

X1 ESPORTS AND ENTERTAINMENT LTD.

FORM 2A

LISTING STATEMENT

June 27, 2022

NOTE TO READER

This Listing Statement contains a copy of the Final Long Form Non-Offering Prospectus of X1 Esports and Entertainment Ltd. (the “**Company**”) dated May 19, 2022 (the “**Prospectus**”). Certain sections of the Canadian Securities Exchange (the “**Exchange**”) form of Listing Statement have been included following the Prospectus to provide additional disclosure on the Company required by the Exchange, as well as updating certain information contained in the Prospectus.

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APPENDIX A

X1 Esports and Entertainment Ltd.

Final Long Form Non-Offering Prospectus dated May 19, 2022

See attached.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws, and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act) unless exemptions from the registration requirement of the U.S. Securities Act and applicable state securities laws are available. This prospectus does not constitute an offer to sell or a solicitation or an offer to buy any of the securities offered hereby within the United States or to, or for the benefit of, U.S. Persons.

PROSPECTUS

INITIAL PUBLIC OFFERING

May 19, 2022



X1 ESPORTS AND ENTERTAINMENT LTD.

Minimum Offering: \$3,000,000.15 or 6,666,667 Units
Maximum Offering: \$3,500,000.10 or 7,777,778 Units

Price: \$0.45 per Unit

This prospectus (the “**Prospectus**”) is being filed by X1 Esports and Entertainment Ltd. (the “**Company**”) to qualify the distribution in each of the provinces of Canada, other than Quebec, a minimum of 6,666,667 Units (as defined herein) (the “**Minimum Offering**”) and a maximum of 7,777,778 Units (the “**Maximum Offering**”) of the Company at a price of \$0.45 per Unit (the “**Offering Price**”) for aggregate gross proceeds of a minimum of \$3,000,000.15 and a maximum of \$3,500,000.10 (the “**Offering**”). Each Unit shall be composed of one Common Share (as defined herein) of the Company (a “**Unit Share**”) and one common share purchase warrant (a “**Warrant**”), with each Warrant entitling the holder thereof to purchase one additional Common Share (each, a “**Warrant Share**”, and together with the Unit Shares, the “**Shares**”) at a price of \$0.70 per Warrant Share for a period of 24 months following the date of closing of the Offering (the “**Closing Date**”), but will be subject to an early expiry date if the closing price of the Common Shares on the Canadian Securities Exchange (“**CSE**”) or any equivalent exchange is equal to or greater than \$0.90 per Common Share for a period of 10 consecutive trading days (the “**Early Expiry Event**”), with such expiry date being the date that is 30 calendar days following the date on which the Company provides an early expiry notice, by issuance of a news release, that an Early Expiry Event has occurred. The Warrants will be issued pursuant to the terms of a warrant indenture to be entered into between the Company and Odyssey Trust Company. See “*Description of the Securities Distributed*” and “*Plan of Distribution*”.

The Offering is being made to investors resident in each of the provinces of Canada, other than Quebec, pursuant to the terms of an agency agreement (the “**Agency Agreement**”) to be entered into between the Company and Research Capital Corporation (the “**Agent**”). The Offering Price and terms of the Units offered pursuant to the Offering have

been determined by negotiation between the Company and the Agent. This Prospectus further qualifies the distribution of all compensation securities issuable to the Agent and as described here

	Price to Public	Agent's Fees⁽¹⁾⁽²⁾	Proceeds to Company⁽³⁾⁽⁴⁾
Per Unit	\$0.45	\$0.036	\$0.414
Minimum Offering	\$3,000,000.15	\$240,000.01	\$2,760,000.14
Maximum Offering	\$3,500,000.10	\$280,000.01	\$3,220,000.09

Notes:

- (1) The Company will pay to the Agent a cash commission equal to 6.0% of the gross proceeds of the Offering (including gross proceeds from the exercise of the Over-Allotment Option (as defined herein)) (the "**Agent's Commission**") and a 2.0% advisory fee (the "**Advisory Fee**", and collectively with the Agent's Commission, the "**Agent's Fees**"), provided that no Agent's Commission will be payable for Units sold by the Agent to certain purchasers designated by the Company on the president's list (the "**President's List**"). As an additional compensation, the Company will also issue to the Agent compensation options (the "**Compensation Options**") and advisory options (the "**Advisory Options**", and collectively with the Compensation Options, the "**Agent's Options**"). The Compensation Options entitle the Agent to purchase such number of Common Shares as is equal to 6.0% of the total number of Units, provided that no Compensation Options will be issued to the Agent in respect of purchasers on the President's List, and the **Advisory Options** entitle the Agent to purchase that number of Common Shares as is equal to 2.0% of the total number of Units, sold under the Offering at an exercise price of \$0.70 per Common Share for a period of 24 months from the Closing Date. In addition, the Agent will receive a corporate finance fee (the "**Corporate Finance Fee**") of \$30,000.00 plus applicable taxes payable in Units priced at the Offering, plus GST payable in cash on the Closing Date. The Company will also pay the reasonable costs and expenses of the Agent related to the Offering. See "*Plan of Distribution*".
- (2) The Company has granted to the Agent an option (the "**Over-Allotment Option**") to offer for sale additional Units (the "**Additional Units**") exercisable at a price per Additional Unit equal to \$0.45 for a period of 30 calendar days following the Closing Date on the same terms and conditions as the Offering. The number of Additional Units issuable upon exercise of the Over-Allotment Option is up to 15% of the number of Units sold pursuant to the Offering. If the Over-Allotment Option is exercised in full, the total price to the public, Agent's Fees and net proceeds to the Company (before payment of the expenses of the Offering) will be \$4,025,000.12, \$322,000.01 and \$3,703,000.12 respectively assuming no Units are purchased by President's List Subscribers. This Prospectus also qualifies the grant of the Over-Allotment Option, the distribution of up to 1,166,667 Additional Units and up to an additional 93,333 Agent's Options and Agent's Options pursuant to the Over-Allotment Option. A purchaser who acquires Additional Units shall acquire the Additional Units under this Prospectus, regardless of whether the Additional Units are acquired through the exercise of the Over-Allotment Option or secondary market purchases.
- (3) After deducting the Agent's Fees, but before deducting the estimated expenses of the Offering of up to \$35,000.00 plus applicable taxes and disbursements, which expenses will be paid from the proceeds of the Offering.
- (4) Assumes no exercise of the Over-Allotment Option.

There is no market through which these securities may be sold and purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities, and the extent of issuer regulation. See "*Risk Factors*".

As at the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., a U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

The Company has applied to the CSE for conditional approval to list the common shares in the Capital of the Company (the "**Common Shares**"), including the Unit Shares, the Warrant Shares and the Agent's Option Shares (as defined herein) (the "**Listing**"). The Common Shares are anticipated to trade under the symbol "XONE", or such other symbol approved by the CSE. The listing will be subject to the Company fulfilling all of the listing conditions of the CSE. See "*Plan of Distribution*".

Potential investors are advised to consult their own legal counsel and other professional advisers in order to assess income tax, legal, and other aspects of this investment.

The Agent conditionally offers the Units on a commercially reasonable efforts basis in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*” and subject to approval of certain legal matters relating to the Offering on behalf of the Company by McMillan LLP and on behalf of the Agent by Vantage Law Corporation. The Units may only be sold in those jurisdictions where offers and sales are permitted. This Prospectus is not an offer to sell or a solicitation of an offer to buy the Units in any jurisdiction where it is unlawful to do so. See “*Plan of Distribution*”.

An investment in the Units is considered to be highly speculative due to the nature of the Company’s business, its present stage of development, and other risk factors. The Company has issued Common Shares during the private stage at prices substantially lower than the issue price of the Units offered hereby. As a result, investors will experience a substantial dilution of their investment. An investment in the Units is suitable for only those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment. See “*Risk Factors*”.

The following table sets out the number of securities that may be issued by the Company to the Agent or offered for sale by the Agent:

Agent’s position	Maximum size or number of securities available	Exercise period	Exercise price
Compensation Options ⁽¹⁾⁽²⁾⁽⁴⁾	466,667 Common Shares	24 months from the Closing Date	\$0.70
Advisory Options ⁽¹⁾⁽²⁾⁽⁴⁾	155,556 Common Shares	24 months from the Closing Date	\$0.70
Corporate Finance Fee ⁽³⁾	66,667 Units	N/A	N/A
Over-Allotment Option ⁽¹⁾	1,166,667 Additional Units	30 calendar days from the Closing Date	\$0.45

Notes:

- (1) This Prospectus also qualifies the grant of the Over-Allotment Option and distribution of the Agent’s Options and the Additional Units. See “*Plan of Distribution*”.
- (2) Pursuant to the Agency Agreement, the Agent will receive the Compensation Options to purchase that number of Common Shares as is equal to 6.0% of the total number of Units issued under the Offering, and the Advisory Options to purchase that number of Common Shares as is equal to 2.0% of the total number of Units issued under the Offering, subject to no Compensation Options being issued to the Agent in respect of purchasers on the President’s List. The Agent’s Options are exercisable into Common Shares at an exercise price of \$0.70 per Common Share for a period of 24 months from the Closing Date. The Agent will be issued 466,667 Agent’s Options (536,667 Agent’s Options if the Over-Allotment Option is exercised in full).
- (3) Pursuant to the Agency Agreement, this Prospectus also qualifies the distribution of the Corporate Finance Fee in the amount of \$30,000.00 payable in Units priced at the Offering (66,667 Units), plus GST payable in cash on closing of the Offering. See “*Plan of Distribution*”.
- (4) Assuming the Over-Allotment Option is exercised in full and that no Additional Units are purchased by President’s List Subscribers.

It is expected that the Unit Shares, Warrants and Warrant Shares comprising the Units sold under the Offering will be issued in electronic book entry form through the Clearing and Depository Services Inc. (“**CDS**”) or its nominee. Consequently, purchasers of Units will receive a customer confirmation from the registered dealer that is a CDS participant from or through which the Units were purchased and no certificate evidencing the Unit Shares, Warrants or Warrant Shares will be issued. Registration will be made through the depository services of CDS. A purchaser of Units will receive only a customer confirmation from the registered dealer from or through which the Units were purchased as to the number of Unit Shares, Warrants and Warrant Shares subscribed for. See “*Plan of Distribution*”.

Certain of the directors, officers and promoters of the Company reside outside of Canada. The persons named below have appointed the following agent(s) for service of process:

Name of Person	Name and Address of Agent
Mark Elfenbein	McMillan LLP, 1055 West Georgia Street, 1500 Royal Centre, Vancouver, British Columbia, V6E 4N7
Jan Hoffmann	McMillan LLP, 1055 West Georgia Street, 1500 Royal Centre, Vancouver, British Columbia, V6E 4N7
James Ashton Lewis	McMillan LLP, 1055 West Georgia Street, 1500 Royal Centre, Vancouver, British Columbia, V6E 4N7
Sebastian Korbach	McMillan LLP, 1055 West Georgia Street, 1500 Royal Centre, Vancouver, British Columbia, V6E 4N7

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

Research Capital Corporation
1075 West Georgia Street, Suite 1920
Tel: 604-662-1800 / Fax: 778-373-4101

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GLOSSARY

The following is a glossary of certain general terms used in this Prospectus, including the summary hereof. Terms and abbreviations used in the consolidated financial statements and management's discussion and analysis included in, or appended to this Prospectus are defined separately and the terms and abbreviations defined below are not used therein, except where otherwise indicated. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

"Additional Units" means the additional Units to be issued to the Agent pursuant to the exercise of the Over-Allotment Option.

"Advisory Fee" means the advisory commission payable on the closing of the Offering to the Agent in an amount equal to 2.0% of the aggregate gross proceeds from the Offering (including upon any exercise of the Over-Allotment Option).

"Advisory Options" means non-transferable share purchase warrants of the Company granted to the Agent, entitling the Agent to subscribe for that number of Common Shares equal to 2.0% of the Units to be issued by the Company pursuant to the Offering. Such options are exercisable into Common Shares at an exercise price of \$0.70 per Common Share at any time up to 24 months from the Closing Date.

"Agency Agreement" means the agency agreement to be entered into between the Agent and the Company in respect of the Offering.

"Agent" means Research Capital Corporation.

"Agent's Commission" means the cash commission payable on the closing of the Offering to the Agent in an amount equal to 6.0% of the aggregate gross proceeds from the Offering (including upon any exercise of the Over-Allotment Option).

"Agent's Fees" means collectively the Agent's Commission and the Advisory Fee payable to the Agent, provided that no Agent's Commission will be payable for Units sold by the Agent to purchasers on the President's List.

"Agent's Options" means non-transferable share purchase warrants (the Compensation Options and the Advisory Options) granted to the Agent in connection with the Offering, provided that no Compensation Options will be issued to the Agent in respect of purchasers on the President's List.

"Agent's Option Shares" means the Common Shares issuable on exercise of the Agent's Options.

"Audit Committee" means the audit committee of the Company.

"BCBCA" means the *Business Corporations Act* (British Columbia), as amended, together with all regulations promulgated thereto.

"Board" means the board of directors of the Company.

"Bonus Shares" means the bonus shares granted by the Company to Mark Elfenbein starting on the first anniversary of the Effective Date and thereafter annually.

"CDS" means CDS Clearing and Depository Services Inc.

"CEO" means Chief Executive Officer.

"CFO" means Chief Financial Officer.

"Closing Date" means such date that the Company and the Agent mutually determine to close the Offering, but in any event, on or before a date that is not later than 90 days after the date of the receipt for the final prospectus, or if a receipt has been issued for an amendment to the final prospectus within 90 days of the issuance of such a receipt and in any event, not later than 180 days from the date of the receipt for the final prospectus.

“**Common Share**” means a common share in the capital of the Company.

“**company**” means, unless specifically indicated otherwise, a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**Company**” or “**X1 Esports**” means X1 Esports and Entertainment Ltd., a company incorporated under the BCBCA on January 9, 2020.

“**Compensation Options**” means non-transferable share purchase warrants of the Company granted to the Agent, entitling the Agent to subscribe for that number of Common Shares equal to 6.0% of the Units to be issued by the Company pursuant to the Offering. Such options are exercisable into Common Shares at an exercise price of \$0.70 per Common Share at any time up to 24 months from the Closing Date.

“**Consolidation**” means the consolidation of the Common Shares on the basis of two pre-Consolidation Common Shares for each one post-Consolidation Common Share, having occurred on April 23, 2021.

“**Corporate Finance Fee**” means the corporate finance fee to the Agent in the amount of \$30,000.00 payable in Units priced at the Offering, plus GST payable in cash from the proceeds of the Offering on closing of the Offering.

“**COVID-19**” means the novel coronavirus named COVID-19.

“**CSE**” or the “**Exchange**” means the Canadian Securities Exchange.

“**Deferred Income Plans**” has the meaning ascribed thereto under the heading “*Eligibility for Investment*”.

“**Early Expiry Event**” has the meaning ascribed thereto on the face page of this Prospectus.

“**Eligible Person**” means any officer, director, employee, management company employee, consultant or investor relations person of the Company or its wholly-owned subsidiaries, who is eligible to receive Options under the Option Plan.

“**Escrow Agreement**” means the escrow agreement to be entered into between directors and executive officers of the Company, certain shareholders of the Company, and Odyssey Trust Company, as escrow agent.

“**Escrow Shareholders**” means directors, executive officers and certain shareholders of the Company who have entered into the Escrow Agreement.

“**Esports**” means the world of competitive, organized video gaming.

“**EU**” means the European Union.

“**forward-looking statements**” has the meaning ascribed thereto under “*Caution Regarding Forward-Looking Statements*”.

“**GDPR**” means the European General Data Protection Regulation 2016/679.

“**IFRS**” means the International Financial Reporting Standards.

“**Investor Presentation**” has the meaning ascribed thereto under “*Marketing Materials*”.

“**IT**” means information technology.

“**Listing**” has the meaning ascribed thereto on the face page of this Prospectus.

“**Listing Date**” means the date on which the Common Shares are first listed on the Exchange.

“**Maximum Offering**” means the distribution pursuant to the Offering of 7,777,778 Units at the Offering Price for gross proceeds of \$3,500,000.10.

“**MD&A**” means management’s discussion and analysis of financial condition and operating results.

“**Mechanics Agency**” means Mechanics Agency Ltd., a company incorporated pursuant to the laws of the United Kingdom.

“**Minimum Offering**” means the distribution pursuant to the Offering of 6,666,667 Units at the Offering Price for gross proceeds of \$3,000,000.15.

“**Named Executive Officer**” or “**NEO**” means:

- (a) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief executive officer, including an individual performing functions similar to a chief executive officer;
- (b) each individual who, in respect of the company, during any part of the most recently completed financial year, served as chief financial officer, including an individual performing functions similar to a chief financial officer;
- (c) in respect of the company and its subsidiaries, the most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than C\$150,000 for that financial year; or
- (d) each individual who would be a named executive officer under paragraph (c) but for the fact that the individual was not an executive officer of the company, and was not acting in a similar capacity, at the end of that financial year.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators.

“**NP 46-201**” means National Policy 46-201 – *Escrow for Initial Public Offerings*.

“**Offering**” means the distribution of Units pursuant to this Prospectus.

“**Offering Price**” means \$0.45 per Unit, the price at which the Units are being offered for sale under this Prospectus.

“**Options**” means the options issued pursuant to the Option Plan.

“**Option Plan**” means the incentive stock option plan of the Company discussed under “*Options to Purchase Securities*”.

“**Over-Allotment Option**” means the option granted by the Company to the Agent to offer for sale the Additional Units exercisable at a price per Additional Unit equal to the Offering Price for a period of 30 calendar days following the Closing Date on the same terms and conditions as the Offering.

“**Person**”, unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual.

“**President’s List**” means the list of certain purchasers designated by the Company pursuant to the Agency Agreement.

“**Promoter**” means (a) a person or company who, acting alone or in conjunction with one or more other persons, companies or a combination thereof, directly or indirectly, takes the initiative in founding, organizing or substantially reorganizing the business of an issuer, or (b) a person or company who, in connection with the founding, organizing or substantial reorganizing of the business of an issuer, directly or indirectly, receives in consideration of services or property, or both services and property, 10% or more of any class of securities of the issuer or 10% or more of the proceeds from the sale of any class of securities of a particular issue, but a person or company who receives such securities or proceeds either solely as underwriting commissions or solely in consideration of property shall not be

deemed a promoter within the meaning of this definition if such person or company does not otherwise take part in founding, organizing, or substantially reorganizing the business.

“**Prospectus**” means the preliminary or final prospectus, as the case may be, of the Company in respect of the Offering.

“**RixGG**” means RixGG Europe Ltd., a limited liability company incorporated pursuant to the laws of Malta.

“**RDSP**” means a registered disability savings plan.

“**RESP**” means a registered education savings plan.

“**RRIF**” means a registered retirement income fund.

“**RRSP**” means a registered retirement savings plan.

“**Shares**” has the meaning ascribed thereto on the face page of this Prospectus.

“**Shareholders**” means holders of Common Shares.

“**Tax Act**” means the *Income Tax Act* (Canada), as amended from time to time.

“**Term Sheet**” has the meaning ascribed thereto under “*Marketing Materials*”.

“**TFSA**” means a tax-free savings account.

“**Transfer Agent**” means the transfer agent and registrar of the Company, anticipated to be Odyssey Trust Company.

“**U.K.**” means the United Kingdom.

“**Units**” means the units issuable pursuant to the Offering, with each such unit consisting of one Common Share and one Warrant.

“**Unit Shares**” means the Common Shares that form part of the Units offered for sale by the Company under this Prospectus.

“**United States**” or “**U.S.**” means the United States of America, its territories or its possessions, any state of the United States or the District of Columbia.

“**USD**” means United States dollars.

“**U.S. Securities Act**” means the *United States Securities Act of 1933*, as amended.

“**Warrant**” has the meaning ascribed thereto on the face page of this Prospectus.

“**Warrant Agent**” means the warrant agent, anticipated to be Odyssey Trust Company pursuant to the Warrant Indenture.

“**Warrant Indenture**” means the warrant indenture to be entered into between the Company and Odyssey Trust Company.

“**Warrant Share**” has the meaning ascribed thereto on the face page of this Prospectus.

INTERPRETATION

Unless the context otherwise requires, all references in this Prospectus to “we”, “us”, “our” or the “Company” refer to X1 Esports and Entertainment Ltd., a British Columbia company, and the subsidiaries of the Company.

Certain capitalized terms and phrases used in this Prospectus are defined under “*Glossary*”. Words importing the singular number include the plural, and vice versa, and words importing any gender include all genders.

CURRENCY PRESENTATION

Unless otherwise noted, all currency amounts in this Prospectus are stated in Canadian dollars.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements and forward-looking information within the meaning of applicable securities legislation (collectively, “**forward-looking statements**”) about the Company and the development of its business. In some cases, forward-looking statements can be identified by words or phrases such as “may”, “might”, “will”, “should”, “could”, “expect”, “anticipate”, “continue”, “plan”, “seek”, “estimate”, “indicate”, “believe”, “intend”, “project”, “potential”, “forecast”, “budget”, “is/are likely to” or the negative of these terms and other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the Company’s expectations regarding its revenue, expenses and research and development operations;
- the Company’s anticipated cash needs and its needs for additional financing;
- the Company’s proceeding with the transactions contemplated in its term sheets in respect of each of Tyrus, LLC, or Shift Media;
- the Company’s intention to grow the business and its operations; and
- the Company’s ability to obtain additional funds through the sale of equity or debt commitments.

Such forward-looking statements are based on a number of material factors and assumptions, including, but not limited in any manner to, that the Company:

- will be able to successfully execute its plans, strategies, and objectives;
- will be able to depend on the continuing popularity of the esports industry and its RixGG teams;
- will be able to successfully manage the impacts of COVID-19 on its business, operations, prospects, and financial results;
- will be able to successfully manage cash flow, operating expenses, interest expenses, capital expenditures, and working capital and credit, liquidity, and market risks;
- will be able to leverage its past, current, and planned investments to support growth and increase profitability;
- will be able to grow revenue by selling to new customers and increasing revenues with existing customers at or above the amounts currently anticipated;
- will not be exposed to material fluctuations in applicable tax rates, foreign exchange rates, and interest rates;
- will be able to attract and retain esports players, key personnel and third parties;
- will be successful in its brand awareness and other marketing initiatives;
- will not lose server functionality to operate its games with online features;
- will be able to obtain any necessary third-party licenses on favourable terms;
- will not become involved in material litigation;
- will not have economic, market and regulatory conditions (including, without limitation, as affected by the COVID-19 pandemic) that impose unexpected risks or challenges; and
- will maintain or enhance its accounting policies and standards and internal controls over financial reporting.

While the Company considers these material factors and assumptions to be reasonable based on information currently available to it, they may prove to be incorrect. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled “*Risk Factors*”, which may cause the

Company's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements and information contained in this Prospectus are made as of the date hereof and, unless so required by applicable law, the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information future events or otherwise. The forward-looking statements and information contained in this Prospectus are expressly qualified by this cautionary statement.

MARKET AND INDUSTRY DATA

Market and industry data presented throughout this Prospectus was obtained from third party sources, industry reports and publications, websites and other publicly available information. The Company believes that the market and economic data presented throughout this Prospectus is accurate; however, there can be no assurance as to the accuracy or completeness thereof. The accuracy and completeness of the market and economic data presented throughout this Prospectus are not guaranteed and the Company makes no representation as to the accuracy of such data. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although the Company believes it to be reliable, the Company has not independently verified any of the data from third party sources referred to in this Prospectus, analyzed or verified the underlying studies relied upon or referred to by such sources, or ascertained the underlying market, economic and other assumptions relied upon by such sources. Market and economic data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties.

MARKETING MATERIALS

A "template version" of the following "marketing materials" (each such term as defined in NI 41-101, as hereinafter defined) for the Offering filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada, except Quebec, are specifically incorporated by reference into this Prospectus:

1. The investor presentation filed on SEDAR with this Prospectus (the "**Investor Presentation**"), and
2. The term sheet filed on SEDAR with this Prospectus (the "**Term Sheet**").

The Term Sheet and Investor Presentation referred to above are available under the Company's profile on SEDAR at www.sedar.com.

In addition, any template version of any other marketing materials filed with the securities commission or similar regulatory authority in each of the provinces of Canada in connection with this Offering, after the date hereof but prior to the termination of the distribution of the offered Units under this Prospectus (including any amendments to, or an amended version of, any template version of any marketing materials), is deemed to be incorporated by reference herein. Any template version of any marketing materials utilized in connection with this Offering are not part of this Prospectus to the extent that the contents of the template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus.

SUMMARY OF PROSPECTUS

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus.

Principal Business of the Company

The Company is an esports portfolio company which owns and operates a growing esports franchise, RixGG. The business of the Company is the competitive playing of video games by teams for cash prizes, and operations ancillary to such competition, such as merchandising and the hosting of tournaments.

See “*Description of the Business*”.

Directors and Executive Officers

The Board of the Company consists of Latika Prasad, William O’Hara and Jan Hoffmann. The officers of the Company are Mark Elfенbein, Samantha Shorter and Jan Hoffmann (CEO of RixGG, a subsidiary of the Company, and a director).

See “*Directors and Executive Officers*”.

The Offering

Pursuant to the Agency Agreement, the Company has appointed the Agent to act as its agent to offer for sale to the public, on a “commercially reasonable efforts” basis, without underwriter liability, a minimum of 6,666,667 Units and a maximum of 7,777,778 Units at an Offering Price of \$0.45 per Unit, for gross proceeds of a minimum of \$3,000,000.15 and a maximum of \$3,500,000.10, subject to compliance with all necessary legal requirements and to the conditions of the Agency Agreement.

The Company has agreed to pay to the Agent: (i) the Agent’s Commission equal to 6.0% of the gross proceeds of the Offering (including gross proceeds from the exercise of the Over-Allotment Option); and (ii) the Advisory Fee equal to 2.0% of the gross proceeds of the Offering (including gross proceeds from the exercise of the Over-Allotment Option), provided that no Agent’s Commission will be payable for Units sold by the Agent to purchasers on the President’s List. As an additional compensation, the Company will also issue Compensation Options and Advisory Options to the Agent. The Compensation Options entitle the Agent to purchase such number of Common Shares as is equal to 6.0% of the total number of Unit sold under the Offering, and the Advisory Options entitle the Agent to purchase such number of Common Shares as is equal to 2.0% of the total number of Units sold under the Offering, at an exercise price of \$0.70 per Common Share for a period of 24 months from the Closing Date, provided that no Compensation Options will be issued to the Agent in respect of purchasers on the President’s List. In addition, the Agent will receive the Corporate Finance Fee of \$30,000.00 payable in Units priced at the Offering, plus GST payable in cash on the Closing Date. The Company will also pay the reasonable costs and expenses of the Agent related to the Offering.

See “*Plan of Distribution*”.

Use of Proceeds

Assuming no exercise of the Over-Allotment Option (in whole or in any part), the net proceeds of the Offering, after deducting the Agent’s Fees (assuming no Units are purchased by President’s List Subscribers) and the estimated expenses of the Offering of approximately \$90,000 (inclusive of up to \$35,000 in expenses by the Agent plus applicable taxes and disbursements, and less \$40,000 in legal and accounting fees paid towards transaction expenses prior to the date of this Prospectus), are estimated to be \$2,670,000.14, in the case of the Minimum Offering, and \$3,130,000.09, in the case of the Maximum Offering. Assuming completion of the Maximum Offering, if the Over-Allotment Option is exercised in full, the net proceeds of the Offering, after deducting the Agent’s Fees (assuming no Units are purchased by President’s List Subscribers) and the estimated expenses of the Offering of \$90,000 (inclusive of up to \$35,000 in expenses by the Agent plus applicable taxes and disbursements), are estimated to be \$3,573,000.11. As of April 30, 2022, the Company had working capital of \$272,237.94, and as such assuming the Minimum Offering,

would have \$2,942,238.08 in available funds, and assuming the Maximum Offering, would have \$3,402,238.03 in available funds.

Until the Closing Date, all subscription funds received by the Agent will be held in trust, pending the closing of the Offering. If the Minimum Offering is not completed, the subscription proceeds received by the Agent in connection with the Offering will be returned to the subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent. The net proceeds of the Offering are currently intended to be used for the following purposes:

Use of Proceeds	Amount (Minimum Offering)	Amount (Maximum Offering)
Sales & Marketing ⁽¹⁾	\$322,000	\$722,000 ⁽²⁾
Content Development	\$114,000	\$114,000
Player/Team Acquisition	\$971,000	\$971,000
General and administrative expenses ⁽¹⁾⁽³⁾	\$978,000	\$978,000
Acquisitions ⁽⁴⁾	\$552,000	\$572,000
Unallocated working capital	\$5,238.08	\$45,238.03
TOTAL:	\$2,942,238.08	\$3,402,238.03

Notes:

- (1) A portion of anticipated marketing activities has been pre-paid, in the amount of \$209,500 to four investor relations services providers, and as such is not included in this table. Three of these services are anticipated to commence on completion of the Listing.
- (2) Should the Company raise the Maximum Offering amount, the Company anticipates increasing its budget with respect to sales and marketing over the next 12 months to accommodate additional investor relations activities, to raise awareness of the Company given that it would be a new reporting issuer. The Company views such marketing as an optional expense that would only be incurred if an excess to the Minimum Offering amount was raised.
- (3) General and administrative costs are broken down as follows: legal/audit costs of an estimated \$161,000; personnel costs including service fees for the CEO, CFO, and administrative staff of \$421,000 (CEO salary of US\$200,000, and CFO and accounting staff salary in Canada of \$96,000 with an allowance for some directors' fees); administrative costs related to office leases, regulatory, insurance of \$218,000 (material components including directors and officers insurance of \$200,000 and \$18,000 for rent expense); transfer agent of \$26,000; internal administrative support of \$50,000; annual general meeting and CSE fees of \$22,000; travel expenses of \$30,000; news release service costs of \$20,000; and general office expenses and service subscriptions of \$30,000.
- (4) Expenditures related to acquisitions may consist of the cash costs related to acquiring Shift Media and Tyrus, LLC and 1 year use of proceeds, as disclosed in this Prospectus; however, each of such transactions is subject to a number of conditions, including the completion of due diligence and entry into a definitive agreement, and may not occur as contemplated or at all. The Company is actively engaged in identifying potential assets to acquire that would add to its existing business.

If the Over-Allotment Option is exercised, the Company will use the additional proceeds for working capital. See "*Use of Proceeds*".

Risk Factors

Due to the nature of the Company's business and the present stage of development of its business, the Company is subject to significant risks. Readers should carefully consider all such risks. The risks described herein are not the only risks that affect the Company. Other risks and uncertainties that the Company does not presently consider to be material, or of which the Company is not presently aware, may become important factors that affect the Company's future business prospectus, financial condition and result of operations. Prospective purchasers should evaluate

carefully the following risk factors associated with an investment in the Company’s securities prior to purchasing any of the Units:

- Dependence on popularity of esports industry, availability of video game platforms and server functionality;
- Defection of esports players to other teams or managers;
- Unfavourable actions of various esports leagues and tournaments;
- Unfavourable changes affecting regulations and laws concerning taxation, privacy and data protection, among others;
- Risks related to international operations, foreign exchange and currency;
- Various risks related to health epidemics, pandemics and similar outbreaks, including COVID-19, which may have material adverse effects on its business, financial position, results of operations and/or cash flows;
- Insufficient capital;
- Financing risks;
- Price volatility of publicly traded securities;
- No established market or active market;
- Uninsurable risks;
- Litigation; and
- Competition.

See “*Risk Factors*”.

Financial Information

The following financial information has been derived from and is qualified in its entirety by the audited consolidated financial statements of the Company for the period from September 16, 2020 to August 31, 2021, and notes thereto included in this Prospectus as Schedule A and Schedule B, and should be read in conjunction with such financial statements and notes thereto and the related Management’s Discussion and Analysis included in this Prospectus as Schedule C and Schedule D. All financial statements of the Company are prepared in accordance with IFRS. See “*Selected Financial Information*”.

XI Esports

	For the year ended March 31, 2021 (audited)	For the period from January 9, 2020 to March 31, 2020 (audited)
Total revenue	Nil	Nil
Total expenses	\$139,265	Nil
Total assets	\$2,219,928	\$1
Total liabilities	\$49,475	Nil
Total equity	\$2,170,453	\$1
Net loss	(\$139,265)	Nil
Loss and comprehensive loss	(\$140,442)	Nil
Basic and diluted loss per Common Share	(\$140,442)	Nil

RixGG

The acquisition of RixGG by X1 Esports was a reverse takeover, and as such, presentation of the selected financial information of RixGG is on the basis of RixGG as being the continuing entity.

