



X1 ENTERTAINMENT GROUP INC.
(formerly X1 Esports and Entertainment Ltd.)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2022

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

Management's Discussion and Analysis For the three months ended November 30, 2022

The following discussion and analysis, prepared as of January 27, 2023, has been prepared by management. The following discussion of performance, financial condition and future prospects should be in conjunction with unaudited condensed consolidated interim financial statements for the three-month period ended November 30, 2022 and audited consolidated financial statements for the year ended August 31, 2022 of X1 ENTERTAINMENT GROUP INC. (with its subsidiaries, collectively, the "Company" or "X1"). Those condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. All dollar figures included in the following Management's Discussion and Analysis ("MD&A") are quoted in Canadian dollars unless otherwise indicated.

The Company is listed on the Canadian Securities Exchange ("CSE") under the symbol "XONE" and OTCQB under the symbol "XOEEF".

Additional information related to the Company is available for view on the Company's website at www.x1ent.com 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.

OVERALL PERFORMANCE AND HIGHLIGHTS

The Company is a video games and media portfolio company which owns an esports franchise, Rix.GG Europe Ltd. ("Rix"), a leading creator economy business, X1 Talent Corp. ("X1 Talent") (formerly, Tyrus, LLC), and an online Rocket League news outlet, ShiftRLE ("Shift") and Octane.GG ("Octane").

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The business of the Company is streamlining the brand and portfolio through gaming and esports, media and network, and creator economy through Rix and the recent acquisitions of X1 Talent, Shift and Octane.

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 \$1,743,868 during the three months ended November 30, 2022 (2021 - \$704,223).

Acquisition of Octane.GG

On October 4, 2022, the Company completed an asset purchase agreement ("Octane APA") to acquire the assets of Octane.GG ("Octane") an online fan statistics platform focused on the popular video game, Rocket League.

Octane is the leading Rocket League Esports statistics platform providing in-depth match statistics across the top events in the space. Since its inception in 2017, Octane has collected data for hundreds of thousands of games and thousands of players, teams, and events. As the primary source of statistics for Rocket League, Octane has amassed a valuable trove of data on the history and evolution of players and teams from their rookie days to playing on the world stage. Using the platform, fans are able to check-in live during game days to see how their favorite players and teams are performing, while coaches and commentators can use the data to draw better conclusions and create narratives around how players and teams are trending. Octane's robust set of filters and comprehensive data makes it an unmatched resource for the large community of Rocket League esports fans. The Company anticipates utilization of Octane's Rocket League statistics database in launching future offerings, such as a possible Rocket League fantasy product.

In connection with the acquisition of the assets comprising the business of Octane, the Company has entered into consulting agreements with two individuals, who as key personnel will be responsible for the continued operation of Octane. As consideration for the acquisition of the assets comprising the business of Octane, the Company is paying a cash purchase price of US\$35,000, US\$17,500 of which was paid in connection with the closing of the acquisition and US\$17,500 of which was paid in the three months ended November 30, 2022..

The Company combined the assets of Shift and Octane to create a single website dedicated to Rocket League news, reporting, and statistical analysis operating under the name of Shift.

Cessation of Rix's Operations

On December 9, 2022, the Company announced that it will cease operations of Rix effective March 9, 2023. Rix is a wholly owned subsidiary of the Company, incorporated pursuant to the laws of Malta, and holds and operates its esports franchise. Rix will no longer compete in Wild Rift effective March 9, 2023 as a result of Riot Games' recent announcement that it will discontinue support for Wild Rift esports operations outside of Asia. As this team represents the sole team competing in the esports industry within the Rix franchise, the operations supporting the team are being terminated as well.

OUTLOOK

To date, the Company's revenue has been derived primarily from tournament prize money from its esports teams under Rix and content revenue and talent fees from X1 Talent. Current economic and market conditions have contributed to a challenging environment for investing and development in the esports and entertainment space. The Company is working to enhance financial resources and identify new opportunities.

OUTSTANDING SHARE DATA

At the date of this report, the Company has

- 47,577,491 issued and outstanding common shares;
- 4,063,007 outstanding stock options with a weighted average exercise price of \$0.47; and
- 6,981,487 warrants with a weighted average exercise price of \$0.70.

