



**X1 ESPORTS AND ENTERTAINMENT LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE NINE MONTHS ENDED MAY 31, 2022**

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

## Management's Discussion and Analysis For the nine months ended May 31, 2022

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The following discussion and analysis, prepared as of August 2, 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 nine months ended May 31, 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](http://www.x1esports.gg) and SEDAR at [www.sedar.com](http://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.

The Company trades on the Canadian Securities Exchange under the symbol "XONE".

### 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.

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The Company has tailored operations within its gaming division to comply with government health measures. Most recently, continuing worldwide impacts on travel and health testing have impacted player travel to tournaments and player availability. The Company continues to adapt to evolving requirements and work to implement health measures to help player performance.

### OVERALL PERFORMANCE AND HIGHLIGHTS

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.

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 \$1,851,006 during the nine months ended May 31, 2022 and \$1,237,905 during the period from September 16, 2020 to May 31, 2021.

#### *Initial Public Offering*

On June 28, 2022, the Company completed its initial public offering ("Offering") and concurrent listing of the common shares in the capital of the Company on the Canadian Securities Exchange. Research Capital Corporation (the "Agent") acted as lead agent and sole bookrunner for the Company in connection with Offering of the Company.

The Offering completed with the issuance of 6,914,820 units (each a "Unit") for gross proceeds of \$3,111,669. Each Unit was issued at a price of \$0.45 and consisted 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.

As compensation for services rendered by the agents in connection with the Offering, the Company paid a cash commission of \$140,854 and issued an aggregate of 313,007 non-transferable agent's options to acquire up to 313,007 common shares at a price of \$0.70 per common share until June 29, 2024. In addition, the Company paid a corporate finance fee of \$30,000, which was paid through the issuance of 66,667 Units, plus applicable taxes paid in cash.

As at May 31, 2022, the Company had incurred costs of \$157,494 (August 31, 2021 - \$nil) related to the Offering capitalized as deferred financing costs, of which \$117,581 is in accounts payable and accrued liabilities.

#### *Acquisition of Tyrus, LLC*

On July 15, 2022, the Company announced the signing for a definitive acquisition agreement with Tyrus, LLC ("Tyrus"). Tyrus is an influencer management firm empowering gamers, content creators and influencers. Since 2017, Tyrus has partnered with leading content creators providing comprehensive management of YouTube, TikTok, Twitch and other social media channels as well as consultation on personal brand growth strategies and partnership management.

Pursuant to the terms of a share purchase agreement (the "SPA"), the Company acquires 100% of the issued and outstanding capital of Tyrus. The purchase price is comprised of: i) US\$150,000 in cash payments due within 60 days of closing; ii) the issuance of 555,555 common shares of the Company (the "Closing Shares"); iii) a bonus payment of US\$100,000, payable if Tyrus reaches US\$1,750,000 in its first full year of revenue, which may be settled in cash or common shares at the option of the Company.

The Closing Shares are subject to a statutory hold period and a contractual lock-up with 25% released twelve (6) months following the closing date and 25% released each additional (6) months thereafter.

The SPA remains conditional to closing conditions.

#### *Acquisition of Shift Media*

On July 25, 2022, the Company announced the signing of an asset purchase agreement ("APA") to acquire the assets of ShiftRLE ("Shift") including websites, social media accounts, goodwill, and intellectual property. Shift is an online news outlet focused on the popular video game Rocket League.

Completion of the proposed acquisition remains subject to satisfaction of or waiver of closing conditions under the APA, including the Company entering into consulting agreements with key persons at Shift (the "Consulting Agreements"). The closing date ("Closing") is anticipated to occur on or prior to the tenth business day following the execution of the APA.

Pursuant to the APA, the Company will acquire 100% of the assets comprising ShiftRLE and have the benefit of ongoing services by the key personnel of ShiftRLE for an aggregate price of (i) US\$50,000 cash, of which US\$25,000 is payable at Closing and US\$25,000 payable within 45 days after Closing; (ii) 333,333 common shares in the capital of X1 (the "Consideration Shares")

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**For the nine months ended May 31, 2022**

distributed to each of the four key personnel, and (iii) a 7% share of gross revenues Shift earns in the first (36) months following Closing to a maximum of US\$250,000 (the "Earnout").