	For the six months ended February 28, 2022 (unaudited)	For the period from September 16, 2020 to August 31, 2021 (audited)
Total revenue	\$204,361	\$27,140
Total expenses	\$1,584,327 ⁽¹⁾	\$1,841,157 ⁽²⁾
Total assets	\$975,685	\$2,146,852
Total liabilities	\$173,095	\$143,231
Total equity	\$802,590	\$2,003,621
Net loss	(\$1,379,996)	(\$2,014,622)
Loss and comprehensive loss	(\$1,377,676)	(\$2,006,534)
Basic and diluted loss per Common Share	(\$0.04)	(\$0.15)

Notes:

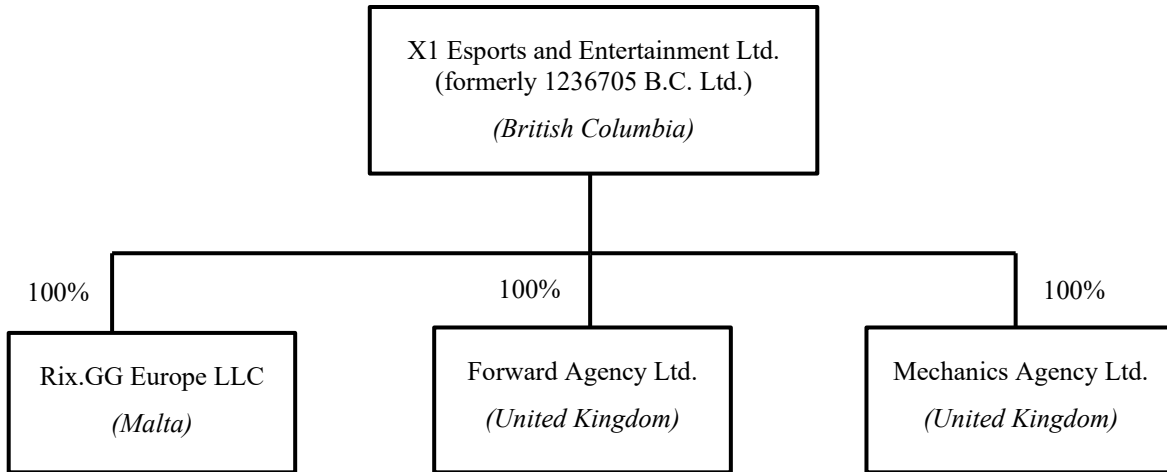
- (1) Esports player, team and game expenses are broken down as follows: esports player and team fees of \$649,002; influencers and streamers of \$113,750; support staff of \$48,378; and tournament hosting of \$12,032.
- (2) Esports player, team and game expenses are broken down as follows: esports player and team fees of \$499,707; influencers and streamers of \$115,414; support staff of \$77,517; and tournament hosting of \$95,257.

CORPORATE STRUCTURE**Name, Address and Incorporation**

The Company was incorporated under the BCBCA on January 9, 2020 under the name “1236705 B.C. Ltd.” On April 23, 2021, the Company changed its name from “1236705 B.C. Ltd.” to “X1 Esports and Entertainment Ltd.” The head office of the Company is located at 615 – 800 West Pender Street, Vancouver, British Columbia, V6C 2V6, Canada, and the registered and records office of the Company is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7, Canada.

Intercorporate Relationships

The Company has three direct subsidiaries, RixGG Europe LLC (“**RixGG**”), Forward Agency Ltd., and Mechanics Agency Ltd. The sole material subsidiary of the Company is RixGG. Forward Agency Ltd. was incorporated on February 5, 2021 and it is a service corporation that houses UK based agreements for Rix.GG. Mechanics Agency Ltd. is non-operational, with no assets or agreements.



DESCRIPTION OF THE BUSINESS

Overview

X1 Esports is an esports portfolio company which owns and operates a growing esports franchise, RixGG. The Company's operations are primarily conducted in the United Kingdom ("U.K."); however, its administrative and head office is located in Vancouver, British Columbia, Canada.

The business of the Company is the competitive playing of video games by teams for cash prizes, and operations ancillary to such competition, such as merchandising and the hosting of tournaments.

An esports franchise is a team of players, hired to play exclusively for the team and operating under a common brand. Esports organisations are analogous to traditional sports teams or franchises in that they are essentially entities skilled at recruiting, managing and signing player talent, then marketing that player talent to a fan base and monetising that fan base.

RixGG is currently focused on competitive gaming and merchandising, and is expanding into content creation. RixGG has been developing its commercial relationships, its overall brand and in-house marketing technology required to run a digitally based esports organisation.

Three-Year History

The primary business of the Company is competition by players within the RixGG franchise in esports tournaments. As such, notable signings of players and teams for 2020 and 2021 are as follows:

Player(s)	Team	Date Signed	End of Contract	Leagues or Tournament Series
Jack 'ApparentlyJack' Benton	StormtroopersRL	August 2020	Traded to Dignitas on October, 31 2020	RLCS EU
Dan 'Polar' Rees	StormtroopersRL	August 2020	Disbanded on February, 1 2021	RLCS EU
Lorenzo 'Dead-Monster' Tongiorgi	StormtroopersRL	August 2020	Disbanded on February, 1 2021	RLCS EU

Player(s)	Team	Date Signed	End of Contract	Leagues or Tournament Series
Boris 'MillenNiuM' Hettinger (coach)	StormtroopersRL	September 2020	Disbanded on February, 1 2021	RLCS EU
Joonas 'Mognus' Salo	StormtroopersRL	October 2020	Disbanded on February, 1 2021	RLCS EU
Joseph 'Luzuh' Loose	Valorant Thunder	January 2021	Traded to mousesports on January 20, 2022	Valorant Champions Tour
Richard 'rCk' Kanerva	Valorant Thunder	January 2021	Left team on May 31, 2021	Valorant Champions Tour
Oliwer 'LATEKS' Fahlander	Valorant Thunder	January 2021	Traded to Giants Gaming on March 2, 2022	Valorant Champions Tour
Tom 'oTom' Hart	Valorant Thunder	January 2021	Retired on August 31, 2021	Valorant Champions Tour
Aaron 'frei' Frei	Valorant Thunder	January 2021	Left team on April 16, 2022	Valorant Champions Tour
Brandon 'weber' Weber (coach)	Valorant Thunder	January 2021	Traded to mousesports on January 20, 2022	Valorant Champions Tour
Mikolaj 'Mickebwoy' Chojnacki	Valorant Thunder	May 2021	Traded to Team BDS on January 27, 2022	Valorant Champions Tour
Laurent 'Memset' Werly	Valorant Thunder	October 2021	Traded to mousesports on January 20, 2022	Valorant Champions Tour
Mike 'Mikeboy' Verkuijlen	Rocket League (formerly Redemption)	February 2021	August 31, 2022	RLCS EU
Maarten 'Oscillon' Van Zee	Rocket League (formerly Redemption)	February 2021	Left team on January 10, 2022	RLCS EU
Kurtis 'Kash' Cannon	Rocket League (formerly Redemption)	February 2021	Traded to Misfits on October 12, 2021	RLCS EU
James 'JG7' Guarino (coach)	Rocket League	May 2021	August 31, 2022	RLCS EU
Jack 'Speed' Peckwood-Clarke	Rocket League	September 2021	August 31, 2022	RLCS EU

Player(s)	Team	Date Signed	End of Contract	Leagues or Tournament Series
Daniela 'Jupi' Gradl	Valorant Lightning (formerly, LAGALS)	April 2021	June 30, 2022	VCT Game Changers
Paige 'Padge' Thomas	Valorant Lightning (formerly, LAGALS)	April 2021	June 30, 2022	VCT Game Changers
Nelly 'Raina' Sosobrado	Valorant Lightning (formerly, LAGALS)	April 2021	June 30, 2022	VCT Game Changers
Maria '6Sonya' Istrate	Valorant Lightning (formerly, LAGALS)	April 2021	Left on March 26, 2022	VCT Game Changers
Anja 'annja' Vasilic	Valorant Lightning (formerly, LAGALS)	April 2021	Traded to G2 Esports on September 15, 2021	VCT Game Changers
Tommi 'TOMA' Lehtinen (coach)	Valorant Lightning (formerly, LAGALS)	June 2021	Left on March 26, 2022	VCT Game Changers
Nicole 'Noia' Tierce	Valorant Lightning (formerly, LAGALS)	September 2021	Traded to XSET on March 2, 2022	VCT Game Changers
Matri 'sia' Yoldez	Valorant Lightning (formerly, LAGALS)	January 2022	June 30, 2022	VCT Game Changers
Sofia 'KiM' Benfakir	Valorant Lightning (formerly, LAGALS)	April 2022	June 30, 2022	VCT Game Changers
Öykü 'OYKU' Sezin Büyük	Valorant Lightning (formerly, LAGALS)	April 2022	June 30, 2022	VCT Game Changers
Zachariah 'Pinq' Siddall	Fortnite	September 2021	Traded to Tundra Esports on March 31, 2022	Fortnite Championship Series
Joshua 'Snitch' Bennett	Wild Rift (formerly No Team No Talent)	September 2021	July 31, 2023	Wild Rift EMEA Championship
Arthur 'Doom' Pasin	Wild Rift (formerly No Team No Talent)	September 2021	July 31, 2023	Wild Rift EMEA Championship

Player(s)	Team	Date Signed	End of Contract	Leagues or Tournament Series
Kiet Tuan Leon 'L3on' Pham	Wild Rift (formerly No Team No Talent)	September 2021	July 31, 2023	Wild Rift EMEA Championship
Ryan 'Clue' Maaroufi	Wild Rift (formerly No Team No Talent)	September 2021	July 31, 2023	Wild Rift EMEA Championship
Luis 'Friend' Cepeda	Wild Rift (formerly No Team No Talent)	September 2021	Left Team on February 1, 2022	Wild Rift EMEA Championship
Weihong 'Elegy' Chen (substitute)	Wild Rift (formerly No Team No Talent)	September 2021	Left Team on February 1, 2022	Wild Rift EMEA Championship
David 'M0Z1LLA' Tovmasyan (coach)	Wild Rift (formerly No Team No Talent)	September 2021	July 31, 2023	Wild Rift EMEA Championship
Matthieu 'Random' Hanny	Wild Rift (formerly No Team No Talent)	January 2021	July 31, 2023	Wild Rift EMEA Championship
Wang 'Se7' Quan	Wild Rift (formerly No Team No Talent)	January 2021	July 31, 2023	Wild Rift EMEA Championship

Annual salary commitments to the players and coaches under the RixGG franchise outlined above include approximately CAD\$320,000 in the aggregate, for Lightning and Wild Rift players. Aggregate costs may fluctuate over the course of the year due to acquisitions or trades of players.

On February 5, 2021, a prior officer of the Company incorporated Forward Agency Ltd. on behalf of the Company and on February 24, 2021 transferred the entirety of the shares to the Company making it a wholly-owned subsidiary of the Company. Forward Agency Ltd. is, a corporation incorporated pursuant to the laws of England and Wales, which functions as the entity providing compensation for players residing in the U.K. Concurrently, the prior officer incorporated Mechanics Agency Ltd., also corporation incorporated pursuant to the laws of England and Wales, and subsequently transferred the entirety of the shares to the Company, making it a wholly-owned subsidiary of the Company. Mechanics Agency Ltd. is intended to focus on the Company's future content creation for use on its own platform as well as licensing to other companies in the industry.

The UKCS Cup was hosted a total of 3 times from May to July 2021, providing amateur competition to UK CS:GO players. Each tournament featured a GBP 1,000 prize pool and was used to acquire users on RixGG's social media channels and community discord servers.

On April 16, 2021, the Company acquired RixGG, a limited liability company incorporated pursuant to the laws of Malta pursuant to an arm's length transaction. The Company issued 20,000,000 Common Shares (10,000,000 Common Shares on a post-Consolidation basis) to the owners of RixGG for the acquisition of the business, with the transaction being accounted for as a reverse takeover of the Company by RixGG shareholders. Prior to the acquisition of RixGG, the Company did not have an active business, and following its acquisition the business of RixGG became

the business of the Company. The transaction was the means by which RixGG reorganized, such that it became an operating entity with the holding Company being a company incorporated under the BCBCA.

On April 20, 2021, the Company issued 26,000,000 Common Shares at an issue price of \$0.025, for gross aggregate proceeds of \$650,000. On completion of the Consolidation, the distribution represents 13,000,000 Common Shares at a post-consolidation issue price of \$0.05.

On May 21, 2021, the Company issued 12,166,000 Common Shares at an issue price of \$0.15 for gross aggregate proceeds of \$1,824,900.

On August 24, 2021, the Company launched its online store for the sale of merchandise (<http://rix.gg/shop>). RixGG is currently offering a variety of articles in their online store. The offered articles include apparel such as t-shirts, pants and hoodies with the RixGG Logo printed on it as well as other merchandise such as water bottles, lanyards and wristbands. RixGG is shipping from the United Kingdom to customers in Europe, the United States and Canada.

The Company issued a further 4,541,115 Common Shares at an issue price of \$0.35 for gross aggregate proceeds of \$1,589,390.25 in six tranches dated June 9, 2021, June 25, 2021, July 5, 2021, September 10, 2021, September 28, 2021 and October 27, 2021.

On March 7, 2022, the Company entered into a non-binding term sheet with sole member of Tyrus, LLC, a limited liability company formed pursuant to the laws of the State of Wyoming, pursuant to which X1 Esports may acquire Tyrus, LLC for consideration consisting of US\$250,000 payable in Common Shares at an issue price of CAD\$0.45 per Common Share, cash consideration of US\$150,000, and commitments to a bonus payment of US\$100,000 on the achievement of certain milestones related to aggregate sales revenue of Tyrus, LLC for the fiscal year ended December 31, 2022. Tyrus, LLC is a talent management company, which represents various clients, including those in the e-sports space. It provides services including marketing, social media management, negotiation of sponsorships, and metric analysis. The term sheet is non-binding and completion of the transaction is subject to a number of conditions, including completion of diligence to the satisfaction of each of the parties, and negotiation and entry into a definitive agreement. The proposed acquisition of Tyrus, LLC would be an arm's length transaction.

On March 11, 2022, the Company entered into a non-binding term sheet with the owners of the business known and operated as "Shift Media", to acquire all assets associated with the business, including websites, social media accounts, good will, and intellectual property, for consideration consisting of US\$150,000 payable in Common Shares at an issue price of CAD\$0.45 per Common Share and cash consideration of US\$50,000. Shift Media is a media service that reports on esports games and leagues through social media, providing content on Rocket League, Valorant, and Counter-Strike, among other esports titles. The term sheet is non-binding and completion of the transaction is subject to a number of conditions, including completion of diligence to the satisfaction of each of the parties, and negotiation and entry into a definitive agreement. The proposed acquisition of the assets comprising Shift Media would be an arm's length transaction.

Growth Strategy

The Company has completed several capital raises to fund the operations and expansion of its business in the industry.

At present, X1 Esports is focused on the growth and development of a wholly-owned esports franchise, RixGG. RixGG is a growing esports organization in the U.K. and was established in 2020 with the goal of becoming a global Tier 1 esports organization. During 2021, RixGG's Twitter followers grew from 1,100 to 9,570. This Twitter follower increase resulted in an overall user impressions increase from 2.5 million to 17.1 million during 2021. The Company views impressions as a material metric for its Twitter marketing strategy due to the role this metric has in sizing sponsorship agreements. The Company currently does not have any sponsorship agreements, but obtaining sponsors remains part of the Company's growth strategy. As at March 21, 2022, RixGG's Twitter has 10,322 followers.

Expected growth will be through RixGG, its competitive esports team, with revenues currently being driven by tournament victories and merchandising sales, and an expectation that future revenue may be generated from sponsorships and partnerships, advertising, the expansion of our merchandise offerings and licensing of the brand to retail stores, as well as player transfers. The industry is uniquely positioned to capitalize on sponsorships as the sponsorship partners would have access to global markets due to the online nature of the industry, reducing the

geographic limitations of fan bases that are found in the world of traditional sports. The Company intends to engage with potential sponsors, and anticipates offering the following:

- rights in respect of the Company’s brand, logo and other intellectual property;
- rights in respect of the Company’s players’ and coaches’ imagery;
- exposure on company social media profiles and websites; and
- exposure on team apparel, merchandise and interview backdrops.

To date, the Company’s revenue has been derived primarily from player transfers of RixGG and prize money from tournaments. As part of the Company’s growth strategy, in addition to these revenue streams, the Company will focused on establishing sponsorship agreements, merchandising and licensing of the brand, and content creation.

Should the Company complete its acquisition of Tyrus, LLC, or the acquisition of the assets comprising the business known as “Shift Media”, such acquisition would mark the expansion of the Company’s operations into the United States.

See “*Use of Proceeds*” for a discussion of the time periods and costs expected to be incurred to achieve the Company’s primary business objectives over the next 12 months, and “*Business Objectives and Milestones*” for the Company’s strategy to achieve the growth outlined above.

Sales and Marketing

A principal form of advertising conducted by the Company is the selective targeting of esports fans through the use of social media influencers, who can bring attention to the RixGG team. Influencers are individuals who are popular among the gaming community and have large followings on social media. The goal is to convert those followings into RixGG fans. The Company has entered into agreements with esports and gaming influencers with strong fan bases on social media, which at this time and in the aggregate result in approximately 250,000 social media accounts following our team of influencers, although the Company has not confirmed that these are unique accounts. The use of our influencers is limited to promotion of the brand and of the RixGG team, as our influencers are not involved in merchandise sales. Influencer agreements include as their key terms monthly payments made by RixGG, and a minimum number of hours per calendar month of streaming by the influencer with Rix.GG logos, as well as outlines of what branded content will be streamed. RixGG also commits to promoting the content of the influencer, and providing items such as community gifts, giveaways, and discounted shop codes to be used for the influencer’s community. Specific terms may vary depending on the reach of the influencer. Agreements with influencers are under continual review and new agreements are anticipated to be entered into over the course of the Company’s operations. Previously, the Company was spending \$11,000 monthly, and at present, approximately \$2,500 is spent monthly on influencer monthly payments, with additional costs related to giveaways fluctuating depending on the specific campaigns being run. Through increased awareness of the team, the goal of the Company is to increase its fan base and following, resulting in RixGG being a preferred partner for future sponsorships and licensing arrangements whereby RixGG merchandise can enter brick and mortar retail stores.

In addition to this existing marketing strategy, the Company plans to develop a content creation prong of the business, pursuant to which it will seek to distribute content via mobile devices and social media platforms. RixGG is planning to produce and publish various content formats, beginning in late 2022 to early 2023. The primary focus will be on content around the esports team players such as highlight videos from tournaments on YouTube, interviews with players before and after competition, guide videos for new players and content to activate partnerships and advertise partner products. Additionally, RixGG is planning to produce microcontent for different social media channels such as Instagram, TikTok and Twitter with players and influencers. Most of the content will be produced internally with videos to contain official tournament footage or players giving interviews in front of their PC webcams. It is anticipated that for some content formats such as advertisements for partners, RixGG may work with content production studios.

The goal of an enhanced social media presence is two-fold: the establishment of a larger fan base for the Company's existing RixGG team, and the creation of an appealing partner for potential sponsors. The Company's short term and long term marketing strategies involve the establishment of sponsorship agreements, with the associated revenue sponsors may bring.

Regulation

The Company is subject to general business regulations and laws as well as regulations and laws specifically governing the internet, gaming, ecommerce and electronic devices. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, mobile communications, consumer protection, the provision of online payment services web services, websites, and the characteristics and quality of products and services.

The Company is also subject to the General Data Protection Regulation ("GDPR") of the European Union ("EU"), particularly as it relates to processing of personal data by RixGG, including in connection with the hosting of tournaments by RixGG and broadcasting in the EU. The GDPR imposes data protection obligations in relation to the collection and use of personal data of individuals in the EU, such as disclosure as to the use of personal information, limitations on retention of information, and mandatory data breach notification requirements. Although player interaction on our platform is subject to our privacy policies, end user license agreements, and terms of service, our failure to comply with such terms or with applicable privacy-related or data protection laws and regulations could result in proceedings or litigation against us by governmental authorities, affected individuals or others, potentially resulting in fines or judgments against us, damage to our reputation, impact to our financial condition and/or harm to the business. With respect to the GDPR, the obligations, costs and risks which may be imposed upon our business include (i) substantial penalties in the event of any non-compliance (including a possible fine of up to 4% of total worldwide annual turnover for the preceding financial year for the most serious infringements), and (ii) substantial expenses for compliance or changes to our business operations, both of which may also adversely affect our revenues and our business overall. In consequence of the U.K.'s withdrawal from the EU (the so-called "Brexit"), the U.K. has incorporated a materially identical version of the EU GDPR into U.K. law (the "U.K. GDPR") which has applied from January 1, 2021. Whilst we strive to comply with all applicable laws and regulations relating to privacy and data protection, such laws are subject to frequent evolution and, following Brexit, it is possible that the EU GDPR and U.K. GDPR may start to diverge. It is also possible that applicable privacy and data protection laws and regulations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another or may conflict with other rules or with our practices, and that concern is particularly relevant for the EU GDPR given that different Member State regulators may differ as to its interpretation and their approach to enforcement.

Should the Company complete its proposed acquisitions of Tyrus, LLC and Shift Media, this would represent an expansion of the Company's operations into the United States. Diligence is ongoing with respect to each transaction, including with respect to reviewing regulatory requirements for operations in the areas that each of the target businesses operate. It is anticipated that the acquisition of Shift Media would not represent any new compliance obligations beyond the general requirements for operating in the United States, and specifically, in the State of Nevada where Shift Media is based. With respect to Tyrus, LLC, due to its operations as a talent agency, Tyrus, LLC is subject to registration and reporting requirements in respect of its services on a state-by-state basis. There is no guarantee that the acquisitions of Tyrus, LLC or Shift Media will complete on the terms proposed or at all.

Operations

The operations of the Company can be divided into three operating areas, the first being the organization of our esports teams in various leagues, the second being the hosting of tournaments, and the third being our online store for the sale of merchandise, which launched on August 24, 2021 and continues to be built out through increases in inventory offerings.

Esports Teams

The Company has established multiple teams through RixGG. RixGG has fielded teams in Fortnite, a battle royal online multiplayer; Rocket League, a motor-racing and soccer hybrid game; League of Legends:Wild Rift, the mobile version of League of Legends; and Valorant, a First-person shooter (FPS) developed by Riot Games. Periodically, esports organizations will pause involvement in a particular title to look to rebuild and re-enter in the future. This is due to evaluation on the current status of the team and the economy around any specific game. In the Company's case,

the economy would involve current prize pools, competitive landscape, and rule changes in games impacting the effectiveness of existing players, among other things. Players past and present are listed in the tables referenced in “*Description of the Business – Three-Year History*”.

Player salaries range from \$1,500-\$4,500 per player, monthly. Players compete for prize winnings which vary depending on the game being played. For example, one example of a high value tournament is the Valorant Masters tournament in Berlin in 2021, which had a prize pool of \$700,000.

To date, RixGG has brought in USD\$118,000 directly through tournament prize winnings. Prize winnings are split between the organization and players at an average of 85% being paid directly to the players, in line with industry standards.

RixGG has also sold players to other esports organizations, generating USD\$45,000 in player transfers.

Rocket League is a game developed by Psyonix and is played competitively in teams of three players. Each player controls a car in the game and the teams play a match of soccer against one another. Rocket League Esports is organized over the year with a full season, consisting of three splits. The season starts in October with the Fall Split and ends in August with the World Championship. Each split in the current format consists of three so-called “regionals” where after qualifying the Top 16 teams of each region battle it out for prize money and split points. Up to 200 teams are trying to qualify for the regionals in each major region. At the end of each split, the teams with the most points (Top 5 in Europe) represent their region at an international ‘Major’ tournament. The top 24 teams across the world (results in the majors and regionals) will be able to compete at the World Championship at the end of the season, which features a total prize pool of USD\$2,085,000 (1st place: \$600,000; 2nd place: \$400,000; 3rd/4th place: \$200,000). RixGG’s Rocket League team started to rise through the rankings in 2021 and was rated as a top 10 team in Europe.¹ At present, the Rocket League has been paused and the roster will be re-evaluated at a later date.

Valorant is a tactical first-person shooter developed by Riot Games. Each team consists of five players and matches are played on different maps over a certain number of rounds until one team is able to win 13 rounds. RixGG was fielding two Valorant Teams—Lightning and Thunder—with Lightning consisting of a female and marginalized gender team. At present, the Thunder team has been paused and the roster will be re-evaluated at a later date.

Valorant Esports in 2021 featured an entire season called the Valorant Champions Tour that started in January and culminated in the “VCT Champions World Championship” in early December with a USD\$1,000,000 prize pool (1st place: \$350,000; 2nd place: \$150,000; 3rd/4th place: \$90,000). Each season was divided into three splits in which teams first played in the regional “Challengers” series which featured two tournaments per split. On average in 2021, each Challengers event featured more than 250 teams. At the end of each split, depending on the placement in Challengers, teams could qualify (Top 4 of Europe) to the international “Masters” series, which featured 16 teams from across the world. The best teams gathering points in Masters would go on to qualify for “Champions” and fight for the title of best team in the world.

The 2022 Valorant Champions Tour started in January 2022 and features additional regional leagues in Europe such as a designated league for the U.K., Ireland and Nordic countries.

RixGG Thunder participated in all regional Challenger events, and finished the last European Challenger events in 7th/8th and 5th/6th, just barely missing out on the international Masters Event in Berlin which featured a USD\$700,000 total prize pool (1st place: \$225,000; 2nd place: \$125,000, 3rd/4th place: \$85,000).²

In September 2021, Riot Games introduced the Game Changers Tournament series for female and marginalized gender teams. In 2022, Game Changers will feature three regional competitions over the course of the year, culminating in the first Game Changers World Championship towards the end of the year. Prize pools are yet to be confirmed, though it was featured between USD\$20,000 to \$50,000 in 2021.

¹ <https://liquipedia.net/rocketleague/Portal:Rating>

² https://liquipedia.net/valorant/Rix.GG_Thunder/Results

In 2021, the RixGG Lightning roster finished all three series of the EMEA (Europe, Middle East, Africa) Game Changers tournaments in the Top 8 with roughly 60 teams in total competing in the EMEA Game Changers. The highest placement of RixGG Lightning was a 2nd place finish at the first edition of the EMEA Game Changers.³

In the most recent VCT Game Changers Tournament held in May 2022 in the EMEA Series, RixGG Lightning placed 3rd overall in the tournament.

League of Legends: Wild Rift, developed by Riot Games, is the mobile version of the PC real time strategy game League of Legends, which is the most popular esports title in the world. Teams consist of five players and each player controls a champion with different abilities. The team that manages to destroy the enemy base first is victorious.

In 2022, Wild Rift Esports will feature regional tournaments with a season starting in late January, culminating in the World Championship in June. The next season is set to start after the summer break in September. An official announcement on behalf of Riot Games regarding the details of the 2022 Wild Rift Circuit is yet to be made. RixGG acquired a Wild Rift team in the summer of 2021, which was able to win its European regional events and finish in 2nd place at the EMEA championship.⁴

With the exception of a single tournament, RixGG Wild Rift has finished in the Top 3 at all EMEA Wild Rift events hosted by third party tournament organizers since the EMEA championship.⁵

RixGG Wild Rift recently competed in the Wild Rift EMEA Championship 2022 held in Barcelona, Spain and placed 2nd overall. Additionally, the team qualified for the 2022 Wild Rift Icons Global Championship to be held in Singapore in June 2022.

Fortnite is a first-person battle-royale shooter developed by Epic Games in which players battle it out on a map that is getting smaller as time progresses until only one player is left standing. Fortnite Esports events are expansive, with the FNCS events being the official tournaments hosted by Epic Games. In these events, teams of three players play 12 rounds of Fortnite, achieving points for their game finishes and kills. Prize money is awarded to the teams with the best point finishes after 12 rounds. RixGG had one Fortnite player on its roster, UK player Zachariah ‘pinq’ Siddall, who achieved his best finish with a 3rd place in the September 2021 FNCS grand finals, where he and his two teammates (non-RixGG players) won USD\$135,000 of the USD\$1,350,000 prize pool. The Fortnite player was traded to another team in March 2022 and RixGG will continue to evaluate talent in Fortnite. The industry is currently waiting for details about the 2022 Fortnite Esports format.⁶

Tournament Hosting

Since launch, RixGG has focused on becoming a provider for grassroots competition and tournaments in VALORANT in competitive FPS games. During 2021, RixGG hosted 15 such tournaments. RixGG also hosts a weekly community tournament, without a prizepool, building its reputation and brand within the gaming community. Further, RixGG is one of the leading providers of Valorant tournaments for women and marginalized gender players with broadcasts in the EU, having hosted eight such tournaments in 2021 called “Huntress Trials”.



Figure 1: Image of the logos for the three tournaments with prize pools hosted by RixGG.

³ https://liquipedia.net/valorant/Rix.GG_Lightning/Results#Detailed_Results

⁴ https://liquipedia.net/wildrift/Origin_Series/2021/Finals

⁵ https://liquipedia.net/wildrift/Rix.GG/Results#Detailed_Results

⁶ https://fortnite-esports.fandom.com/wiki/Fortnite_Champion_Series:_Chapter_2_Season_7/Grand_Finals/Europe and https://fortnite-esports.fandom.com/wiki/Pinq/Tournament_Results

Huntress Trials is the tournament series created by RixGG solely for players of female and marginalized genders. Until the creation of Riot's Game Changers Series, which started in September 2021. Huntress Trials was the biggest tournament for female and marginalized gender Valorant Players. The Team named 'LAGALS', which won the first edition of Huntress Trials and finished 3rd place in the second edition, was signed as RixGG's official Valorant Lightning Team. Besides active scouting, the tournament was used to acquire users on RixGG's social media channels and community discord servers. Huntress Trials was hosted a total of 5 times between January and August 2021.

RixGG has hosted several grassroots esports tournaments in the U.K. & Nordic countries such as the RixGG Open, Huntress Trials, and RixGG UKCS Cup, and intends to continue tournament hosting as an aspect of its business. RixGG is actively pursuing sponsorships for these tournaments.

RixGG started its hosting of tournaments with the Valorant Open Cup, a Valorant tournament for the amateur scene, limited to the UK & Nordic countries. The Valorant Open ran from March to August 2021 and served the scene as one of the only regional tournaments for UK and Nordic players. RixGG used the tournament to scout new players and acquire users on their social media channels and community discord servers. The tournament was hosted a total of 5 times.

Online Store

RixGG launched its online store on August 24, 2021. The RixGG online store is available at <http://rix.gg/shop> and offers a variety of items for purchase online. The store sells hoodies, sweatshirts, three different types of t-shirts, water bottles, lanyards, drawstring bags and wrist bands, and our inventory supplied by Enyo UK. All items are sold in GBP and items purchased are shipped from the UK by our local staff using Royal Mail, the UK's postal service. To date, we have sold 165 products totalling £3,035 GBP in United Kingdom (25), Europe (17), Canada (120) and US (1), with most of the products being from the clothing line, followed by water bottles and lanyards.

The online store represents the first development of the Company's merchandising business, which is expected to grow as the fan base for the RixGG team grows, and the brand becomes further developed and recognized.

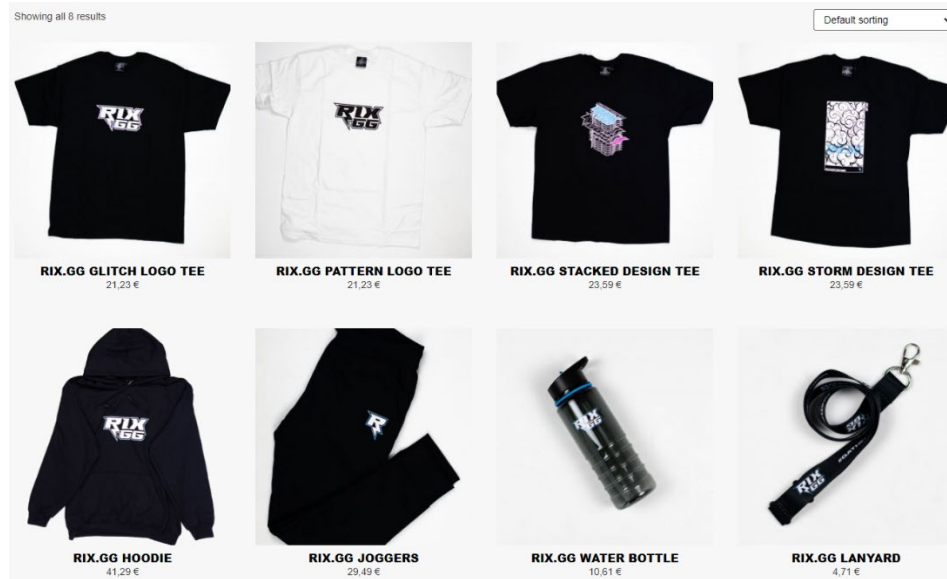


Figure 2: Image of products and prices, available at RixGG/shop.

Employees

As of the date of this Prospectus, the Company and its subsidiaries collectively have 12 employees and 6 consultants.

Specialized Skill and Knowledge

The Company's brand will be built around the success and profile of esports players and content creators. The success of the Company will depend on its ability to recruit esports players who have either the potential to be successful players or are already successful players with regards to earning tournament prize pools. The Company will be competing to sign esports players against established teams that have greater resources, higher profile and a history of tournament success. If RixGG cannot continue to sign players of sufficient standing and/or talent, that is likely to have a material adverse effect on the Company's business, revenue, financial condition, profitability, prospects and results of operations.

Advisory Board

The Company has an advisory board of persons familiar with the e-sports industry or otherwise familiar with industry areas that are important to the Company, including capital markets and the entertainment industry. Individuals on the advisory board or the board as a whole may be called on to provide advice to the management of the Company when making strategic decisions or making recommendations to the board of directors. The advisory board was constituted on May 1, 2021. The advisory board has no charter or policy with respect to its activities at this time.

The advisory board currently consists of Adam Giddens, Ben Feferman, Matthew Schmidt, Alvaro Prol, Adam Ross, and Ken Komisar.

One member of the advisory board, Adam Giddens, is also a consultant of the Company, however there are no agreements in place with members of the advisory board for services related to the advisory board, and there has been no compensation or remuneration with respect to such services previously provided or currently contemplated. Adam Ross is a member of the advisory board and has been a promoter of the Company within the past two years. For information related to Mr. Ross's holdings in the Company, please see the information provided under the heading "*Promoters*".

Facilities

The Company has no facilities at this time as all operations are online, including tournament play and tournament hosting.

Trends, Commitments and Uncertainties

The esports sector has been growing at a rapid rate for the past three years. According to Newzoo, esports industry total revenue grew by 14.5% in 2021 to USD\$1.08 billion and is expected to grow to USD\$1.62 billion in 2024 for CAGR of 11.1% (2019-2024).⁷ While management believes that the esports market will continue to grow at a similar rate (at least for the next three years), there is no guarantee that it will do so and, at some point, growth will inevitably slow or stagnate. That may result in revenues across the sector stagnating or reducing and the sponsorship market becoming even more competitive, both of which would have a material adverse effect on the Company's business, revenue, financial condition, profitability, prospects, and results of operations.

The Impact of the COVID-19 Pandemic on our Business

The COVID-19 pandemic has resulted in the implementation of significant governmental measures worldwide, including lockdowns, closures, quarantines and travel bans, intended to control the spread of the virus, and has caused severe global disruptions.