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SUMMARY OF QUARTERLY RESULTS

	November 30, 2022	August 31, 2022	May 31, 2022	February 28, 2022
Revenue	\$ 218,884	\$ 98,250	\$ 88,348	\$ 122,238
Net loss for the period	(1,737,622)	(1,223,779)	(460,776)	(673,492)
Comprehensive loss for the period	(1,743,868)	(1,238,249)	(473,330)	(673,453)
Basic and diluted loss per share	(0.04)	(0.03)	(0.01)	(0.02)

	November 30, 2021	August 31, 2021	May 31, 2021	February 28, 2021
Revenue	\$ 82,123	\$ 4,666	\$ 1,346	\$ -
Net loss for the period	(706,474)	(767,198)	(923,698)	(187,576)
Comprehensive loss for the period	(704,223)	(768,629)	(914,179)	(187,576)
Basic and diluted loss per share	(0.02)	(0.07)	(0.08)	(187,576)

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. During the three months ended November 30, 2022, revenue increased since it was the first full quarter in recognizing X1 Talent's revenue. Net loss also increased as the Company incurred increased wages from the X1 Talent acquisition, and recognized non-cash impairment of goodwill and intangibles. In addition, the Company recognized the impact of prepaid several marketing and business development initiatives and incurred share-based compensation expense of \$451,326 due to the granting and vesting of stock options.

RESULTS OF OPERATIONS

For the three months ended November 30, 2022 (First Quarter)

For the three months ended November 30, 2022, the Company recognized a comprehensive loss of \$1,743,868 (2021 - \$704,223). Significant revenue and expenses included in comprehensive loss are as follows:

Revenue

- Content revenue of \$39,362 (2021 - \$nil) is based on X1 Talent content contracts where they facilitate influencer and content creator services for customers.
- Player transfer of \$nil (2021 - \$17,462) is related to esports player sales to other gaming teams with respect to the Rocket League and Valorant games.
- Prize money of \$19,310 (2021 - \$60,179) is associated with the esports teams under Rix.
- Royalty from in-game purchases of \$2,708 (2021 - \$nil) reflects proceeds from the Rocket League game.
- Talent fees of \$157,504 (2021 - \$nil) is X1 Talent service revenue for representing talent.

Expenses

- Business development expense of \$65,000 (2021 - \$nil) is related to advisory services to pursue business development.
- Consulting fees of \$200,720 (2021 - \$57,623) is associated with payments for financial reporting support and general consulting services.
- Esports player, team and game expenses of \$91,473 (2021 - \$426,207) decreased as the Company engaged in fewer investments in streamers and tournament hosting. Esports player, team and game expenses are broken up as follows: esports player and team fees of \$80,300 (2021 - \$320,369); influencers and streamers of \$10,238 (2021 - \$68,318); support staff recovery of \$nil (2021 - \$32,519); and tournament hosting of \$935 (2021 - \$5,001).
- Insurance expense of \$27,100 (2021 - \$nil) reflects directors' and officers' insurance.
- Investor relations expense of \$101,130 (2021 - \$nil) is based on investor relations services to the German community. The Company is listed on the Frankfurt Stock Exchange under the symbol "Z10".
- Listing fee of \$7,821 (2021 - \$nil) is associated with the Company listing on the Canadian Securities Exchange under the symbol "XONE" and OTC Markets under the symbol "XOEEF".
- Office and miscellaneous expenses of \$122,183 (2021 - \$67,100) increased due to administrative costs including subscriptions with respect to online service platforms, payroll management and general administrative costs.

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- Professional fees of \$53,403 (2021 - \$94,348) decreased due to fewer costs related to legal fees in the period.
- Salaries and wages of \$306,765 (2021 - \$89,930) includes amounts paid to the employees of the subsidiaries, Rix, Forward Agency and X1 Talent.
- Share-based compensation expense of \$451,326 (2021 - \$nil) is recorded relative to the vesting of stock options valued using the Black-Scholes methodology.
- Impairment of goodwill of \$281,014 (2021 - \$nil), impairment of intangibles of \$90,359 (2021 - \$nil) and tax recovery of \$32,791 (2021 - \$nil) is related to the X1 Talent revenue forecast.

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's growth and success is dependent on additional external sources of financing until such time that profitable operations are achieved. The Company reported a net loss for the three months ended November 30, 2022 of \$1,737,622 and as of that date had an accumulated deficit of \$6,816,765, and while the Company has positive working capital of \$710,194, the Company incurred negative cash flows from operations of \$903,153. The Company will need to raise additional funds in the short term to continue to be able to operate, meet its commitments and execute on its acquisitions as it moves towards profitable operations. Although the Company has been successful in the past in obtaining financing, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be on terms that are acceptable to the Company. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

For the three months ended November 30, 2022

As at November 30, 2022, the Company had cash of \$460,529 and working capital of \$710,194, compared with cash of \$1,624,231 and working capital of \$1,707,036 as of August 31, 2022.

