

X1 ENTERTAINMENT GROUP INC.

615 – 800 West Pender Street
Vancouver, British Columbia
V6E 2V6

Form 51-102F6V

STATEMENT OF EXECUTIVE COMPENSATION – VENTURE ISSUERS (for financial years ended August 31, 2022 and August 31, 2021)

GENERAL

The following information, dated February 22, 2023 is provided as required under Form 51-102F6V – *Statement of Executive Compensation*, for Venture Issuers (the “**Form**”), as such term is defined in National Instrument 51-102.

For the purposes of this Form:

“**Company**” means X1 Entertainment Group Inc.;

“**compensation securities**” includes stock options, convertible securities, exchangeable securities and similar instruments including stock appreciation rights, deferred share units and restricted stock units granted or issued by the company or one of its subsidiaries for services provided or to be provided, directly or indirectly, to the company or any of its subsidiaries;

“**named executive officer**” or “**NEO**” means each of the following individuals:

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

DIRECTOR AND NAMED EXECUTIVE OFFICER COMPENSATION

During financial year ended August 31, 2022, based on the definition above, the NEOs of the Company were: (i) Mark Elfenbein, CEO and a director; Adam Giddens, former CEO and director; and Samantha Shorter, director and former CFO, Corporate Secretary. The directors of the Company who was not NEOs during the financial year ended August 31, 2022, were William O’Hara, Jan Hoffman and Latika Prasad.

During financial year ended August 31, 2021, based on the definition above, the NEOs of the Company were: (i) Adam Giddens, former CEO and director; Latika Prasad, director and former President and Corporate Secretary; and Samantha Shorter, director and former CFO and Corporate Secretary. The directors of the Company who was not NEOs during the financial year ended August 31, 2021, were William O’Hara and Jan Hoffman.

Director and NEO Compensation, Excluding Options and Compensation Securities

The following table sets forth all compensation, excluding options and compensation securities, paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Company, or a subsidiary of the Company, for the two most recently completed financial years, to each NEO and director of the Company, in

any capacity, including, for greater certainty, all plan and non-plan compensation, direct and indirect pay, remuneration, economic or financial award, reward, benefit, gift or perquisite paid, payable, awarded, granted, given or otherwise provided to the NEO or director of the Company for services provided and for services to be provided, directly or indirectly, to the Company or a subsidiary of the Company. Options and compensation securities are disclosed under the heading “Stock Options and Other Compensation Securities” below.

Table of compensation excluding compensation securities							
Name and Principal Position	Year	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of Perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
Mark Elfenbein ⁽¹⁾ CEO and Director	2022	192,022	Nil	Nil	Nil	Nil	192,022
	2021	Nil	Nil	Nil	Nil	Nil	Nil
Adam Giddens ⁽²⁾ Former CEO and Director	2022	21,000 ⁽³⁾	Nil	Nil	Nil	Nil	21,000
	2021	Nil	Nil	Nil	Nil	Nil	Nil
Latika Prasad ⁽⁴⁾ Director and Former President and Corporate Secretary	2022	50,000	Nil	Nil	Nil	Nil	50,000
	2021	5,000	Nil	Nil	Nil	Nil	5,000
Samantha Shorter ⁽⁵⁾ Director and Former CFO and Corporate Secretary	2022	77,859	Nil	Nil	Nil	Nil	77,859
	2021	37,983	Nil	Nil	Nil	Nil	37,983
William O’Hara ⁽⁶⁾ Director	2022	Nil	Nil	Nil	Nil	Nil	Nil
	2021	Nil	Nil	Nil	Nil	Nil	Nil
Jan Hoffman ⁽⁷⁾ Former Director	2022	52,829	Nil	Nil	Nil	Nil	52,829
	2021	46,581 ⁽⁸⁾	Nil	Nil	Nil	Nil	46,581

Notes:

1. Mark Elfenbein was appointed Chief Executive Officer and Director effective December 1, 2021.
2. Adam Giddens was Chief Executive Officer from August 1, 2021 to November 5, 2021 and a director from May 10, 2021 to November 5, 2021.
3. The compensation noted above was incurred after resignation.
4. Latika Prasad was President and Corporate Secretary from January 9, 2020 to August 1, 2021.
5. Samantha Shorter was Chief Financial Officer and Corporate Secretary from August 1, 2021 to October 3, 2022 and a director from May 10, 2021 to August 1, 2021. Ms. Shorter was re-appointed as a director on October 3, 2022.
6. William O’Hara was appointed as a director on May 10, 2021.
7. Jan Hoffman was a director from August 1, 2021 to October 3, 2022.
8. The breakdown of compensation noted above prior to and after appointment are as follows: (i) compensation prior to appointment: \$40,370; (ii) compensation after appointment: \$6,211.