We commenced our business during the pandemic and have tailored our operations to operate within the government health measures and responses of businesses and consumers to the pandemic. Although the Company's business is largely conducted online and esports events may not need to be cancelled in the way that many traditional sports events have been, the downturn in economic activity caused by the preventative measures enacted and may adversely affect the Company's business.

⁷ <https://newzoo.com/key-numbers/>



Principal Market

The Company operates in the esports industry. The esports industry is still extremely fragmented and very few teams, companies, organizations and leagues are finding success in monetizing their companies. However, there are several companies that have excelled in certain sectors of the industry, namely content creation and distribution; media rights; teams/prize pool; tournament organizing; sponsorships; and partnerships. The Company believes RixGG may have a competitive advantage over its competitors, which are larger and more established, through its potential ability as a smaller and more agile corporation to create high-level production at a cheaper cost relative to these larger organizations. RixGG also has the advantage of having existing partnerships and business arrangements with endemic and non-endemic brands in esports.

Intellectual Property

The Company's focus on brand development means its trademarks are important to the general development of the business. At present, the Company has applied for trademark protection in the following jurisdictions:

Canada

Trademark	Application No.	Goods/Services	Status	Filing Date
X1 ESPORTS Logo 	2159449	Water bottles; clothing, namely t-shirts, sweatshirts, pants, hats, caps, toques, scarves, gloves, and socks; entertainment services in the form of eSport gaming; providing a website featuring news, videos, webcasts, previews, replays, notifications, online chats, automated and interactive inquiries, articles and information in the fields of eSport gaming; entertainment services, namely, performances featuring video game playing; entertainment services, namely, performances featuring video game playing with commentary and narration; arranging, organizing and performing online shows featuring video game playing; entertainment services in the nature of competitive video game playing and eSports, namely, video game parties, contests, leagues, corporate events and competitions and community social events.	Pending (formalized stage)	January 11, 2022
RIXGG Logo 	2159450	Entertainment services in the form of eSport gaming; providing a website featuring news, videos, webcasts, previews, replays, notifications, online chats, automated and interactive inquiries, articles and information in the fields of eSport gaming; entertainment services, namely, performances featuring video game playing; entertainment services, namely, performances featuring video game playing with commentary and narration; arranging, organizing and	Pending (formalized stage)	January 11, 2022

Trademark	Application No.	Goods/Services	Status	Filing Date
		performing online shows featuring video game playing; entertainment services in the nature of competitive video game playing and eSports, namely, video game parties, contests, leagues, corporate events and competitions and community social events.		

Per international convention, the Company has six (6) months from January 11, 2022 to file counterpart trademark applications to the Canadian trademark applications above and still claim the benefit of the earlier Canadian filing dates identified above.

The Company primarily uses the logos of RixGG in advertising and branding related to the esports teams under the RixGG organization, including in the production and sale of merchandise related to the teams. Additionally, as the Company expands into content creation, it will be developing content which would be protected by copyright, and the Company may register such copyright to enhance the protections it would otherwise be afforded under local law in the jurisdictions in which it operates. The international nature of operations results in multiple jurisdictions being implicated in which the Company may need to protect its intellectual property, including through enforcement of its rights.



Figure 3: Primary logo for RixGG esports team and brand



Figure 4: An alternate logo for RixGG

Competition

The esports industry is highly competitive, with new teams entering tournaments and leagues on a regular basis and with both existing and new participants having significant resources (both financial and in terms of talent). Increased competition may make it more difficult for the Company's team to win tournaments and leagues, to attract sponsors and to attract talent. Furthermore, the Company may be required to offer cheaper sponsorship and pay higher than expected salaries to talent, in order to secure contracts.

Below is a table of the top teams in 2020 by value, as ranked by Forbes:

Rank	Team	Reported Revenue	Last Reported Valuation ⁸
1	Team SoloMid	\$45 million	\$410 million
2	Cloud9	\$30 million	\$350 million
3	Team Liquid	\$28 million	\$310 million
4	Faze Clan	\$40 million	\$305 million
5	100 Thieves	\$16 million	\$190 million
6	Gen.G	\$14 million	\$185 million
7	Enthusiast Gaming	\$95 million	\$180 million
8	G2	\$19 million	\$175 million
9	NRG Esports	\$20 million	\$155 million

This table represents some of the most successful e-sports teams and businesses in the industry, which are unrelated to the Company. All of the above teams have a track record of winning tournament prize money, attracting sponsor income and generally commercialising their product. There is no guarantee that the Company will be able to achieve similar levels of success, including similar levels of revenue or valuation as reported for the e-sports teams above, each of which will be a competitor.

Due to the global and digital nature of the esports industry, competition is not geographically based. There are a number of existing organizations that have similar businesses and strategies to the Company, including Guild, Fnatic, Enthusiast Gaming and Allied Esports. Competition can take the form of direct competition in tournaments, as is the case with Guild, or in competition for expansion opportunities into new game areas (meaning competition for players and talent) or competition for sponsors. In each of these cases, the Company's competitors have longer histories of operations as the Company and its esports team have been more recently developed, and there may be circumstances where competitors of the Company would have increased access to funds such as through high revenues from their services or access to capital through other means. The competitive landscape of the esports industry is consistently changing through the emergence of new companies and teams, as well as a result of the performance of a franchise's players.

Allied

Allied Esports is an esports entertainment company which was founded in 2017. It heavily operates in the content production area of the esports industry and has integrated arenas and mobile esports trucks in many locations globally, which allow for hosting of tournaments as well as content generation. Allied Esports has competed in titles including

⁸ Informed derived from Forbes at <https://www.forbes.com/sites/christinasettimi/2020/12/05/the-most-valuable-esports-companies-2020/?sh=669a7a3973d0>

Valorant, Rocket League, League of Legends, Overwatch, COD Blackout and Fortnite. It has competed in leagues such as the Legend Series and the Simon Cup Finals.

Fnatic

Fnatic is another U.K. based team, which was founded in 2004 and has competed in leagues such as the IEM World Championship and the League of Legends World Championship. It has a significant sponsor presence and has teams competing in over 20 titles, including League of Legends, Valorant, FIFA, Fortnite, and Dota 2.

Guild

Guild Esports was founded in 2019. It is listed on the AIM in London, and competes in Valorant, Rocket League, FIFA, Fortnite, and Apex Legends. Guild's teams are direct competitors to RixGG teams in multiple leagues, such as the EMEA Championship and the European Challenger League.

Enthusiast Gaming

Enthusiast Gaming was founded in 2014 and is listed on the Toronto Stock Exchange. It is an esports issuer with teams competing in titles such as Fortnite, Super Smash Bros., Valorant, and Madden NFL, and in leagues including the Overwatch League. It also has a well developed media and content business.

Cycles

The Company's business is not cyclical.

Foreign Operations

The Company currently operates globally via online platforms for gaming and tournaments, whereby users are able to engage and participate regardless of geographic location.

USE OF PROCEEDS

Proceeds

Assuming no exercise of the Over-Allotment Option (in whole or in any part), the net proceeds of the Offering, after deducting the Agent's Fees (assuming no Units are purchased by President's List Subscribers) and the estimated expenses of the Offering of approximately \$90,000 (inclusive of up to \$35,000 in expenses by the Agent plus applicable taxes and disbursements, and less \$40,000 in legal and accounting fees paid towards transaction expenses prior to the date of this Prospectus), are estimated to be \$2,670,000.14, in the case of the Minimum Offering, and \$3,130,000.09, in the case of the Maximum Offering. Assuming completion of the Maximum Offering, if the Over-Allotment Option is exercised in full, the net proceeds of the Offering, after deducting the Agent's Fees (assuming no Units are purchased by President's List Subscribers) and the estimated expenses of the Offering of \$90,000 (inclusive of up to \$35,000 in expenses by the Agent plus applicable taxes and disbursements), are estimated to be \$3,573,000.11. Until the Closing Date, all subscription funds received by the Agent will be held in trust, pending the closing of the Offering. If the Minimum Offering is not completed, the subscription proceeds received by the Agent in connection with the Offering will be returned to the subscribers without interest or deduction, unless the subscribers have otherwise instructed the Agent.

Principal Purposes

The net proceeds of the Offering are currently intended to be used for the following purposes:

Use of Proceeds	Amount (Minimum Offering)	Amount (Maximum Offering)
Sales & Marketing ⁽¹⁾	\$322,000	\$722,000 ⁽²⁾
Content Development	\$114,000	\$114,000
Player/Team Acquisition	\$971,000	\$971,000
General and administrative expenses ⁽¹⁾⁽³⁾	\$978,000	\$978,000
Acquisitions ⁽⁴⁾	\$552,000	\$572,000
Unallocated working capital	\$5,238.08	\$45,238.03
TOTAL:	\$2,942,238.08	\$3,402,238.03

Notes:

- (1) A portion of anticipated marketing activities has been pre-paid, in the amount of \$209,500 to four investor relations services providers, and as such is not included in this table. Three of these services are anticipated to commence on completion of the Listing.
- (2) Should the Company raise the Maximum Offering amount, the Company anticipates increasing its budget with respect to sales and marketing over the next 12 months to accommodate additional investor relations activities, to raise awareness of the Company given that it would be a new reporting issuer. The Company views such marketing as an optional expense that would only be incurred if an excess to the Minimum Offering amount was raised.
- (3) General and administrative costs are broken down as follows: legal/audit costs of an estimated \$161,000; personnel costs including service fees for the CEO, CFO, and administrative staff of \$421,000 (CEO salary of US\$200,000, and CFO and accounting staff salary in Canada of \$96,000 with an allowance for some directors' fees); administrative costs related to office leases, regulatory, insurance of \$218,000 (material components including directors and officers insurance of \$200,000 and \$18,000 for rent expense); transfer agent of \$26,000; internal administrative support of \$50,000; annual general meeting and CSE fees of \$22,000; travel expenses of \$30,000; news release service costs of \$20,000; and general office expenses and service subscriptions of \$30,000.
- (4) Expenditures related to acquisitions may consist of the cash costs related to acquiring Shift Media and Tyrus, LLC and 1 year use of proceeds, as disclosed in this Prospectus; however, each of such transactions is subject to a number of conditions, including the completion of due diligence and entry into a definitive agreement, and may not occur as contemplated or at all. The Company is actively engaged in identifying potential assets to acquire that would add to its existing business.

If the Over-Allotment Option is exercised, the Company will use the additional proceeds for working capital.

The Company has a negative operating cash flow for the period from September 16, 2020 to August 31, 2021. The Company has allocated a certain percentage of the proceeds from the distribution to fund negative cash flow from its most recently completed financial year. To the extent that the Company has negative operating cash flow in future periods, it may need to allocate a portion of its cash reserves to fund such negative cash flow. The Company may also be required to raise additional funds through the issuance of equity or debt securities. There can be no assurance that the Company will be able to generate a positive cash flow from its operations, that additional capital or other types of financing will be available when needed or that these financings will be on terms favourable to the Company. See “*Risk Factors – Negative Operating Cash Flow*”.

Available Funds

Source of funds	Amount (Minimum Offering)	Amount (Maximum Offering)
Estimated consolidated current working capital as at April 30, 2022	\$272,237.94	\$272,237.94

Source of funds	Amount (Minimum Offering)	Amount (Maximum Offering)
Net proceeds of the Offering ⁽¹⁾	\$2,670,000.14	\$3,130,000.09
Total Funds Available	\$2,942,238.08	\$3,402,238.03

Notes:

- (1) After deducting the Agent's Cash Commission and the Corporate Finance Fee payable in Units, after deducting the estimated expenses of the Minimum Offering of approximately \$90,000. Assumes no exercise of the Over-Allotment Option. Any additional proceeds from the exercise of the Over-Allotment Option or the Agent's Warrants will be added to the unallocated working capital.

The Company intends to spend the funds available to it as stated in this Prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. Accordingly, while it is currently intended by management that the available funds will be expended as set forth above, actual expenditures may in fact differ from these amounts and allocations. See "*Risk Factors*".

Business Objectives and Milestones

The business objectives the Company is proposing to accomplish over the next 12 months are discussed under "*Growth Strategy*". The following table sets out those objectives and lists the milestone event for that objective, anticipated time period for completion and estimated cost.

Business Objective	Milestone Event for the Business Objective	Anticipated Time Period	Estimated Cost
Become a Tier 1 esports Team	Identify and sign players and talent to achieve top finishes in European esports competitions	3-6 months	\$514,000.00
	Create a best in class support staff to facilitate professional development and improve performance of esports talent to make RixGG the desired destination for players and content creators	6-12 months	\$282,000.00
	Increase awareness of the RixGG brand through promotional activities of players and the creation of a scouting program through the grassroots scene (RixGG to host their own gaming events)	6-12 months	\$175,000.00
Attract global and regional partners and sponsors	Identify potential sponsors, and continue ongoing identification and marketing	6-12 months	\$88,000.00
Enhance existing retail, merchandising, apparel business and develop product licensing business	Expand trademark portfolio and enhance merchandise portfolio offerings	8 months	\$50,000.00
Develop content creation business	Hire content creation team	6 months	\$114,000.00

The Company anticipates that it will have sufficient cash available to execute its business plan and to pay its operating and administrative costs for at least twelve months after the Listing Date.

Unallocated Funds

Unallocated funds will be deposited in the Company's bank account and added to the working capital of the Company. The CFO of the Company is responsible for the supervision of all financial assets of the Company. Based on the Company's cash flow requirements, management will determine the appropriate level of liquidity required for operations and will draw down such funds as necessary. There may be circumstances, where for business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

DIVIDENDS OR DISTRIBUTIONS

There are no restrictions in the Company's articles or elsewhere, other than customary general solvency requirements, which would prevent the Company from paying dividends. All of the Company's shares will be entitled to an equal share in any dividends declared and paid.

The Company has not declared or paid any dividends or distributions on its Common Shares since incorporation. The Company currently intends to retain future earnings, if any, for use in its business and does not anticipate paying dividends or distributions in the foreseeable future on its Common Shares. Any determination to pay future dividends or distributions will remain at the discretion of the Board and will depend on the earnings, financial condition of the Company and such other factors deemed relevant by the Board.

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

The Company presents its financial statements in accordance with IFRS. The following table sets forth the selected financial information of the Company for the periods indicated. This information has been summarized from and should be read in conjunction with the Company's audited financial statements for the period from September 16, 2020 (being the incorporation date of RixGG) to August 31, 2021. On April 16, 2021, the Company acquired all of the outstanding common shares of RixGG, which was considered a reverse takeover transaction. As RixGG is deemed the acquirer for accounting purposes, the financial information reflects the continuing operations of RixGG with the results of X1 and its pre-existing subsidiaries consolidated from the acquisition date of April 16, 2021 onwards. These financial statements and MD&A are provided as Schedule A and Schedule C, respectively.

The Company has also provided audited financial statements of X1 Esports and Entertainment Ltd. for the year ended March 31, 2021 with comparative information for the period from incorporation on January 9, 2020 to March 31, 2020. These financial statements reflect the financial results of X1 Esports and its pre-existing subsidiaries prior to the reverse takeover with RixGG in April 2021. These financial statements and associated MD&A are included in this Prospectus as Schedule B and Schedule D, respectively.

X1 Esports

	For the year ended March 31, 2021 (audited)	For the period from January 9, 2020 to March 31, 2020 (audited)
Total revenue	Nil	Nil
Total expenses	\$139,265	Nil
Total assets	\$2,219,928	\$1
Total liabilities	\$49,475	Nil
Total equity	\$2,170,453	\$1
Net loss	(\$139,265)	Nil
Loss and comprehensive loss	(\$140,442)	Nil
Basic and diluted loss per Common Share	(\$140,442)	Nil

RixGG

The acquisition of RixGG by X1 Esports was a reverse takeover, and conducted on an arm's length basis, and as such, presentation of the selected financial information of RixGG is on the basis of RixGG as being the continuing entity.

	For the six months ended February 28, 2022 (unaudited)	For the period from September 16, 2020 to August 31, 2021 (audited)
Total revenue	\$204,361	\$27,140
Total expenses	\$1,584,327 ⁽¹⁾	\$1,841,157 ⁽²⁾
Total assets	\$975,685	\$2,146,852
Total liabilities	\$173,095	\$143,231
Total equity	\$802,590	\$2,003,621
Net loss	(\$1,379,996)	(\$2,014,622)
Loss and comprehensive loss	(\$1,377,676)	(\$2,006,534)
Basic and diluted loss per Common Share	(\$0.04)	(\$0.15)

Notes:

- (1) Esports player, team and game expenses are broken down as follows: esports player and team fees of \$649,002; influencers and streamers of \$113,750; support staff of \$48,378; and tournament hosting of \$12,032.
- (2) Esports player, team and game expenses are broken down as follows: esports player and team fees of \$499,707; influencers and streamers of \$115,414; support staff of \$77,517; and tournament hosting of \$95,257.

DESCRIPTION OF THE SECURITIES DISTRIBUTED

Authorized and Issued Capital

The Company is authorized to issue an unlimited number of Common Shares. At the date of this Prospectus, a total of 39,707,116 Common Shares are issued and outstanding.

There are no stock options reserved for issuance to officers, directors and consultants of the Company effective on the Listing Date to acquire Common Shares granted pursuant to the Company's stock option plan (the "**Option Plan**"), however prior to the completion of the Listing the Company anticipates issuing 3,500,000 stock options to eligible persons under the Option Plan.

Common Shares

The Company will issue 6,666,667 Common Shares under the Minimum Offering and 7,777,778 Common Shares under the Maximum Offering.

Holders of Common Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of the Company and to receive all notices and other documents required to be sent to shareholders in accordance with the Company's articles, corporate law and the rules of any applicable stock exchange. On a poll, every shareholder has one vote for each Common Share. The holders of Common Shares are entitled to dividends if, as and when declared by the Board and, upon the liquidation, dissolution or winding-up of its affairs or other distribution of its assets for the purpose of winding-up its affairs, to receive, on a pro rata basis, all of the remaining assets of the Company. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking fund or purchase fund provision.

Warrants

The Company will issue 6,666,667 Warrants under the Minimum Offering and 7,777,778 Warrants under the Maximum Offering. The Unit Shares and the Warrants comprising the Units will separate upon the closing of the Offering. Each Warrant is exercisable into one Warrant Share at the price of \$0.70 per Warrant Share for a period of 24 months after the Closing Date or earlier if the closing price of the Common Shares on the CSE or any equivalent exchange is equal to or greater than \$0.90 per Common Share for a period of 10 consecutive trading days, with the expiry date being the date that is 30 calendar days following the date the Company provides an early expiry notice, by issuance of a news release, that an Early Expiry Event has occurred.

The Warrants forming a part of the Units offered hereunder will be subject to the terms and conditions of a warrant indenture (the "**Warrant Indenture**") with Odyssey Trust Company (the "**Warrant Agent**"), as the warrant agent, to be entered into on the Closing Date. Warrants may be issued in certificated or uncertificated form, including as book-entry Warrants entered into CDS. The following summary of certain provisions of the Warrant Indenture does not purport to be complete and is subject in its entirety to the detailed provisions of the Warrant Indenture. Investors are referred to the full text of the Warrant Indenture for the attributes of the Warrants, which will be filed by the Company on SEDAR at www.sedar.com under its corporate profile following the closing of the Offering.

The Warrant Indenture will contain, among other things, anti-dilution provisions and provisions for the appropriate adjustment of the class, number and price of shares issuable pursuant to the exercise thereof upon the occurrence of certain stated events, including any subdivision, consolidation, or reclassification of the Shares or the payment of stock dividends or the amalgamation of the Company.

The Warrant Agent will act solely as the Company's agent in connection with the Warrants, and will not assume any obligation or relationship of agency for or with holders or beneficial owners of Warrants. A register of Warrant holders will be maintained by the Warrant Agent.

Warrants will be exercisable upon surrender of the Warrant certificate (or if issued in CDS, by removal of the Warrants from CDS prior to being presented in certificated form for cancellation) representing such Warrants on or before the expiry time at the principal office of the Warrant Agent, with notice of exercise duly completed and executed as indicated thereon, accompanied by payment of the exercise price for the number of Warrants being exercised, all in

accordance with the terms of the Warrant Indenture. However, the Warrants will not be exercisable by or on behalf of a person in the United States, nor will certificates representing Shares upon the exercise of any Warrants be registered or delivered to an address in the United States, unless an exemption from registration under the U.S. *Securities Act of 1933* and any applicable securities laws of any state of the United States is available, and the Company has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Company.

No fractional Common Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional Common Shares. Prior to the exercise of their Warrants, holders of Warrants exercisable for Common Shares will not have any rights as holders of Common Shares, and in particular will not be entitled to dividend payments, if declared, or voting rights of the common shares of the Company.

From time to time, the Company and the Warrant Agent, without the consent of the holders of the Warrants, may amend or supplement the Warrant Indenture for certain limited purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants without the consent of the holders of the Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of the holders of the Warrants may only be made by “extraordinary resolution”, which will be defined in the Warrant Indenture as a resolution either (i) passed at a meeting of the holders of the Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 20% of the aggregate number of all of the then outstanding Warrants and passed by an affirmative vote of holders representing not less than 66⅔% of the aggregate number of the then outstanding Warrants represented at the meeting and voted on a poll upon such resolution; or (ii) adopted by an instrument in writing signed by the holders of not less than 66⅔% of the aggregate number of all then outstanding Warrants.

Agent’s Options

Under this Offering, the Company will issue Agent’s Options to the Agent, entitling the Agent to Compensation Options to purchase that number of Common Shares as is equal to 6.0% of the total number of Units, and to Advisory Options to purchase that number of Common Shares as is equal to 2.0% of the total number of Units (being an aggregate of 533,333 Agent’s Option Shares in the event of the Minimum Offering and 622,222 Agent’s Option Shares in the event of the Maximum Offering), provided that no Compensation Options will be issued to the Agent in respect of purchasers on the President’s List. The Common Shares will be at an exercise price of \$0.70 per Common Share for a period of 24 months from the Closing Date. This Prospectus qualifies the distribution of the Agent’s Options.

CONSOLIDATED CAPITALIZATION

Consolidated Capitalization

The following table outlines the capitalization of the Company as at February 28, 2022 and the date of this Prospectus. The table should be read in conjunction with the financial statements of the Company and the accompanying notes thereto, attached to this Prospectus as Schedule A.

Description of the Security	Authorized Amount	Issued and Outstanding as at February 28, 2022	Issued and Outstanding as at the date of this Prospectus
Common Shares ⁽¹⁾	Unlimited	39,707,116	39,707,116

Notes:

(1) On an undiluted basis.

Fully Diluted Share Capital

The following table sets forth the anticipated fully diluted share capital of the Company at the time of listing:

	Number of Common Shares Issued or Reserved for Issuance (Assuming Minimum Offering)	Percentage of Common Shares Issued or Reserved for Issuance (fully-diluted, Minimum Offering)	Number of Common Shares Issued or Reserved for Issuance (Assuming Maximum Offering)	Percentage of Common Shares Issued or Reserved for Issuance (fully-diluted, Maximum Offering)
Common Shares outstanding as at the date of this Prospectus	39,707,116	69.41%	39,707,116	66.71%
Common Shares outstanding after giving effect to the Offering	6,666,667	11.65%	7,777,778	13.07%
Common Shares issuable upon conversion of the Warrants, after giving effect to the Offering	6,666,667	11.65%	7,777,778	13.07%
Common Shares underlying the payment of Units in satisfaction of the Corporate Finance Fee	66,667	0.12%	66,667	0.11%
Common Shares issuable on exercise of warrants underlying the Corporate Finance Fee	66,667	0.12%	66,667	0.11%
Common Shares issuable on exercise of Agent's Options	400,000	0.70%	466,667	0.78%
Common Shares issuable on exercise of Advisory Options	133,333	0.23%	155,556	0.26%
Common Shares issuable upon exercise of incentive stock options	3,500,000	6.12%	3,500,000	5.88%
TOTAL:	57,207,117	100%	59,518,229	100%

OPTIONS TO PURCHASE SECURITIES

Outstanding Options

As of the date of this Prospectus, the Company has no Options outstanding; however, prior to the completion of the Listing, the Company anticipates issuing 3,500,000 Options to eligible persons under the Option Plan.

Option Plan

The Option Plan was approved by the Company's Board effective as of May 10, 2021. The purpose of the Option Plan is to assist the Company in attracting, retaining and motivating directors, officer, employees, consultants and contractors of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders.

The following information is intended to be a brief description of the Option Plan and is qualified in its entirety by the full text of the Option Plan:

The principal purpose of the Option Plan is to advance the interests of the Company by encouraging the directors, employees and consultants of the Company and of its subsidiaries or affiliates, if any, by providing them with the opportunity, through options (each, an "**Option**"), to acquire Common Shares in the share capital of the Company, thereby increasing their proprietary interest in the Company, encouraging them to remain associated with the Company and furnishing them with additional incentive in their efforts on behalf of the Company in the conduct of its affairs.

Eligibility

Any officer, director, employee, management company employee, consultant or investor relations person of the Company or its wholly-owned subsidiaries (each as described in the Option Plan and each, an "**Eligible Person**") is eligible to receive Options under the Option Plan. The Board has full and final authority to determine the Eligible Persons who are granted Options under the Option Plan and the number of Common Shares subject to each Option.

Shares Subject to Option Plan

The maximum number of Common Shares which may be available for issuance under the Option, together with any other security-based compensation plan of the Company, will not exceed 10% of the total number of Common Shares issued and outstanding from time to time. The Option Plan is an "evergreen plan" and accordingly, any issuance of Common Shares from treasury, including the issuances of Common Shares in respect of which Options are exercised, and any expired or cancelled Options, shall automatically replenish the number of Common Shares issuable under the Option Plan.

The maximum number of Common Shares which may be issued or reserved for issuance to any one Person (as described in the Option Plan), and companies wholly-owned by that Person, under the Option Plan within any 12-month period shall not exceed 10% of the issued and outstanding Common Shares, calculated on the date an Option is granted to such Person.

Exercise of Options

The exercise price of Options issued may not be less than the price determined in accordance with CSE policies while the Common Shares are listed on the CSE.

Subject to the provisions of the Option Plan and the particular Option, an Option may be exercised, in whole or in part, by delivering a written notice of exercise to the Company along with payment in cash or certified cheque for the full amount of the exercise price of the Common Shares then being purchased.

Term and Expiry Date

The period within which Options may be exercised and the number of Options which may be exercised in any such period are determined by the Board at the time of granting the Options provided, however, that the maximum term of any Options awarded under the Option Plan is 10 years.

Vesting

All Options granted pursuant to the Option Plan may vest and become exercisable at the discretion of the Board.

Termination of Options

An optionee who ceases to be an Eligible Person for any reason, other than as a result of having been dismissed for cause or as a result of the optionee's death, may exercise any vested and unexpired Options held by such optionee for a period of 90 days from the date of cessation (or until the normal expiry date of the Option rights of such optionee, if earlier), subject to extension by the Board to a maximum of 1 year with approval from the CSE.

In the event of a death of the optionee during the currency of the optionee's Option, any vested Option theretofore granted to the optionee is exercisable by the optionee's lawful personal representatives, heirs or executors until the earlier of 1 year after the date of death of such optionee and the expiry date of the Option.

If an optionee ceases to be an Eligible Person as a result of having been dismissed for cause, all unexercised Options of that optionee under the Option Plan shall immediately become terminated and shall lapse.

Non-Assignability and Non-Transferability

Options granted under the Option Plan will be non-assignable and non-transferable by an optionee other than pursuant to a will or by the laws of descent and distribution, and such Option shall be exercisable, during an optionee's lifetime, only by the optionee.

Adjustments in Shares Subject to Option Plan

The Option Plan contains provisions for the treatment of Options in the event of a reorganization, stock split, stock dividend, combination of shares, merger, consolidation, rights offering or any other change in the corporate structure or Common Shares of the Company. The Options granted under the Option Plan may contain such provisions as the Board may determine with respect to adjustments to be made in the number and kind of Common Shares covered by such Options and in the exercise price in the event of such change.

The foregoing description of the Option Plan does not purport to be complete and is qualified in its entirety by reference to the full text of the Option Plan.

There are no Options outstanding as of the date of this Prospectus. The table below summarizes information about the Options anticipated to be outstanding as at Listing:

Optionee	Number of Options	Exercise Price	Expiry Date
Directors	2,400,000 ⁽¹⁾	\$0.45	5 years from Listing Date
Officers	1,225,000 ⁽¹⁾	\$0.45	5 years from Listing Date
Employees	Nil	N/A	N/A
Consultants	875,000	\$0.45	5 years from Listing Date

Notes:

(1) Inclusive of 1,000,000 granted to Mark Elfenbein, CEO and Director.

PRIOR SALES

In the 12-month period preceding the date of this Prospectus, the Company issued the following Common Shares:

Date of Issuance	Type of Security	Number of Securities	Issue Price
April 16, 2021	Common Shares	10,000,000	\$0.015 ⁽¹⁾
April 20, 2021	Common Shares	13,000,000	\$0.05 ⁽¹⁾
May 21, 2021	Common Shares	12,166,000	\$0.15
June 9, 2021	Common Shares	434,250	\$0.35
June 25, 2021	Common Shares	2,273,237	\$0.35
July 5, 2021	Common Shares	384,200	\$0.35
September 10, 2021	Common Shares	214,286	\$0.35
September 28, 2021	Common Shares	100,000	\$0.35
October 27, 2021	Common Shares	1,135,142	\$0.35

Notes:

- (1) Issued prior to the Consolidation; the issue price and number of securities listed is the price after adjustment in connection with the Consolidation.

In the 12-month period preceding the date of this Prospectus, the Company has not issued any securities convertible or exchangeable into Common Shares. Prior to the Listing, the Company anticipates issuing the following convertible securities:

Date of Issuance	Type of Security	Number of Securities	Exercise Price
Prior to or at Listing	Options	3,500,000	\$0.45

ESCROWED SECURITIES AND RESALE RESTRICTIONS

As of the date of this Prospectus, none of the Company's securities are held in escrow or are subject to a contractual restriction on transfer.

In connection with the proposed listing of Common Shares on the CSE, the following securities are expected to be subject to escrow upon completion of the listing on the CSE:

Designation of Class	Number of securities held in escrow	Percentage of class
Common Shares	13,489,378 ⁽¹⁾⁽²⁾	29.1% ⁽³⁾

Notes:

- (1) Common Shares and Warrants (the "Escrowed Securities") held in escrow and released over a 36-month period pursuant to an escrow agreement to be entered into (the "Escrow Agreement") between directors, officers, and promoters of the Company and Odyssey Trust Company, as escrow agent. The release of the Escrowed Securities under the Escrow Agreement is as follows: 10% on date of listing on the CSE and thereafter 15% released every six months over a 36-month period.
- (2) Escrowed Securities broken down as follows: 2,831,044 for directors; 4,941,667 for promoters (other than those that are also directors); and 5,716,667 for spouses of promoters.
- (3) Percentage is based on 39,707,116 Common Shares expected to be outstanding as at listing on the CSE assuming the completion of the Minimum Offering.

Section 3.5 of National Policy 46-201 – *Escrow for Initial Public Offerings* ("NP 46-201") provides that all securities of a company owned or controlled by principals will be escrowed at the time of the company's initial public offering, unless the securities held by the principal or issuable to the principal upon conversion of convertible securities held by the principal collectively represent less than 1% of the total issued and outstanding shares of the company after giving effect to the initial public offering.

Directors, executive officers and certain shareholders of the Company (the "Escrow Shareholders") will enter into the Escrow Agreement with the Company pursuant to which the Escrow Shareholders will agree to deposit the securities of the Company which they hold with Odyssey Trust Company, as escrow agent once appointed, until they

are released in accordance with terms of their respective Escrow Agreements, CSE Policy and applicable securities law as follows:

Release Date	Amount of Securities to be Released
On the date the Company's securities are listed on the CSE	10% of Escrowed Securities
6 months after the Listing Date	15% of Escrowed Securities
12 months after the Listing Date	15% of Escrowed Securities
18 months after the Listing Date	15% of Escrowed Securities
24 months after the Listing Date	15% of Escrowed Securities
30 months after the Listing Date	15% of Escrowed Securities
36 months after the Listing Date	15% of Escrowed Securities

Voluntary Escrow

In addition to the Escrowed Securities, the following Common Shares will be subject to resale restrictions as at the date of Listing:

- 725,000 Common Shares held by 10 shareholders of the Company are subject to voluntary pooling restrictions whereby all of such Common Shares will be released from escrow 24 months after the Listing Date.
- 8,950,000 Common Shares held by 25 shareholders of the Company are subject to voluntary pooling restrictions whereby 25% will be released from escrow four months after the Listing Date, 25% will be released from escrow six months after the Listing Date, 25% will be released from escrow nine months after the Listing Date, 25% will be released from escrow 12 months after the Listing Date.
- 10,701,623 Common Shares held by 78 shareholders of the Company are subject to voluntary pooling restrictions whereby 50% will be released from escrow four months after the Listing Date and 50% will be released from escrow six months after the Listing Date.
- 4,341,115 Common Shares held by 53 shareholders are subject to voluntary pooling restrictions whereby all such Common Shares will be released from escrow four months after the Listing Date.
- 1,500,000 Common Shares held by 3 shareholders are subject to voluntary pooling restrictions whereby all such Common Shares will be released from escrow over a period of 36 months after the Listing Date, on the same schedule as the NP 46-201 escrow.

PRINCIPAL SECURITYHOLDERS

As at the date of this Prospectus, 39,707,116 Common Shares are issued and outstanding.

To the knowledge of the directors and officers of the Company, no person directly or indirectly beneficially owns, or exercises control or direction over, Common Shares carrying more than 10% of the voting rights attaching to all the outstanding Common Shares as of the date of this Prospectus.

To the knowledge of the directors and officers of the Company, no person is expected to directly or indirectly beneficially own, or exercise control or direction over, Common Shares carrying more than 10% of the voting rights attaching to all the outstanding Common Shares after giving effect to the Offering.