Cash Used in Operating Activities

Cash used in operating activities during the period ended November 30, 2022 was \$903,153 (2021 - \$647,338) resulting from a net loss of \$1,737,622 (2021 - \$706,474) and net of non-cash and working capital adjustments.

Cash Generated (Used) by Investing Activities

Cash used in investing activities during the period ended November 30, 2022 was \$221,081 resulting from the X1 Talent, Shift and Octane acquisitions.

Cash Generated by Financing Activities

For the period ended November 30, 2022, the Company repaid a non-interest bearing loan to a third party of \$37,220 (2021 - \$nil), received \$nil (2021 - \$178,200) in proceeds from issuance of shares through private placements, offset by \$nil (2021 - \$1,555) paid in share issue costs.

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 and entertainment 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.

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USE OF PROCEEDS

During the year ended August 31, 2022, the Company completed an initial public offering on June 28, 2022 and raised gross proceeds of \$3,111,669.

The following tables sets out a comparison of how the Company used the proceeds following the closing date to November 30, 2022, an explanation of the variances and the impact of the variance on the ability of the Company to achieve its business objectives and milestones.

Intended Use of Proceeds	Actual Use of Proceeds
To engage in sales and marketing activities to attract global and regional partners and sponsors. Enhancing existing retail, merchandising, apparel business and to develop a product licensing business.	The Company has engaged with multiple firms to conduct marketing initiatives through business development.
Develop a content creation business.	The Company has not used any use of proceeds towards this objective.
Become a tier 1 esports team.	The Company has invested into the Wild Rift team. On December 9, 2022, the Company announced that it will cease operations of Rix which holds and operates its esports franchise. Rix currently has one team competing in League of Legends: Wild Rift. Rix will no longer compete in Wild Rift effective March 9, 2023 as a result of Riot Games' recent announcement that it will discontinue support for Wild Rift esports operations outside of Asia. As this team represents the sole team competing in the esports industry within the Rix franchise, the operations supporting the team are being terminated as well.
Business acquisitions.	The Company acquired X1 Talent, Shift and Octane to expand its gaming and media portfolio.
Explanation of variances and the impact of variances on the ability of the Company to achieve its business objectives and milestones.	The Company has reduced intended investment into direct esports activities. Current economic and market conditions have contributed to a challenging environment for investing and development in the esports and entertainment space. The Company is pursuing to enhance financial resources and identify new opportunities.

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RELATED PARTY TRANSACTIONS

Management Compensation

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

Payments to key management personnel	For the three months ended November 30, 2022	For the three months ended November 30, 2021
Consulting fees – Red Fern Consulting Ltd., a company in which the CFO, Bobby Dhaliwal, is an employee	\$ 33,083	\$ -
Consulting fees – Red Fern Consulting Ltd., a company in which the former CFO, Samantha Shorter, has a significant investment	15,250	16,321
Consulting fees – Mark Effenbein, CEO	67,620	-
Salaries and wages – Jan Hoffmann, former Director	-	18,111

As at November 30, 2022, \$11,760 (August 31, 2022 – \$19,063) 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.

The Company recognized share-based compensation of \$312,084 (2021 - \$nil) to officers and directors during the period ended November 30, 2022.

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.

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 August 31, 2022.

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 August 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 major international banks financial institutions, the credit risk is considered by management to be negligible. Accounts receivable include amounts due from the Government of Canada for input tax credits, which are not considered financial instruments, and talent management receivables. The Company considers these collectible in the short term and credit risk with respect to these amounts to be moderate.

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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 November 30, 2022, the Company had working capital of \$710,194 (August 31, 2022 – \$1,707,036). The Company's financial obligations are limited to accounts payable and accrued liabilities and consideration payable. Accounts payable and accrued liabilities are substantively due within 30 days. Earnout payments under the Shift Acquisition have annual payment dates from the closing of the transaction.

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. As at November 30, 2022, the Company's financial assets and financial liabilities are not exposed to interest rate risk due to their short-term nature and maturity.

Foreign currency risk

The Company's has engaged a number of vendors in Europe and United States 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, UK Pound Sterling, and United States dollar may have an adverse effect on the Company's business and costs to proceed with preferred vendors.