Stock Options and other Compensation Securities

The following table sets out all compensation securities granted to each director and NEO by the Company for services provided or to be provided, directly or indirectly, to the Company during the financial year ended August 31, 2022.

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities, and percentage of class ⁽¹⁾	Date of issue or grant M/D/Y	Issue, conversion or exercise price (\$)	Closing price of security or underlying security on date of grant (\$)	Closing price of security or underlying security at year end (\$) ⁽²⁾	Expiry Date M/D/Y
Mark Elfenbein CEO & Director	Options	1,000,000 (2.10%)	06/28/2022	\$0.45	\$0.45	\$0.26	06/28/2027
Adam Giddens Former CEO & Director	Options	300,000 (0.63%)	06/28/2022	\$0.45	\$0.45	\$0.26	06/28/2027
Latika Prasad Director and former President & Corporate Secretary	Options	1,000,000 (2.10%)	06/28/2022	\$0.45	\$0.45	\$0.26	06/28/2027
Samantha Shorter Director and former CFO & Corporate Secretary	Options	225,000 (0.47%)	06/28/2022	\$0.45	\$0.45	\$0.26	06/28/2027
William O'Hara Director	Options	300,000 (0.63%)	06/28/2022	\$0.45	\$0.45	\$0.26	06/28/2027
Jan Hoffman Former Director	Options	100,000 (0.21%)	06/28/2022	\$0.45	\$0.45	\$0.26	06/28/2027

Exercise of Compensation Securities by Directors and NEOs

There were no stock options exercised by an NEO or a director of the Company during the financial year ended August 31, 2022.

Stock Option Plans and Other Incentive Plans 10% “rolling” Share Option Plan Option-Based Awards

The Company has in place a 10% “rolling” share option plan (the “**Option Plan**”). The Option Plan was approved by the Company’s Board effective as of May 10, 2021. The purpose of the Option Plan is to assist the Company in attracting, retaining and motivating directors, officer, employees, consultants and contractors of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders.

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

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

Eligibility

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

Shares Subject to Option Plan

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

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

Exercise of Options

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

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

Term and Expiry Date

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

Vesting

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

Termination of Options

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

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

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

Non-Assignability and Non-Transferability

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

Adjustments in Shares Subject to Option Plan

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

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

Employment, consulting and management agreements

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

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

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

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

In addition, Mr. Elfenbein is contractually entitled to 1,000,000 Common Shares of the Company to be transferred from Latika Prasad on completion of one year of service to the Company as CEO, being December 1, 2022. As of December 31, 2022 and the date of this Statement of Executive Compensation, such transfer has not completed.

If, during the term of the Consulting Agreement, there is a change of control, Mr. Elfenbein can elect to terminate the Consulting Agreement for good reason. Upon termination of the Consulting Agreement for good reason or if the Company terminates the Consulting Agreement without cause, the Company shall pay to Mr. Elfenbein, in addition to all other compensation and benefits owed to Mr. Elfenbein, the following:

- (i) Severance pay equivalent to 6 months of the Fee (in effect as of the Date of Termination), plus an additional month of the Fee (in effect at the Date of Termination) for every year completed under the Consulting Agreement, up to a maximum of 12 months (the “**Severance Period**”) of the Fee (in effect as of the Date of Termination); and
- (ii) Continuation of Mr. Elfenbein’s group health, dental and other benefits in effect at the time of the termination notice for the duration of the Severance Period; provided that, if such benefit plan cannot be continued during the Severance Period, due to carrier restrictions, the Company will provide Mr. Elfenbein and his family with a sum equal to its portion of the benefit premiums for such benefits for the duration of the Severance Period.

Oversight and description of director and NEO compensation

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

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

The Company’s Option Plan was adopted to assist the Company in attracting, retaining and motivating directors, officer, employees, consultants and contractors of the Company and of its affiliates and to closely align the personal interests of such service providers with the interests of the Company and its shareholders.

Termination and Change of Control Benefit

As at the year ended August 31, 2022, with the exception of Mr. Elfenbein’s Consulting Agreement, the Company did not have any contract, agreement, plan or arrangement that provides for payment to any NEOs, executive officers or directors at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an NEO, executive officer or director’s responsibilities.

Pension Disclosure

As at the year ended August 31, 2022, the Company did not maintain any pension, retirement, defined benefit, defined contribution or deferred compensation plans that provides for payments or benefits to its directors and NEOs at, following, or in connection with retirement and none are proposed at this time.