DIRECTORS AND EXECUTIVE OFFICERS

The following table sets out the name, age, city of residence, position, date of appointment to such position, principal occupations during the last five years, and the number and percentage of Common Shares which are beneficially owned or controlled by each of the current directors and officers of the Company as at the date of this Prospectus. The current directors of the Company are Mark Elfenbein, Latika Prasad, William O’Hara and Jan Hoffmann. The current officers of the Company are Mark Elfenbein, Samantha Shorter and Jan Hoffmann (CEO of RixGG, a subsidiary of the Company, and a director). The Company’s directors are expected to hold office until the next annual general meeting of shareholders and are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders.

Name, Age and City of Residence	Position(s) with the Company	Date Appointed to Position(s) with the Company	Principal Occupation(s) During the Last 5 Years	Number and Percentage of Common Shares Held ⁽¹⁾⁽²⁾
Mark Elfenbein <i>Plymouth, Minnesota, United States</i> Age 50	CEO and Director	December 1, 2021	Chief Revenue Officer at Socati Corp. from 2018 to 2021 President at MyAlerts Inc. from 2017 to 2018	Nil 0.00%
Samantha Shorter <i>Vancouver, British Columbia, Canada</i> Age 37	CFO, Corporate Secretary	May 10, 2021	Financial Consultant (Self-Employed) since July 2011 Partner at Red Fern Consulting Ltd. since July 2011	Nil 0.00%
Latika Prasad ⁽³⁾ <i>West Vancouver, British Columbia, Canada</i> Age 54	Director	January 9, 2020	Business Consultant (Self-Employed) since 2016	1,731,044 4.36%
William O’Hara ⁽³⁾ <i>Etobicoke, Ontario, Canada</i> Age 54	Director	May 10, 2021	Partner at LACG Capital Inc.	400,000 1.01% ⁽⁴⁾
Jan Hoffmann ⁽³⁾ <i>Saarland, Germany</i> Age 31	Director ⁽⁵⁾	August 1, 2021	COO of RixGG in 2021 Head of Team Sports – Fnatic from 2016 to 2020	700,000 1.76%

Notes:

- (1) Percentage is based on 39,707,116 Common Shares issued and outstanding as of the date of this Prospectus.
- (2) The information as to the principal occupation, business or employment, and shares beneficially owned or controlled is not within the knowledge of the Company and has been furnished by the respective director/officer.
- (3) Member of the Audit Committee.
- (4) 400,000 Common Shares of Mr. O’Hara are held indirectly through LACG Capital Inc., a company controlled by Mr. O’Hara.
- (5) Mr. Hoffmann has also been CEO of RixGG since September 1, 2021.

As of the date of this Prospectus, the directors and officers of the Company, as a group, own or control or exercise direction over 2,831,044 Common Shares, being 7.13% of the issued and outstanding Common Shares of the Company.

Directors and Officers – Biographies

The following biographies provide information in respect to the directors and officers of the Company.

Mark Elfenbein, Age 50 – CEO and Director

Mr. Elfenbein has previously served as chief revenue officer, president or CEO of five publicly traded companies in the areas of music, gaming, mobile and artificial intelligence (AI). In particular, he was chief revenue officer at Sentient Technologies, an AI company. Prior to that, Mr. Elfenbein was president and CEO of Slyce Technologies, where he led the company's deployment of a visual search technology⁹ that had deployed with Home Depot¹⁰, Best Buy¹¹ and other Fortune 500 companies¹². Earlier in his career, Mr. Elfenbein was a founder of Mood Media, a provider of in-store music and sensory experiences, as well as co-founder and head of revenue for Fun Technologies, an online pay-to-play tournament gaming business which was acquired by Liberty Media. Mark earned a B.B.A. degree from the University of Manitoba. He resides in the Minneapolis, Minnesota area.

Mr. Elfenbein is a party to a consulting agreement with the Company which contains non-competition and confidentiality provisions. It is expected that he will devote 100% of his time to the business of the Company to effectively fulfill his duties as Chief Executive Officer of the Company.

Samantha Shorter, Age 37 – CFO and Corporate Secretary

Ms. Shorter has over a decade of experience in providing reporting, assurance and accounting services to publicly traded companies, including technology companies. She left public practice in 2011, where she acted in the capacity of audit manager with Davidson & Company LLP, a major Canadian accounting firm, and has since taken on a variety of leadership roles. Her governance and accounting knowledge facilitates effective implementation and oversight for financial reporting, administration and internal controls development and budgeting. Ms. Shorter completed a Bachelor of Commerce with Honours at the University of British Columbia. She is a Chartered Professional Accountant (CPA, CA) and Certified Internal Auditor.

Ms. Shorter is not a party to any employment, non-competition and confidentiality agreement with the Company. It is expected that she will devote 20% of her time to the business of the Company to effectively fulfill her duties as Chief Financial Officer and Corporate Secretary of the Company.

Latika Prasad, Age 54 – Director

Ms. Latika Prasad has been an officer and/or a director of private and publicly traded companies for 30 years. She is currently the Corporate Secretary of Realgold Resources Corp. since December 2016 and Director and member of the audit committee of Turmalina Metals Corp. since July 31, 2021 (TSXV: TBX). She was a Director and Corporate Secretary of Turmalina Metals Corp. from April 2017 to July 2019, and previously, Director at Southern Empire Resources Corp. from March 2020 to June 2021 (TSXV: SMP) and Director and Assistant Corporate Secretary at Wabi Exploration Inc. (CNSX: WAB) from September 2015 to July 2017. She served as the Chief Financial Officer of Azincourt Resources Inc. (TSXV: AAZ) from October 2011 until June 2013 and as a Director from May 2011 to April 2013. Ms. Prasad also has 30 years of audit experience from starting with VSE companies in 1988, preparing quarterly reports for reporting issuers and filing with VSE and BCSC, and serving as CFO of several companies, of which five were reporting issuers. In addition to Turmalina Metals Corp., Ms. Prasad is also on the audit committee

⁹ https://techerunch.com/2014/03/04/image-recognition-startup-slyce-raises-9m-to-be-the-amazon-flow-for-everyone-else/?gucounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAACFeEI0GrIcixmXnoM5U86KHIMJgaoVwpm2RD9VOTXBEofj6iTIIs31UjsmaPF5kYT493DefNIu5krN8UjinOjUar6HBTMH0V1ygILss6W8aGITnGhSGeZYN1toOnXDaUyTNhUmz1MM6CzWuOIEaeL0kMTepuKe5ss7Py6R_xSGVL

¹⁰ <https://risnews.com/home-depots-visual-search-center-stage-mobile-app>

¹¹ <https://www.fierceretail.com/operations/best-buy-offers-scan-to-shop-mobile-app>

¹² <https://digiday.com/marketing/neiman-marcus-expands-visual-product-search-push-mobile-purchases/>

of Carmanah Minerals Corp. and was on the audit committee of Southern Empire Resources Corp. (TSXV: SMP) from March 2020 to June 2021.

Ms. Prasad is not a party to any employment, non-competition and confidentiality agreement with the Company. It is expected that she will devote 20% of her time to the business of the Company to effectively fulfill her duties as a director of the Company.

William O’Hara, Age 54 – Director

Mr. O’Hara is the former Managing Director, Head of Equity Sales at Haywood Securities. Mr. O’Hara joined Haywood Securities in 2003 after an institutional equity sales role at Credit Suisse First Boston and National Bank Financial. Prior to that, he was an associate equity analyst in the gold sector at First Marathon Securities. Mr. O’Hara holds a Master of Science degree from London School of Economics, with distinction and the CFA designation.

Mr. O’Hara is not a party to any employment, non-competition and confidentiality agreement with the Company. It is expected that he will devote 10% of his time to the business of the Company to effectively fulfill his duties as a director of the Company.

Jan Hoffmann, Age 31 – Director, CEO of RixGG (subsidiary)

Mr. Hoffmann has more than 10 years of experience in the esports industry ranging from media, production, player, and professional management. He competed as a professional esports player for mousesports from 2014 to 2015. Later he joined Fnatic as a manager and coach, winning a world championship title in Blizzard’s “Heroes of the Storm” in 2017. From there he was promoted to Head of Team Operations and responsible for leading organisation wide esports operations. His career at Fnatic lasted from 2016 to 2020.

Mr. Hoffmann is a party to an employment, non-competition and confidentiality agreement with the Company. It is expected that he will devote 100% of his time to the business of the Company to effectively fulfill his duties as a director of the Company.

Committees

The only committee of the Board is the Audit Committee. The Audit Committee consists of Latika Prasad, William O’Hara and Mark Elfenbein, all of whom are financially literate within the meaning of that term under National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”). Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. Ms. Prasad and Mr. O’Hara are independent for the purposes of NI 52-110. Mr. Elfenbein is not independent as he serves as Chief Executive Officer of the Company. For additional details regarding the relevant education and experience of each Audit Committee member, see “*Directors and Executive Officers – Directors and Officers – Biographies*”.

Cease Trade Orders

Other than as disclosed below, to the best of the Company’s knowledge, no existing director or officer of the Company is, at the date of this Prospectus, or was within the past ten years, a director or officer of any other issuer that:

- a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 days, that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or
- b) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 days, that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person as acting in the capacity as director, chief executive officer or chief financial officer.

Samantha Shorter was the Chief Financial Officer of Medipure Holdings Inc., a CSE listed issuer, when it failed to file audited financial statements as well as associated MD&A and certifications for the financial year ended June 30, 2015. The British Columbia Securities Commission issued a cease trade order on November 4, 2015. Ms. Shorter resigned as CFO on November 16, 2015, and the Ontario Securities Commission issued a cease trade order on November 20, 2015. Both cease trade orders remain in place as of the date of this Prospectus though Medipure Holdings Inc. has since filed the outstanding financial statements.

Ms. Shorter is a director of Clear Gold Resources Inc. a NEX listed issuer. At the time Ms. Shorter joined the board of directors, Clear Gold Resources Inc. was subject to a cease trade order issued by the British Columbia Securities Commission on November 4, 2015 as a result of the failure to file audited financial statements as well as associated MD&A and certifications for the financial year ended June 30, 2015. A revocation order was issued on January 22, 2021 upon the filing of the outstanding financial statements.

Ms. Shorter was the Chief Financial Officer of Winchester Minerals and Gold Exploration Ltd., a TSX Venture Exchange listed issuer, when it failed to file audited financial statements as well as associated MD&A and certifications for the financial year ended December 30, 2014. The British Columbia Securities Commission issued a cease trade order on May 8, 2015. Ms. Shorter resigned as CFO in June 2015, and the Alberta Securities Commission issued a cease trade order on August 7, 2015. Both cease trade orders remain in place as of the date of this Prospectus.

Bankruptcies

To the best of the Company's knowledge, no existing director or officer of the Company:

- a) is, as at the date of this Prospectus, or has been within the 10 years before the date of this Prospectus, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- b) has, within the 10 years before the date of this Prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that person.

Penalties or Sanctions

To the best of the Company's knowledge, no existing director or officer of the Company has been subject to:

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Conflicts of interest may arise as a result of the directors and officers of the Company also holding positions as directors or officers of other companies. Some of the individuals who will be directors and officers of the Company have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Company will be in direct competition with the Company. Conflicts, if any, will be subject to the procedures and remedies provided under British Columbia corporate law. Directors who are in a position of conflict will abstain from voting on any matters relating to the conflicting company. The directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

EXECUTIVE COMPENSATION

In this section “**Named Executive Officer**” or “**NEO**” means each individual who acted as CEO of the Company, or acted in a similar capacity, for any part of the most recently completed financial year, each individual who acted as CFO of the Company, or acted in a similar capacity, for any part of the most recently completed financial year, and each of the three most highly compensated executive officers, other than the CEO and CFO, at the end of the most recently completed financial year whose total compensation was, individually, more than CDN\$150,000 as well as any additional individuals for whom disclosure would have been provided except that the individual was not serving as an executive officer of the Company at the end of the most recently completed financial year.

As of the date of this Prospectus, the NEOs of the Company are Mark Elfenbein and Samantha Shorter.

Compensation Discussion and Analysis

The Company’s executive compensation is intended to be consistent with the Company’s business plans, strategies and goals, including the preservation of working capital. The Company’s executive compensation program is intended to provide appropriate compensation that permits the Company to attract and retain highly qualified and experienced senior executives and to encourage superior performance by the Company. The Company’s compensation policies are intended to motivate individuals to achieve and to award compensation based on corporate and individual results.

The Board of Directors has appointed a Compensation Committee to determine the compensation of the Company’s directors and NEOs. The Compensation Committee intends for executive compensation to be consistent with the Company’s business plans, strategies and goals. Executive compensation is intended to provide appropriate compensation that permits the Company to attract and retain highly qualified and experienced senior executives and to encourage superior performance by the Company. The Company’s compensation policies are intended to motivate individuals to achieve and to award compensation based on corporate and individual results.

The Company has adopted the Option Plan to assist the Company in attracting, retaining and motivating directors, officer, employees, consultants and contractors of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders. As of the date of this Prospectus, the Company has not any stock options; however, the Company anticipates granting 3,500,000 stock options to eligible recipients, including 1,000,000 to Mark Elfenbein as CEO and a director of the Company and 225,000 to Samantha Shorter as CFO. See “*Options to Purchase Securities.*”

Director and NEO Compensation, Excluding Compensation Securities

The following table provides a summary of the compensation paid to NEOs and directors for the two most recently completed financial years:

Name and Principal Position	Year ended	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total Compensation (\$)
Mark Elfenbein, CEO and Director	2021	Nil	Nil	Nil	Nil	Nil	Nil
Adam Giddens, Former CEO and Former Director	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Samantha Shorter, CFO	2021	37,983 ⁽¹⁾	Nil	Nil	Nil	Nil	37,983
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Latika Prasad, Director	2021	5,000	Nil	Nil	Nil	Nil	5,000
	2020	Nil	Nil	Nil	Nil	Nil	Nil
William O'Hara, Director	2021	Nil	Nil	Nil	Nil	Nil	Nil
	2020	Nil	Nil	Nil	Nil	Nil	Nil
Jan Hoffmann, Director	2021	46,581 ⁽²⁾	Nil	Nil	Nil	Nil	46,581
	2020	Nil	Nil	Nil	Nil	Nil	Nil

Notes:

- (1) Consulting fees to Red Fern Consulting Ltd., a company in which Ms. Shorter has a significant investment.
- (2) Mr. Hoffmann was appointed as a director on August 1, 2021. The breakdown of compensation noted above prior to and after appointment are as follows: (i) compensation prior to appointment: \$40,370; (ii) compensation after appointment: \$6,211.

Mark Elfenbein has entered into an agreement with the Company in connection with his services as CEO, pursuant to which an aggregate of USD\$200,000 will be payable annually to Mr. Elfenbein, which is subject to increase on the occurrence of certain performance milestones of the Company. For further information, please see the subheading titled "*Employment, Consulting, and Management Agreements*".

Options and Other Compensation Securities

The following table provides a summary of the compensation securities to be paid to NEOs and directors for the 12-month period subsequent to the Company becoming a reporting issuer:

Name and Position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class	Date of issue or grant	Issue, conversion or exercise price (\$)	Closing price of security on date of grant (\$)	Closing price of security at year-end (\$)	Expiry Date
Mark Elfenbein ⁽¹⁾ CEO and Director	Options	1,000,000 ⁽²⁾ (1,000,000 Common Shares, 2.16% ⁽⁴⁾)	Prior to or at Listing Date	\$0.45	N/A	N/A	5 years from Listing Date
Samantha Shorter ⁽¹⁾ CFO	Options	225,000 ⁽³⁾ (225,000 Common Shares, 0.49% ⁽⁴⁾)	Prior to or at Listing Date	\$0.45	N/A	N/A	5 years from Listing Date
Latika Prasad ⁽¹⁾ Director	Options	1,000,000 ⁽³⁾ (1,000,000 Common Shares, 2.16% ⁽⁴⁾)	Prior to or at Listing Date	\$0.45	N/A	N/A	5 years from Listing Date
William O'Hara ⁽¹⁾ Director	Options	300,000 ⁽³⁾ (300,000 Common Shares, 0.65% ⁽⁴⁾)	Prior to or at Listing Date	\$0.45	N/A	N/A	5 years from Listing Date
Jan Hoffmann ⁽¹⁾ Director	Option	100,000 ⁽³⁾ (100,000 Common Shares, 0.22% ⁽⁴⁾)	Prior to or at Listing Date	\$0.45	N/A	N/A	5 years from Listing Date

Notes:

- (1) No compensation securities were held by NEOs or directors as at August 31, 2021.
- (2) Mr. Elfenbein's Options vest 12 months after the date of grant, pursuant to the terms of his services agreement with the Company. For more information, please see the subheading "*Employment, Consulting and Management Agreements*".
- (3) Options vest 8 months after the date of grant.
- (4) On a partially diluted basis, assuming the closing of the Minimum Offering amount and 46,373,383 issued and outstanding Common Shares.

Exercise of Compensation Securities by NEOs and Directors

No compensation securities were exercised by NEOs and directors during the financial year ended August 31, 2021.

Option Plans and Other Incentive Plans

See "*Options to Purchase Securities*" for a summary of the Option Plan.

Employment, Consulting and Management Agreements

Mark Elfenbein has entered into an agreement with the Company in connection with his services as CEO, pursuant to which an aggregate of USD\$200,000 will be payable annually to Mr. Elfenbein, which is subject to increase on the occurrence of certain performance milestones of the Company, as follows:

- (a) The annual compensation for Mr. Elfenbein (the “**Fee**”) will increase to USD\$225,000 upon the Company reaching gross revenues of greater than USD\$1,000,000 within the first 16 months of December 1, 2021 (the “**Effective Date**”);
- (b) The Fee will increase to USD\$250,000 upon the Company reaching gross revenues of greater than USD\$3,000,000 within the first 30 months of the Effective Date;
- (c) The Fee will increase to USD\$300,000 upon the Company reaches gross revenues of between USD\$3,000,001 to USD\$5,000,000 within the first 30 months of the Effective Date.

Mr. Elfenbein will further be entitled to a cash bonus in the amount of 2.5% of the Fee upon assistance of equity and on terms and conditions to be agreed to between himself and the Company. Subject to regulatory approval, the Company will also grant bonus shares in the Company (the “**Bonus Shares**”) to Mr. Elfenbein starting on the first anniversary of the Effective Date, and thereafter annually, in accordance with the following:

- (a) 250,000 Bonus Shares issued if new gross revenues of the Company are greater than USD\$1,000,000 within the first 16 months of the Effective Date;
- (b) 500,000 Bonus Shares if new gross revenues of the Company are between USD\$1,000,001 and USD\$2,500,000 between 17 and 30 months of the Effective Date; and
- (c) 1,000,000 Bonus Shares if new gross revenues of the Company are between USD\$2,500,001 and USD\$5,000,000 between 17 and 30 months of the Effective Date.

The Bonus Shares will be fully vested upon issuance to Mr. Elfenbein.

In addition, Mr. Elfenbein will be entitled to participate in any plans related to compensation securities, including those listed above under the sub-heading “*Stock Options*”. Mr. Elfenbein is also contractually entitled to 1,000,000 Common Shares to be transferred from Ms. Prasad on completion of one year of service to the Company as CEO, being December 1, 2022.

Pension Plan Benefits

The Company does not anticipate that it will have a pension, retirement or similar plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No existing or former director, officer or employee of the Company is or has within 30 days of the date of this Prospectus been indebted to the Company or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or similar agreement provided by the Company, except for routine indebtedness.

AUDIT COMMITTEES

Audit Committee’s Mandate

The Audit Committee’s mandate and responsibilities are detailed in its Charter, and include: (i) reviewing and recommending for approval to the Board the financial statements, accounting policies that affect the statements, annual MD&A and associated press releases; (ii) being satisfied that adequate procedures are in place for the review of the Company’s public disclosure of financial information extracted or derived from the Company’s consolidated financial statements and periodically assessing those procedures; (iii) establishing and maintaining complaint procedures regarding accounting, internal accounting controls, or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters; (iv) overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor’s report or performing such other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting; (v) pre-approving all non-audit services to be provided to the Company or its subsidiary entities by the external auditor; (vi) reviewing and monitoring the

processes in place to identify and manage the principal risks that could impact the financial reporting of the Company; and (vii) reviewing and approving the Company’s hiring policies regarding partners, employees, and former partners and employees of the present and former external auditor of the Company. A copy of the Audit Committee’s Charter is attached as Schedule F to this Prospectus.

Composition of Audit Committee

The Audit Committee is comprised of Latika Prasad (Chair), William O’Hara and Mark Elfenbein. Ms Prasad, Mr. O’Hara and Mr. Elfenbein of the Audit Committee are considered to be financially literate as defined in NI 52-110. Each of the Audit Committee members has an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting. Mr. O’Hara is independent for the purposes of NI 52-110. Ms. Prasad is not considered independent under the definition of independence contained in NI 52-110 as she incorporated the Company prior to its reverse takeover by RixGG and was at the time the sole director and officer of the Company. Mr. Elfenbein is not independent as he serves as Chief Executive Officer of the Company. For a summary of the experience and education of the Audit Committee members, see “*Directors and Officers – Biographies*”.

Audit Committee Oversight

The Audit Committee was formed by a resolution of the Board to be effective December 1, 2021. At no time since the Company’s most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

The Company is relying on the exemptions provided for “venture issuers” in section 6.1 of NI 52-110 with respect to Part 3 – *Compensation of the Audit Committee* and Part 5 – *Reporting Obligations*.

Pre-Approval Policies and Procedures for Non-Audit Service

The Company has not adopted specific policies and procedures for the engagement of non-audit services. The Audit Committee will review the engagement of non-audit services as required.

External Auditor Service Fees

The following table discloses the fees billed to the Company by its external auditors during the last two completed financial years:

Financial Period	Audit Fees ⁽¹⁾	Audit-Related Fees ⁽²⁾	Tax Fees ⁽³⁾	All Other Fees ⁽⁴⁾
August 31, 2021	\$35,000.00	Nil	Nil	\$6,000.00

Notes:

- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Company’s consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the consolidated financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) “Audit-Related Fees” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions and requests for rulings or technical advice from tax authorities.
- (4) “All Other Fees” include all other non-audit services.

CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of the Company. The Board is committed to sound corporate governance practices which are both in the interest of its shareholders and contribute to effective and efficient decision making. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”) establishes corporate governance disclosure requirements which apply to all public companies in Canada. The Company’s general approach to corporate governance is summarized below.

Board of Directors

The Board facilitates its exercise of independent judgement in carrying out its responsibilities by carefully examining issues and consulting with outside counsel and other advisors in appropriate circumstances. The Board requires management to provide complete and accurate information with respect to the Company’s activities and to provide relevant information concerning the industry in which the Company operates in order to identify and manage risks. The Board is responsible for monitoring the Company’s senior officers, who in turn are responsible for the maintenance of internal controls and management information systems.

NI 52-110 sets out the standard for director independence. Under NI 52-110, a director is “independent” if they have no direct or indirect material relationship with the Company. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director’s independent judgment. NI 52-110 also sets out certain situations where a director will automatically be considered to have a material relationship to the Company.

The Board consists of Mark Elfenbein, Latika Prasad, William O’Hara and Jan Hoffmann. The independent directors are Latika Prasad and William O’Hara. The non-independent directors are Mark Elfenbein and Jan Hoffmann.

Other Directorships

The following directors or officers of the Company are currently directors of other reporting issuers (or equivalent in foreign jurisdiction):

Name	Name of Reporting Issuer(s)	Exchange
Samantha Shorter	Clear Gold Resources Inc.	NEX
	Pacific Empire Minerals Corp.	TSXV
Latika Prasad	Turmalina Metals Corp.	TSXV

Orientation and Continuing Education

The Company has not adopted a formalized process of orientation for new members of the Board. Orientation of new directors has been and will be conducted on an ad hoc basis through discussions and meetings with other directors, officers and employees where a thorough description of the Company’s business, assets, operations and strategic plans and objectives are discussed. Orientation activities have been and will be tailored to the particular needs and experiences of each director and the overall needs of the Board.

Meetings of the Board may also include presentations by the Company’s management to give the directors additional insight into the Company’s business.

Ethical Business Conduct

The Board has found that the fiduciary duties placed on individual directors by the Company’s governing corporate legislation and the common law, and the restrictions placed by applicable corporate legislation on an individual directors’ participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management and in the best interests of the Company. Further, the Company’s auditor has full and unrestricted access to the Audit Committee at all times to discuss the audit of the

Company's consolidated financial statements and any related findings as to the integrity of the financial reporting process.

Nomination of Directors

The Board does not have a nominations committee or a formal procedure with respect to the nomination of directors. In addition, the Company does not have any defined policy or procedure requirements of shareholders to submit recommendations or nominations for directors, and it has not established any specific or minimum criteria for nominating directors or specific process for evaluating any such nominees. The directors of the Company expect to identify future potential director candidates from recommendations made by its directors, management and shareholders, as appropriate.

Compensation

The Board is responsible for determining compensation for the officers, employees and non-executive directors of the Company. The Board annually reviews all forms of compensation paid to officers, employees and non-executive directors, both with regards to the expertise and experience of each individual and in relation to industry peers. See "*Executive Compensation*".

Other Committees of the Board of Directors

The Board has no committees other than the Audit Committee.

Assessments

The Board do not, at present, have a formal process in place for assessing the effectiveness of the Board as a whole, its committees or individual directors, but will consider implementing one in the future should circumstances warrant. Based on the Company's size and its stage of development, the Board considers a formal assessment process to be unnecessary at the present time.

PLAN OF DISTRIBUTION

This Prospectus qualifies the distribution of the Units issued to purchasers upon completion of the Offering.

Pursuant to the Agency Agreement, the Company has appointed the Agent to act as its agent to offer for sale to the public, on a "commercially reasonable efforts" basis, without underwriter liability, a Minimum Offering of 6,666,667 Units and a Maximum Offering of 7,777,778 Units at the Offering Price as provided in this Prospectus if, as and when issued by the Company and accepted by the Agent in accordance with the terms of the Agency Agreement, for gross proceeds of a minimum of \$3,000,000.15 and a maximum of \$3,500,000.10, subject to compliance with all necessary legal requirements and to the conditions of the Agency Agreement.

The Company has also appointed the Agent as a registered dealer to hold in trust all funds received from subscriptions until the minimum amount of funds stipulated above has been raised. If the minimum amount of funds is not raised within the distribution period, the trustee must return the funds to the subscribers without any deductions.

Under the Agency Agreement, the Company has agreed to indemnify and save harmless the Agent, their directors, officers and employees against all losses, claims, liabilities and expenses (including, without limitation, expenses of investigation and defending any claims or litigation as the same are incurred), related to or arising out of the Offering provided, however, that the Company will not be responsible for any such losses, claims, damages, liabilities or expenses to the extent they arise from actions or omissions caused, in whole or in part, by the negligence of, fraudulent actions of, willful misconduct by, or contravention of laws by the Agent.

The Offering Price was determined by negotiation between the Company and the Agent and bears no relationship to earnings, book value or other valuation criteria.

In addition, the Company has granted the Agent the Over-Allotment Option, exercisable in whole or in part in the sole discretion of the Agent at any time and from time to time for a period of 30 days commencing on the Closing Date, to purchase up to an aggregate number of Additional Units as is equal to 15% of the aggregate number of the Units issued

pursuant to the Offering at a price equal to the Offering Price to cover over-allocations, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total price to the public, Agent's Fees and net proceeds to the Company (before payment of the expenses of the Offering) will be \$4,025,000.12, \$322,000.01, and \$3,703,000.12, respectively, assuming no Units are purchased by President's List Subscribers. A purchaser who acquires Units forming part of the Agent's over-allocation position acquires those Units under this Prospectus, regardless of whether the Agent's over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

At the present time, the Company is not aware of any directors or officers who plan to participate in the Offering, however the Company's directors, officers, employees, and other investors who have an existing relationship with the Company may purchase Units pursuant to the Offering. If they should do so, these investors will constitute the President's List.

The Company will apply to the CSE for conditional approval to list the Common Shares, the Unit Shares, the Warrant Shares and the Agent's Option Shares. The Common Shares are anticipated to trade under the symbol "XONE", or such other symbol approved by the CSE. The listing will be subject to the Company fulfilling all of the listing conditions of the CSE.

The Agent may form a selling group with other registered investment dealers to market a portion of the Offering. Any fees payable to members of such selling group will be paid by the Agent out of the Agent's Fees.

Agent's Fees

This Prospectus qualifies the distribution of all securities granted to the Agent pursuant to the Agency Agreement. The Company has agreed to pay to the Agent: (i) the Agent's Commission equal to 6.0% of the gross proceeds of the Offering (including gross proceeds from the exercise of the Over-Allotment Option); and (ii) the Advisory Fee equal to 2.0% of the gross proceeds of the Offering (including gross proceeds from the exercise of the Over-Allotment Option), provided that no Agent's Commission payable for Units sold by the Agent to purchasers on the President's List. As an additional compensation, the Company will also issue to the Agent Compensation Options and Advisory Options. The Compensation Options entitle the Agent to purchase such number of Common Shares as is equal to 6.0% of the total number of Units, provided that no Compensation Options will be issued to the Agent in respect of purchasers on the President's List, and the Advisory Options entitle the Agent to purchase that number of Shares as is equal to 2.0% of the total number of Units sold under the Offering, at an exercise price of \$0.70 per Common Share for a period of 24 months from the Closing Date.

The Agent will receive the Corporate Finance Fee of \$30,000.00 plus applicable taxes payable in Units priced at the Offering, plus GST payable in cash on the Closing Date. The Company will also pay the reasonable costs and expenses of the Agent related to the Offering. Pursuant to the Agency Agreement, this Prospectus also qualifies the distribution of the Corporate Finance Fee in the amount of \$30,000.00 payable in Units priced at the Offering, being 66,667 Units.

Listing Application

The Company has applied to list the Shares distributed under this Prospectus on the Exchange. Listing will be subject to the Company fulfilling all of the listing requirements of the Exchange.

As of the date of this Prospectus, the Company does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, Aequitas NEO Exchange Inc., U.S. marketplace, or a marketplace outside Canada and the United States of America other than the Alternative Investment Market of the London Stock Exchange or the PLUS markets operated by PLUS Markets Group plc.

The Offering is being made in each of the provinces in Canada, except Quebec. The Units will be offered in each of such provinces through the Agent or their affiliates who are registered to offer the Units for sale in such provinces and such other registered dealers as may be designated by the Agent. Subject to applicable law, the Agent may offer the Units outside of Canada.

Certificates

Other than in respect of the Units sold to certain purchasers in the United States and to, or for the account or benefit of, certain U.S. Persons or certain persons in the United States, which will be represented by individual certificates, and other than pursuant to certain exceptions, it is expected that one or more global certificates for the Unit Shares and Warrant Shares comprising the Units distributed by this Prospectus will be issued in registered and definitive form to CDS and will be deposited with CDS on the Closing Date. Purchasers of the Units will receive only a customer confirmation from the registered dealer from or through whom the Units are purchased.

The individual certificate(s) evidencing the Unit Shares and Warrant Shares comprising the Units issued to, or for the account or benefit of, certain persons within the United States who are acquiring Units pursuant to the registration exemption provided by Rule 506(b) of Regulation D under the U.S. Securities Act will contain legends to the effect that the Unit Shares and Warrant Shares comprising the Units represented thereby have not been registered under the U.S. Securities Act and may only be resold or transferred pursuant to certain exemptions from the registration requirements of the U.S. Securities Act and applicable state securities laws of the United States.

Pricing of the Offering

The Offering Price was determined based upon arm's length negotiations between the Company and the Agent. Among the factors considered in determining the Offering Price were the following:

- the market price of the Common Shares;
- prevailing market conditions;
- historical performance and capital structure of the Company;
- estimates of the business potential and earnings prospects of the Company;
- availability of comparable investments;
- an overall assessment of management of the Company; and
- the consideration of these factors in relation to market valuation of companies in related businesses.

RISK FACTORS

An investment in the Units offered hereunder must be considered highly speculative due to the nature of the Company's business. Prospective investors should carefully consider the information presented in this Prospectus before purchasing the Units offered under this Prospectus, and in particular should give special consideration to the risk factors below and in the section entitled "*Caution Regarding Forward-Looking Statements*" above.

The risk and uncertainties below are not the only risks and uncertainties facing the Company. Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business, operations and future prospects of the Company and cause the price of the Common Shares to decline. If any of the following risks actually occur, the business of the Company may be harmed, and its financial condition and results of operations may suffer insignificantly. As a result of these factors, this Offering is only suitable to investors who are willing to rely solely on management of the Company and who can afford to lose their entire investment. Those investors who are not prepared to do so should not invest in the Units. In addition to the risks described elsewhere and the other information in this Prospectus, prospective investors should carefully consider each of, and the cumulative effect of, all of the following risk factors:

Risks Related to the Business of the Company

Limited Operating History

The Company has a very limited history of operations and is considered a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenues. The Company will also be competing with established competitors who may have more resources and a more recognizable brand presence in the market. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered in light of its early stage of operations. The directors believe

that they have the experience and connections to ensure that the business is able to compete with established rivals and take advantage of market opportunities they have identified.

Our esports businesses are substantially dependent on the continuing popularity of the esports industry as a whole

The esports industry is in the early stages of its respective development. Although the esports industry has experienced rapid growth, consumer preferences may shift and there is no assurance this growth will continue in the future. We have taken steps to diversify their businesses and mitigate these risks to an extent and continue to seek out new opportunities in the esports industry. However, due to the rapidly evolving nature of technology and online gaming, the esports industry may experience volatile and declining popularity as new options for online gaming and esports become available, or consumer preferences shift to other forms of entertainment, and as a consequence, our businesses and results of operations may be materially negatively affected.