The Earnout may be paid in cash or common shares at the election of the Company, at a deemed price equal to the fourteen-day trading price prior to the payment date or such other price as may be required by the policies of the Exchange. The Consideration Shares will be subject to a CSE imposed hold period of four months from the date of issuance, and a contractual resale restriction that will result in 25% of the Consideration Shares being released six (6) months following the closing date, and 25% being released at six (6) month intervals thereafter. The Consideration Shares are payable to the key personnel of Shift on Closing, concurrently with their entry into the Consulting Agreements.

**OUTLOOK**

To date, the Company's revenue has been derived primarily from player transfers of its esports teams 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. The acquisition of Tyrus establishes the Company as an advertising sales organization bridging between international brands and the gaming ecosystem.

**SUMMARY OF QUARTERLY RESULTS**

	May 31, 2022	February 28, 2022	November 30, 2021	August 31, 2021
Revenue	\$ 88,348	\$ 122,238	\$ 82,123	\$ -
Net loss for the period	(460,776)	(673,492)	(706,474)	(543,049)
Comprehensive loss for the period	(473,330)	(673,453)	(704,223)	(545,426)
Basic and diluted loss per share	(0.01)	(0.02)	(0.02)	(0.00)

  

	May 31, 2021	February 28, 2021	September 16, 2020 to November 30, 2020
Revenue	\$ 1,346	\$ -	\$ 21,128
Net loss for the period	(923,689)	(187,576)	(136,150)
Comprehensive loss for the period	(914,179)	(187,576)	(136,150)
Basic and diluted loss per share	(0.08)	(187,576)	(136,150)

Over the periods presented, the Company's principal focus has been investment into and development of its esports gaming portfolio. Revenue fluctuates relative to player transfers which are periodic, and prize money which is relative to tournament success. Expenses are driven by the prevailing portfolio of esports teams and players and supporting staff for the esports gaming division.

**RESULTS OF OPERATIONS**

*For the nine months ended May 31, 2022 with comparison to the period from September 16, 2020 (incorporation) to May 31, 2021.*

For the nine months ended May 31, 2022, the Company recognized a comprehensive loss of \$1,851,006 (September 16, 2020 - May 31, 2021 ("2021") - \$1,237,905). 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 \$51,912 (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 \$223,162 (2021 - \$1,725) increased as RixGG had twenty-six 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 \$13,153 (2021 - \$nil) reflects proceeds from the Rocket League game.

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### Expenses

- Consulting fees of \$286,587 (2021 - \$57,140) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$978,395 (2021 - \$480,340) increased as the Company invested into three additional esports teams under RixGG compared to the previous period. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$786,870 (2021 - \$308,544); influencers and streamers of \$129,116 (2021 - \$56,502); support staff of \$50,085 (2021 - \$34,336); and tournament hosting of \$12,324 (2021 - \$80,958).
- Office and miscellaneous expenses of \$210,406 (2021 - \$145,358) increased due to administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$246,592 (2021 - \$88,877) is related to legal and audit fees in preparation for becoming a reporting issuer and toward due diligence work on potential acquisitions.
- Salaries and wages of \$290,184 (2021 - \$181,170) include amounts paid to the employees of the subsidiaries, RixGG and Forward Agency.

### For the three months ended May 31, 2022

For the three months ended May 31, 2022, the Company recognized a comprehensive loss of \$473,330 (2021 - \$914,179). Significant revenue and expenses included in comprehensive loss are as follows:

### Revenue

- Player transfer of \$4,148 (2021 - \$nil) is related to esports player sales to other gaming teams with respect to the Rocket League Valorant game.
- Prize money of \$79,142 (2021 - \$1,346) increased as RixGG had four tournament prize placements in the Valorant and Wild games. Esports player costs increase with prize winnings pursuant to player contract terms for profit sharing.
- Royalty from in-game purchases of \$5,058 (2021 - \$nil) reflects proceeds from the Rocket League game.