As at November 30, 2022, the Company's net foreign denominated financial assets are as follows:

	Foreign currency		Canadian dollar equivalent	
Euro	€	6,083	\$	8,511
United States Dollar	\$	(84,633)	\$	(114,322)
UK Pound Sterling	£	7,230	\$	11,707

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 \$425 and \$585, respectively. A 5% change in the Canadian dollar to United States dollar would decrease the Company's comprehensive loss by approximately \$5,716. As at November 30, 2022, the Company has not hedged its exposure to currency fluctuations. The Company assessed its financial currency risk as moderate as at November 30, 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) 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 our 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

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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.

X1 Talent will be responsible for a significant portion of the Company's revenue from representing influencers, gaming personalities, and other on-screen talent

Our wholly owned subsidiary, X1 Talent, represents various talent will be generating the majority of our revenue after the cessation of Rix's operations. Failure to attract new clients or to successfully represent our existing clients, may adversely affect revenue. The agency segment of the esports industry is highly competitive and there is no guarantee that we will succeed in attracting new clients to represent or that we will retain our existing clients. Factors that influence our success in attracting and retaining clients include our ability to successfully negotiate contracts on behalf of our clients, secure sponsorships for our clients, secure event and tournament participation for our clients, and comply with the regulatory requirements related to operations, including licensing requirements, which may differ from jurisdiction to jurisdiction. As a result of the global nature of the esports industry, our success in attracting talent is also dependent on our ability to represent the talent in a given jurisdiction, which exposes X1 Talent to risks related to regulatory requirements and legal standards related to the operation of talent agency and management services.

X1 Talent's agency services business model may not remain effective.

Our agencies business generates revenue from securing bookings for the talent that is represented, with a focus on talent in the esports industry. While we anticipate that the esports industry will continue to grow, creating more demand for our talent to provide appearances and performances, such growth is not guaranteed and demand for X1 Talent's services may change, decrease substantially or dissipate, or we may fail to anticipate and serve client demands effectively.

Difficulty integrating acquisitions.

As part of the Company's strategy to diversify its business offerings in the esports space, the Company has acquired a number of businesses since the date of listing, and anticipates that acquisitions will continue to be part of the Company's growth strategy in the long term. The benefits of an acquisition may take considerable time to develop and we cannot be certain that any particular acquisition will produce the intended benefits. These risks and difficulties associated with acquisitions, if they materialize, could disrupt our ongoing business, create demands on management's time, result in the loss of key personnel, increase expenses, and otherwise have a material adverse effect on our business, results of operations, and financial performance.

Reliance on advertisers to commercialize Shift

The commercialization of Shift is dependent on our ability to secure contracts for advertising revenue, and any failure to do so will have a material adverse effect on our business, financial condition, and results of operations. The ability to secure such contracts is dependent on the continued popularity of Rocket League in particular, and esports more broadly. As this is a relatively new and rapidly evolving industry, it is difficult to predict prospects of growth. There is no assurance that advertisers will purchase online advertising on Shift. If demand for advertising on Shifts does not grow or grows slower than we anticipate, or we fail to maintain and grow our market position, we may not be able to achieve adequate levels of revenue.

The Shift website may not retain its popularity or may not attract large audiences

The Shift website is currently one of the only online sources of Rocket League news, reports, and statistics available to the public, to the knowledge of the Company. If the number of users reduces due to new competition or a loss of popularity of Rocket League, the Company may need to use additional funds for marketing and communication, including through a reallocation from other uses, or raise additional capital, which could result in dilution to the holders of the Company's securities, additional interest expense, or both. Lack of audience acceptance for our content, or shrinking or fragmented audiences, could limit our ability to generate advertising revenue.

The Company may not obtain a benefit from the operation of Rix

The Company anticipates ceasing operating its esports franchise pursuant to which players and teams compete in esports tournaments for cash, on or about March 9, 2023. During the period prior to such date, the Company may be unable to obtain benefits from operating its existing team, which competes in League of Legends: Wild Rift, due to the stated objective of terminating operations of Rix, as well as Riot Games' decision to stop supporting Wild Rift outside of Asia effective 2023. The Company may not see a return from its investments in players and tournament fees.

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, United States 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

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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, a large portion of the Company's expenses are fixed, including expenses related to facilities, 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 Rix 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

Management's Discussion and Analysis

For the three months ended November 30, 2022

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. Rix'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.