiries or enforcement actions initiated by, government or regulatory authorities could cause the Corporation to incur substantial costs, expose it to unanticipated civil and criminal liability or penalties, or require it to change its business practices in a manner materially adverse to its business.

ONLINE GAMING INDUSTRY RELIANT ON MOBILE ADVERTISING

The online gaming industry is a relatively new and rapidly evolving industry and as such it is difficult to predict the prospects for growth. There is no assurance that advertisers will continue to increase their purchases of online and mobile advertising, that the supply of advertising inventory will not exceed demand or that smartphone penetration in the in the jurisdictions in which the Corporation operates will continue to grow. If the industry grows more slowly than anticipated or the Corporation's products and services fail to achieve market acceptance, the Corporation may be unable to achieve its strategic objectives, which could have a material adverse effect on its prospects, business, financial condition or results of operations.

THE COVID-19 OUTBREAK AND ITS EFFECT ON THE CORPORATION'S BUSINESS

In December 2019, a strain of novel coronavirus (now commonly known as COVID-19) ("COVID-19") was reported to have surfaced in Wuhan, China. COVID-19 has since spread rapidly throughout many countries, and, on March 11, 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries including, Canada, have imposed unprecedented restrictions on travel, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19. The Corporation's business may be impacted by the recent COVID-19 outbreak. It is currently not possible to predict how long the pandemic will last or the time that it will take for economic activity to return to prior levels. The COVID-19 pandemic has resulted in significant financial market volatility and uncertainty in recent months. A continuation or worsening of the levels of market disruption and volatility seen in the recent past could have an adverse effect on the Corporation's ability to access capital, business, results of operations and financial condition, and on the market price of the Common Shares. The extent of this potential disruption on the Corporation’s business cannot be assessed as the full extent of the outbreak and its impact on the global economy cannot be predicted.