### Expenses

- Consulting fees of \$98,186 (2021 - \$51,357) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$155,233 (2021 - \$290,785) decreased as the Company withdrew from three esports teams under RixGG in the current period. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$137,868 (2021 - \$145,760); influencers and streamers of \$15,366 (2021 - \$56,502); support staff of \$1,707 (2021 - \$27,599); and tournament hosting of \$292 (2021 - \$60,924).
- Office and miscellaneous expenses of \$71,129 (2021 - \$100,286) decreased due to fewer administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.
- Professional fees of \$98,558 (2021 - \$88,877) is related to legal and audit fees in preparation for becoming a reporting issuer and due diligence work on potential acquisitions.
- Salaries and wages of \$100,277 (2021 - \$126,613) include amounts paid to the employees of the subsidiaries, RixGG and Forward Agency.

## 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 nine months ended May 31, 2022 with comparison to the period from September 16, 2020 to May 31, 2021

As at May 31, 2022, the Company had cash of \$151,106 and working capital of \$171,766, 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 nine months ended May 31, 2022 was \$1,885,940 (2021 - \$934,061) resulting from a net loss of \$1,840,742 (2021 - \$1,247,424) and net of non-cash and working capital adjustments.

## Management's Discussion and Analysis For the nine months ended May 31, 2022

### *Cash Generated by Investing Activity*

Cash generated by investing activity for the period from September 16, 2020 to May 31, 2021 was \$1,839,275 from cash received from the reverse takeover. There were no investing transactions for the nine months ended May 31, 2022.

### *Cash Generated by Financing Activities*

For the nine months ended May 31, 2022, cash generated from financing activities was \$136,732. The Company received \$178,200 in proceeds from issuance of shares and paid \$1,555 in share issue costs, offset by \$39,913 in deferred financing costs in respect to the public offering.

For the period from September 16, 2020 to May 31, 2021, cash generated from financing activities was \$920,045. The Company paid \$15,478 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 \$480,639 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 nine months ended May 31, 2022	For the period from September 16, 2020 to May 31, 2021
<b>Payments to key management personnel</b>		
Consulting fees – Red Fern Consulting Ltd., a company in which the CFO, Samantha Shorter, has a significant investment	\$ 55,146	\$ 18,000
Consulting fees – Mark Elfenbein, CEO	127,302	-
Consulting fees – Latika Prasad, Director	-	5,000
Salaries and wages – Jan Hoffmann, Director	54,227	-

As at May 31, 2022, \$12,931 (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, RixGG settled balances due to related parties totaling \$150,000 into common shares of RixGG through the issuance of 10,000,000 common shares.

### Off Balance Sheet Arrangements and Proposed Transactions

The Company has no off-balance sheet arrangements. There are no proposed transactions other than as disclosed elsewhere in this document, principally the pending acquisitions of Tyrus and Shift.

### 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 nine months ended May 31, 2022 and consolidated financial statements for the period ended August 31, 2021.

## Management's Discussion and Analysis For the nine months ended May 31, 2022

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 May 31, 2022, the Company had working capital of \$171,766 (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 May 31, 2022 and 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 May 31, 2022, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	23,219	\$	31,488
UK Pound Sterling	£	23,010	\$	36,671

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 \$1,575 and \$1,834, respectively. As at May 31, 2022, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at May 31, 2022.

### 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. A more complete, but not exhaustive, listing of risks is included in the Company's final long-form prospectus filed on Sedar ([www.sedar.com](http://www.sedar.com)) on May 20, 2022. 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, financial condition and result of operations. Select risks significant to the Company are included here:

***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 recognisable 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.

***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



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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.

#### ***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 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

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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

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### **For the nine months ended May 31, 2022**

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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.

#### ***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 webbased 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.

## **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 46,688,603 common shares outstanding.

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**APPROVAL**

This MD&A was approved and authorized by the Board on August 2, 2022.