Our business depends on the popularity of our RixGG teams

Our future financial results will be dependent on the RixGG teams becoming and remaining popular with our fan base and, in varying degrees, on the teams achieving in-game success, which can generate fan enthusiasm, resulting in sustained merchandise sales during the season, and attract sponsorships. Furthermore, success in the regular season at certain tournaments may qualify one or more of our esports teams for participation in post-season playoffs, which provides us with additional revenue from prize money by increasing the number of games played by our sports teams, and provide finishes through which the RixGG teams may be able to participate in various ‘invite only’ tournaments, which draw increased fan attendance and visibility for advertisers and sponsors. There can be no assurance that any of our esports teams will develop a significant fan base, maintain continued popularity or compete in postseason play in the future.

The Company may be unable to recruit esports players of sufficient standing and talent

The Company’s brand will be built around the success and profile of esports players. The success of the Company will depend on its ability to recruit esports players whom have either the potential to be successful, star players or are already successful, star players. The Company’s team, RixGG, is a new name in the esports world, with no established reputation or tournament history. The Company will be competing to sign esports players against established teams that have greater resources, higher profile and a history of tournament success. If RixGG cannot sign players of sufficient standing and/or talent, that is likely to have a material adverse effect on the Company’s business, revenue, financial condition, profitability, prospects and results of operations.

The Company may be unable to retain esports players

The Company faces the risk of its players moving to other teams at the end of their contracts. Whilst the Company intends to pay market competitive salaries and offer benefits similar to those offered by its competitors, there is always a risk that players will move teams for either higher pay and/or the opportunity to join a winning, high-profile team. If RixGG cannot retain top players, this is likely to have a material adverse effect on the Company’s business, revenue, financial condition, profitability, prospects and results of operations.

Defection of our esports players to other teams or managers could hinder our success.

We compete with other esports athlete management businesses to sign and retain world class esports players, some of which have greater resources or brand recognition and popularity than ours. Our players may choose to defect to other esports organizations for various reasons, including that they have been made a superior offer or they have chosen to pursue new or other opportunities. The loss or defection of any of our esports players could have negative consequences on our businesses and results of operations. While we take, or intend to take, all appropriate steps to retain our players and protect their interests, there can be no assurances that players will not defect to other esports organizations.

Players may not perform

Whilst the Company intends to sign the best esports players available to it (given its resources), there is no guarantee that such recruitment will translate into tournament success. If RixGG does not perform to a reasonably high level in

tournaments, it will not generate the publicity to grow its brand and to attract sponsors and the Company's revenue from prize money and sponsors will be lower than expected, making future or further recruitment more difficult.

Our business is highly dependent on the success and availability of video game platforms manufactured by third parties.

We expect to derive a substantial portion of our revenues from esports games played on game platforms manufactured by third parties, such as mobile phones and PCs. The success of our business will be driven in large part by our ability to accurately predict which platforms will be successful in the marketplace. We also rely on the availability of an adequate supply of these video game consoles and the continued support for these consoles by their manufacturers. We may be required to commit significant resources well in advance of the anticipated introduction of a new platform. If increased costs are not offset by higher revenues and other cost efficiencies, our business could be negatively impacted. If the platforms for which we invested resources do not attain significant market acceptance, we may not be able to recover our costs, which could be significant.

We will depend on servers to operate our games with online features. If we were to lose server functionality for any reason, our business may be negatively impacted.

Our business at our game centres will rely on the continuous operation of servers, some of which are owned and operated by third parties. Although we shall strive to maintain more than sufficient server capacity, and provide for active redundancy in the event of limited hardware failure, any broad-based catastrophic server malfunction, a significant service-disrupting attack or intrusion by hackers that circumvents security measures, a failure of disaster recovery service or the failure of a company on which we are relying for server capacity to provide that capacity for whatever reason would likely degrade or interrupt the functionality of our games with online features, and could prevent the operation of such games altogether, any of which could result in the loss of sales for, or in, such games. We also rely on networks operated by third parties, such as the Riot Games® Launcher, Epic Games® Launcher, and Steam®, for the functionality of the games we use which have online features. An extended interruption to any of these services could adversely affect our ability to operate our games with online features, negatively impacting our business. Further, insufficient server capacity could also negatively impact our game centre business. Conversely, if we overestimate the amount of server capacity required by our business, we may incur unnecessary additional operating costs.

The Company may not be able to attract sponsors

The global sponsorship market is very competitive, both within the esports sector and generally, with individuals, teams and tournaments all seeking sponsorship income. Without a track record of tournament success, RixGG may have to offer preferential terms to sponsors resulting in below market value deals in the short term. The failure to attract sponsors and/or to agree satisfactory commercial terms may have a material adverse effect on the Company's business, revenue, financial condition, profitability, prospects and results of operations.

The Company's chosen games may not prove to be popular

There are a large number of esports games and the Company will not have the resources to compete in all esports competitions. The Company has therefore selected to enter teams in competitions relating to two particular games. The Company feels that these games are particularly suited to the esports market, have low barriers to entry, will enjoy enduring popularity and that the competitions around these games have the potential for future development. If the Company's assessment of these games is incorrect, then the Company may not see a return from its investments in players and tournament fees and may find it difficult to develop its business.

The sale of merchandise on our online store is subject to regulation

The Company derives a portion of its revenue from the sale of merchandise through its online store. The Company is subject to general business regulations and laws, as well as those specifically governing e-commerce, in operating its store, and it is possible that existing or future laws and regulations may impede the Company's growth strategy as it pertains to offering merchandise sales. These regulations and laws may cover taxation, privacy, data protection, pricing, content, copyrights, distribution, mobile communications, consumer protection, the provision of online payment services web services, websites, and the characteristics and quality of products and services. Unfavourable

changes in regulations and laws could decrease demand for the Company's online offering and merchandise, increase its cost of doing business or otherwise have a material adverse effect on the Corporation's reputation, popularity, results of operations and financial condition.

Privacy concerns could result in regulatory changes and impose additional costs and liabilities on the Company, limit its use of information, and adversely affect its business

Personal privacy has become a significant issue in the United Kingdom, Europe, and many other jurisdictions in which the Company may operate in the future. Many federal, state, and foreign legislatures and government agencies have imposed or are considering imposing restrictions and requirements about the collection, use, and disclosure of personal information obtained from individuals. Changes to laws or regulations affecting privacy could impose additional costs and liability on the Company and could limit its use of such information to add value for customers. If the Company were required to change its business activities or revise or eliminate services, or to implement burdensome compliance measures, its business and results of operations could be harmed. In addition, the Company may be subject to fines, penalties, and potential litigation if it fails to comply with applicable privacy regulations, any of which could adversely affect the Company's business, liquidity and results of operation.

The risks related to international operations could negatively affect the Company's results

The Company's esports operations are primarily located in the United Kingdom, but esports players, tournament participants, prospective sponsors, and purchasers of the Company's merchandise, may be located anywhere in the world. As a result, a portion of the Company's revenue may consist of denominations in currencies other than the British pound or the Canadian dollar. As such, the Company's operations may be adversely affected by changes in foreign government policies and legislation or social instability and other factors which are not within the control of the Company, including, but not limited to, recessions in foreign economies, expropriation, nationalization and limitation or restriction on repatriation of funds, assets or earnings, longer receivables collection periods and greater difficulty in collecting accounts receivable, changes in consumer tastes and trends, renegotiation or nullification of existing contracts or licenses, changes in gaming policies, regulatory requirements or the personnel administering them, currency fluctuations and devaluations, exchange controls, economic sanctions and royalty and tax increases, risk of terrorist activities, revolution, border disputes, implementation of tariffs and other trade barriers and protectionist practices, taxation policies, including royalty and tax increases and retroactive tax claims, volatility of financial markets and fluctuations in foreign exchange rates, difficulties in the protection of intellectual property particularly in countries with fewer intellectual property protections, the effects that evolving regulations regarding data privacy may have on the Company's online operations, adverse changes in the creditworthiness of parties with whom the Company has significant receivables or forward currency exchange contracts, labour disputes and other risks arising out of foreign governmental sovereignty over the areas in which the Company's operations are conducted. The Company's operations may also be adversely affected by social, political and economic instability and by laws and policies of such foreign jurisdictions affecting foreign trade, taxation and investment. If the Company's operations are disrupted and/or the economic integrity of its contracts is threatened for unexpected reasons, its business may be harmed.

The Company is subject to foreign exchange and currency risks that could adversely affect its operations, and the Company's ability to mitigate its foreign exchange risk through hedging transactions may be limited

The Company anticipates deriving most of its revenue outside of Canada; however, the Company's operating currency is the Canadian dollar. Fluctuations in the exchange rate between the Canadian dollar, the British pound and other currencies may have a material adverse effect on the Company's business, financial condition and operating results. The Company's consolidated financial results are affected by foreign currency exchange rate fluctuations. Foreign currency exchange rate exposures arise from current transactions and anticipated transactions denominated in currencies other than Canadian dollars and from the translation of foreign currency-denominated balance sheet accounts into Canadian dollar-denominated balance sheet accounts.

The Impact of COVID-19

The Company is vulnerable to the general economic effects of epidemics/pandemics and other public health crises, such as COVID-19. COVID-19 is an infectious disease caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). Since December 31, 2019, the outbreak of COVID-19 has resulted in governments worldwide,

including Canada, the United States and the U.K., enacting emergency measures to combat the spread of the virus. Although vaccines have been developed, their rate of vaccine deployment has been slow in many regions of the world, including Canada, the United States and the U.K. New coronavirus variants are continuing to spread and there is no guarantee that the vaccines will continue to be effective against new coronavirus variants, and geographic regions may continue to experience government-imposed lock-downs and public health emergencies. Recently, travel into Canada from countries with high-levels of COVID-19 variants has been restricted, and implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally. Governments and central banks have reacted to the COVID-19 pandemic with significant monetary and fiscal interventions designed to stabilize economic conditions. Due to the COVID-19 variants, the duration and impact of the COVID-19 pandemic remain unknown at this time, as is the continued efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company. To date, a number of businesses have suspended or scaled back their operations and development as cases of COVID-19 have been confirmed, for precautionary purposes or as governments have declared a state of emergency or taken other actions. If the operation or development of the Company is suspended, scaled back or disrupted, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities. To the extent that the Company's management or other personnel are unavailable to work due to the COVID-19 pandemic, whether due to illness, government action or otherwise, it may have a material adverse impact on the Company's profitability, results of operations, financial condition and the trading price of the Company's securities. The breadth of the impact of the COVID-19 pandemic on investors, businesses, the global economy and financial and commodity markets may also have a material adverse impact on the Company's profitability, results of operations, financial conditions and the trading price of the Company's securities.

Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company 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 Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company as a Going Concern

The continued operation of the Company as a going concern is dependent upon the Company's ability to generate positive cash flows and/or obtain additional financing sufficient to fund continuing activities and acquisitions. While the Company continues to review its operations in order to identify strategies and tactics to increase revenue streams and financing opportunities, there is no assurance that the Company will be successful in such efforts; if the Company is not successful, it may be required to significantly reduce or limit operations, or no longer operate as a going concern. It is also possible that operating expenses could increase in order to grow the business. If the Company does not significantly increase its revenue to meet these increased operating expenses and/or obtain financing until its revenue meets these operating expenses, its business, financial condition and operating results could be materially adversely affected. The Company cannot be sure when or if it will ever achieve profitability and, if it does, it may not be able to sustain or increase that profitability.

Need for Additional Financing and Possible Dilution

The development of the business of the Company 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 Company'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 Company. In addition, there can be no assurance that future financing can be obtained without substantial dilution to existing shareholders.

Conflicts of Interest

The Company may be subject to various potential conflicts of interest because some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may become involved in other transactions which conflict with the interests of its directors and officers who may from time to time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

Negative Operating Cash Flow

The Company's business has incurred losses since its inception. Although the Company expects to become profitable, there is no guarantee that will happen, and the Company may never become profitable. The Company currently has a negative operating cash flow and may continue to have a negative operating cash flow for the foreseeable future. To date, the Company has not generated any revenues and a large portion of the Company's expenses are fixed, including expenses related to facilities, equipment, contractual commitments and personnel. As a result, the Company expects for its net losses from operations to improve. The Company's ability to generate additional revenues and potential to become profitable will depend largely on its ability to market its products and services, and obtain sponsorships or other revenue generating opportunities with respect to its RixGG teams. There can be no assurance that any such events will occur or that the Company will ever become profitable. Even if the Company does achieve profitability, the Company cannot predict the level of such profitability. If the Company sustains losses over an extended period of time, the Company may be unable to continue its business.

Internal Controls

One or more material weaknesses in the Company's internal controls over financial reporting could occur or be identified in the future. In addition, because of inherent limitations, the Company's internal controls over financial reporting may not prevent or detect misstatements, and any projections of any evaluation of effectiveness of internal controls to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the Company's policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure or difficulty in implementing required new or improved controls, its business and results of operations could be harmed, the Company may not be able to provide reasonable assurance as to its financial results or meet its reporting obligations and there could be a material adverse effect on the price of its securities.

Increased Costs and Additional Regulatory Burden of Being a Publicly Traded Company

The Company has not been subject to the continuous and timely disclosure requirements of Canadian securities laws or other rules, regulations and policies of the CSE or any other stock exchange. In anticipation of listing, the Company is working with its legal, accounting and financial advisors to identify those areas in which changes should be made to its financial management control systems to manage its obligations as a public company. These areas include corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. The Company has made, and will continue to make, changes in these and other areas, including its internal controls over financial reporting. However, the Company cannot assure purchasers of Common Shares that these and other measures that it might take will be sufficient to allow it to satisfy its obligations as a public company on a timely basis. In addition, compliance with reporting and other requirements applicable to public companies will create

additional costs for the Company and will require the time and attention of management. The Company cannot predict the amount of the additional costs that it might incur, the timing of such costs or the impact that management's attention to these matters will have on its business.

Ongoing Costs and Obligations Related to Investment in Infrastructure, Growth, Regulatory Compliance and Operations

The Company expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Company's results of operations, financial condition, and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Company. The Company's efforts to grow its business may be costlier than the Company expects, and the Company may not be able to increase its revenue enough to offset its higher operating expenses. The Company may incur significant losses in the future for a number of reasons, and unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Company is unable to achieve and sustain profitability, the market price of the Common Shares may significantly decrease.

Information Systems and Cybersecurity Risks

The Company 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 Company maintains certain controls, such as two factor authentication requirements for all communications. However, due to the variety, 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 Company's business, financial condition, and results of operations as well as on the Company's reputation.

Insurance and Uninsured Risks

The Company's business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labour disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability. Although the Company 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 Company 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. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

Litigation

The Company 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 Company becomes involved be determined against the Company such a decision could adversely affect the Company's ability to continue operating and the market price for Common Shares and could use significant resources. Even if the Company is involved in litigation and wins, litigation can redirect significant company resources.

Governmental Regulations and Risks

The Company and its suppliers are subject to a wide variety of laws, regulations and orders across all jurisdictions in which they do business, including those laws involving labour and employment, intellectual property, privacy, and other matters. Changes to any of the laws, rules, regulations or policies applicable to the Company's business, including tax laws, could adversely affect the operations or financial condition or performance of the Company. Failure by the Company or its suppliers to comply with applicable laws, regulations and orders could subject the Company to civil or regulatory actions, investigations or proceedings, including fines, assessments, injunctions, recalls or seizures, which in turn could adversely affect reputation, operations or financial condition or performance of the Company. In the course of complying with changes to laws, the Company could incur significant costs. Changing laws or interpretations of such laws or enhanced enforcement of existing laws could restrict the Company's operations or profitability and thereby threaten the Company's competitive position and ability to efficiently conduct business.

Competition

Our esports business faces intense and wide-ranging competition, which may have a material negative effect on our business and results of operations. The success of our esports business is dependent upon the performance and/or popularity of its teams. RixGG's teams compete, in varying respects and degrees, with other live sporting events and entertainment options for fans and consumers, including with sporting events delivered over television networks, radio, the Internet and online services, mobile applications and other alternative sources. During some or all of the esports season, our teams face competition, in varying respects and degrees, from professional and collegiate basketball, hockey, baseball, football, and soccer, among others.

As a result of the large number of options available, we face strong competition for the sports and gaming fan. We must compete with other esports teams, traditional sports teams and sporting events, in varying respects and degrees, including on the basis of the quality of the teams we field, their success in the leagues, tournaments and genres in which they compete.

Many of these companies can be expected to have longer operating histories and more financial resources and marketing experience than the Company. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Company. Some of these competitors and new entrants may have brands that are or become more widely recognized by consumers than the Company's brand, and they may also have substantially greater financial, marketing, technical or other resources. The Company's competitors may also merge or form strategic partnerships. These factors could adversely impact the Company's competitive position. To remain competitive, the Company will require a continued high level of investment in marketing, sales and customer support. The Company may not have sufficient resources to maintain marketing, sales and customer support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Company.

Reputation Risk

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views regarding the Company and its activities, whether true or not. Although the Company believes that it operates in a manner that is respectful to all stakeholders and that it takes care in protecting its image and reputation, the Company does not ultimately have direct control over how it is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall

ability to advance its projects, thereby having a material adverse impact on financial performance, financial condition, cash flows and growth prospects.

Brand Value

The Company's success largely depends on its ability to maintain and grow the value of the Company's brands. Maintaining, promoting and positioning the Company's brands and reputation will depend on, among other factors, the success of the Company's services and the Company's ability to provide a consistent, high-quality customer experience. Brand value is based on perceptions of subjective qualities, and any incident that erodes the loyalty of customers or suppliers, including adverse publicity or a governmental investigation or litigation, could significantly reduce the value of our brand and adversely affect our business, results of operations and financial condition.

Liability for Actions of Employees, Contractors and Consultants

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims against the Company.

The Company is exposed to the risk that its employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities to the Company that violates: (i) government regulations; (ii) manufacturing standards; (iii) fraud and abuse laws and regulations; or (iv) laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on its business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, the curtailment of the Company's operations or asset seizures, any of which could have a material adverse effect on the Company's business, financial condition and results of operations.

Reliance on Key Personnel

The success of the Company is highly dependent upon the ability, expertise, judgment, discretion and good faith of its limited number of senior management 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.

Reliance on Third Parties

The Company relies on third parties, including the developers of the games being hosted, for the continuation of tournament hosting. The failure of such third parties to deliver components, finished goods or services on a timely basis could have a material adverse effect on the business. As these are third parties over which the Company will have little or no control, the failure of such third parties to provide components, finished goods or services on a timely basis could have a material adverse effect on the business, financial condition and operating results.

Internet Search Algorithms

In order to attract new customers and retain existing customers, it is important that the Company's brands show up prominently in internet search results. Changes to internet search engines' algorithms or terms of service could cause our website to appear less prominently in search results.

Protection of Intellectual Property Rights

The Company's success may depend on its ability to obtain trademark protection for the names or symbols under which it markets its brand, including in the production and sale of merchandise related to esports teams, and to obtain copyright protection of its content creation and other creative assets. The Company may not be able to build and

maintain goodwill in its trademarks or obtain trademark protection. There can be no assurance that any trademark or copyright will provide competitive advantages for the Company or that its intellectual property will not be successfully challenged or circumvented by competitors.

The Company's ability to compete may also depend on the superiority, uniqueness and value of any intellectual property that it may develop. To the extent the Company is able to do so, to protect any proprietary rights of the Company, the Company intends to rely on a combination of patent, trademark, copyright and trade secret laws, confidentiality agreements with its employees and third parties, and protective contractual provisions. Despite these efforts, any of the following occurrences may reduce the value of any of the Company's intellectual property:

- the market for the Company's products and services may depend to a significant extent upon the goodwill associated with its trademarks and trade names, and its ability to register certain of its intellectual property;
- the Company's applications for trademarks and copyrights relating to its business may not be granted and, if granted, may be challenged or invalidated;
- issued patents, trademarks and registered copyrights may not provide the Company with competitive advantages;
- the Company's efforts to protect its intellectual property rights may not be effective in preventing misappropriation of any its products or intellectual property;
- the Company's efforts may not prevent the development and design by others of products or marketing strategies similar to or competitive with, or superior to those the Company develops; and
- the expiration of patent or other intellectual property protections for any assets owned by the Company could result in significant competition, potentially at any time and without notice, resulting in a significant reduction in sales.

The effect of the loss of these protections on the Company and its financial results will depend, among other things, upon the nature of the market and the position of the Company's products in the market from time to time, the growth of the market and regulatory approval requirements but the impact could be material and adverse.

Infringement of Intellectual Property Rights

While the Company believes that its intellectual property and merchandise do not infringe upon the proprietary rights of third parties, its commercial success depends, in part, upon the Company not infringing intellectual property rights of others. The Company has not undertaken a review to determine whether any of its marks or products may infringe any existing third party intellectual property rights, which would require the Company to alter its products or cease certain activities. The Company may become subject to claims by third parties if it infringes their intellectual property. Litigation may be necessary to determine the scope, enforceability and validity of third party proprietary rights or to establish the Company's proprietary rights.

Risks Related to the Common Shares

Market for Securities and Volatility of Share Price

The Common Shares do not currently trade on any exchange or stock market and the price of these Units was negotiated with the Agent. Securities of small-cap companies have experienced substantial volatility in the past, often based on factors unrelated to the companies' financial performance or prospects. These factors include macroeconomic developments in North America and globally and market perceptions of the attractiveness of particular industries. Factors unrelated to the Company's performance that may affect the price of the Common Shares include the following: other developments that affect the breadth of the public market for the Common Shares; the release or expiration of lock-up or other transfer restrictions on the Common Shares; the attractiveness of alternative investments; the extent of analytical coverage available to investors concerning the Company's business may be limited if investment banks with research capabilities do not follow the Company; lessening in trading volume and general market interest in the Common Shares may affect an investor's ability to trade significant numbers of Common Shares; the size of the Company's public float may limit the ability of some institutions to invest in Common Shares; and a substantial decline in the price of the Common Shares that persists for a significant period of time could cause the Common Shares, if listed on an exchange, to be delisted from such exchange, further reducing market liquidity. As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the Company's long-term value and may be volatile in the future, which may result in losses to investors.

Securities class action litigation often has been brought against companies following periods of volatility in the market price of their securities. We may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources. The fact that no market currently exists for the Common Shares may affect the pricing of the Common Shares in the secondary market, the transparency and availability of trading prices and the liquidity of the Common Shares.

The Company has applied to list the Common Shares on the CSE. In the event of such listing, external factors outside of our control, such as announcements of quarterly variations in operating results, revenues and costs, and sentiments toward stocks, may have a significant impact on the market price of the Common Shares. Global stock markets, including the CSE, have experienced extreme price and volume fluctuations from time to time. There can be no assurance that an active or liquid market will develop or be sustained for the Common Shares.

If the Company does not list the Shares on the CSE prior to the time of issuance on closing in the manner contemplated in this Prospectus under the section "*Eligibility for Investment*", adverse tax consequences may result with respect to any Shares acquired or held within registered plans.

No Established Market

There is currently no market through which the Company's securities may be sold and purchasers may not be able to resell the Units purchased under this Prospectus. An active public market for the Common Shares might not develop or be sustained after this Offering. Even if a market develops, there is no assurance that the price of the Units offered under this Prospectus, which has been determined by negotiations between the Company and representatives of the Agent, will reflect the prevailing market price of the Common Shares following this Offering. If an active public market for the Common Shares does not develop, the liquidity of a shareholder's investment may be limited, and the Common Share price may decline below the initial public offering price.

No Market for Warrants

There is currently no market through which the Warrants may be sold and the Company does not intend to list the Warrants. There can be no assurance that an active or liquid market for the Warrants will ever develop following the Offering, or if developed, that such market will be maintained. If an active public market does not develop or is not maintained, purchasers may not be able to resell the Warrants purchased under this Prospectus.

Lack of Active Market

There can be no assurance that an active market for the Common Shares will continue and any increased demand to buy or sell the Common Shares can create volatility in price and volume.

Dividends

The Company has not paid dividends in the past and do not anticipate paying dividends in the near future. The Company intends to retain earnings, if any, to finance the growth and development of the Company's business and, where appropriate, retire debt. The payment of future cash dividends, if any, will be reviewed periodically by the Board and will depend upon, among other things, conditions then existing including earnings, financial condition and capital requirements, restrictions in financing agreements, business opportunities and conditions and other factors.

Dilution

Future sales or issuances of equity securities could decrease the value of the Common Shares, dilute shareholders' voting power and reduce future potential earnings per Common Share. The Company intends to sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Common Shares) and may issue additional equity securities to finance our operations, development, exploration, acquisitions or other projects. The Company cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in our earnings per Common Share.

As a result of any of these factors, the market price of the Common Shares at any given point in time may not accurately reflect the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Use of Available Funds

The Company currently intends to use its available funds as described under "*Available Funds*". However, the Board and/or management will have discretion in the actual application of the available funds, and may elect to allocate available funds differently from that described under "*Available Funds*" if they believe it would be in our best interests to do so. Shareholders may not agree with the manner in which the Board and/or management chooses to allocate and spend the available funds. The failure by the Board and/or management to apply these funds effectively could have a material adverse effect on our business, financial condition, results of operations, cash flows or prospects.

Additional Financing

The Company will require equity and/or debt financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed or on terms which are acceptable. The Company's inability to raise financing to fund ongoing operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Common Shares. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions.

PROMOTERS

James Ashton Lewis, Adam Ross, and Sebastian Korbach may be considered "promoters" of the Company for the purposes of applicable securities laws as they have taken the initiative in founding, organizing and substantially reorganizing the business of the Company by founding RixGG, which the Company acquired as its wholly owned subsidiary. Latika Prasad may be considered as a "promoter" of the Company as she organized the Company, and was its sole director and officer prior to the completion of the reverse takeover by RixGG on April 16, 2021. See "*Description of the Business*". As of the date of this Prospectus, Mr. Lewis owns, directly or indirectly, 2,675,000 Shares (6.7% of the issued and outstanding Shares); Mr. Ross owns, directly or indirectly, 2,266,667 Shares (6.7% of the issued and outstanding Shares); Mr. Korbach does not own, directly or indirectly any Shares; and Ms. Prasad owns, directly or indirectly, 1,731,044 Shares (4.36% of the issued and outstanding Shares).

Other than as disclosed elsewhere in this Prospectus, no person who was a promoter of the Company within the last two years:

- received anything of value directly or indirectly from the Company or a subsidiary;
- sold or otherwise transferred any asset to the Company or a subsidiary within the last two years;
- has been a director, chief executive officer or chief financial officer of any company that during the past 10 years was the subject of a cease trade order or similar order or an order that denied the company access to any exemptions under securities legislation for a period of more than 30 consecutive days or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets;

- has been subject to any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority;
- has been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision; or
- has within the past 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver or receiver manager or trustee appointed to hold its assets.

As at the date of Prospectus, or within the last two years of the date of Prospectus, no person who was a promoter of the Company has been a director, chief executive officer, or chief financial officer of any person or company, that (a) was subject to an order that was issued while the promoter was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the promoter ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the promoter was acting in the capacity as director, chief executive officer or chief financial officer, state the fact and describe the basis on which the order was made and whether the order is still in effect.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

There are no legal proceedings material to the Company that the Company is or was a party to, or that any of its property is or was the subject of, since the beginning of the Company's most recently completed financial year. In addition, the Company is not currently aware of any such legal proceedings being contemplated.

Regulatory Actions

From the date of incorporation of the Company to the date of this Prospectus, there have been no: (i) penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority; (ii) other penalties or sanctions imposed by a court or regulatory body against the Company necessary for the Prospectus to contain full, true and plain disclosure of all material facts relating to the securities being distributed; and (iii) settlement agreements the Company entered into before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed above under the heading "*Executive Compensation*", no person that is: (i) a Director, Officer or Promoter of the Company; (ii) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class or series of the Company's outstanding voting securities; or (iii) an associate or affiliate of any of the persons or companies referred to in paragraphs (i) or (ii), has had any material interest, direct or indirect, in any transaction within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Company.

AUDITORS, TRANSFER AGENTS AND REGISTRARS

Auditor

The Company's independent auditor is Smythe LLP, located at 1700 – 475 Howe Street, Vancouver, BC V6C 2B3.

Transfer Agent and Registrar

Before filing the final prospectus, the Company intends to appoint Odyssey Trust Company as the Company's transfer agent and registrar, located at 323 – 409 Granville Street, Vancouver, British Columbia, V6C 1T2.

MATERIAL CONTRACTS

There are no contracts of the Company, other than contracts entered into in the ordinary course of business, that are material to the Company, other than:

- (a) the Agency Agreement to be entered into between the Company and the Agent referred to under “*Plan of Distribution*”;
- (b) the Warrant Indenture to be entered into on the Closing Date between the Company and the Transfer Agent for the Warrants to be issued under this Prospectus, referred to under “*Description of the Securities Distributed*”; and
- (c) the Escrow Agreement to be entered into among the Company, the Transfer Agent and certain shareholders of the Company, referred to under “*Escrowed Securities and Resale Restrictions*”.

INTERESTS OF EXPERTS

The following are persons or companies whose profession or business gives authority to a statement made in this Prospectus as having prepared or certified a part of that document or report described in the Prospectus:

- McMillan LLP is the Company’s counsel with respect to Canadian legal matters herein; and
- Smythe LLP, Chartered Professional Accountants, is the external auditor of the Company and reported on the Company’s audited consolidated financial statements for the period from September 16, 2020 to August 31, 2021 and for the year ended March 31, 2021, each attached as Schedule “A” and “B”, respectively. Smythe LLP has advised that it is independent with respect to the Company within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

To the knowledge of management, as of the date hereof, no expert, nor any associate or affiliate of such person has any beneficial interest, direct or indirect, in the securities or property of the Company or of an associate or affiliate of any of them, and no such person is or is expected to be elected, appointed or employed as a director, officer or employee of the Company or of an associate or affiliate thereof.

ELIGIBILITY FOR INVESTMENT

In the opinion of McMillan LLP, counsel to the Company, based on the current provisions of the Tax Act and all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, the Unit Shares, Warrants and Warrant Shares would be qualified investments at a particular time for a trust governed by a registered retirement savings plan (“RRSP”), registered retirement income fund (“RRIF”), deferred profit sharing plan, registered education savings plan (“RESP”), registered disability savings plan (“RDSP”) or tax-free savings account (“TFSA”) (collectively, the “**Deferred Income Plans**”), if and provided that, at the particular time:

- (i) in the case of the Unit Shares and Warrant Shares, the shares are listed on a “designated stock exchange” for the purposes of the Tax Act (which currently includes the CSE) or the Company qualifies as a “public corporation” (as defined in the Tax Act); and
- (ii) in the case of the Warrants, the Warrant Shares are qualified investments on the basis as described in (i) above, and further provided that the Company is not, and deals at arm’s length with each person who is, an annuitant, a beneficiary, an employer or a subscriber under or a holder of such Deferred Income Plan.

The Shares are currently not listed on a “designated stock exchange” and the Company is currently not a “public corporation”, as those terms are defined in the Tax Act. Accordingly, the Unit Shares, Warrants and Warrant Shares are currently not a qualified investment for Deferred Income Plans. The Company must rely on the Exchange to list the Shares on the Exchange and have them posted for trading prior to or concurrent with the issuance of the Shares on Closing and to otherwise proceed in such manner as may be required to result in the Shares being considered as listed on the Exchange for purposes of the Tax Act at the time of their issuance on Closing, and counsel expresses no opinion in this regard. Listing will be subject to the Company fulfilling all of the requirements of the Exchange, and there can be no guarantee that Exchange approval of a listing (if at all) will be granted or will be in a form that is, or is acceptable to the Canada Revenue Agency (the “CRA”) as, a full and unconditional listing sufficient for

“qualified investment” status under the Tax Act for purposes of a Deferred Income Plan. If the Shares are not effectively listed on a “designated stock exchange” (which currently includes the Exchange) for purposes of the Tax Act at the time of their issuance on Closing and the Company is not otherwise a “public corporation” at that time, the Shares will not be “qualified investments” for the Deferred Income Plans at that time. The adverse tax consequences where a Deferred Income Plan acquires or holds Shares that are not a “qualified investment” are not discussed in this summary. Holders who intend to acquire or hold Unit Shares, Warrants or Warrant Shares within a Deferred Income Plan should consult their own tax advisors in this regard.

Notwithstanding that Unit Shares, Warrants and Warrant Shares may become a qualified investment as referred to above, the holder of a TFSA or an RDSP, the annuitant under an RRSP or RRIF, or the subscriber of an RESP, as the case may be, will be subject to a penalty tax in respect of Unit Shares, Warrants or Warrant Shares held in such Deferred Income Plan if such securities are a “prohibited investment” for the relevant Deferred Income Plan. A security will generally be a “prohibited investment” for a TFSA, RRSP, RRIF, RDSP or RESP if the holder, annuitant or subscriber, as the case may be, does not deal at arm’s length with the Company for the purposes of the Tax Act or has a “significant interest” (as defined in the Tax Act) in the Company. Holders of a TFSA or an RDSP, annuitants under an RRSP or RRIF, and subscribers of an RESP should consult their own tax advisors as to whether the Unit Shares, Warrants or Warrant Shares will be a prohibited investment in their particular circumstances.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is, as at the date of this Prospectus, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to an investor who acquires Units pursuant to the Offering and who, for the purposes of the Tax Act and at all relevant times, (i) deals at arm’s length with the Company and the Agent, (ii) is not affiliated with the Company or the Agent or a subsequent purchaser of the Unit Shares, Warrants or Warrant Shares, and (iii) acquires and holds the Unit Shares and Warrants, and will hold the Warrant Shares issuable on the exercise of the Warrants, as capital property. A holder who meets all of the foregoing requirements is referred to as a “**Holder**” in this summary, and this summary only addresses such Holders.

This summary does not apply to (i) a Holder that is a “financial institution” for the purposes of the mark-to-market rules contained in the Tax Act; (ii) a Holder that is a “specified financial institution” as defined in the Tax Act; (iii), a Holder an interest in which would be a “tax shelter investment” as defined in the Tax Act; (iv) a Holder that has made a functional currency reporting election under the Tax Act; (v) a Holder that has entered into or will enter into a “derivative forward agreement” or “synthetic disposition arrangement”, as those terms are defined in the Tax Act, with respect to the Shares or Warrants; or (vi) a Holder that is otherwise of special status or in special circumstances. All such Holders should consult their own tax advisors.

Additional considerations, not discussed herein, may be applicable to a Holder that is a corporation resident in Canada and is, or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of the Units, controlled by a non-resident for purposes of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act. Such Holders should also consult their own tax advisors.

This summary is based on the current provisions of the Tax Act in force as of the date hereof and our understanding of the current published administrative and assessing practice of the CRA. Except as specifically referenced below, this summary takes into account all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Tax Proposals**”) and assumes that the Tax Proposals will be enacted in the form proposed, although no assurance can be given that the Tax Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practice of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations, which considerations may differ significantly from the Canadian federal income tax considerations discussed in this summary.

This summary is of a general nature only, is not exhaustive of all possible Canadian federal income tax considerations and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. All investors (including Holders as defined above) should consult their own tax advisors with respect to their particular circumstances.

Allocation of Cost

Each Unit comprises a Unit Share and a Warrant, and the total purchase price of a Unit to a Holder must be allocated on a reasonable basis between such Unit Share and such Warrant in order to determine the cost of each to the Holder for purposes of the Tax Act.

For its purposes, the Company intends to allocate \$0.43 of the Offering Price of each Unit as consideration for the issue of a Unit Share and \$0.02 of the Offering Price of each Unit for the issue of a Warrant. Although the Company believes its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of a Unit Share will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Exercise of Warrants

The exercise of a Warrant to acquire a Warrant Share will be deemed not to constitute a disposition of property for purposes of the Tax Act. As a result, no gain or loss will be realized by a Holder on the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be equal to the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging the cost of the Warrant Share with the adjusted cost base to the Holder of all Common Shares owned by the Holder as capital property immediately prior to such acquisition.

Holders Resident in Canada

The following section of this summary applies to Holders who, for the purposes of the Tax Act, are or are deemed to be resident in Canada at all relevant times ("**Resident Holders**"). Certain Resident Holders whose Shares might not constitute capital property may make, in certain circumstances, an irrevocable election permitted by subsection 39(4) of the Tax Act to deem the Shares, and every other "Canadian security" (as defined in the Tax Act) held by such persons, in the taxation year of the election and each subsequent taxation year, to be capital property. This election does not apply to Warrants. Resident Holders should consult their own tax advisors regarding this election.

Expiry of Warrants

In the event of the expiry of an unexercised Warrant, a Resident Holder generally will realize a capital loss equal to the Resident Holder's adjusted cost base of such Warrant. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading "*Capital Gains and Capital Losses*".

Dividends

Dividends received or deemed to be received on the Shares, if any, will be included in computing a Resident Holder's income. In the case of an individual (other than certain trusts), such dividends will be subject to the gross-up and dividend tax credit rules normally applicable in respect of "taxable dividends" received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced dividend tax credit in respect of "eligible dividends", if any, so designated by the Company to the Resident Holder in accordance with the provisions of the Tax Act. There may be restrictions on the Company's ability to designate any dividends as "eligible dividends", and the Company has made no commitments in this regard.

Dividends received or deemed to be received by a Resident Holder that is a corporation must be included in computing its income but may be deductible in computing its taxable income, subject to all restrictions and special rules under the Tax Act. A Resident Holder that is a "private corporation" (as defined in the Tax Act) and certain other corporations controlled by or for the benefit of an individual (other than a trust) or related group of individuals (other than trusts) generally will be liable to pay a special tax under Part IV of the Tax Act (refundable in certain circumstances) on dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain, and Resident Holders that are corporations should consult their own tax advisors in this regard.

Dispositions of Shares and Warrants

Upon a disposition (or a deemed disposition) of a Share (except to the Company) or a Warrant (other than on the exercise thereof), a Resident Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of such security, as applicable, net of any reasonable costs of disposition, are greater (or are less) than the adjusted cost base of such security, as applicable, to the Resident Holder. The tax treatment of capital gains and capital losses is discussed in greater detail below under the subheading “*Capital Gains and Capital Losses*”.

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing income for a taxation year one-half of the amount of any capital gain (a “**taxable capital gain**”) realized in the year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an “**allowable capital loss**”) realized in a taxation year from taxable capital gains realized in the year by such Resident Holder. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the 3 preceding taxation years or carried forward and deducted in any following taxation year against taxable capital gains realized in such year, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized on the disposition or deemed disposition of Shares by a Resident Holder that is a corporation may, in certain circumstances, be reduced by the amount of dividends received or deemed to have been received by it on such Shares. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns Shares directly or indirectly through a partnership or trust. Resident Holders to whom these rules may be relevant should consult their own tax advisors.

Additional Refundable Tax

A Resident Holder that is throughout the relevant taxation year a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay a special additional tax (refundable in certain circumstances) on its “aggregate investment income” for the year, which is defined in the Tax Act to include amounts in respect of taxable capital gains and certain dividends.

Minimum Tax

Capital gains realized and dividends received by a Resident Holder that is an individual or a trust, other than certain specified trusts, may give rise to minimum tax under the Tax Act. Affected Resident Holders should consult their own advisors with respect to the application of the minimum tax.

Holders Not Resident in Canada

The following section of this summary is generally applicable to Holders who, for the purposes of the Tax Act and at all relevant times (i) are not, and are not be deemed to be, resident in Canada, and (ii) do not use or hold, and are not deemed to use or hold, the Units, Shares or Warrants in carrying on a business in Canada (“**Non-Resident Holders**”). Special rules, which are not discussed in this summary, may apply to a Non-Resident Holder that is an insurer carrying on business in Canada and elsewhere or that is an “authorized foreign bank” (as defined in the Tax Act). Such Holders should consult their own tax advisors.

Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Holder by the Company on a Share are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty. Under the *Canada-United States Income Tax Convention* (1980) (the “**Treaty**”) as amended, for example, the rate of withholding tax on dividends paid or credited to a Non-Resident Holder who is resident in the U.S. for purposes of the Treaty, is the beneficial owner of the dividends, and can substantiate entitlement to the benefits under the Treaty (a “**U.S. Holder**”) is generally limited to 15% of the gross amount of the dividend (or 5% in the case of a U.S. Holder that is a corporation that beneficially owns at least 10% of the Company’s voting shares). Affected Non-Resident Holders should consult their own tax advisors in this regard.

Dispositions of Shares and Warrants

A Non-Resident Holder generally will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of a Share or a Warrant, nor will capital losses arising therefrom be recognized under the Tax Act, unless the Share or Warrant constitutes or is deemed to constitute “taxable Canadian property” to the Non-Resident Holder thereof for purposes of the Tax Act and the gain is not exempt from tax pursuant to the terms of an applicable tax treaty.

Provided the Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the CSE) at the time of disposition, the Shares and Warrants generally will not constitute taxable Canadian property of a Non-Resident Holder at that time unless, at any time during the 60 month period ending at the time of the disposition, the following two conditions are simultaneously met: (i) the Non-Resident Holder, persons with whom the Non-Resident Holder did not deal at arm’s length, partnerships in which the Non-Resident Holder or such non-arm’s length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Holder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of the Company; and (ii) more than 50% of the fair market value of such shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, “Canadian resource property” (as defined in the Tax Act), “timber resource property” (as defined in the Tax Act) or an option in respect of, an interest in or for civil law a right in or to such property, whether or not such property exists. Notwithstanding the foregoing, a Share or Warrant may also be deemed to be taxable Canadian property to a Non-Resident Holder under certain other provisions of the Tax Act.

A Non-Resident Holder’s capital gain (or capital loss) in respect of Shares or Warrants that constitute or are deemed to constitute taxable Canadian property (and are not “treaty-protected property” as defined in the Tax Act) will generally be computed in the manner described above under the subheading “Holders Resident in Canada – Dispositions of Shares and Warrants”.

Non-Resident Holders who may hold Shares or Warrants as taxable Canadian property should consult their own tax advisors in this regard.

OTHER MATERIAL FACTS

There are no material facts relating to the Company other than as disclosed herein that are necessary to be disclosed for this Prospectus to contain full, true, and plain disclosure of all material facts.

RIGHTS OF WITHDRAWAL AND RESCISSION

The Company and the Agent hereby confirm that purchasers who purchase Units under the Offering through the Company have the same rights and remedies for rescission and/or damages against the Company and the Agent, as the case may be, as purchasers who purchase Units under the Offering through the Agent.

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

FINANCIAL STATEMENTS

Attached hereto as Schedule A and forming a part of this Prospectus are the audited consolidated financial statements of the Company for the period from September 16, 2020 to August 31, 2021, and attached hereto as Schedule B are the audited consolidated financial statements of the Company for the year ended March 31, 2021. Subsequent to the acquisition of RixGG by the Company, the Company changed its year end to August 31, 2021.

SCHEDULE A
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
PERIOD FROM SEPTEMBER 16, 2020
(INCORPORATION OF RIXGG) TO AUGUST 31, 2021

[See attached]

X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF X1 ESPORTS AND ENTERTAINMENT LTD.

Opinion

We have audited the consolidated financial statements of X1 Esports and Entertainment Ltd. (the "Company"), which comprise:

- the consolidated statement of financial position as at August 31, 2021;
- the consolidated statement of loss and comprehensive loss for the period from September 16, 2020 to August 31, 2021;
- the consolidated statement of changes in shareholders' equity for the period from September 16, 2020 to August 31, 2021;
- the consolidated statement of cash flows for the period from September 16, 2020 to August 31, 2021; and
- the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at August 31, 2021, and its consolidated financial performance and its consolidated cash flows for the period from September 16, 2020 to August 31, 2021 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred net loss of \$2,014,622 for the period from September 16, 2020 to August 31, 2021. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

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Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 16, 2021

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X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT

August 31, 2021

ASSETS

Current

Cash	\$	1,910,019
Accounts receivable		18,886
Prepaid expenses		217,947

\$ 2,146,852

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities (Note 7)	\$	143,231
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143,231

Shareholders' equity

Share capital (Note 6)		3,681,055
Obligation to issue shares (Notes 6, 11)		329,100
Accumulated other comprehensive income		8,088
Deficit		(2,014,622)

2,003,621

\$ 2,146,852

Approved and authorized by the Board on December 16, 2021.

"Latika Prasad"

Director

"William O'Hara"

Director

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	Period from September 16, 2020 to August 31, 2021
REVENUE (Note 5)	\$ 27,140
EXPENSES	
Advertising and promotion	14,746
Consulting (Note 7)	119,167
Esports player, team and game expenses	787,895
Foreign exchange	2,739
Office and miscellaneous	250,137
Professional fees	126,997
Rent and property fees	56,577
Salaries and wages (Note 7)	307,133
Shareholder communications and filing fees	31,089
Technology marketing and web development	<u>144,677</u>
Loss from operations	(1,841,157)
Reverse takeover expense (Note 4)	<u>(200,605)</u>
Net loss for the period	(2,014,622)
OTHER COMPREHENSIVE INCOME	
Foreign exchange income on translating foreign operations	<u>8,088</u>
Comprehensive loss for the period	\$ (2,006,534)
Basic and diluted loss per common share	\$ (0.15)
Weighted average number of common shares outstanding	13,018,570

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)

	Period from September 16, 2020 to August 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES	
Net loss for the period	\$ (2,014,622)
Non-cash items:	
Reverse takeover expense	200,605
Changes in non-cash working capital items:	
Accounts receivable	(18,911)
Prepaid expenses	(178,849)
Accounts payable and accrued liabilities	<u>100,892</u>
	<u>(1,910,885)</u>
CASH FLOWS FROM INVESTING ACTIVITY	
Cash received from reverse takeover	<u>1,839,275</u>
	<u>1,839,275</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Private placement	1,216,146
Share issuance costs	(25,936)
Obligation to issue shares	329,100
Funds received from associated entities prior to reverse takeover	317,939
Funds provided to associated entities prior to reverse takeover	(13,055)
Loan funds	<u>150,000</u>
	<u>1,974,194</u>
Effect of foreign exchange on cash	<u>7,435</u>
Change in cash for the period	1,910,019
Cash, beginning of period	<u>-</u>
Cash, end of period	<u>\$ 1,910,019</u>
Supplementary cash flow information:	
Non-cash transactions:	
Related party loans settled with shares	\$ 150,000

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Expressed in Canadian Dollars)

	<u>Share Capital</u>		<u>Obligation to issue shares</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Deficit</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>				
Balance, September 16, 2020	1	\$ 1	\$ -	\$ -	\$ -	\$ 1
Cancellation of incorporation share	(1)	(1)	-	-	-	(1)
Shares issued for debt settlement	10,000,000	150,000	-	-	-	150,000
Shares issued for reverse take-over	1	1	-	-	-	1
Obligation to issue shares acquired in reverse take-over	-	-	2,340,844	-	-	2,340,844
Private placement	28,257,687	3,556,990	(2,340,844)	-	-	1,216,146
Share issuance costs	-	(25,936)	-	-	-	(25,936)
Obligation to issue shares	-	-	329,100	-	-	329,100
Comprehensive loss for the period	-	-	-	8,088	(2,014,622)	(2,006,534)
Balance, August 31, 2021	38,257,688	\$ 3,681,055	\$ 329,100	\$ 8,088	\$ (2,014,622)	\$ 2,003,621

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

1. NATURE OF OPERATIONS AND GOING CONCERN

X1 ESPORTS AND ENTERTAINMENT LTD. (with its subsidiaries, collectively, the “Company” or “X1”) is an esports-focused portfolio company. X1 was incorporated under the *Company Act* (British Columbia) on January 9, 2020. The Company name was changed from 1236705 B.C. LTD. on April 23, 2021. The Company completed a reverse takeover transaction on April 16, 2021, as further described below, and the continuing entity for accounting purposes was incorporated under the *Companies Act* (Malta) on September 16, 2020. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company’s principal place of business is 615 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

On April 23, 2021, the Company completed a share consolidation on the basis of 1 new common share for 2 old common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company reported a net loss for the period ended August 31, 2021 of \$2,014,622 and as of that date had an accumulated deficit of \$2,014,622. The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Reverse Takeover

On April 16, 2021, the Company issued 10,000,000 common shares to acquire all of the issued and outstanding common shares of Rix.GG Europe Ltd. (“Rix”). After completion of the transaction, the shareholders of Rix held approximately 99.99% of the Company. Accordingly, Rix is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by Rix shareholders (the “RTO”) (Note 4).

As Rix is deemed to be the acquirer for accounting purposes, these consolidated financial statements represent a continuation of the financial position and financial performance of Rix prior to the acquisition of X1. The results of operations of X1 and its pre-existing subsidiaries are included from April 16, 2021, the deemed date of acquisition of X1, onwards. The Company’s consolidated financial statements are presented from the date of September 16, 2020 being the incorporation date of Rix.

COVID-19

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”).

X1 ESPORTS AND ENTERTAINMENT LTD.
 (formerly 1236705 B.C. LTD.)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in Canadian Dollars)
FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

2. BASIS OF PREPARATION (cont'd...)

Basis of consolidation and presentation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Use of judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Business combinations

Judgment is used in determining who is the acquiror and whether an acquisition is a business combination or an asset acquisition. The assessment required management to assess the relative ownership interests pursuant to the transaction and the inputs, processes and outputs of the company being acquired at the time of acquisition. Pursuant to the assessment, the acquisition was deemed to be an RTO of X1 which was considered to be asset acquisition as X1 did not meet the definition of a business (Note 4).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

Subsidiary	Functional Currency	Jurisdiction
Forward Agency Ltd.	UK Pound Sterling	England and Wales
Mechanics Agency Ltd.	UK Pound Sterling	England and Wales
Rix.GG Europe Ltd.	Euro	Malta

All material intercompany transactions have been eliminated upon consolidation. A subsidiary is an entity over which the Company has control, where control indicates exposure or rights to variable returns and the ability to affect those returns through power over the investee.

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Currency Translation

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per International Accounting Standards ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates* and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Canadian dollar; the functional currencies of the subsidiaries are highlighted above under *Basis of consolidation*. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- all resulting exchange differences are recognized as a separate component of equity.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded in profit or loss.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows, and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash are recorded at amortized cost as they meet the required criteria.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. The Company does not have any financial assets designated as FVOCI.

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Capital stock

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on estimated fair value of the common shares at the time the units are priced, and any excess is allocated to warrants.

Shares issued as consideration for goods or services provided to those other than employees or others providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted.

Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive. Shares subject to escrow restrictions are excluded from the weighted average number of common shares unless their release is subject only to the passage of time.

Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Revenue Recognition

The Company reviews its revenue streams and major contracts with customers using the IFRS 15 – *Revenue from Contracts with Customers* five step model as follows:

- Identify the contract with a customer;
 - Identify the performance obligations in the contract;
 - Determine the transaction price, which is the total consideration provided by the customer;
 - Allocate the transaction price among the performance obligations in the contract based on their relative fair values; and
 - Recognize revenue when the relevant criteria are met for each performance obligation.
- (a) Prize Money
The Company generates revenue through participation in esports tournaments. These arrangements predominantly contain a single performance obligation and revenue is recognized at a single point in time when the performance obligation is achieved, which is typically the date of the Company's esports player placing in an esports tournament.

- (b) Player Transfers
The Company generates revenue through the sale of esports player contracts to other esports companies. The Company's performance obligations are defined in each agreement with its customers. The transaction prices allocated to performance obligations are set for in each agreement as a fixed fee for the performance obligation rendered. Performance obligations typically include the transfer of the esports player and the esports player's participation in a later esports event. Transaction prices are recognized as revenue in the period when the performance obligation has been satisfied and collection is reasonably assured.

4. ACQUISITION OF RIX.GG EUROPE LTD.

As described in Note 1, the Company acquired Rix during the period ended August 31, 2021. For accounting purposes, the transaction has been accounted for as an RTO with Rix deemed to be the accounting acquirer and X1, the legal acquirer deemed to be the accounting acquiree. At the date of acquisition X1 did not meet the definition of a business and the transaction has been accounted for as an acquisition of net assets, rather than a business combination. The transaction is accounted for in accordance with IFRS 2 – *Share-based payments* and IFRS 3 *Business Combinations* ("IFRS 3"). As the Company did not qualify as a business according to the definition in IFRS 3 as there were no substantive processes in place, the acquisition does not constitute a business combination; rather, it is treated as an issuance of shares by Rix for the net liabilities of the Company with X1 as the continuing entity.

As a result of this transaction, a reverse takeover transaction cost of \$200,605 has been recorded. This reflects the difference between the estimated fair value of Rix's shares deemed to have been issued to X1's shareholders, plus transaction costs incurred, less the net fair value of the assets of X1 acquired.

In accordance with reverse acquisition accounting:

- i) The assets and liabilities of Rix are included in the statement of financial position at their carrying values.
- ii) The net liabilities of the Company have been measured at their fair value of \$200,605.

Fair value of share based consideration allocated:		
Deemed issuance of 1 common share	\$	1
		1
Identifiable net liabilities acquired:		
Cash		1,839,275
Prepaid expenses		39,328
Balances outstanding with associated entities		304,884
Accounts payable and accrued liabilities		(43,248)
Obligation to issue shares		(2,340,844)
		<hr/>
Total RTO expense	\$	200,605

X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

5. REVENUE

Revenue	For the period from September 16, 2020 to August 31, 2021
Player transfer	\$ 20,223
Prize money	<u>6,917</u>
	<u>\$ 27,140</u>

6. SHARE CAPITAL AND RESERVE

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

Period ended August 31, 2021

During the period ended August 31, 2021, the Company repurchased its incorporation share for \$1 and cancelled the common share.

On March 5, 2021, the Company issued 10,000,000 common shares at \$0.015 to settle debt with related parties totalling \$150,000 (Note 7).

On April 16, 2021, the Company completed the acquisition of as described in Note 4 above, pursuant to which the Company acquired all of the issued and outstanding shares of X1 for the deemed issuance of 1 common share of the Company in the reverse takeover transaction. As the financial statements are considered a continuance of the operations of Rix due to the reverse takeover, all share numbers, share prices, and exercise prices in these consolidated financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

On April 20, 2021, the Company completed a private placement totalling 13,000,000 shares at \$0.05 per share, for gross proceeds of \$650,000.

On May 21, 2021, the Company completed a private placement totalling 12,166,000 shares at \$0.15 per share, for gross proceeds of \$1,824,900.

On June 9, 2021, the Company completed a private placement totalling 434,250 common shares at \$0.35 per share for a value of \$151,988.

On June 25, 2021, the Company completed a private placement totalling 2,273,237 common shares at \$0.35 per share for a value of \$795,632.

On July 5, 2021, the Company completed a private placement totalling 384,200 common shares at \$0.35 per share for a value of \$134,470.

During the period ended August 31, 2021, the Company received \$329,100 in subscriptions for a private placement, which had not closed as at August 31, 2021. This amount is recorded as an obligation to issue shares (Note 12).

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**7. RELATED PARTY TRANSACTIONS**

Key management personnel comprises the officers and directors of the Company. Payments to key management personnel are as follows:

	For the period from September 16, 2020 to August 31, 2021
Consulting fees	\$ 42,983
Salary	\$ 6,211

As at August 31, 2021, \$7,487 was included in accounts payable and accrued liabilities owing to a key management personnel and a company controlled by a significant shareholder. Amounts recorded in accounts payable are non-interest bearing and subject to normal trade terms.

In April 2021, Rix settled balances due to related parties totalling \$150,000 into common shares of Rix through the issuance of 10,000,000 common shares (Note 6).

8. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% to income before income taxes. The reasons for the differences are as follows:

	For the period from September 16, 2020 to August 31, 2021
Income before income tax	\$ (2,014,622)
Statutory income tax rate	27.00%
Expected income tax recovery	\$ (544,000)
Foreign income tax rate difference, change in foreign exchange rates and other	(68,000)
Share issuance costs	(6,000)
Permanent differences	110,000
Changes in benefits not recognized	508,000
Income tax expense (recovery)	\$ -

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	For the period from September 16, 2020 to August 31, 2021
Non-capital losses	\$ 503,000
Share issue costs and other	5,000
Unrecognized deductible temporary differences	\$ 508,000

As at August 31, 2021, the Company has Canadian non-capital losses of \$67,000 that may be applied to reduce future taxable income. If these losses are not used to offset future income, they will expire through the year ended August 31, 2041. Additionally, the Company has tax losses in the United Kingdom of \$427,000 which may be carried forward indefinitely subject to certain limitations. Tax losses in Malta total \$1,220,000 and may be carried forward indefinitely.

X1 ESPORTS AND ENTERTAINMENT LTD.
 (formerly 1236705 B.C. LTD.)
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Expressed in Canadian Dollars)
FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash and accounts payable and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank and an international financial institution, the credit risk is considered by management to be negligible. The Company considers credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at August 31, 2021, the Company had working capital of \$2,003,621. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at August 31, 2021.

Foreign currency risk

The Company's has engaged a number of vendors in Europe as that is where the main business activities of the Company are held. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar with the Euro and UK Pound Sterling may have an adverse effect on the Company's business and costs to proceed with preferred vendors.

As at August 31, 2021, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent
Euro	€	50,911	\$ 75,888
UK Pound Sterling	£	33,575	\$ 57,956

Based on the above net exposures, a 5% change in the Canadian dollar to Euro and the Canadian dollar to UK Pound Sterling would impact the Company's net loss by approximately \$3,800 and \$2,900, respectively. As at August 31, 2021, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at August 31, 2021.

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021

10. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity of \$2,003,621 as at August 31, 2021. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company did not change its capital management policy during the period ended August 31, 2021. The Company is not subject to externally imposed capital requirements.

11. SEGMENTED INFORMATION

The business of the Company is the acquisition and development of esports teams and digital content creation which is considered one business segment.

12. SUBSEQUENT EVENT

Subsequent to the period ended August 31, 2021, the Company issued 1,449,428 common shares at a price of \$0.35 per common share for gross proceeds of \$507,300. Of this amount, \$329,100 was received prior to August 31, 2021 and is recorded as an obligation to issue shares in shareholders' equity.

SCHEDULE B
CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEAR ENDED MARCH 31, 2021

[See attached]

X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MARCH 31, 2021
AND
PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF X1 ESPORTS AND ENTERTAINMENT LTD.

Opinion

We have audited the consolidated financial statements of X1 Esports and Entertainment Ltd. (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at March 31, 2021 and 2020;
- ♦ the consolidated statements of loss and comprehensive loss for the year ended March 31, 2021 and the period from incorporation on January 9, 2020 to March 31, 2020;
- ♦ the consolidated statements of changes in shareholders' equity for the year ended March 31, 2021 and the period from incorporation on January 9, 2020 to March 31, 2020;
- ♦ the consolidated statements of cash flows for the year ended March 31, 2021 and the period from incorporation on January 9, 2020 to March 31, 2020; and
- ♦ the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for the year ended March 31, 2021 and the period from incorporation on January 9, 2020 to March 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has incurred net loss of \$140,442 for the year ended March 31, 2021. As stated in Note 1, this event or condition, along with other matters as set forth in Note 1, indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ♦ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ♦ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ♦ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ◆ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ◆ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ◆ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Michelle Chi Wai So.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
December 16, 2021

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X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
AS AT MARCH 31,

	2021	2020
ASSETS		
Current		
Cash	\$ 1,909,010	\$ -
Accounts receivable	-	1
Prepaid expenses	28,393	-
Loan receivable (Note 4)	282,525	-
	<u>\$ 2,219,928</u>	<u>\$ 1</u>
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 49,475	\$ -
	49,475	-
Shareholder's equity		
Share capital (Note 5)	1	1
Obligation to issue shares	2,310,894	-
Accumulated other comprehensive loss	(1,177)	-
Deficit	(139,265)	-
	<u>2,170,453</u>	<u>1</u>
	<u>\$ 2,219,928</u>	<u>\$ 1</u>

Approved and authorized by the Board on December 16, 2021.

"Latika Prasad" Director _____
"William O'Hara" Director

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

	For the year ended March 31, 2021	For the period from incorporation on January 9, 2020 to March 31, 2020
EXPENSES		
Consulting (Note 6)	\$ 11,000	\$ -
Foreign exchange	1,348	-
Office and miscellaneous	949	-
Professional fees	80,047	-
Technology marketing and web development	<u>45,921</u>	<u>-</u>
Net loss for the period	(139,265)	-
OTHER COMPREHENSIVE LOSS		
Foreign exchange loss on translating foreign operations	<u>(1,177)</u>	<u>-</u>
Comprehensive loss for the period	<u>\$ (140,442)</u>	<u>\$ -</u>
Basic and diluted loss per common share	<u>\$ (140,442)</u>	<u>\$ -</u>
Weighted average number of common shares outstanding	<u>1</u>	<u>1</u>

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

	For the year ended March 31, 2021	For the period from incorporation on January 9, 2020 to March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (139,265)	\$ -
Changes in non-cash working capital items:		
Prepaid expenses	(28,348)	-
Accounts payable and accrued liabilities	<u>49,475</u>	<u>-</u>
	<u>(118,138)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Obligation to issue shares	2,310,894	-
Loan funds	<u>(282,525)</u>	<u>-</u>
	<u>2,028,369</u>	<u>-</u>
Effect of foreign exchange on cash	<u>(1,221)</u>	<u>-</u>
Change in cash for the period	1,909,010	-
Cash, beginning of period	<u>-</u>	<u>-</u>
Cash, end of period	<u>\$ 1,909,010</u>	<u>\$ -</u>

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

(Expressed in Canadian Dollars)

	<u>Share Capital</u>			Accumulated Other Comprehensive Loss	Deficit	Total
	Number	Amount	Obligation to issue shares			
Balance, January 9, 2020 (incorporation)	1	\$ 1	\$ -	\$ -	\$ -	\$ 1
Balance, March 31, 2020	1	1	-	-	-	1
Obligation to issue shares	-	-	2,310,894	-	-	2,310,984
Comprehensive loss for the year	-	-	-	(1,177)	(139,265)	(140,442)
Balance, March 31, 2021	1	\$ 1	\$ 2,310,894	\$ (1,177)	\$ (139,265)	\$ 2,170,453

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MARCH 31, 2021

AND PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

1. NATURE OF OPERATIONS AND GOING CONCERN

X1 ESPORTS AND ENTERTAINMENT LTD. (with its subsidiaries, collectively, the “Company” or “X1”) is an esports and entertainment company focused on media and content within a global scale. X1 was incorporated under the *Company Act* (British Columbia) on January 9, 2020. On April 23, 2021, the Company name was changed from 1236705 B.C. Ltd. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company’s principal place of business is 615 – 800 Pender Street W, Vancouver, British Columbia, Canada V6C 2V6.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these consolidated financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

The Company reported a net loss and accumulated deficit of \$139,265 as at March 31, 2021. The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern.

COVID-19

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board (“IASB”).

Basis of consolidation and presentation

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These consolidated financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The consolidated financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MARCH 31, 2021

AND PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates

The preparation of these consolidated financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The key areas of judgment applied in the preparation of the consolidated financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Deferred income tax

The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

- Loan receivable

Management applies judgment in the assessment of the collectability of the loan receivable from Rix.GG Europe Ltd. During the year ended March 31, 2021, no indications of impairment of collectability were identified.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

Subsidiary	Functional Currency	Jurisdiction
Forward Agency Ltd.	UK Pound Sterling	England and Wales
Mechanics Agency Ltd.	UK Pound Sterling	England and Wales

All material intercompany transactions have been eliminated upon consolidation. A subsidiary is an entity over which the Company has control, where control indicates exposure or rights to variable returns and the ability to affect those returns through power over the investee.

X1 ESPORTS AND ENTERTAINMENT LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MARCH 31, 2021

AND PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Currency Translation

IFRS requires that the functional currency of each entity in the consolidated group be determined separately in accordance with the indicators as per International Accounting Standards ("IAS") 21 *The Effects of Changes in Foreign Exchange Rates* and should be measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is the Canadian dollar; the functional currencies of the subsidiaries are highlighted above under *Basis of consolidation*. The consolidated financial statements are presented in Canadian dollars, which is the Company's presentation currency.

Under IFRS, the results and financial position of all the Company's entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of the consolidated statement of financial position;
- income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the date of the transaction); and
- all resulting exchange differences are recognized as a separate component of equity.

Financial instruments

Financial assets

The Company classifies its financial assets in the following categories: fair value through profit or loss, amortized cost or fair value through other comprehensive income. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are initially recognized at fair value with changes in fair value recorded in profit or loss.

Amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met and the financial assets are not classified or designated as fair value through profit and loss: 1) the Company's objective for these financial assets is to collect their contractual cash flows, and 2) the asset's contractual cash flows represent 'solely payments of principal and interest'. The Company's cash and loan receivable are recorded at amortized cost as they meet the required criteria.

Fair value through other comprehensive income ("OCI")

For financial assets that are not held for trading, the Company can make an irrevocable election at initial recognition to classify the instruments at fair value through other comprehensive income ("FVOCI"), with all subsequent changes in fair value being recognized in other comprehensive income. This election is available for each separate investment. Under this category, fair value changes are recognized in OCI while dividends are recognized in profit or loss. The Company does not have any financial assets designated as FVOCI.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MARCH 31, 2021

AND PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd...)

Financial instruments (cont'd...)

Financial liabilities

Financial liabilities are non-derivatives and are recognized initially at fair value, net of transaction costs, and are subsequently stated at amortized cost. Any difference between the amounts originally received, net of transaction costs, and the redemption value is recognized in profit or loss over the period to maturity using the effective interest method.

Financial liabilities are classified as current or non-current based on their maturity date. Financial liabilities include accounts payable and accrued liabilities.

Fair value hierarchy

Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

Capital stock

Proceeds received on the issuance of units, consisting of common shares and warrants, are allocated first to common shares based on estimated fair value of the common shares at the time the units are priced, and any excess is allocated to warrants.

Shares issued as consideration for goods or services provided to those other than employees or others providing similar services are measured at the fair value of the goods or services received, except where the fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments granted.

Loss per share

Basic loss per share is calculated by dividing the loss available to common shareholders by the weighted average number of shares outstanding in the period. For all periods presented, the loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of shares outstanding for the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the period. In the Company's case, diluted loss per share is the same as basic loss per share, as the effects of including all outstanding options and warrants would be anti-dilutive.

Income taxes

The Company uses the balance sheet method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred income tax assets also result from unused loss carry-forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MARCH 31, 2021

AND PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

4. LOAN RECEIVABLE

As at March 31, 2021, the Company has a balance of \$282,525 (2020 - \$nil) owing from Rix.GG Europe Ltd. ("Rix"). The amount is non-interest bearing, unsecured and due on demand. Subsequent to the year ended March 31, 2021, the Company entered into a share purchase agreement with Rix (Note 10).

5. SHARE CAPITAL AND RESERVE

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

Year ended March 31, 2021

The Company did not complete any private placements in the year ended March 31, 2021.

During the year ended March 31, 2021, the Company received proceeds of \$2,310,894 for share subscriptions to be applied against private placements completed subsequent to March 31, 2021 (Note 10).

Period from incorporation on January 9, 2020 to March 31, 2020

On January 9, 2020, the Company issued 1 common share at a value of \$0.01 upon incorporation.

6. RELATED PARTY TRANSACTIONS

Key management personnel comprises of the officers and director of the Company.

	For the year ended March 31, 2021	For the period from incorporation on January 9, 2020 to March 31, 2020
Payments to key management personnel		
Consulting fees	\$ 11,000	\$ -

As at March 31, 2021, \$11,000 was included in accounts payable and accrued liabilities owing to key management personnel. Amounts recorded in accounts payable and accrued liabilities are non-interest bearing and subject to normal trade terms.

7. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the Canadian statutory income tax rate of 27.00% (2020 - 27.00%) to income before income taxes. The reasons for the differences are as follows:

	2021	2020
Income before income tax	\$ (139,265)	\$ -
Statutory income tax rate	27.00%	27.00%
Expected income tax recovery	\$ (38,000)	\$ -
Changes in benefits not recognized	38,000	-
Income tax expense (recovery)	\$ -	\$ -

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MARCH 31, 2021

AND PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

7. INCOME TAXES (cont'd...)

The Company recognizes tax benefits on losses or other deductible amounts where the probable criteria for the recognition of deferred tax assets has been met. The Company's unrecognized deductible temporary differences and unused tax losses for which no deferred tax asset is recognized consist of the following amounts:

	2021	2020
Non-capital losses	\$ 37,000	\$ -
Unrecognized deductible temporary differences	\$ 37,000	\$ -

As at March 31, 2021, the Company has Canadian non-capital losses of \$139,000 that may be applied to reduce future taxable income. If these losses are not used to offset future income, they will expire through the year ended March 31, 2041.

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash, accounts receivable, loan receivable and accounts payable and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and receivables. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank and an international financial institution, the credit risk is considered by management to be negligible. The Company considers credit risk with respect to these amounts to be low.

The Company is also exposed to significant credit risk on its accounts receivable and loan receivable balance. The carrying amount of these financial assets represent the maximum credit exposure. As at March 31, 2021, the Company had a loan receivable from Rix (Note 4). Subsequent to March 31, the Company acquired all of the issued and outstanding shares of Rix (Note 10). The loan receivable will be settled between the two entities from proceeds generated in Rix.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at March 31, 2021, the Company had working capital of \$2,170,453. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at March 31, 2021.

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian Dollars)

FOR THE YEAR ENDED MARCH 31, 2021

AND PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial risk factors (cont'd...)

Foreign currency risk

The Company's has engaged a number of vendors in Europe as that is where the main business activities of the Company are held. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar with the Euro and UK Pound Sterling may have an adverse effect on the Company's business and costs to proceed with preferred vendors.

As at March 31, 2021, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	14,170	\$	20,914
UK Pound Sterling	£	19,128	\$	33,162

Based on the above net exposures, a 5% change in the Canadian dollar to Euro and the Canadian dollar to UK Pound Sterling would impact the Company's net loss by approximately \$1,050 and \$1,650, respectively. As at March 31, 2021, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as low as at March 31, 2021.

9. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholder's equity of \$2,170,453 as at March 31, 2021. In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company is not subject to externally imposed capital requirements.

10. SUBSEQUENT EVENTS

Subsequent to the year ended March 31, 2021, the Company:

- On April 16, 2021, issued 10,000,000 common shares to acquire all of the issued and outstanding common shares of Rix. After completion of the transaction, the shareholders of Rix held approximately 99.99% of the Company. Accordingly, Rix is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by Rix shareholders.
- On April 20, 2021, completed a private placement totalling 12,000,000 shares at \$0.05 per share, for gross proceeds of \$650,000. This amount was received prior to year-end and is recorded as an obligation to issue shares in the consolidated statement of financial position.
- On May 21, 2021, completed a private placement totalling 23,166,000 shares at \$0.15 per share, for gross proceeds of \$1,824,900. Of this amount, \$1,685,894 was received prior to year-end and is recorded as an obligation to issue shares in the consolidated statement of financial position.
- On October 27, 2021, completed a private placement totalling 4,541,115 shares at \$0.35 per share, for gross proceeds of \$1,589,390.

SCHEDULE C

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE
PERIOD FROM SEPTEMBER 16, 2020
(INCORPORATION OF RIXGG) TO AUGUST 31, 2021
AND THE SIX MONTHS ENDED FEBRUARY 28, 2022**

[See attached]



X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FOR THE
SIX MONTHS ENDED FEBRUARY 28, 2022
AND
PERIOD FROM SEPTEMBER 16, 2020 TO AUGUST 31, 2021**

**615 – 800 PENDER ST W
VANCOUVER, B.C.
V6C 2V6**

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

The following discussion and analysis, prepared as of April 21, 2022, has been prepared by management. The following discussion of performance, financial condition and future prospects should be in conjunction with the unaudited condensed consolidated interim financial statements for the six months ended February 28, 2022 and consolidated financial statements for the period from September 16, 2020 to August 31, 2021 of X1 ESPORTS AND ENTERTAINMENT LTD. (with its subsidiaries, collectively, the "Company" or "X1"). All financial information in this document have been prepared in accordance with International Accounting Standard ("IAS") 34. All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on the Company's website at www.x1esports.gg and SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking 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", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the availability of financing for the Company's objectives on reasonable terms;
- the ability to attract and retain skilled staff and consultants;
- foreign currency and exchange rates;
- market competition; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, conclusions of economic evaluations, and changes in project parameters as plans continue to be refined. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

DESCRIPTION OF BUSINESS

X1 is an esports-focused portfolio company. X1 was incorporated under the *Company Act* (British Columbia) on January 9, 2020. The Company name was changed from 1236705 B.C. LTD. on April 23, 2021. The Company completed a reverse takeover transaction on April 16, 2021, as further described below, and the continuing entity for accounting purposes was incorporated under the *Companies Act* (Malta) on September 16, 2020. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company's principal place of business is 615 – 800 Pender Street W, Vancouver, British Columbia, Canada V6C 2V6.

On April 23, 2021, the Company completed a share consolidation on the basis of 1 new common share for 2 old common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

Reverse Takeover

On April 16, 2021, the Company issued 10,000,000 common shares to acquire all of the issued and outstanding common shares of Rix.GG Europe Ltd. ("Rix"). After completion of the transaction, the shareholders of Rix held approximately 99.99% of the Company. Accordingly, Rix is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by Rix shareholders (the "RTO").

As Rix is deemed to be the acquirer for accounting purposes, the consolidated financial statements of the Company for the period ended August 31, 2021 include its assets and liabilities and operations. The results of operations of X1 and its pre-existing subsidiaries are included from April 16, 2021 onwards. The Company's consolidated financial statements are presented from the date of September 16, 2020 being the incorporation date of Rix.

COVID-19

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The Company have tailored operations within its gaming division to comply with government health measures. Although the Company's business is largely conducted online, several in-person esports tournaments Rix could participate in have been cancelled due to public health restrictions.

OVERALL PERFORMANCE AND HIGHLIGHTS

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company recognized a comprehensive loss of \$1,377,676 during the six months ended February 28, 2022 and \$323,726 during the period from September 16, 2020 to February 28, 2021. The Company recognized a comprehensive loss of \$2,006,534 during the period from incorporation on September 16, 2020 to August 31, 2021.

Equity

Six months ended February 28, 2022 (Unaudited)

On October 27, 2021, the Company completed a private placement of 1,449,428 common shares at a price of \$0.35 per common share for gross proceeds of \$507,300 of which \$329,100 had been received as an obligation to issue shares in the period ended August 31, 2021. The Company incurred share issuance costs of \$1,555.

Period from September 16, 2020 to August 31, 2021

During the period ended August 31, 2021, the Company repurchased its incorporation share for \$1 and cancelled the common share.

On March 5, 2021, the Company issued 10,000,000 common shares at \$0.015 to settle debt with related parties totalling \$150,000.

On April 16, 2021, the Company completed the acquisition of Rix as described in Note 3 of the unaudited condensed consolidated interim financial statements for the period ended February 28, 2022, pursuant to which the Company acquired all of the issued and outstanding shares of X1 for the deemed issuance of 1 common share of the Company in the reverse takeover transaction. As the financial statements are considered a continuance of the operations of Rix due to the reverse takeover, all share numbers, share prices, and exercise prices in the condensed consolidated interim financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

On April 20, 2021, the Company completed a private placement totalling 13,000,000 shares at \$0.05 per share, for gross proceeds of \$650,000.

On May 21, 2021, the Company completed a private placement totalling 12,166,000 shares at \$0.15 per share, for gross proceeds of \$1,824,900.

On June 9, 2021, the Company completed a private placement totalling 434,250 common shares at \$0.35 per share for a value of \$151,988.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

On June 25, 2021, the Company completed a private placement totalling 2,273,237 common shares at \$0.35 per share for a value of \$795,632.

On July 5, 2021, the Company completed a private placement totalling 384,200 common shares at \$0.35 per share for a value of \$134,470.

OUTLOOK

The Company has completed several capital raises to fund the operations and expansion of its business in the industry. Growth strategy and business direction is provided in the prospectus document which this MD&A accompanies.

SELECTED ANNUAL INFORMATION

		Period from September 16, 2020 (incorporation) to August 31, 2021
Total revenue	\$	27,140
Net loss for the period	\$	(2,014,622)
Comprehensive loss for the period	\$	(2,006,534)
Basic and diluted loss per share	\$	(0.15)
Total assets	\$	2,146,852
Total liabilities	\$	143,231

The loss for the period from September 16, 2020 (incorporation) to August 31, 2021 is mainly due to esports player, team and game expenses of \$787,895 by having three esports teams under Rix and hosting community tournaments, salaries and wages of \$307,133 incurred due to hiring staff for the growth of the esports gaming division, and technology marketing and web development of \$144,677 from marketing campaigns and graphic design costs. Revenue of \$27,140 was generated from tournament winnings and a player transfer fee.

SUMMARY OF QUARTERLY RESULTS

The Company has not prepared quarterly interim financial statements. As a result, the Company is unable to provide a summary or the quarterly results.

RESULTS OF OPERATIONS

For the six months ended February 28, 2022 with comparison to the period from September 16, 2020 (incorporation) to February 28, 2021 (unaudited).

For the six months ended February 28, 2022, the Company recognized a comprehensive loss of \$1,377,676 (September 16, 2020 - February 28, 2021 ("2021") - \$323,726). Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Merchandise sales of \$4,482 (2021 - \$nil) is reflective of apparel sales from the online store which opened in this period.
- Player transfer of \$47,764 (2021 - \$20,749) is related to esports player sales to other gaming teams with respect to the Rocket League and Valorant games.
- Prize money of \$144,020 (2021 - \$379) increased as Rix had twenty two tournament prize placements in the Rocket League, Valorant, Wild Rift and Fortnite games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.
- Royalty from in-game purchases of \$8,095 (2021 - \$nil) reflects proceeds from the Rocket League game.

Expenses

- Consulting fees of \$188,401 (2021 - \$5,783) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$823,162 (2021 - \$189,555) increased as the Company invested into three additional esports teams under Rix compared to the previous period. Esports player, team and game expenses are

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

broken up as follows: esports player and team fees of \$649,002 (2021 - \$162,775); influencers and streamers of \$113,750 (2021 - \$nil); support staff of \$48,378 (2021 - \$6,743); and tournament hosting of \$12,032 (2021 - \$20,037).

- Office and miscellaneous expenses of \$139,236 (2021 - \$45,072) increased due to administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$148,034 (2021 - \$nil) is related to legal and audit fees in preparation for becoming a reporting issuer.
- Salaries and wages of \$189,907 (2021 - \$54,557) include amounts paid to the employees of the subsidiaries, Rix and Forward Agency.
- Shareholder communications and filing fee of \$26,090 (2021 - \$7,452) increased as the Company paid Canadian jurisdictional costs to file the preliminary prospectus for the public offering.
- Technology marketing and web development of \$52,366 (2021 - \$38,780) reflects the increase in graphic design costs and digital marketing in this period.

For the three months ended February 28, 2022 (Unaudited)

For the three months ended February 28, 2022, the Company recognized a comprehensive loss of \$673,453 (2021 - \$187,576). Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Player transfer of \$30,302 (2021 - \$nil) is related to esports player sales to other gaming teams with respect to the Rocket League and Valorant games.
- Prize money of \$83,841 (2021 - \$nil) increased as Rix had seventeen tournament prize placements in the Valorant, Wild Rift and Fortnite games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.
- Royalty from in-game purchases of \$8,095 (2021 - \$nil) reflects proceeds from the Rocket League game.

Expenses

- Consulting fees of \$130,778 (2021 - \$nil) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$396,955 (2021 - \$103,421) increased as the Company invested into three additional esports teams under Rix compared to the previous period. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$328,633 (2021 - \$80,273); influencers and streamers of \$45,432 (2021 - \$nil); support staff of \$15,859 (2021 - \$6,401); and tournament hosting of \$7,031 (2021 - \$16,747).
- Office and miscellaneous expenses of \$72,136 (2021 - \$26,040) increased due to administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$53,686 (2021 - \$nil) is related to legal and audit fees in preparation for becoming a reporting issuer.
- Salaries and wages of \$99,977 (2021 - \$34,630) include amounts paid to the employees of the subsidiaries, Rix and Forward Agency.
- Shareholder communications and filing fee of \$20,919 (2021 - \$7,452) increased as the Company paid Canadian jurisdictional costs to file the preliminary prospectus for the public offering.

For the period from September 16, 2020 (incorporation) to August 31, 2021

For the period from September 16, 2020 to August 31, 2021, the Company recognized a comprehensive loss of \$2,006,534. Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Player transfer of \$20,223 is related to an esports player sale to another gaming team with respect to the Valorant game.
- Prize money of \$6,917 is associated with four tournament prize placements in the Rocket League and Valorant games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.

Expenses

- Consulting fees of \$119,167 is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$787,895 due to having three esports teams under Rix and hosting community tournaments. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$499,707; influencers and streamers of \$115,414; support staff of \$77,517; and tournament hosting of \$95,257.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

- Office and miscellaneous expenses of \$250,137 include amounts associated with administrative costs including subscriptions with respect to online service platforms, payroll management and operating systems start up costs.
- Professional fees of \$126,997 is related to legal, audit, and talent management fees. In the period, the Company engaged a service provider to locate a Chief Executive Officer (engaged subsequent to period end). Additionally, the Company incurred audit fees in preparation for becoming a reporting issuer.
- Salaries and wages of \$307,133 include amounts paid to the employees of the subsidiaries, Rix and Forward Agency.
- Technology marketing and web development of \$144,677 consists of expenses from marketing campaigns and graphic design costs.
- Reverse takeover expense of \$200,605 reflects the transaction costs of the Rix acquisition.

For the three months ended August 31, 2021

For the three months ended August 31, 2021, the Company recognized a comprehensive loss of \$768,629. Significant revenue and expenses in the comprehensive loss are as follows:

Revenue

- Prize money of \$4,844 is associated with two tournament prize placements in the Rocket League and Valorant games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.

Expenses

- Consulting fees of \$62,027 is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$307,556 due to having three esports teams under Rix and hosting community tournaments. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$191,166; influencers and streamers of \$58,912; support staff of \$31,114; and tournament hosting of \$26,364.
- Office and miscellaneous expenses of \$104,778 include amounts associated with administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$38,120 is related to legal and audit fees in preparation for becoming a reporting issuer.
- Rent and property fee of \$42,911 refers to the final payments for a studio the Company had rented during the period.
- Salaries and wages of \$125,963 include amounts paid to the employees of the subsidiaries, Rix and Forward Agency.
- Technology marketing and web development of \$76,354 consists of expenses from marketing campaigns, graphic design costs and digital marketing.

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company currently requires additional financing to continue and, if additional financing is required, there can be no assurances that such financing will be available or if available, will be on reasonable terms. The Company's growth and success is dependent on additional external sources of financing.

For the six months ended February 28, 2022 with comparison to the period from September 16, 2020 to February 28, 2021 (Unaudited)

As at February 28, 2022, the Company had cash of \$670,498 and working capital of \$743,474, compared with cash of \$1,910,019 and working capital of \$2,003,621 as of August 31, 2021.

Cash Used in Operating Activities

Cash used in operating activities during the six months ended February 28, 2022 was \$1,405,664 (2021 - \$314,660) resulting from a net loss of \$1,379,966 (2021 - \$323,726) and net of non-cash and working capital adjustments.

Cash Generated by Financing Activities

For the six months ended February 28, 2022, cash generated from financing activities was \$166,541. The Company received \$178,200 in proceeds from issuance of shares and paid \$1,555 in share issue costs, offset by \$10,104 in deferred financing costs in respect to the public offering.

For the period from September 16, 2020 to February 28, 2021, cash generated from financing activities was \$314,660. The Company received loans from related parties for \$314,659 and issued a share upon incorporation for \$1.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

For the period from September 16, 2020 to August 31, 2021

Cash and Working Capital

As at August 31, 2021, the Company had cash of \$1,910,019 and working capital of \$2,003,621.

Cash Used in Operating Activities

Cash used in operating activities for the period from September 16, 2020 to August 31, 2021 was \$1,910,885 resulting from a net loss of \$2,014,622 and net of non-cash and working capital adjustments. Overall, cash use has accelerated from funds received through equity financings being utilized for the increase in operations since incorporation and the acquisition of Rix.

Cash Generated by Investing Activity

Cash generated by investing activity for the period from September 16, 2020 to August 31, 2021 was \$1,839,275 from cash received from the reverse takeover.

Cash Generated by Financing Activities

For the period from September 16, 2020 to August 31, 2021, cash generated from financing activities was \$1,974,194. The Company received \$1,216,146 in proceeds from issuance of shares and paid \$25,936 in share issue costs. Additionally, the Company received \$317,939 from associated entities and provided \$13,055 to associated entities prior to the reverse takeover. Prior to the RTO, founding shareholders provided loans of \$150,000 which were ultimately settled in shares. Additionally, the Company received \$329,100 in subscriptions for a private placement which completed subsequent to period end.

Requirement of Additional Equity Financing

The Company has relied primarily on equity financings to date for its operations. The Company needs additional funds to finance its esports programs and ongoing operating costs. The Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions until such time that the Company becomes self-sustaining.

RELATED PARTY TRANSACTIONS

Management Compensation

Key management personnel comprises the officers and directors of the Company.

	For the six months ended February 28, 2022 (Unaudited)	For the period from September 16, 2020 to February 28, 2021 (Unaudited)	For the period from September 16, 2020 to August 31, 2021
Payments to key management personnel			
Consulting fees – Red Fern Consulting Ltd., a company in which the CFO, Samantha Shorter, has a significant investment	\$ 34,826	\$ -	\$ 37,983
Consulting fees – Mark Eifenbein, CEO	63,592	-	-
Consulting fees – Latika Prasad, Director	-	-	5,000
Salaries and wages – Jan Hoffmann, Director	35,595	-	6,211

As at February 28, 2022, \$6,118 (August 31, 2021 – \$7,487) was included in accounts payable and accrued liabilities owing to the CFO and directors noted above. Amounts recorded in accounts payable are non-interest bearing and subject to normal trade terms.

In April 2021, Rix settled balances due to related parties totaling \$150,000 into common shares of Rix through the issuance of 10,000,000 common shares.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

Off Balance Sheet Arrangements and Proposed Transactions

The Company has no off-balance sheet arrangements.

The Company has entered into an agreement with Research Capital Corporation (the "Agent") to act as lead agent and sole bookrunner for the Company in connection with the initial public offering ("Offering") of the Company and concurrent listing of the common shares in the capital of the Company on the Canadian Securities Exchange.

The proposed offering will be for a minimum of 6,666,667 units (each a "Unit") at an offering price of \$0.45 per Unit ("Minimum Offering") to a maximum of 7,777,778 Units. Each Unit consists of one common share and one share purchase warrant. Each whole warrant will be exercisable for a period of 24 months at a price of \$0.70 per share.

The Company will pay the Agent a cash commission of 6% of the gross proceeds of the Offering and a 2% advisory fee. The Company will also issue to the Agent compensation options and advisory options. The compensation options entitle the Agent to purchase such number of common shares as is equal to 6% of the total number of Units, provided that no compensation options will be issued to the Agent in respect of purchasers on the president's list, and the advisory options entitle the Agent to purchase that number of common shares as is equal to 2% of the total number of Units, sold under the Offering at an exercise price of \$0.70 per common share for a period of 24 months from the closing date.

Additionally, the Agent will be paid a corporate finance fee of \$30,000 in Units priced at the Offering.

As at February 28, 2022, the Company had incurred costs of \$59,116 (August 31, 2021 - \$nil) related to the Offering capitalized as deferred financing costs, of which \$49,012 is in accounts payable and accrued liabilities.

Accounting Policies and Estimates

The Company's significant accounting policies are disclosed in note 3 of the Company's consolidated financial statements for the period ended August 31, 2021.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates. The Company's significant use of judgments and estimates are disclosed in note 2 of the Company's unaudited condensed consolidated interim statements for the six months ended February 28, 2022 and consolidated financial statements for the period ended August 31, 2021.

In preparing this MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

Financial Risk Management

The Company's financial instruments are exposed to the following risks:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank and an international financial institution, the credit risk is considered by management to be negligible. Accounts receivable include amounts due from the Government of Canada for input tax credits and prize money on tournament winnings. The Company considers these collectible in the short term and credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at February 28, 2022, the Company had working capital of \$743,474 (Unaudited) (August 31, 2021 - \$2,003,621). The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at February 28, 2022 and August 31, 2021.

Management's Discussion and Analysis

For the six months ended February 28, 2022 and period from September 16, 2020 to August 31, 2021

Foreign currency risk

The Company's has engaged a number of vendors in Europe as that's where the main business activities of the Company are held. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar with the Euro and UK Pound Sterling may have an adverse effect on the Company's business and costs to proceed with preferred vendors.

As at February 28, 2022 (Unaudited), the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	30,350	\$	43,212
UK Pound Sterling	£	16,698	\$	28,427

Based on the above net exposures, a 5% change in the Canadian dollar to Euro and the Canadian dollar to UK Pound Sterling would increase the Company's comprehensive loss by approximately \$2,160 and \$1,420, respectively. As at February 28, 2022, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at February 28, 2022.

As at August 31, 2021, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	50,911	\$	75,888
UK Pound Sterling	£	33,575	\$	57,956

Based on the above net exposures, a 5% change in the Canadian dollar to Euro and the Canadian dollar to UK Pound Sterling would increase the Company's comprehensive loss by approximately \$3,800 and \$2,900, respectively. As at August 31, 2021, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at August 31, 2021.

OUTSTANDING SHARE DATA

The Company's authorized capital is unlimited common shares without par value. As at the date of this MD&A, there was 39,707,116 common shares outstanding.

APPROVAL

This MD&A was approved and authorized by the Board on April 21, 2022.

SCHEDULE D

**MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE
YEAR ENDED MARCH 31, 2021**

[See attached]



X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED MARCH 31, 2021
AND
PERIOD FROM INCORPORATION ON JANUARY 9, 2020 TO MARCH 31, 2020

615 – 800 PENDER ST W
VANCOUVER, B.C.
V6C 2V6

Management's Discussion and Analysis

For the year ended March 31, 2021 and period from incorporation on January 9, 2020 to March 31, 2020

The following discussion and analysis, prepared as of December 16, 2021, should be in conjunction with the X1 Esports and Entertainment Ltd.'s (with its subsidiaries, collectively, the "Company" or "X1") consolidated financial statements for the year ended March 31, 2021 and period from incorporation on January 9, 2020 to March 31, 2020. All financial information in this document is prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts are stated in Canadian dollars unless otherwise indicated.

Additional information related to the Company is available for view on the Company's website at www.x1esports.gg and SEDAR at www.sedar.com.

FORWARD LOOKING STATEMENTS

Certain information included in this discussion may constitute forward-looking statements. Readers are cautioned not to put undue reliance on forward-looking statements. These statements relate to future events or the Company's future performance, business prospects or opportunities. All statements other than statements of historical fact may be forward-looking 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", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements contained into this report should not be unduly relied upon. These statements speak only as of the date of this report. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, assumptions about:

- general business and economic conditions;
- the availability of financing for the Company's objectives on reasonable terms;
- the ability to attract and retain skilled staff and consultants;
- foreign currency and exchange rates;
- market competition; and
- tax benefits and tax rates.

These forward-looking statements involve risks and uncertainties relating to, among other things, risks related to international operations, conclusions of economic evaluations, and changes in project parameters as plans continue to be refined. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, the risk factors hereinabove. Additional risk factors are described in more detail hereinafter. Investors should not place undue reliance on forward-looking statements as the plans, intentions or expectations upon which they are based might not occur. The Company cautions that the foregoing list of important factors is not exhaustive. Investors and others who base themselves on the Company's forward-looking statements should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. The forward-looking statements contained in this report are expressly qualified by this cautionary statement.

DESCRIPTION OF BUSINESS

X1 is an esports-focused portfolio company. X1 was incorporated under the *Company Act* (British Columbia) on January 9, 2020. The Company name was changed from 1236705 B.C. LTD. on April 23, 2021. The Company completed a reverse takeover transaction on April 16, 2021, as further described below. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company's principal place of business is 615 – 800 Pender Street W, Vancouver, British Columbia, Canada V6C 2V6.

Reverse Takeover

On April 16, 2021, the Company issued 10,000,000 common shares to acquire all of the issued and outstanding common shares of Rix.GG Europe Ltd. ("Rix"). After completion of the transaction, the shareholders of Rix held approximately 99.99% of the Company. Accordingly, Rix is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by Rix shareholders (the "RTO").

Management's Discussion and Analysis

For the year ended March 31, 2021 and period from incorporation on January 9, 2020 to March 31, 2020

COVID-19

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

OVERALL PERFORMANCE AND HIGHLIGHTS

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company recognized a comprehensive loss of \$140,442 during the year ended March 31, 2021 and a comprehensive loss of \$Nil for the period from incorporation on January 9, 2020 to March 31, 2020.

Equity

On January 9, 2020, the Company issued 1 common share at a value of \$0.01 upon incorporation.

Subsequent to the year ended March 31, 2021, the Company:

On April 16, 2021, issued 10,000,000 common shares at \$0.015 to settle debt with related parties totalling \$150,000.

On April 20, 2021, completed a private placement totalling 13,000,000 shares at \$0.05 per share, for gross proceeds of \$650,000. This amount was received prior to year end and is recorded as an obligation to issue shares in the consolidated statement of financial position.

On April 23, 2021, completed a share consolidation on the basis of 1 new common share for 2 old common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

On May 21, 2021, completed a private placement totalling 12,166,000 shares at \$0.15 per share, for gross proceeds of \$1,824,900. Of this amount, \$1,685,894 was received prior to year end and is recorded as an obligation to issue shares in the consolidated statement of financial position.

On October 27, 2021, completed a private placement totalling 4,541,115 shares at \$0.35 per share, for gross proceeds of \$1,589,390.

OUTLOOK

The Company has completed several capital raises to fund the operations and expansion of its business in the industry.

Growth strategy and business direction is provided in the prospectus document which this MD&A accompanies.

SELECTED ANNUAL INFORMATION

	For the year ended March 31, 2021	For the period from incorporation on January 9, 2020 to March 31, 2020
Net loss for the year	\$ (139,265)	\$ -
Comprehensive loss for the year	\$ (140,442)	\$ -
Total assets	\$ 2,219,928	\$ 1
Total liabilities	\$ 49,475	\$ -

The loss for the year ended March 31, 2021 is mainly due to professional fees of \$80,047 from legal costs associated with incorporation and general matters, technology marketing and web development of \$45,921 from a video production and build of a corporate presentation, and consulting fees of \$11,000 for financial reporting and general consulting services.

Management's Discussion and Analysis

For the year ended March 31, 2021 and period from incorporation on January 9, 2020 to March 31, 2020

SUMMARY OF QUARTERLY RESULTS

The Company has not prepared quarterly interim financial statements. As a result, the Company is unable to provide a summary or the quarterly results.

RESULTS OF OPERATIONS

For the year ended March 31, 2021

Comprehensive loss for the year ended March 31, 2021 was \$140,442 compared to \$Nil for the period from incorporation on January 9, 2020 to March 31, 2020.

- Consulting fees of \$11,000 is related to payments for financial reporting support and general consulting services.
- Professional fees of \$80,047 from legal costs associated with incorporation and general matters.
- Technology marketing and web development of \$45,921 consists of a video production and build of a corporate presentation

LIQUIDITY AND CAPITAL RESOURCES

To date, the Company has not yet realized profitable operations and has relied on equity financings to fund the losses. The Company currently requires additional financing to continue and, if additional financing is required, there can be no assurances that such financing will be available or if available, will be on reasonable terms. The Company's growth and success is dependent on additional external sources of financing.

Cash and Working Capital

As at March 31, 2021, the Company had cash of \$1,909,010 and working capital of \$2,170,453, compared with cash of \$Nil and a working capital of \$1 for the period from incorporation on January 9, 2020 to March 31, 2020. Cash flows are detailed below.

Cash Used in Operating Activities

Cash used in operating activities for the year ended March 31, 2021 was \$118,138 resulting from a net loss of \$139,265 and net of non-cash and working capital adjustments. Overall, cash use has accelerated from funds through equity financings.

Cash Generated by Financing Activities

For the year ended March 31, 2021, cash generated from financing activities was \$2,028,369. The Company provided a \$282,525 loan to Rix and received \$2,310,894 that is recorded as an obligation to issue shares for funds received prior to the year ended for a private placement completed subsequent to the year ended March 31, 2021.

Requirement of Additional Equity Financing

The Company has relied primarily on equity financings to date for its operations. The Company needs more funds to finance its esports programs and ongoing operating costs. The Company intends to continue relying upon the issuance of securities to finance its operations and acquisitions until such time that the Company becomes self-sustaining.

RELATED PARTY TRANSACTIONS

Management Compensation

Key management personnel comprises the officers and directors of the Company.

	For the year ended March 31, 2021	For the period from incorporation on January 9, 2020 to March 31, 2020
Payments to key management personnel		
Consulting fees – Red Fern Consulting Ltd., a company in which the CFO, Samantha Shorter, has a significant investment	\$ 6,000	\$ -
Consulting fees – Latika Prasad, Director	5,000	-

Management's Discussion and Analysis

For the year ended March 31, 2021 and period from incorporation on January 9, 2020 to March 31, 2020

As at March 31, 2021, \$11,000 was included in accounts payable and accrued liabilities owing to key management personnel. Amounts recorded in accounts payable and accrued liabilities are non-interest bearing and subject to normal trade terms.

Off Balance Sheet Arrangements and Proposed Transactions

The Company has no off-balance sheet arrangements. The Company does not have any proposed transactions other than as disclosed elsewhere in this document.

Accounting Policies and Estimates

The Company's significant accounting policies are disclosed in note 3 of the Company's consolidated financial statements for the year ended March 31, 2021 and period from incorporation on January 9, 2020 to March 31, 2020.

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may vary from these estimates. The Company's significant use of judgments and estimates are disclosed in note 2 of the Company's consolidated financial statements for the year ended March 31, 2021 and period from incorporation on January 9, 2020 to March 31, 2020.

In preparing this MD&A, management has made significant assumptions regarding the circumstances and timing of the transactions contemplated therein, which could result in a material adjustment to the carrying amount of certain assets and liabilities if changes to the assumptions are made.

Financial Risk Management

The Company's financial instruments are exposed to the following risks:

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank and an international financial institution, the credit risk is considered by management to be negligible. The Company considers credit risk with respect to these amounts to be low.

As at March 31, 2021, the Company had a loan receivable from Rix. Subsequent to March 31, the Company acquired all of the issued and outstanding shares of Rix. The loan receivable will be settled between the two entities from proceeds generated in Rix.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at March 31, 2021, the Company had working capital of \$2,170,453. The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at March 31, 2021.

Foreign currency risk

The Company's has engaged a number of vendors in Europe as that's where the main business activities of the Company are held. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar with the Euro and UK Pound Sterling may have an adverse effect on the Company's business and costs to proceed with preferred vendors.

Management's Discussion and Analysis**For the year ended March 31, 2021 and period from incorporation on January 9, 2020 to March 31, 2020**

As at March 31, 2021, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	14,170	\$	20,914
UK Pound Sterling	£	19,128	\$	33,162

Based on the above net exposures, a 5% change in the Canadian dollar to Euro and Canadian dollar to UK Pound Sterling would impact the Company's net loss by approximately \$1,050 and \$1,650, respectively. As at March 31, 2021, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as low as at March 31, 2021.

OUTSTANDING SHARE DATA

The Company's authorized capital is unlimited common shares without par value. As at the date of this MD&A, there was 39,707,116 common shares outstanding.

APPROVAL

This MD&A was approved and authorized by the Board on December 16, 2021.

SCHEDULE E

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022 AND
FOR THE PERIOD FROM SEPTEMBER 16, 2020 TO FEBRUARY 28, 2021**

[See attached]

X1 ESPORTS AND ENTERTAINMENT LTD.
(formerly 1236705 B.C. LTD.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(Unaudited)
(Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022
AND
PERIOD FROM SEPTEMBER 16, 2020 TO FEBRUARY 28, 2021

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

(Unaudited)

(Expressed in Canadian Dollars)

AS AT

	February 28, 2022	August 31, 2021
ASSETS		
Current		
Cash	\$ 670,498	\$ 1,910,019
Accounts receivable	31,369	18,886
Prepaid expenses	214,702	217,947
	<u>916,569</u>	<u>2,146,852</u>
Deferred financing costs (Note 10)	<u>59,116</u>	<u>-</u>
	<u>\$ 975,685</u>	<u>\$ 2,146,852</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Notes 6 and 10)	\$ <u>173,095</u>	\$ <u>143,231</u>
	173,095	143,231
Shareholders' equity		
Share capital (Note 5)	4,186,800	3,681,055
Obligation to issue shares (Note 5)	-	329,100
Accumulated other comprehensive income	10,378	8,088
Deficit	<u>(3,394,588)</u>	<u>(2,014,622)</u>
	<u>802,590</u>	<u>2,003,621</u>
	<u>\$ 975,685</u>	<u>\$ 2,146,852</u>

Approved and authorized by the Board on April 21, 2022.

"Latika Prasad" Director "William O'Hara" Director

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS

(Unaudited)

(Expressed in Canadian Dollars)

	For the three months ended February 28, 2022	For the three months ended February 28, 2021	For the six months ended February 28, 2022	For the period from September 16, 2020 to February 28, 2021
REVENUE (Note 4)	\$ 122,238	\$ -	\$ 204,361	\$ 21,128
EXPENSES				
Advertising and promotion	157	568	2,776	3,824
Consulting (Note 6)	130,778	-	188,401	5,783
Esports player, team and game expenses	396,955	103,421	823,162	189,555
Foreign exchange	4,168	(169)	11,786	(169)
Office and miscellaneous	72,136	26,040	139,236	45,072
Professional fees	53,686	-	148,034	-
Rent	-	-	2,569	-
Salaries and wages (Note 6)	99,977	34,630	189,907	54,557
Shareholder communications and filing fees	20,919	7,452	26,090	7,452
Technology marketing and web development	16,954	15,634	52,366	38,780
Total expenses	<u>(795,730)</u>	<u>(187,576)</u>	<u>(1,584,327)</u>	<u>(344,854)</u>
Net loss for the period	(673,492)	(187,576)	(1,379,966)	(323,726)
OTHER COMPREHENSIVE INCOME				
Foreign exchange income on translating foreign operations	<u>39</u>	<u>-</u>	<u>2,290</u>	<u>-</u>
Comprehensive loss for the period	<u>\$ (673,453)</u>	<u>\$ (187,576)</u>	<u>\$ (1,377,676)</u>	<u>\$ (323,726)</u>
Basic and diluted loss per common share	<u>\$ (0.02)</u>	<u>\$ (187,576)</u>	<u>\$ (0.04)</u>	<u>\$ (323,726)</u>
Weighted average number of common shares outstanding	39,707,116	1	39,250,665	1

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

(Unaudited)

(Expressed in Canadian Dollars)

	For the six months ended February 28, 2022	For the period from September 16, 2020 to February 28, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	\$ (1,379,966)	\$ (323,726)
Changes in non-cash working capital items:		
Accounts receivable	(12,590)	(840)
Prepaid expenses	2,854	-
Accounts payable and accrued liabilities	<u>(15,962)</u>	<u>9,906</u>
	<u>(1,405,664)</u>	<u>(314,660)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Private placement	178,200	-
Share issuance costs	(1,555)	-
Share issued upon incorporation	-	1
Loans issued from related parties	-	314,659
Deferred financing costs	<u>(10,104)</u>	<u>-</u>
	<u>166,541</u>	<u>314,660</u>
Effect of foreign exchange on cash	<u>(398)</u>	<u>-</u>
Change in cash for the period	(1,239,521)	-
Cash, beginning of period	<u>1,910,019</u>	<u>-</u>
Cash, end of period	<u>\$ 670,498</u>	<u>\$ -</u>

In the six months ended February 28, 2022, the Company incurred deferred financing costs of \$49,012 (September 16, 2020 to February 28, 2021 - \$nil) through accounts payable and accrued liabilities (Note 10).

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(Expressed in Canadian Dollars)

	Share Capital		Obligation to issue shares	Accumulated Other Comprehensive Income	Deficit	Total
	Number	Amount				
Balance, September 16, 2020 (incorporation)	1	\$ 1	\$ -	\$ -	\$ -	\$ 1
Comprehensive loss for the period	-	-	-	-	(323,726)	(323,726)
Balance, February 28, 2021	1	1	-	-	(323,726)	(323,725)
Cancellation of incorporation share	(1)	(1)	-	-	-	(1)
Shares issued for debt settlement	10,000,000	150,000	-	-	-	150,000
Shares issued for reverse take-over	1	1	-	-	-	1
Obligation to issue shares acquired in reverse take-over	-	-	2,340,844	-	-	2,340,844
Private placement	28,257,687	3,556,990	(2,340,844)	-	-	1,216,146
Share issuance costs	-	(25,936)	-	-	-	(25,936)
Obligation to issue shares	-	-	329,100	-	-	329,100
Comprehensive loss for the period	-	-	-	8,088	(1,690,896)	(1,682,808)
Balance, August 31, 2021	38,257,688	3,681,055	329,100	8,088	(2,014,622)	2,003,621
Private placement	1,449,428	507,300	(329,100)	-	-	178,200
Share issuance costs	-	(1,555)	-	-	-	(1,555)
Comprehensive loss for the period	-	-	-	2,290	(1,379,966)	(1,377,676)
Balance, February 28, 2022	39,707,116	\$ 4,186,800	\$ -	\$ 10,378	\$ (3,394,588)	\$ 802,590

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

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022

AND PERIOD FROM SEPTEMBER 16, 2020 TO FEBRUARY 28, 2021

1. NATURE OF OPERATIONS AND GOING CONCERN

X1 ESPORTS AND ENTERTAINMENT LTD. (with its subsidiaries, collectively, the “Company” or “X1”) is an esports-focused portfolio company. X1 was incorporated under the *Company Act* (British Columbia) on January 9, 2020. The Company name was changed from 1236705 B.C. LTD. on April 23, 2021. The Company completed a reverse takeover transaction on April 16, 2021, as further described below, and the continuing entity for accounting purposes was incorporated under the *Companies Act* (Malta) on September 16, 2020. The Company maintains its registered office at Royal Centre, 1500 – 1055 West Georgia Street, PO Box 11117, Vancouver, British Columbia, Canada V6E 4N7. The Company’s principal place of business is 615 – 800 West Pender Street, Vancouver, British Columbia, Canada V6C 2V6.

On April 23, 2021, the Company completed a share consolidation on the basis of 1 new common share for 2 old common shares. All share and per share information have been amended retrospectively to reflect the share consolidation.

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, on a going concern basis, which contemplates that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company reported a net loss for the six month period ended February 28, 2022 of \$1,379,966 (September 16, 2020 to February 28, 2021 – \$323,726) and had an accumulated deficit of \$3,394,588 (August 31, 2021 – \$2,014,622). The Company’s ability to continue as a going concern is dependent upon its ability to raise funds primarily through the issuance of shares or achieve profitable operations. The outcome of these matters cannot be predicted at this time. If the Company is unable to obtain additional financing, management may be required to curtail certain expenses. These material uncertainties may cast significant doubt about the Company’s ability to continue as a going concern. Accordingly, these condensed consolidated interim financial statements do not include any adjustments to the amounts and classifications of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Reverse Takeover

On April 16, 2021, the Company issued 10,000,000 common shares to acquire all of the issued and outstanding common shares of Rix.GG Europe Ltd. (“Rix”). After completion of the transaction, the shareholders of Rix held approximately 99.99% of the Company. Accordingly, Rix is considered to have acquired the Company with the transaction being accounted for as a reverse takeover of the Company by Rix shareholders (the “RTO”) (Note 3).

As Rix is deemed to be the acquirer for accounting purposes, these condensed consolidated interim financial statements represent a continuation of the financial position and financial performance of Rix prior to the acquisition of X1. The results of operations of X1 and its pre-existing subsidiaries are included from April 16, 2021, the deemed date of acquisition of X1, onwards. The Company’s condensed consolidated interim financial statements are presented from the date of September 16, 2020 being the incorporation date of Rix.

COVID-19

Since January 2020, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and physical distancing, have caused material disruption to business globally resulting in an economic slowdown. Global equity markets have experienced significant volatility. The duration and enduring impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

The Company has tailored operations within its gaming division to comply with government health measures. Although the Company’s business is largely conducted online, several in-person esports tournaments Rix could participate in have been cancelled due to public health restrictions.

X1 ESPORTS AND ENTERTAINMENT LTD.

(formerly 1236705 B.C. LTD.)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(Unaudited - Expressed in Canadian Dollars)

FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022

AND PERIOD FROM SEPTEMBER 16, 2020 TO FEBRUARY 28, 2021

2. BASIS OF PREPARATION

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34, and do not include all of the information required for full annual financial statements prepared using International Financial Reporting Standards ("IFRS"). Accordingly, these condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual audited consolidated financial statements for the year ended August 31, 2021.

The accounting policies and methods of computation applied by the Company in these condensed consolidated interim financial statements are the same as those applied in the Company's consolidated financial statements for the period from September 16, 2020 to August 31, 2021.

Basis of consolidation and presentation

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for certain financial instruments measured at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed consolidated interim financial statements incorporate the financial statements of the Company and its wholly controlled subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The condensed consolidated interim financial statements include the accounts of the Company and its direct wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

The condensed consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries as follows:

Subsidiary	Functional Currency	Jurisdiction
Forward Agency Ltd.	UK Pound Sterling	England and Wales
Mechanics Agency Ltd.	UK Pound Sterling	England and Wales
Rix.GG Europe Ltd.	Euro	Malta

Use of judgments and estimates

The preparation of these condensed consolidated interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated interim financial statements and the reported expenses during the period. Actual results could differ from these estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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2. BASIS OF PREPARATION (cont'd...)

Use of judgments and estimates (cont'd...)

The key areas of judgment applied in the preparation of the condensed consolidated interim financial statements that could result in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay its ongoing operating expenditures and to meet its liabilities for the ensuing year, involves significant judgment based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

- Functional currency

The functional currency of the Company and its subsidiaries is the currency of their respective primary economic environment, and the Company reconsiders the functional currency if there is a change in events and conditions, which determined the primary economic environment.

3. ACQUISITION OF RIX.GG EUROPE LTD.

As described in Note 1, the Company acquired Rix effective April 16, 2021. For accounting purposes, the transaction has been accounted for as an RTO with Rix deemed to be the accounting acquiror and X1, the legal acquiror deemed to be the accounting acquiree. At the date of acquisition X1 did not meet the definition of a business and the transaction has been accounted for as an acquisition of net assets, rather than a business combination. The transaction is accounted for in accordance with IFRS 2 *Share-based payments* and IFRS 3 *Business Combinations* ("IFRS 3"). As the Company did not qualify as a business according to the definition in IFRS 3 as there were no substantive processes in place, the acquisition does not constitute a business combination; rather, it is treated as an issuance of shares by Rix for the net liabilities of the Company with X1 as the continuing entity.

As a result of this transaction, a reverse takeover transaction cost of \$200,605 has been recorded. This reflects the difference between the estimated fair value of Rix's shares deemed to have been issued to X1's shareholders, plus transaction costs incurred, less the net fair value of the assets of X1 acquired.

In accordance with reverse acquisition accounting:

- The assets and liabilities of Rix are included in the statement of financial position at their carrying values.
- The net liabilities of the Company have been measured at their fair value of \$200,604.

Fair value of share-based consideration allocated:	
Deemed issuance of 1 common share	\$ 1
	1
Identifiable net liabilities acquired:	
Cash	1,839,275
Prepaid expenses	39,328
Balances outstanding with associated entities	304,884
Accounts payable and accrued liabilities	(43,248)
Obligation to issue shares	(2,340,844)
	1
Total RTO expense	\$ 200,605

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FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022

AND PERIOD FROM SEPTEMBER 16, 2020 TO FEBRUARY 28, 2021

4. REVENUE

	For the three months ended February 28, 2022	For the three months ended February 28, 2021	For the six months ended February 28, 2022	For the period from September 16, 2020 to February 28, 2021
Revenue				
Merchandise sales	\$ -	\$ -	\$ 4,482	\$ -
Player transfer	30,302	-	47,764	20,749
Prize money	83,841	-	144,020	379
Royalties from in-game purchases	<u>8,095</u>	<u>-</u>	<u>8,095</u>	<u>-</u>
	<u>\$ 122,238</u>	<u>\$ -</u>	<u>\$ 204,361</u>	<u>\$ 21,128</u>

5. SHARE CAPITAL AND RESERVE

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

Six months ended February 28, 2022

On October 27, 2021, the Company completed a private placement of 1,449,428 common shares at a price of \$0.35 per common share for gross proceeds of \$507,300 of which \$329,100 had been received as an obligation to issue shares in the period from September 16, 2020 to August 31, 2021. The Company incurred share issuance costs of \$1,555.

Period from September 16, 2020 to August 31, 2021

During the period from September 16, 2020 to August 31, 2021, the Company repurchased its incorporation share for \$1 and cancelled the common share.

On March 5, 2021, the Company issued 10,000,000 common shares at \$0.015 to settle debt with related parties totalling \$150,000 (Note 6).

On April 16, 2021, the Company completed the acquisition of as described in Note 3 above, pursuant to which the Company acquired all of the issued and outstanding shares of X1 for the deemed issuance of 1 common share of the Company in the reverse takeover transaction. As the financial statements are considered a continuance of the operations of Rix due to the reverse takeover, all share numbers, share prices, and exercise prices in these condensed consolidated interim financial statements have been adjusted, on a retroactive basis, to reflect this exchange.

On April 20, 2021, the Company completed a private placement totalling 13,000,000 shares at \$0.05 per share, for gross proceeds of \$650,000.

On May 21, 2021, the Company completed a private placement totalling 12,166,000 shares at \$0.15 per share, for gross proceeds of \$1,824,900.

On June 9, 2021, the Company completed a private placement totalling 434,250 common shares at \$0.35 per share for a value of \$151,988.

On June 25, 2021, the Company completed a private placement totalling 2,273,237 common shares at \$0.35 per share for a value of \$795,632.

On July 5, 2021, the Company completed a private placement totalling 384,200 common shares at \$0.35 per share for a value of \$134,470.

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6. RELATED PARTY TRANSACTIONS

Key management personnel comprises the officers and directors of the Company. Payments to key management personnel are as follows;

	For the six months ended February 28, 2022	For the period from September 16, 2020 to February 28, 2021
Consulting fees	\$ 98,418	\$ -
Salary	\$ 35,595	\$ -

As at February 28, 2022, \$6,118 (August 31, 2021 – \$7,487) was included in accounts payable and accrued liabilities owing to key management personnel. Amounts recorded in accounts payable are non-interest bearing and subject to normal trade terms.

In April 2021, Rix settled balances due to related parties totaling \$150,000 into common shares of Rix through the issuance of 10,000,000 common shares (Note 5).

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments

Cash, accounts receivable, and accounts payable and accrued liabilities are carried at amortized cost. The Company considers that the carrying amount of these financial assets and liabilities measured at amortized cost to approximate their fair value due to the short-term nature of the financial instruments.

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

Financial risk factors

Credit risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to its liquid financial assets, including cash and accounts receivable. The Company limits exposure to credit risk on liquid financial assets through maintaining its cash with high-credit quality financial institutions. As the Company's policy is to limit cash holdings to instruments issued by a major Canadian bank and an international financial institution, the credit risk is considered by management to be negligible. Accounts receivable include amounts due from the Government of Canada for input tax credits and prize money on tournament winnings. The Company considers these collectible in the short term and credit risk with respect to these amounts to be low.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to pay financial instrument liabilities as they come due. As at February 28, 2022, the Company had working capital of \$743,474 (August 31, 2021 – \$2,003,621). The Company's financial obligations are limited to accounts payable and accrued liabilities, all of which have contractual maturities of less than a year.

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FOR THE SIX MONTHS ENDED FEBRUARY 28, 2022

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7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd...)

Financial instruments (cont'd...)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity. The Company is not exposed to interest rate risk as at February 28, 2022.

Foreign currency risk

The Company's has engaged a number of vendors in Europe as that's where the main business activities of the Company are held. As such, the Company is exposed to foreign currency risk. Fluctuations in the exchange rate between the Canadian dollar with the Euro and UK Pound Sterling may have an adverse effect on the Company's business and costs to proceed with preferred vendors.

As at February 28, 2022, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent
Euro	€	30,350	\$ 43,212
UK Pound Sterling	£	16,698	\$ 28,427

Based on the above net exposures, a 5% change in the Canadian dollar to Euro and the Canadian dollar to UK Pound Sterling would increase the Company's comprehensive loss by approximately \$2,160 and \$1,420, respectively. As at February 28, 2022, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at February 28, 2022.

8. CAPITAL MANAGEMENT

The Company's capital management policy is to maintain a strong but flexible capital structure that optimizes the cost of capital, creditor and market confidence while sustaining the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. The Company's capital structure includes shareholders' equity of \$802,590 (August 31, 2021 – \$2,003,621). In order to maintain or adjust the capital structure, the Company may from time to time issue shares, seek debt financing and adjust its capital spending to manage current and working capital requirements. The Company did not change its capital management policy during the six month period ended February 28, 2022. The Company is not subject to externally imposed capital requirements.

9. SEGMENTED INFORMATION

The business of the Company is the acquisition and development of esports teams and digital content creation which is considered one business segment.

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10. PROPOSED OFFERING

The Company has entered into an agreement with Research Capital Corporation (the “Agent”) to act as lead agent and sole bookrunner for the Company in connection with the initial public offering (“Offering”) of the Company and concurrent listing of the common shares in the capital of the Company on the Canadian Securities Exchange.

The proposed offering will be for a minimum of 6,666,667 units (each a “Unit”) at an offering price of \$0.45 per Unit (“Minimum Offering”) to a maximum of 7,777,778 Units. Each Unit consists of one common share and one share purchase warrant. Each whole warrant will be exercisable for a period of 24 months at a price of \$0.70 per share.

The Company will pay the Agent a cash commission of 6% of the gross proceeds of the Offering and a 2% advisory fee. The Company will also issue to the Agent compensation options and advisory options. The compensation options entitle the Agent to purchase such number of common shares as is equal to 6% of the total number of Units, provided that no compensation options will be issued to the Agent in respect of purchasers on the president’s list, and the advisory options entitle the Agent to purchase that number of common shares as is equal to 2% of the total number of Units sold under the Offering at an exercise price of \$0.70 per common share for a period of 24 months from the closing date.

Additionally, the Agent will be paid a corporate finance fee of \$30,000 in Units priced at the Offering.

As at February 28, 2022, the Company had incurred costs of \$59,116 (August 31, 2021 - \$nil) related to the Offering capitalized as deferred financing costs, of which \$49,012 is in accounts payable and accrued liabilities.

SCHEDULE F

AUDIT COMMITTEE CHARTER

PURPOSE AND PRIMARY RESPONSIBILITY

This charter sets out the Audit Committee's purpose, composition, member qualification, member appointment and removal, responsibilities, operations, manner of reporting to the Board of Directors (the "**Board**") of X1 Esports and Entertainment Ltd. (the "**Company**"), annual evaluation and compliance with this charter.

The primary responsibility of the Audit Committee is that of oversight of the financial reporting process on behalf of the Board. This includes oversight responsibility for financial reporting and continuous disclosure, oversight of external audit activities, oversight of financial risk and financial management control, and oversight responsibility for compliance with tax and securities laws and regulations as well as whistle blowing procedures. The Audit Committee is also responsible for the other matters as set out in this charter and/or such other matters as may be directed by the Board from time to time. The Audit Committee should exercise continuous oversight of developments in these areas.

MEMBERSHIP

At least a majority of the Audit Committee must be comprised of independent directors of the Company as defined in sections 1.4 and 1.5 of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), provided that should the Company become listed on a senior exchange, each member of the Audit Committee will also satisfy the independence requirements of such exchange.

The Audit Committee will consist of at least two members, all of whom shall be financially literate, provided that an Audit Committee member who is not financially literate may be appointed to the Audit Committee if such member becomes financially literate within a reasonable period of time following his or her appointment. Upon graduating to a more senior stock exchange, if required under the rules or policies of such exchange, the Audit Committee will consist of at least three members, all of whom shall meet the experience and financial literacy requirements of such exchange and of NI 52-110.

The members of the Audit Committee will be appointed annually (and from time to time thereafter to fill vacancies on the Audit Committee) by the Board. An Audit Committee member may be removed or replaced at any time at the discretion of the Board and will cease to be a member of the Audit Committee on ceasing to be an independent director.

The Chair of the Audit Committee will be appointed by the Board.

AUTHORITY

In addition to all authority required to carry out the duties and responsibilities included in this charter, the Audit Committee has specific authority to:

- (i) engage, set and pay the compensation for independent counsel and other advisors as it determines necessary to carry out its duties and responsibilities, and any such consultants or professional advisors so retained by the Audit Committee will report directly to the Audit Committee;
- (ii) communicate directly with management and any internal auditor, and with the external auditor without management involvement; and
- (iii) incur ordinary administrative expenses that are necessary or appropriate in carrying out its duties, which expenses will be paid for by the Company.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee include:

- (i) recommending to the Board the external auditor to be nominated by the Board;
- (ii) recommending to the Board the compensation of the external auditor to be paid by the Company in connection with (i) preparing and issuing the audit report on the Company's financial statements, and (ii) performing other audit, review or attestation services;
- (iii) reviewing the external auditor's annual audit plan, fee schedule and any related services proposals (including meeting with the external auditor to discuss any deviations from or changes to the original audit plan, as well as to ensure that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditor or the reporting of their findings to the Audit Committee);
- (iv) overseeing the work of the external auditor;
- (v) ensuring that the external auditor is independent by receiving a report annually from the external auditors with respect to their independence, such report to include disclosure of all engagements (and fees related thereto) for non-audit services provided to the Company;
- (vi) ensuring that the external auditor is in good standing with the Canadian Public Accountability Board by receiving, at least annually, a report by the external auditor on the audit firm's internal quality control processes and procedures, such report to include any material issues raised by the most recent internal quality control review, or peer review, of the firm, or any governmental or professional authorities of the firm within the preceding five years, and any steps taken to deal with such issues;
- (vii) ensuring that the external auditor meets the rotation requirements for partners and staff assigned to the Company's annual audit by receiving a report annually from the external auditors setting out the status of each professional with respect to the appropriate regulatory rotation requirements and plans to transition new partners and staff onto the audit engagement as various audit team members' rotation periods expire;
- (viii) reviewing and discussing with management and the external auditor the annual audited and quarterly unaudited financial statements and related Management's Discussion and Analysis ("MD&A"), including the appropriateness of the Company's accounting policies, disclosures (including material transactions with related parties), reserves, key estimates and judgements (including changes or variations thereto) and obtaining reasonable assurance that the financial statements are presented fairly in accordance with IFRS and the MD&A is in compliance with appropriate regulatory requirements;
- (ix) reviewing and discussing with management and the external auditor major issues regarding accounting principles and financial statement presentation including any significant changes in the selection or application of accounting principles to be observed in the preparation of the financial statements of the Company and its subsidiaries;
- (x) reviewing and discussing with management and the external auditor the external auditor's written communications to the Audit Committee in accordance with generally accepted auditing standards and other applicable regulatory requirements arising from the annual audit and quarterly review engagements;
- (xi) reviewing and discussing with management and the external auditor all earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies prior to such information being disclosed;
- (xii) reviewing the external auditor's report to the shareholders on the Company's annual financial statements;
- (xiii) reporting on and recommending to the Board the approval of the annual financial statements and the external auditor's report on those financial statements, the quarterly unaudited financial statements, and the related MD&A and press releases for such financial statements, prior to the dissemination of these documents to shareholders, regulators, analysts and the public;

- (xiv) satisfying itself on a regular basis through reports from management and related reports, if any, from the external auditors, that adequate procedures are in place for the review of the Company's disclosure of financial information extracted or derived from the Company's financial statements that such information is fairly presented;
- (xv) overseeing the adequacy of the Company's system of internal accounting controls and obtaining from management and the external auditor summaries and recommendations for improvement of such internal controls and processes, together with reviewing management's remediation of identified weaknesses;
- (xvi) reviewing with management and the external auditors the integrity of disclosure controls and internal controls over financial reporting;
- (xvii) reviewing and monitoring the processes in place to identify and manage the principal risks that could impact the financial reporting of the Company and assessing, as part of its internal controls responsibility, the effectiveness of the over-all process for identifying principal business risks and report thereon to the Board;
- (xviii) satisfying itself that management has developed and implemented a system to ensure that the Company meets its continuous disclosure obligations through the receipt of regular reports from management and the Company's legal advisors on the functioning of the disclosure compliance system, (including any significant instances of non-compliance with such system) in order to satisfy itself that such system may be reasonably relied upon;
- (xix) resolving disputes between management and the external auditor regarding financial reporting;
- (xx) establishing procedures for:
 - the receipt, retention and treatment of complaints received by the Company from employees and others regarding accounting, internal accounting controls or auditing matters and questionable practises relating thereto; and
 - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;
- (xxi) reviewing and approving the Company's hiring policies with respect to partners or employees (or former partners or employees) of either a former or the present external auditor;
- (xxii) pre-approving all non-audit services to be provided to the Company or any subsidiaries by the Company's external auditor;
- (xxiii) overseeing compliance with regulatory authority requirements for disclosure of external auditor services and Audit Committee activities;
- (xxiv) establishing procedures for:
 - reviewing the adequacy of the Company's insurance coverage, including the Directors' and Officers' insurance coverage;
 - reviewing activities, organizational structure, and qualifications of the Chief Financial Officer ("CFO") and the staff in the financial reporting area and ensuring that matters related to succession planning within the Company are raised for consideration at the Board;
 - obtaining reasonable assurance as to the integrity of the Chief Executive Officer ("CEO") and other senior management and that the CEO and other senior management strive to create a culture of integrity throughout the Company;

reviewing fraud prevention policies and programs, and monitoring their implementation;

reviewing regular reports from management and others (e.g., external auditors, legal counsel) with respect to the Company's compliance with laws and regulations having a material impact on the financial statements including:

- (I) Tax and financial reporting laws and regulations;
- (II) Legal withholding requirements;
- (III) Environmental protection laws and regulations; and
- (IV) Other laws and regulations which expose directors to liability.

A regular part of Audit Committee meetings involves the appropriate orientation of new members as well as the continuous education of all members. Items to be discussed include specific business issues as well as new accounting and securities legislation that may impact the organization. The Chair of the Audit Committee will regularly canvass the Audit Committee members for continuous education needs and in conjunction with the Board education program, arrange for such education to be provided to the Audit Committee on a timely basis.

On an annual basis the Audit Committee shall review and assess the adequacy of this charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Company has a reporting relationship and, if appropriate, recommend changes to the Audit Committee charter to the Board for its approval.

MEETINGS

The quorum for a meeting of the Audit Committee is a majority of the members of the Audit Committee.

The Chair of the Audit Committee shall be responsible for leadership of the Audit Committee, including scheduling and presiding over meetings, preparing agendas, overseeing the preparation of briefing documents to circulate during the meetings as well as pre-meeting materials, and making regular reports to the Board. The Chair of the Audit Committee will also maintain regular liaison with the CEO, CFO, and the lead external audit partner.

The Audit Committee will meet in camera separately with each of the CEO and the CFO of the Company at least annually to review the financial affairs of the Company.

The Audit Committee will meet with the external auditor of the Company in camera at least once each year, at such time(s) as it deems appropriate, to review the external auditor's examination and report.

The external auditor must be given reasonable notice of, and has the right to appear before and to be heard at, each meeting of the Audit Committee.

Each of the Chair of the Audit Committee, members of the Audit Committee, Chair of the Board, external auditor, CEO, CFO or secretary shall be entitled to request that the Chair of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request to consider any matter that such individual believes should be brought to the attention of the Board or the shareholders.

REPORTS

The Audit Committee will report, at least annually, to the Board regarding the Audit Committee's examinations and recommendations.

The Audit Committee will report its activities to the Board to be incorporated as a part of the minutes of the Board meeting at which those activities are reported.

MINUTES

The Audit Committee will maintain written minutes of its meetings, which minutes will be filed with the minutes of the meetings of the Board.

ANNUAL PERFORMANCE EVALUATION

The Board will conduct an annual performance evaluation of the Audit Committee, taking into account the Charter, to determine the effectiveness of the Committee.

CERTIFICATE OF THE COMPANY

Dated: May 19, 2022

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces of Canada, other than Quebec.

“Mark Elfenbein”

Mark Elfenbein
Chief Executive Officer

“Samantha Shorter”

Samantha Shorter
Chief Financial Officer and Corporate Secretary

ON BEHALF OF THE BOARD OF DIRECTORS

“Latika Prasad”

Latika Prasad
Director

“Jan Hoffmann”

Jan Hoffmann
Director

CERTIFICATE OF THE AGENT

Dated: May 19, 2022

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces of Canada, other than Quebec.

RESEARCH CAPITAL CORPORATION

“Jovan Stupar”

Jovan Stupar

Managing Director, Investment Banking

CERTIFICATE OF THE PROMOTER

Dated: May 19, 2022

This Prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this Prospectus as required by the securities legislation of each of the provinces of Canada, other than Quebec.

"James Ashton Lewis"

James Ashton Lewis
Promoter

"Adam Ross"

Adam Ross
Promoter

"Sebastian Korbach"

Sebastian Korbach
Promoter

"Latika Prasad"

Latika Prasad
Promoter

APPENDIX B

Exchange Listing Statement Disclosure – Additional Information

CAPITALIZATION

Issued Capital⁽¹⁾

	Number of Securities (non-diluted) On Listing	Number of Securities (fully diluted) On Listing	% of Issued (non- diluted)	% of Issued (fully diluted)
<u>Public Float</u>				
Total outstanding (A)	46,621,936	57,483,097	100%	100%
Held by Related Persons or employees of the Issuer or Related Person of the Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer (or who would beneficially own or control, directly or indirectly, more than a 5% voting position in the Issuer upon exercise or conversion of other securities held) (B)	19,174,378 ⁽²⁾⁽³⁾	22,674,378 ⁽²⁾⁽³⁾	41%	39%
Total Public Float (A-B)	27,447,558	34,808,719	59%	61%
<u>Freely-Tradeable Float</u>				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	39,707,116 ⁽⁴⁾	39,707,116 ⁽⁴⁾	85%	69%
Total Tradeable Float (A-C)	6,914,820	17,775,981	15%	31%

Notes:

- (1) All figures provided in this section reflect outstanding securities upon completion of the Company's initial public offering.
- (2) Includes a total of 13,489,378 common shares held by the following directors, officers, promoters, companies controlled by such persons and spouses of such persons: 700,000 common shares held by Jan Hoffmann; 400,000 common shares held by LACG Capital Inc.; 1,731,044 common shares held by Latika Prasad, 2,266,667 common shares held by Adam Ross; 2,675,000 common shares held by James Ashton Lewis; 1,900,000 common shares held by Christie Saunders; and 3,816,667 common shares held by Erica Kisslinger-Korbach. These common shares will be held in escrow pursuant to an escrow agreement. 1,348,937 of these common shares will be released from escrow on Listing.
- (3) Includes an aggregate of 13,758,334 common shares held by 5% shareholders.
- (4) A total of 14,989,378 common shares are subject to a 36-month escrow pursuant to which 10% will be released on Listing, with 15% being released every 6 months thereafter (inclusive of the 13,489,378 common shares noted in Note 1 above), meaning that 1,498,937 common shares are expected to be issued as free trading common shares on Listing. 725,000 common shares are subject to a 24-month voluntary escrow commencing on Listing. 8,950,000 common shares are subject to a 12-month voluntary escrow from Listing, pursuant to which 25% will be released 4 months after Listing, 25% will be released 6 months after Listing, 25% will be released 9 months after Listing, and the remaining 25% will be released 12 months from Listing. 10,701,623 common shares are subject to a 6-month voluntary escrow pursuant to which 50% will be released from escrow 4 months after Listing, and 50% will be released from escrow 6 months after Listing. 4,341,115 common shares are subject to a 4-month voluntary escrow commencing from Listing.

Public Securityholders (Registered)

Instruction: For the purposes of this report, “public securityholders” are persons other than persons enumerated in section (B) of the previous chart. List registered holders only.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	104	20,532,738
	<u>104</u>	<u>20,532,738</u>

Public Securityholders (Beneficial)

Instruction: Include (i) beneficial holders holding securities in their own name as registered shareholders; and (ii) beneficial holders holding securities through an intermediary where the Issuer has been given written confirmation of shareholdings. For the purposes of this section, it is sufficient if the intermediary provides a breakdown by number of beneficial holders for each line item below; names and holdings of specific beneficial holders do not have to be disclosed. If an intermediary or intermediaries will not provide details of beneficial holders, give the aggregate position of all such intermediaries in the last line.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	112	56,500
1,000 – 1,999 securities	1	1,000
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	63	6,857,320
Total:	<u>176</u>	<u>6,914,820</u>

Non-Public Securityholders

Instruction: For the purposes of this report, “non-public securityholders” are persons enumerated in section (B) of the issued capital chart.

Class of Security

<u>Size of Holding</u>	<u>Number of holders</u>	<u>Total number of securities</u>
1 – 99 securities	Nil	Nil
100 – 499 securities	Nil	Nil
500 – 999 securities	Nil	Nil
1,000 – 1,999 securities	Nil	Nil
2,000 – 2,999 securities	Nil	Nil
3,000 – 3,999 securities	Nil	Nil
4,000 – 4,999 securities	Nil	Nil
5,000 or more securities	17	19,174,378
Total:	17	19,174,378

CONVERTIBLE SECURITIES

The Company currently has the following securities which are convertible or exchangeable into common shares:

Type of Convertible Security	Amount
Stock Options	Nil
Warrants	Nil
Total:	Nil

On Listing, the Company will have the following securities which are convertible or exchangeable into common shares:

Type of Convertible Security	Amount
Stock Options ⁽¹⁾	3,500,000
Agent's Options ⁽²⁾	313,007
Warrants ⁽³⁾	6,981,487
Total:	10,794,494

Notes:

- (1) Options exercisable to acquire 3,500,000 common shares at an exercise price of \$0.45 for five years from Listing.
- (2) Options granted to the Agent exercisable to acquire 313,007 common shares at an exercise price of \$0.70 until June 29, 2024.
- (3) Includes warrants exercisable to acquire 6,914,820 common shares at an exercise price of \$0.70 per share until June 29, 2024 and 66,667 warrants issuable on exercise of the Corporate Finance Fee.

**SCHEDULE A
CERTIFICATE OF THE ISSUER**

The first certificate below must be signed by the CEO, CFO, any person or company who is a promoter of the Issuer and two directors of the Issuer. In the case of an Issuer re-qualifying following a fundamental change, the second certificate must also be signed by the CEO, CFO, any person or company who is a promoter of the target and two directors of the target.

Pursuant to a resolution duly passed by its Board of Directors, X1 Esports and Entertainment Ltd. hereby applies for the listing of the above mentioned securities on the Exchange. The foregoing contains full, true and plain disclosure of all material information relating to X1 Esports and Entertainment Ltd. It contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in light of the circumstances in which it was made.

Dated at Vancouver, BC, this 27th day of June, 2022.

(Signed) "Mark Elfenbein"

Mark Elfenbein
Chief Executive Officer

(Signed) "Samantha Shorter"

Samantha Shorter
Chief Financial Officer and Corporate Secretary

(Signed) "Latika Prasad"

Latika Prasad
Director

(Signed) "William O'Hara"

William O'Hara
Director

(Signed) "James Ashton Lewis"

James Ashton Lewis
Promoter

(Signed) "Adam Ross"

Adam Ross
Promoter

(Signed) "Sebastian Korbach"

Sebastian Korbach
Promoter

(Signed) "Latika Prasad"

Latika Prasad
Promoter